

Sustainability Summary 2006



# Contents

## Sustainability Summary 2006

### Sulzer

- 3 Editorial by the CEO:  
Solid Performance—The Foundation for the Future
- 4 Sulzer at a Glance

### Sustainability at Sulzer

- 5 Roadmap to Sustainability
- 6 Current Topics  
Organization and Corporate Governance  
Systems and Tools
- 7 Stakeholder Objectives of Sulzer

### Stakeholders

- 8 Economical Sustainability
- 9 Investors
- 10 Customers
- 11 Suppliers  
Investment Policy of the Sulzer Pension Fund in Switzerland  
and of Sulzer Ltd
- 12 Social Sustainability
- 13 Employees and Social Partners
- 14 Neighborhood and Society
- 15 Ecological Sustainability
- 16 Ecologists

### Sustainability Data Collection

- 17 Sustainability Database and Data Collection
- 18 Sites Assessed
- 19 Social Data
- 21 Ecological Data
- 23 Indicators and Reporting Standards
- 23 Glossary

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[www.sulzer.com/susu06/feedback](http://www.sulzer.com/susu06/feedback)

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The Sustainability Summary 2006 is available on the Web site at [www.sulzer.com/susu06](http://www.sulzer.com/susu06).

Published by: Sulzer Ltd, Winterthur, © October 24, 2006

Photographs: Peter Tillessen (pp. 1, 3, 5, 8, 12, 15)

Layout: Source Associates AG, Zurich

Printing: Mattenbach AG, Winterthur

This summary is printed on a FSC (Forest Stewardship Council) certified paper.

# Sulzer

## Solid Performance—The Foundation for the Future

Dear Reader,

Sustainable performance has always been a hallmark at Sulzer as a natural part of delivering good performance and highly engineered products and services.

We develop our company by applying Sulzer's three-step management principle. Operational excellence is the backbone of all our activities and naturally incorporates all relevant sustainability aspects by monitoring input vs. output and all critical process steps. The second step is organic growth, where we constantly seek new ways to enhance our products and services and to develop sustainable solutions in close cooperation with our customers. Sustainability is also an important part of external growth. Sulzer focuses strongly on those areas and markets that give us opportunities for sustainability and the possibility to improve the environment.

Our vision includes meeting high standards in all we do. We have set economical, social, and ecological sustainability targets. The present report covers these three aspects in detail. It shows, e.g., how we simplified processes while growing sales from CHF 1 826 million in 2003 to CHF 2 498 million in 2005. It also shows how we strive to be a rewarding employer by providing opportunities to our employees, how we contribute to high eco-efficiency, and how we help to prevent ecological disasters.

Sulzer's program for corporate culture, *Our Aspirations*, is an integral part of our management and sustainability process. It defines the basic values and goals for our committed and well-trained employees throughout the world.



These building blocks enable Sulzer to deliver value to employees, customers, shareholders, and communities around the world. We are convinced that good relationships with each of our stakeholders benefit all, including Sulzer.

The data published in this report confirms that Sulzer is heading in the right direction. We remain committed to transparency and to reporting on our sustainable activities worldwide in summaries like the present one. I am grateful to our employees and customers for contributing to our excellent results. We will always endeavor to live up to our responsibilities and to achieve our goals.

Sincerely yours,

Ulf Berg  
CEO Sulzer

## Three Steps to Success

Sulzer's strategy is based on a three-step management approach: operational excellence, organic growth, and external growth. The program for corporate culture *Our Aspirations* complements this strategy. They provide the foundation on which Sulzer delivers value to its customers, employees, and shareholders.



## Sulzer at a Glance

Sulzer was founded in 1834 in Winterthur, Switzerland, and is active in over 120 locations worldwide in the machinery and equipment, and the surfacing technology businesses. The core divisions are leading suppliers around the world in their respective customer segments.

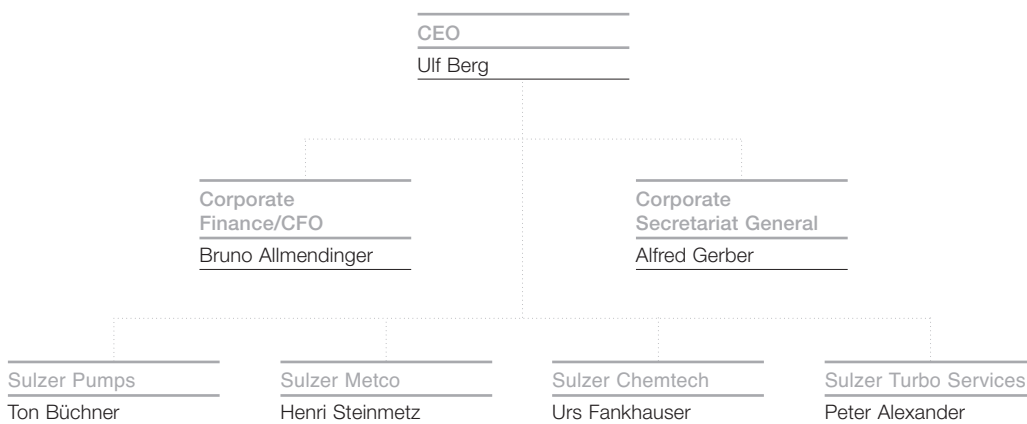
Sulzer Pumps develops and supplies centrifugal pumps worldwide. The division also provides technical services for all types of pumps and other rotating equipments. It occupies a preeminent position in its market segments —oil and gas, hydrocarbon processing, pulp and paper, power generation, water distribution and treatment, food, metals, and fertilizers. Because of its intensive research and development, the division is also a leader in high-pressure applications and special materials.

Sulzer Metco applies its expertise in thermal spray and thin film to surface technology applications. The division coats and enhances surfaces, produces materials and equipment for those purposes, and develops machining

processes for special components. The division works for clients in the aerospace and automotive industries as well as in the power generation segment and other specialized markets.

Sulzer Chemtech is the market leader in separation column and static mixing technologies. With its sales offices and locations for engineering, production, and customer support, the business maintains a worldwide presence. Its portfolio includes process components such as structured packings, trays, internals, and static mixers, as well as related services. The division delivers these solutions to customers in the oil and gas, petrochemicals, chemicals, plastics, and other industries.

Sulzer Turbo Services is the largest independent provider of maintenance and repair services for thermal turbomachinery and other rotating equipment worldwide. Its clients come from the oil and gas, power generation, and other industrial sectors.



### Key Figures 2005

	Sales in CHF millions	Operating income <sup>1)</sup> in CHF millions	Headcount as per 12/31
Sulzer Pumps	1 266.4	98.2	5 116
Sulzer Metco	583.0	36.1	1 783
Sulzer Chemtech	389.5	40.6	1 443
Sulzer Turbo Services	241.3	10.0	1 037
Sulzer <sup>1)</sup>	2 498.2	166.8	9 656

<sup>1)</sup> i.e., core divisions and other facilities (for more information, please refer to the Sulzer Annual Report)

<sup>2)</sup> EBIT

## Sustainability at Sulzer

### Roadmap to Sustainability

The commitment to sustainability has played an important role at Sulzer from the company's beginnings in 1834. When we look back at our over 170-year history, we can see the foundation of what we now call sustainability. With this background and our commitment to always offering innovative technologies that help our customers, it is not surprising that sustainability at Sulzer is not a special program but simply part of our daily life.

In the last decade, this dedication has been well documented for the public through the environmental reports, which have been awarded numerous prizes, as well as the 1997 social report, one of the first of its kind in the machinery industry. The first Sulzer Sustainability Summary was published in 2004.

The next steps on the roadmap are planned. One important focus for our HR programs will be the improvement of the reliability and significance of the social indicators. Another focus will be on the safety performance where improvement programs have been started. Within environmental performance, we will concentrate on the energy consumption of products and production and on the reduction of chemicals.

<b>1834</b> First statement on "getting it right the first time" from J.J. Sulzer	<b>1845</b> Sickness Benefit Association for Factory Workers	<b>1870</b> Company-owned training school with an apprentice workshop for young craftsmen	<b>1872</b> Society for Low-Cost Housing Construction	<b>1890</b> First Workers' Council in Switzerland	<b>1919</b> – Switzerland's first regularly published in-house magazine – Technical customer magazine "Technical Review Sulzer"	<b>since 1945</b> Working membership in ISO committees	<b>1988</b> Founding member of the European Foundation for Quality Management (EFQM)
<b>1991</b> First environmental policy	<b>1992</b> Reissue of traditional quality principles, quality as "the attitude in all we do"	<b>1993</b> – Official launch of ISO 9001 certification campaign – Start of environmental data collection	<b>1995</b> First product life-cycle analysis	<b>1996</b> – First external environmental report – First ISO 14001 certificate	<b>1997</b> – First external social report – Corporate values with important TQM element – Product life-cycle analysis for most important product groups complete	<b>1998</b> Newly edited "Principles of Cooperation"	<b>2000</b> Integrated QESH management systems based on ISO 9001:2000
			<b>2001</b> Start of sustainability data collection	<b>2002</b> – Newly edited corporate values <i>Our Aspirations</i> – Code of Business Conduct – SEED, database for sustainability data collection – First internal sustainability report – First internal SA 8000 and OSHAS 18001 audits	<b>2003</b> – Newly edited QESH policy and regulations – Corporate risk council	<b>2004</b> – First external sustainability summary – SEED <i>light</i> for smaller sites	<b>2005</b> – Three-step management approach – QESH as a key process for operational excellence

A Sulzer service team at the Sunila Pulp Mill, Finland, spring 2006

## Current Topics

The following sections summarize Sulzer's position on several controversial topics. These topics are judged to be of interest because of the number of queries the corporation receives.

**Asbestos:** Asbestos claims against two subsidiaries in the United States have been filed. Sulzer is convinced that these trials or settlements will have no adverse material impact on its liquidity, its financial condition, or on the results of its operation.

**CO<sub>2</sub>:** Sulzer tracks CO<sub>2</sub> emissions from the use of fossil energy sources for production and for on-site transportation. Direct CO<sub>2</sub> emissions from Sulzer's own production processes are negligible. Most CO<sub>2</sub> emissions from on-site energy use stem from electricity consumption—not directly at Sulzer's sites but rather at external power plants.

**Critical countries:** From time to time, Sulzer

supplies products or services to "critical countries", provided that this supply is not prohibited by law and only if Sulzer, after carefully analyzing the project at issue, concludes that the supply of products or services is beneficial to the population of the respective country (e.g., for infrastructure projects).

**Nano technology:** Sulzer sees potential in nano technology, in particular, nano materials. Emerging opportunities are continually evaluated. Current emphasis, however, is clearly on the monitoring and evaluation of associated risks and emerging regulation. Sulzer actively follows developments and vigorously participates in debates on the need to establish safe guidelines and best practice, to minimize potential environmental, safety, and business risk.

**Privacy:** Data privacy issues can arise when personal data is transferred between

affiliates in locations with different data protection standards. The Sulzer Corporation respects all local data protection laws and avoids potential privacy problems by applying the higher of the two standards or by obtaining explicit approval from the person concerned.

**South Africa:** Sulzer has always attached high priority to good training and the fair and equal treatment of all employees. In South Africa, where Sulzer has been a reliable employer for many years, Sulzer is one of many codefendants in an apartheid-related class action. Sulzer has no knowledge of any infringement of applicable laws and will defend this case vigorously.

**Working conditions at Sulzer in emerging countries:** Corporate guidelines are applied and audited worldwide, and Sulzer treats all employees fairly (see also case study on p. 13).

## Organization and Corporate Governance

The line management at Sulzer implements sustainability guidelines. Corporate competence centers—such as quality, environment, occupational safety, and health (QESH), human resources (HR), the corporate compliance officer—and dedicated employees at each location provide support. Most of these employees perform their respective duties alongside other responsibilities. Approximately 130 QESH officers ensure compliance in the QESH area, oversee management systems, contribute their expertise to product and process development, and ensure continuous improvement and training. Over seventy HR officers recruit, develop, and help retain employees. The QESH and HR officers also compile sustainability data. Around seventy compliance officers support the implementation of the Code of Business Conduct, deal with potential infringements, report on compliance matters, and provide

trainings. The Sulzer Corporate Legal Department provides legal risk management consulting, support, coordination, and training. Since 2004, around three thousand employees have been trained in compliance issues (e.g., about export control) and the application of the Sulzer Code of Business Conduct. In 2005, around 1200 employees took part in an interactive e-learning session on intellectual property. The corporate risk council is responsible for forming and maintaining adequate risk management concepts, systems, and guidelines; initiating or coordinating risk management activities; and advising the CEO on matters relating to risk management. More information about corporate governance issues and internal control systems can be found in the corporate governance section of the Sulzer Annual Report or at [www.sulzer.com/corpgov](http://www.sulzer.com/corpgov).

## Systems and Tools

The systems and tools shown in the illustration of the stakeholder matrix (p.7) are used to implement Sulzer's sustainability objectives.

Sulzer supplies customers worldwide with products and services in line with the same standards. Therefore integrated management systems based on global processes are widely used within the corporation.

The figures in brackets indicate the number of certificates in our possession at the end of 2005 (data include SEED *light* sites):

- ISO 9001 for management systems (41)

- Other quality management systems, such as EN 729, VDA 6, EN 45000, SAE AS 9100, ISO 16949, or ASME (35)
- ISO 14001 for environmental norms (12)
- SCC for occupational health and safety (3)

These systems are audited on a regular basis by external organizations and by the internal QESH officers. The percentage of employees working in certified areas has increased: between 2004 and 2006, this figure rose from 175% to 180%. Percentages are over 100% due to employees working under more than one certified management system.

## Stakeholder Objectives of Sulzer

All stakeholders are important to Sulzer. The various methods of communication with them include direct dialogue, targeted gathering of feedback, evaluation of external reports and complaints, and contact with special interest groups. Sulzer wants to meet the requirements of all stakeholders as far as possible and attempts to balance economic, ecological, and social demands.

Within the context of this sustainability summary the most important management concepts and tools that Sulzer uses in relationships with each of the stakeholder groups are depicted in the illustration below.

The Code of Business Conduct guides the behavior towards all stakeholders. It obligates employees to comply with the existing legal regulations, to follow the locally accepted standards as well as the to some extent stricter corporate standards, and to be fair in all aspects of the business. Furthermore, Sulzer considers the safety and protection of human beings and the environment a primary goal for its activities and processes. Sulzer is committed to designing its products in line with industry standards on safety, health, and the environment.

Stakeholders	Objective	Success Factors	Main Tools	
<b>Economical Sustainability</b>				
<b>Investors</b>	Value creation	Profitability, competitiveness	<ul style="list-style-type: none"> <li>Three-step management approach: operational excellence, organic growth, and external growth</li> <li>Midrange planning</li> <li>Annual report</li> <li>Midyear report</li> <li>Management information system</li> <li>Internal and external financial audits</li> <li>Investor information</li> </ul>	<b>Code of Business Conduct and other policies, directives and regulations, strategies, culture program Our Aspirations</b>
<b>Customers</b>	Customer satisfaction	Product and service performance	<ul style="list-style-type: none"> <li>Customer satisfaction surveys</li> <li>Customer reactions/complaints</li> <li>Competitor analysis</li> <li>Project management</li> <li>Quality management systems</li> <li>Internal and external quality audits</li> <li>SEED</li> <li>Key performance indicators</li> <li>Black list</li> </ul>	
<b>Suppliers</b>	Partnership	Competitiveness	<ul style="list-style-type: none"> <li>Evaluation of suppliers</li> <li>Quality agreements</li> <li>Supplier audits</li> </ul>	
<b>Social Sustainability</b>				
<b>Employees and Social Partners</b>	Empowerment	Competence	<ul style="list-style-type: none"> <li>Employee satisfaction surveys</li> <li>Reward system</li> <li>Yearly appraisals</li> <li>Succession planning</li> <li>Training programs</li> <li>Health and safety management systems</li> <li>Internal and external health and safety audits</li> <li>Internal SA 8000 audits</li> <li>SEED</li> <li>Key performance indicators</li> <li>Black list</li> </ul>	
<b>Neighborhood and Society</b>	Good citizenship	Trustworthiness	<ul style="list-style-type: none"> <li>Involvement in communities</li> <li>Jobs</li> <li>Apprenticeships</li> <li>Trainee jobs</li> <li>Internal and external environmental audits</li> <li>SEED</li> </ul>	
<b>Ecological Sustainability</b>				
<b>Ecologists</b>	Good citizenship	Eco-efficiency, eco-innovation	<ul style="list-style-type: none"> <li>Continuous improvement</li> <li>Environmental management systems</li> <li>Internal and external environmental audits</li> <li>SEED</li> <li>Key performance indicators</li> <li>Product life-cycle analysis</li> <li>Black list</li> </ul>	

## Stakeholders

### **Economical Sustainability**

**Value-based economic performance is the foundation for sustainable development. Sulzer aims for growth and high profitability by following three principles: first, operational excellence, followed by organic growth, and, subsequently, external growth. All divisions operate in attractive markets and have high value-creation potential due to their leading market positions.**

First and foremost, Sulzer focuses on achieving operational excellence. For this purpose, clear priorities in how to manage and continuously improve performance have been established. These priorities encompass personal accountability, simplicity in business processes, and consistently good products and services. Second, organic growth is possible by focusing on what matters to clients: always being available for reliable consultations and dependably delivering innovative products, systems, and services to their satisfaction. In addition, all divisions invest in R&D to create new products for future revenue in the years to come. Finally, Sulzer will supplement organic growth with externally generated growth to enhance and consolidate market positions and to deliver value.



Sulzer employees in a corporate training session in Winterthur, CH, spring 2006

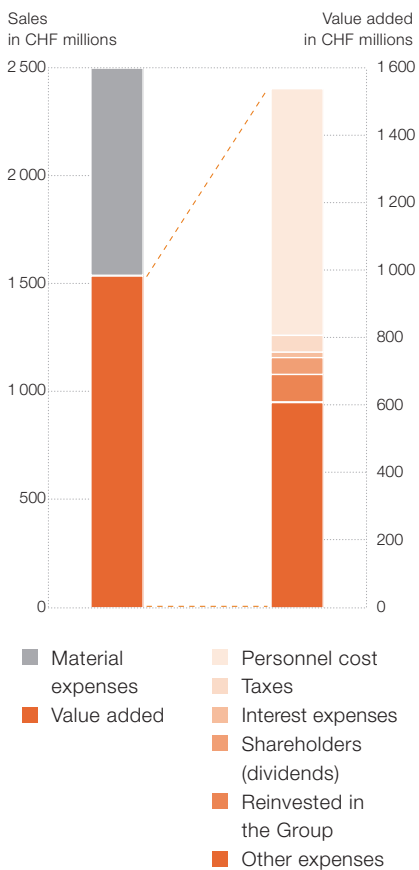
## Investors

The corporate communications and investor relations office meets the diverse informational requirements of investors by answering questionnaires, through presence at investor conferences, and in meetings with numerous domestic and foreign investment fund managers and financial or equity analysts. Since 2003, Sulzer has held a Capital Markets Day on an annual basis. Sulzer's objective is to attain transparency in order to promote a fair valuation of the Sulzer share, while avoiding selective disclosure of information. The sustainable development office communicates with about twenty investment companies that specialize in sustainable asset management, i.e., Eiris,

Ethos, Innovest, Inrate, SAM for the Dow Jones STOXX Sustainability Indexes (DJS/STOXX), Sarasin Bank, and SiRi Company.

Sulzer has a broad investor base. There are approximately eleven thousand shareholders, of whom several hundred are institutional investors. Approximately 85% of Sulzer's share capital is held by around two hundred investors; as of September 30, 2006, three shareholders held slightly over 5% each. Geographically, the shares are widely spread with the majority being held in Switzerland and Europe.

### Sulzer Value Added 2005



### Expandable Polystyrene

Expandable Polystyrene (EPS) is a thermoplastic material used mainly for insulating purposes in building industries and in packaging applications for, e.g., electronic equipment or food. Traditionally, EPS has been produced in a batch suspension process and the EPS pellets contain about 6% pentane as the foaming agent. Sulzer Chemtech has developed an alternative, continuous process for EPS production that offers significant environmental benefits over the conventional method. These benefits include the elimination of any auxiliary processing fluids, which would need to be recycled or dumped, especially the elimination of any water usage within the production process, and consequently the avoidance of wastewater contaminated with pentane. A first industrial-scale plant has recently been sold and commissioned. Sulzer Chemtech has now decided to intensify development of its EPS technology. It has launched with support from the Sulzer Corporation a high-impact project on EPS; the major project goal is to reduce or even to eliminate the pentane concentration in the EPS pellets.

### TriplexPro™-200 Spray Gun

Innovation leads to astounding results, even for mature processes such as plasma spraying. Applied research by Sulzer Metco has delivered the new TriplexPro-200 spray gun, which triples the productivity of applications for the turbine industry. These coatings are more cost efficient in extending component life, reducing downtime, and providing higher performance. Customers will also appreciate the efficiency and economy of the TriplexPro-200. Production throughput (deposit efficiency vs. spray rates) is as much as four times better than that of conventional plasma spray guns, reducing overspray waste and the cost of spray powder. That many parameters require only argon gas, reduces the requirement for the scarce element helium. Gun consumables can last for two hundred hours, or sixteen continuous spray shifts, with little to no process drift. Also of note: no thoriated tungsten is used in any of components, thus eliminating the need for hazardous waste disposal.

## Customers

Spectacular industrial innovations with a positive environmental impact are few and rare. Engineers work hard at increasing the efficiency of pumps or turbines by some tenths of a percentage point. This seems little. However, if one considers the total energy consumption of any industrial plant during its life cycle and takes into account the number of similar installations worldwide, it becomes clear that even small improvements have big effects over time. In the foreseeable future the global environmental goals will only be realized if all large plants are brought to a high technological and environmental standard.

As a supplier of machinery, equipment, services, and technologies to contractors building large industrial plants, Sulzer is not a pioneer for revolutionary systems in the environmental field. Its products and services support the suppliers of complete solutions by considering customer-specific requirements and inputs and improve existing systems by its research and development efforts and expertise.

This expertise includes inspection and measurement methods and digital simulation, which Sulzer Innotec carries out for external customers or within the scope of Sulzer-internal development projects. These high-impact projects are executed jointly by Sulzer Innotec and one or more of the divisions.

Other important competencies of Sulzer's research and development units are:

- Flow simulations
- Damage analysis
- Analysis of noise
- Failure analysis of equipment
- Research in collaboration with customers and university partners
- Revision of existing machinery
- Engineering according to customer needs
- Improvement of installed systems

Energy efficiency of plants and machines, effectiveness and efficiency of technical processes, and the best possible application of the increasingly scarce and expensive resources are goals that are being attained as the speed of processes rises.

Improvement of the durability of the plants and machines and research for the improvement of performance and for the reduction of noise are also important factors for the customers. Thus, the ecologically important life cycle is connected with added value for the customers.

To ensure compliance within the corporation, the Code of Business Conduct stipulates that all agreements that may have a negative effect on competition must be reviewed by an in-house lawyer. Furthermore, all employees must act in an ethically correct manner and in compliance with the applicable laws. This commitment is in the interest of the customer as well. Sustainability is seen as an integral part of Sulzer products by a majority of customers. They expect these products to excel in terms of effectiveness and efficiency. In the markets where Sulzer is active, being a technology leader also means meeting the highest standards of environmental and social criteria. Eco-efficiency is a key term: it increases the benefit to the customer while simultaneously improving ecological performance.

## Optifoam™

Foaming is a standard method in plastics processing. Lately, however, there has been a resurgence in interest in foam due to new developments in processing physical blowing agents in injection molding. Sulzer Chemtech now provides a foaming system that can be retrofitted to existing machines. The Optifoam system is environment friendly, offers economic advantages, and includes flexible processing options for physical foaming processes. In general, foaming can be achieved with either chemical or physical blowing agents. Physical blowing agents such as nitrogen (N<sub>2</sub>) or carbon dioxide (CO<sub>2</sub>), which are both inexpensive and environment friendly, produce high degrees of foaming and the parts they produce have low density. No residue of the blowing agent remains in the part, which means that physically blown parts are suitable for a number of critical applications from food packaging to medical products. Additionally, N<sub>2</sub> and CO<sub>2</sub> are non-flammable and nontoxic. These benefits are realized in the Optifoam System, which works with either N<sub>2</sub> or CO<sub>2</sub> as blowing agents.

## Suppliers

Suppliers form an important interest group. However, the supplier structure is different for each division and legal entity. Fundamental frameworks, such as the Code of Business Conduct, lay down the regulations applicable throughout the corporation. Each division has its own policies, methods of assessing suppliers, and practices for maintaining fruitful relationships. Long-term agreements with key suppliers are typical, and product components are often developed in cooperation.

## Ahlstar<sup>UP</sup>

Paper mills demand reliable, long-lasting pumps that save water and energy. The new Ahlstar<sup>UP</sup> pump line promises low running costs and reduced service-water consumption for greener operation. The most common shaft seals—dynamic seals and single mechanical seals—already save some water, as they need no external sealing flush. However, the new Ahlstar innovative sealing solution can save over 90% of external clean and expensive sealing water in applications where the standard solutions without sealing water cannot be used. This improvement results in a water savings of approximately 100 000 m<sup>3</sup> per year for a plant that runs about one hundred pumps. Also, pumps are among the major electricity consumers in the process industry. Carbon dioxide emissions can be reduced by increasing the efficiency of process pumps. The total electrical power demand of Sulzer pumps operating in the pulp and paper industry exceeds 7000 MW; upgrading the installed units with new high-efficiency pumps can notably reduce energy consumption. Sulzer Pumps has studied the life-cycle costs over the average twenty years of operation for pump applications in a typical modern pulp mill and has compared the new Ahlstar<sup>UP</sup> product line with the existing Ahlstar<sup>TM</sup> series. The study showed that the new Ahlstar<sup>UP</sup> product line can provide life-cycle savings in energy costs of EUR 4.4 Mio. and can reduce CO<sub>2</sub> emissions by 124 000 tons.

## Investment Policy of the Sulzer Pension Fund in Switzerland and of Sulzer Ltd

The Sulzer Pension Fund, which is by far the most important pension fund for Sulzer, manages assets of approximately CHF 4 billion. The fund, an independent trust, domiciled in Winterthur, finances the pensions of nearly fifteen thousand employees and pensioners of present and former Sulzer companies in Switzerland. According to the investment guidelines, the assets are:

- invested in capital market instruments, e.g., equities, bonds, and real estate, that yield an overall profit in line with the relevant market returns.
- liquid and of high quality.
- diversified in asset classes, regions, currencies, and sectors.

For the last decade, a significant amount has been deposited in a fund that invests according to economical, ecological, and social criteria.

According to the purpose and the nature of the cash held, Sulzer Ltd invests the majority of its cash in short-term money market instruments and bonds of prime banks and companies. Only a minimal amount is invested in equities and participations of high-quality companies, primarily Swiss Market Index (SMI) and Dow Jones STOXX Sustainability Index.

## HVOF-Sprayed Materials Replace Hard-Chromium Plating and Increase Service Life

The standard process of hard-chromium plating releases chromium ions in the hexavalent (Cr6+) state. These ions are carcinogenic and cause medical problems, including perforated nasal passages and skin rashes. In industrial applications, hard-chromium plating is increasingly being replaced with HVOF-applied, carbide-containing materials. While these coatings have good wear protection properties, many hard-chromium replacement applications also require corrosion resistance. Sulzer Metco Woka, a German subsidiary of Sulzer Metco, develops corrosion-resistant coating materials with good wear resistance. During development, a variety of factors is taken into account, including the coating chemistry, the spray process, and the service environment of the coating.

The thermal treatment of waste in waste incineration plants and the concurrent burning of alternative fuel made of waste in power generation plants cause significant corrosion damage to pipes and boilers. Erosion of over 1 mm within a single year is not unusual. Coatings with good corrosion resistance provide long-term protection even against high steam temperatures of up to 450°C. Thermal coating procedures—especially the HVOF spraying procedure by Sulzer Metco—enable the production of corrosion-resistant coatings with excellent mechanical- and thermal-stress resistance. These coatings significantly increase the service life of boilers in power plants and waste-treatment facilities.

### Social Sustainability

**Sulzer considers it a major responsibility to provide experiences and chances to develop that enhance an individual's employability and allow him/her to navigate successfully through the changes in our company and its environment.**

Our challenging environment requires continuous learning, openness to change, and personal growth. In such an environment, jobs are no longer for life. Therefore, employees need to prepare themselves for transitions throughout their working lives. Social sustainability to us means combining corporate and people development. Employers used to offer jobs for life in exchange for the employees' lifelong loyalty. However, the content of this psychological contract has changed to "learning and development opportunities" in exchange for "contribution to the competitiveness of Sulzer". From our employees we expect a high level of performance and the ability to reach their full potential in terms of customer dedication, continued improvement, and innovation. Personal rewards, both monetary and qualitative—as enhanced learning and career opportunities—are what our employees can expect in return for creating value at Sulzer.



Pupils doing research at Sulzer Innotec in Winterthur, CH, for their school project, spring 2006

## Employees and Social Partners

With our definition of social sustainability in mind, we created the Sulzer talent management and people development philosophy. Based on our annual talent management process, we discuss the performance and potential of our employees in a systematic way and define individual development plans. With our Programs for Development and Impact, we combine people development with business development. Participants of these training and development programs work on real projects and create measurable business impact. The learning curve in these programs is much steeper than in traditional programs, as participants are able to transfer know-how immediately to their own context: The training sessions are mainly provided by Sulzer managers, which helps to ensure that in-house know-how and experience are transferred to a new generation of specialists and managers. Internal coaches support the individual learning process and provide participants with straightforward feedback on their behavior

and performance. The programs are organized cross-divisionally and offer, as such, a unique learning atmosphere. Besides these global training programs, many local training opportunities are offered to our employees.

Our consultation process continues to follow our well established practices. We meet regularly with our Workers' Council, and we have consultative structures and processes at country, business, and corporate levels.

→ See charts on pp. 19 and 20

### Corporations with Local Health Care Centers

Prevention is the most effective and also the most humane way to minimize occupational illnesses.

The first two objectives are to identify hazards and avoid exposure to chemicals, vapors, dusts, radiation, vibration, noise etc., which may cause occupational illnesses, by improving work processes and/or personal protective equipment. In risky work areas, emissions to air are monitored in accordance with a preplanned program. Emissions are compared with given reference values and, if these values are exceeded, corrective actions are taken.

All employees exposed to these hazards in their work take part in the permanent health care programs, established in cooperation with the local occupational health care centers (e.g., in Poland, United Kingdom, Germany, Finland, USA, and Indonesia).

Employees are regularly invited to take medical tests in which possible exposures are identified. The results of these tests are reviewed carefully, and necessary actions are taken to avoid occupational illnesses.

### Working Conditions at Sulzer Hickham Indonesia

Employees in Indonesia receive benefits from Sulzer during and after the time of their employment. The minimal hiring age is eighteen and the retirement age is sixty. The company matches in equal part the employee contribution to the retirement plan.

Free annual medical checkups (including free hepatitis vaccinations) are offered to all employees in accordance to a medical program established with a local medical clinic. The company provides medical insurance for all employees. Any employee who experiences financial hardship due to uninsured medical costs receives financial assistance from the company.

An annually allocated safety bonus is divided among all employees if zero days of productivity are lost due to accidents. This was the case in the past few years. An annual training plan is made up based on the yearly appraisal of all employees, which is done according to well-established guidelines. Furthermore, an extended training exchange at sister companies is of great benefit to the selected employees and companies.

## Neighborhood and Society

One of Sulzer's corporate objectives is to be a good citizen. Based on the values defined for the corporation, this objective is mainly carried out regionally. Our sites know best about the stakeholders' needs and can maintain the dialog with local stakeholder groups.

Environmentally, Sulzer attempts to preserve or even improve the ecological quality of its surroundings.

Our most important contribution is being an attractive employer, offering good working conditions, challenging apprenticeship programs, and a wide range of trainings for employees. The creation of new jobs adds economic value and further benefits the respective locations.

Furthermore, Sulzer uses the know-how from its business activities to support meaningful initiatives. We work with many universities and schools through a variety of trainee and exchange programs.

Sulzer makes donations to charities and sponsors local goodwill activities, mainly in schooling, sports, and art projects. We strongly support our employees when they participate in charity initiatives, for example, the RopaRun (Rotterdam–Paris Run), which is a nonstop estafette course and takes place every year. Employees joined this course, and Sulzer Repco B.V. sponsored the team. The funds collected at the RopaRun are donated and used at goodwill projects supporting patients with cancer.

We are continually on the outlook for other opportunities that allow us to contribute more to society. In Mexico, e.g., we work with a nonprofit organization called Habitat for Humanity® International that provides affordable housing for the poor (those below a minimum standard of living).

### Raising Money for the Tulsa Area, TX, is one of Many Social Activities in Which Sulzer Chemtech Employees in Houston, TX, USA, are Engaged

Every year, Sulzer Chemtech employees in Houston participate in a number of local charitable fund-raising events that result in raising thousands of dollars for a variety of community programs and resources. They sponsor an annual campaign to raise money for the Tulsa Area United Way, which supports hundreds of community outreach agencies and need-based programs. Tulsa employees have for the last two years participated in "Bowl for Kid's Sake", which is a city-wide bowling tournament that raises money for the Big Brothers & Big Sisters agency. In addition, one of the employees, who serves on a volunteer fire department, collects donations annually for the MDA's "Fill the Boot" campaign. Furthermore, in 2005, in the wake of Hurricane Katrina, Sulzer Chemtech employees in Houston contributed over USD 3000—a sum that was matched by a sizeable company contribution. The money was sent to support Sulzer Turbo Services' employees in New Orleans who were devastated by the storm.

### Differently Aabled Employees: More Than Just a Quota at Sulzer Metco

Three years ago, Sulzer Metco in Salzgitter employed a cleaner on the production floor who had previously worked in a Christlichen Jugenddorfwerks (CJD, Christian Youth Association) shelter. He is differently abled. With the help of a dedicated mentor from Sulzer Metco Salzgitter, he integrated very well into the workplace, and his development has been so good that he has now been promoted to the quality assurance department. His successor has been similarly successful, and neither can imagine returning to the CJD. The arrangement has benefited both sides: the employees have now become permanent employees, and Sulzer Metco has established long-term relationships.

### Finnish Government Awards Sulzer Pumps the Quality Award 2005

The quality award is given to an organization that shows excellence in apprenticeship training in all relevant EFQM (European Foundation for Quality Management) criteria. Sulzer Pumps Finland is proud to have achieved these targets and to have passed the assessment made according to the EFQM criteria.

In the production units, training needs are based on production requirements, which are: on-time delivery, shorter production throughput time, cost efficiency, and flexibility at load variations. In order to meet these requirements, it is necessary to arrange shifts and switch workstations—to work successfully under these conditions, multi-skilled personnel is needed. In 2001, the decision was made to train employees for variable assignments through a program called "Skills Through Apprenticeship Training". Since then, more than eighty further vocational and specialist vocation qualification trainings have been offered.

### Ecological Sustainability

**Rising prices for resources due to increasing scarcity set the challenges for the future: the efficiency of products and production has to be improved continuously.**

Ecological sustainability comprises eco-efficient products, eco-efficient productions, and environmental standards, that are worldwide valid. The rising costs of resources, especially fossil energy sources, raise customer awareness for cost-efficient products. Sulzer has a long tradition of providing innovative, sustainable, and cost-efficient products and is thus well positioned for the future challenges (see also examples on pp. 9–11). At Sulzer, a distinct focus is also set on the efficiency of the production. Over the last several years, a decoupling of the economic growth and the resource consumption has been achieved. Furthermore, Sulzer applies a comprehensive and consistent set of environmental targets that comply with the strictest standards and laws worldwide. We are continually setting more ambitious targets and expanding their scope. Over the last two years, these targets were extended to the use of chemicals.



Revitalization of a former Sulzer factory site in Oberwinterthur, CH, spring 2006

## Ecologists

### Stewardship in Environmental Issues

The efficient use of resources and the protection of the environment are integral parts of Sulzer's overall strategy. Well-adapted and -introduced tools support the business processes to consider environmental related issues (see also stakeholder matrix on p. 7). Major targets in the last two years have been to improve knowledge of the type and quantity of chemicals used, to identify dangerous and/or potentially prohibited substances, to find substitutes, and to establish phase-out programs.

As a result of the measures above, Sulzer improved its eco-performance in 2005 for the most important key figures by decoupling economic growth from consumption of resources (see data on pp. 21 and 22).

Sulzer production sites depend on their own environmental officers to monitor and implement local legislation. Through the Code of Business Conduct and the Sulzer Standards, higher standards than are legally required may be implemented. Corporate QESH requires full legal compliance at all sites and holds systematic audits. Sites

with environmental relevance are audited against the ISO 14001 standard.

The annual site reports and audits held indicate that legal compliance is fulfilled and that the communication with local authorities is excellently managed. Potential for improvement lies in areas of voluntary effort with low cost-benefit ratio and low risks for the sites (e.g., ecology in offices, general environmental training, or measures to improve biodiversity).

### Monitoring Product Life Cycles

Customer behavior is affected by the rising costs of resources, especially fossil energy sources, and an increasing number of environmental taxes. The focus of procurement is therefore increasingly shifting from the price of the product to the overall life-cycle costs of the product. Life-cycle assessments and life-cycle cost analysis for relevant products have been conducted to analyze and improve the life cycle of the products. Due to promising results, further efforts will be taken to establish these tools in research and development processes.

### Environmental Taxes, External Costs

Today, Sulzer is little affected by the EU Emissions Trading Scheme and is not specifically exposed to environmental taxes all over the world. An estimation of the external costs of emissions from fossil energy sources and use of chemicals shows that Sulzer has a low monetary exposure.

### Site Contamination

Sulzer has a number of nonoperational facilities and industrial sites in Switzerland, mainly in Winterthur. Before their sale, the sites are examined for potential contamination. Where appropriate, the contaminated elements are disposed of. In all cases, necessary investigations and procedures are planned and executed in coordination with the respective authorities. Sulzer has been acknowledged several times for its exceptionally open cooperation. This procedure minimizes future risks and enhances the attractiveness of sites for sale. Target acquisition sites are also carefully evaluated for contamination and related risks.

→ See charts on pp. 21 and 22

## Identification of Noise Sources and Noise Reduction

Loud noise can have serious health consequences. Studies have correlated noise with physiological changes in sleep, blood pressure, and digestion. Healthy hearing is crucial for good quality of life. Pleasant sounds can increase well-being remarkably, whereas noise can result in extreme stress. Sulzer Innotec, with its many years of experience in acoustics, helps customers to identify noise sources and subsequently develops suggestions for noise reduction. The acoustics laboratory is one of the largest in Switzerland. Customers benefit from Sulzer Innotec's know-how and have access to the newest innovative solutions. Projects successfully carried out by Sulzer Innotec include elimination of noise problems in residential and industrial buildings, enhancement of ergonomic conditions through reduced noise exposure at the workplace, and improvement of comfort for passengers in quieter train cars.

# Sustainability Data Collection

## Sustainability Database and Data Collection

### Data Collection

A sustainability database called SEED (Social, Economical, and Environmental Data) is the basis for the auditing and goal setting of Sulzer's sustainability efforts. Sulzer uses SEED to collect, validate, and report internally and externally on sustainability data within the corporation.

The data set, which contains key indicators for environmental, health, safety, quality, and social issues, is continually improved and updated to help Sulzer appropriately assess its performance as well as to meet the needs of external stakeholders and reporting criteria.

### Two Types of Assessed Indicators

Two types of sites are involved in the data collection:

- (Regular) SEED sites: these sites annually report on a complete set of indicators, as far as applicable. These sites exceed a specific threshold of employees and sales and perform a certain type of activity.
- SEED *light* sites do not yet exceed the set employee threshold but are expected to exceed it within the next few years. These sites already report on a reduced set of indicators.

SEED *light* data have been assessed since 2004. For some indicators, the data of SEED *light* sites have been included in the data on pp. 19–22 (for details on the SEED and SEED *light* indicators see [www.sulzer.com/sustainability](http://www.sulzer.com/sustainability)).

### Extent of Data Collection

Year: The data are valid for the calendar year mentioned.

Sites: All main production sites have been assessed. Unless explicitly stated, the data shown in tables and charts represent only the sites assessed. The assessed sites conduct production, research, and development as well as marketing and sales activities. Most of the sites are also active in the provision of services.

Activities: The collected data cover on-site activities of the locations. Resource consumption or emissions due to outsourced activities, off-site transport of goods, staff commutes, or business travel is not included. Activities of purely field services and sales offices are not included either. Specific data on management functions within the divisions or the corporation are not generally included.

Energy: The energy consumption is the consumed quantity at the sites and has not been converted to primary energy consumption.

### Specific Remarks on Data

Employees: Data cover only Sulzer employees; people who work on a Sulzer site but are employed by someone else are not included, even if they work there on a permanent basis. The number of employees working according to the management standards may include external workers if their activities are covered accordingly.

Emissions: Data cover direct emissions from the use of chemicals (e.g., VOCs) or fossil energy sources.

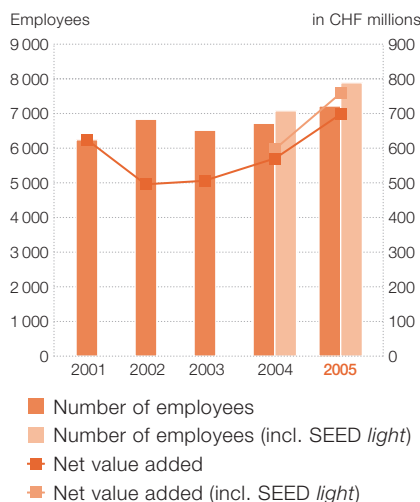
Net value added: Net value added is defined as the operating income (EBITDA) plus personnel costs. Until 2003, Sulzer used the value added; in 2004, net value added was introduced. All data used within this summary have been restated.

Net value added/sales: These key figures may include activities of external sales offices and field service units belonging to sites as well as product transfers between sites. Financial key figures might therefore be overestimated.

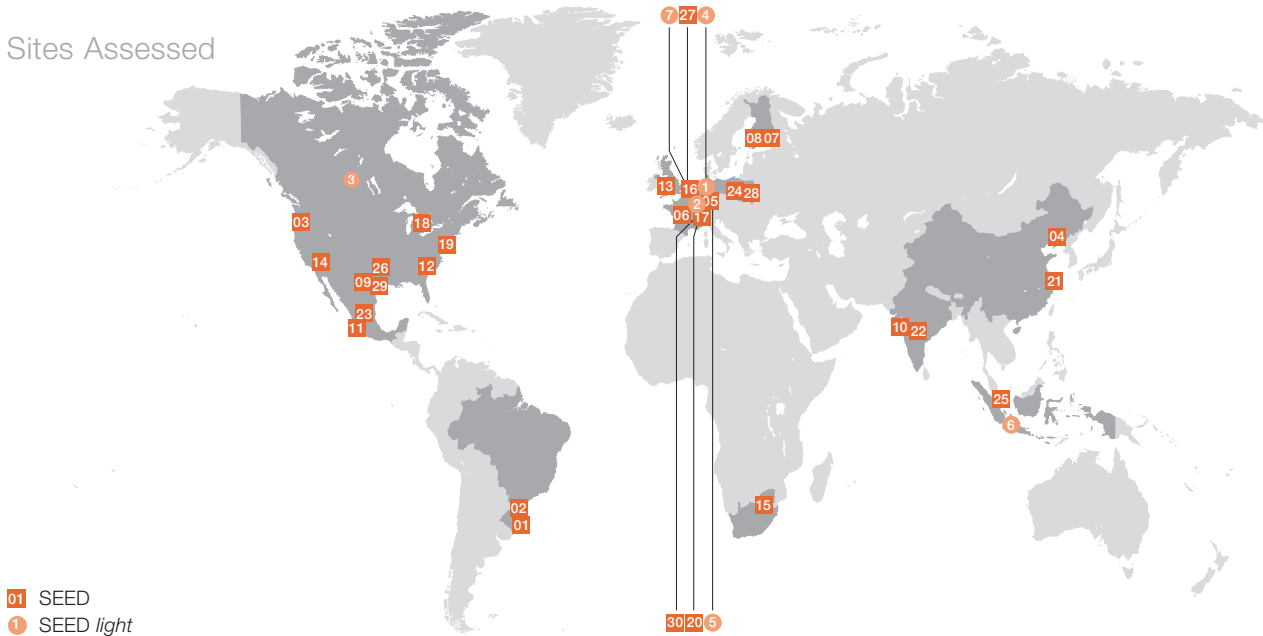
Outsourced activities: Data changes caused by outsourcing are collected and mentioned in the report.

### Data Quality

Some data of previous years have been reconsidered and updated in order to improve the data quality. The data of previous years shown in this report have been adjusted.



Sites Assessed



Data in this summary cover the following sites, which represent approximately 80% of both sales and employees. Twenty-five of the thirty-seven assessed sites are located in industrial economies, two in transition economies, and ten in emerging economies. The table above shows the sites assessed since 2001.

Newly included: Eldim B.V., Lomm (since 2002), Sulzer Elbar

Polska Sp.z.o.o., Lublin (since 2002), Sulzer Pompes France SASU, Mantes-la-Ville (since 2004), Sulzer Pumps Houston Inc, Houston, TX (since 2005), all SEED light sites (since 2005). Not longer included: Sulzer Chemtech (UK) Ltd, Leeds (until 2001), Sulzer Pumps Finland Oy, Salo (until 2002), Sulzer Metco (US) Inc., Hicksville (until 2002), Sulzer Chemtech Nederland B.V., Tiel (until 2003), Sulzer Hexis AG, Winterthur (until 2004).

**Sulzer Pumps**

01	Sulzer Brasil S.A., Fundinox, Jundiai	BR
02	Sulzer Brasil S.A., Sao Bernardo do Campo	BR
03	Sulzer Pumps (Canada) Inc., Burnaby	CA
04	Sulzer Dalian Pumps & Compressors Ltd, Dalian	CN
05	Sulzer Pumpen (Deutschland) GmbH, Bruchsal	DE
06	Sulzer Pompes France SASU, Mantes-la-Ville	FR
07	Sulzer Pumps Finland Oy, Karhula	FI
08	Sulzer Pumps Finland Oy, Manttä	FI
09	Sulzer Pumps Houston Inc., Houston, TX	US
10	Sulzer Pumps India Ltd, Navi Mumbai	IN
11	Sulzer Pumps México, S.A de C.V, Cuautitlán Izcalli	MX
12	Sulzer Process Pumps (US) Inc., Easley, SC	US
13	Sulzer Pumps (UK) Ltd, Leeds/West Yorkshire	UK
14	Sulzer Pumps (US) Inc., Portland, OR	US
15	Sulzer Pumps (South Africa) Pty. Ltd, Elandsfontein	ZA

**Sulzer Metco**

16	Eldim B.V., AD Lomm	NL
1	Sulzer Euroflamm GERMANY GmbH, Bremen	DE
2	Metaplas Ionon Oberflächenveredelungstechnik GmbH, Bergisch-Gladbach	DE
3	Sulzer Metco (Canada) Inc., Fort Saskatchewan	CA
4	Sulzer Metco Coatings GmbH, Salzgitter	DE
17	Sulzer Metco AG (Switzerland), Wohlen	CH

18	Sulzer Metco (US) Inc., Troy, MI	US
19	Sulzer Metco (US) Inc., Westbury, NY	US
5	Sulzer Metco WOKA GmbH, Barchfeld	DE

**Sulzer Chemtech**

20	Sulzer Chemtech AG, Winterthur	CH
21	Sulzer Shanghai Engineering & Machinery Works Ltd, Shanghai	CN
22	Sulzer India Ltd, Pune	IN
23	Sulzer Chemtech, S. de R.L. de C.V., Cuautitlán Izcalli	MX
24	Sulzer Chemtech Polska Sp.z.o.o., Przemierowo	PL
25	Sulzer Chemtech Pte Ltd, Singapore	SG
26	Sulzer Chemtech US Inc., Tulsa, TX	US

**Sulzer Turbo Services**

6	PT Sulzer Hickham Indonesia, Purwakarta	ID
27	Sulzer Elbar B.V., AD Lomm	NL
7	Sulzer Repco B.V., Europoort	NL
28	Sulzer Elbar Polska, Sp.z.o.o., Lublin	PL
29	Sulzer Hickham Inc., La Porte, TX	US

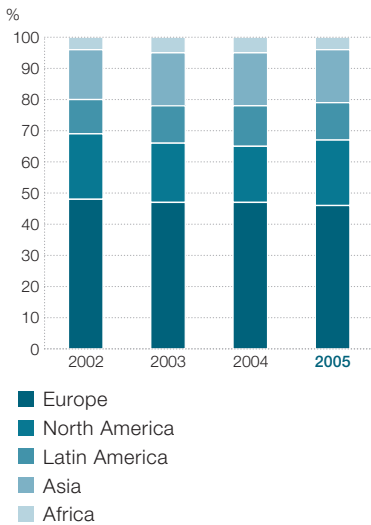
**Sulzer Innotec**

30	Sulzer Markets & Technology AG, Winterthur	CH
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## Social Data

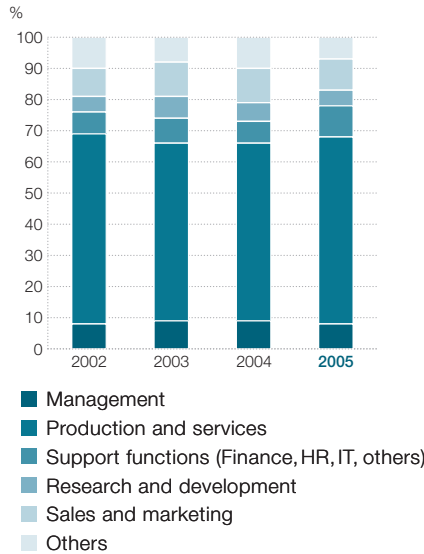
### Geographical Spread

Data for 2005 include SEED *light* sites. The data collected cover sites on five continents, circa two-thirds of all sites are situated in Europe and North America.



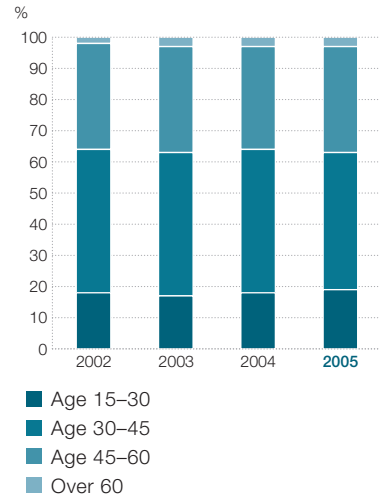
### Types of Functions

The range of function type shows an increase in production and services in 2005, reflecting the growth of business at Sulzer in 2005.



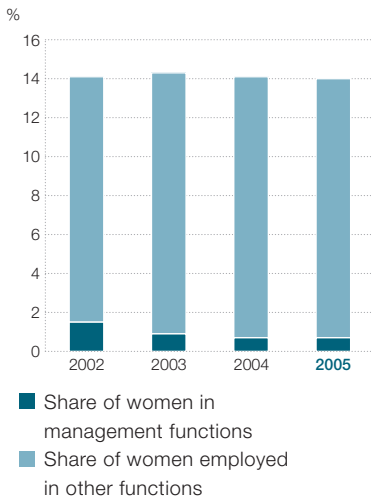
### Age Spread

The age spread has been stable over the last four years and can be judged as advantageous for Sulzer.



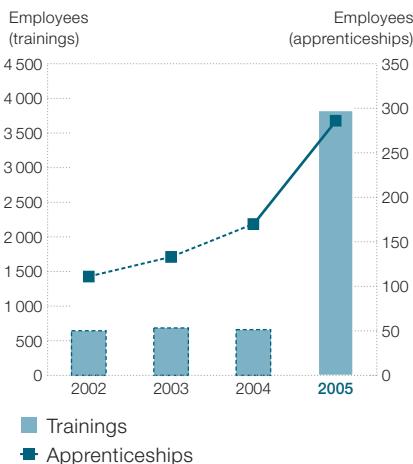
### Share of Female Employees

Salaries for women in supporting functions amount to about 90% of salaries of men in similar jobs; in production, to about 95%. In 2005, the highest share of women could be found in North America with 17%; shares in Asia were 14%; in Africa, 13%; in Europe, 11%; and in Latin America, 9%.



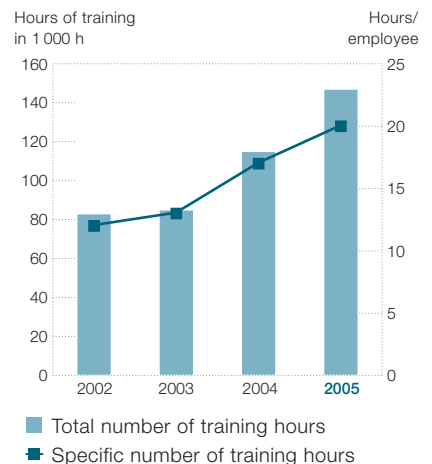
### Apprenticeship and Training

Data for 2005 include SEED *light* sites. In 2005, approximately 50% of the employees received trainings, approximately 4% were engaged in apprenticeships. As we have stated in previous years, data for 2002–2004 have not been reported comprehensively. Data collection in 2005 was significantly improved, but further initiatives for better data collection must still be taken.



### Training Hours

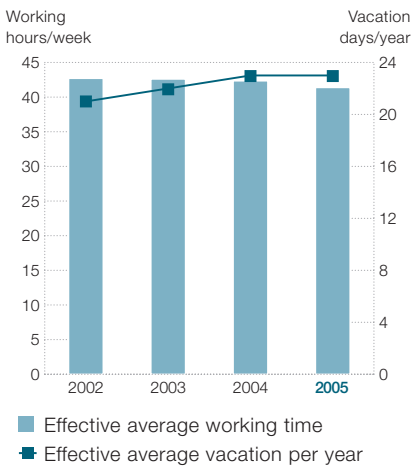
The total training activities increased from twelve in 2002, to twenty hours in 2005. As in previous years, approximately 50% of these training activities are internal trainings; about 15%, health and safety issues. Not included in these data are on the job trainings, which represent a major part of all training activities at Sulzer. The increase over the last few years originates mainly from improved data collection.



## Social Data

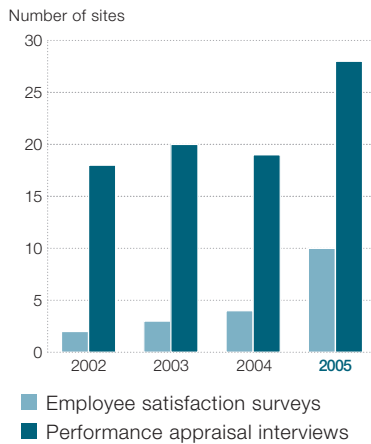
### Working Time and Vacation

Although it had remained nearly stable in previous years, the effective average working time decreased slightly in 2005. The effective average vacation time was twenty-seven days. As in previous years, due to overtime compensation, this value is higher than the legal average (twenty-three days per year).



### Employee Satisfaction Surveys and Performance Appraisals

In 2005, circa 95% of assessed sites carried out performance appraisal interviews that covered 75% of the employees. About one-third of the sites conducted employee satisfaction surveys. These values increased over the last few years due to improved data collection.



### Incidents Affecting Society

To the best of our knowledge, no accidents and no deaths occurred in 2005. In 2003, three operators at customers' sites were injured due to accidents involving Sulzer products.

### Third-Party Awards

Data for 2005 include SEED *light* sites. Third-party ratings and awards were given by associations for Sulzer's outstanding economic, technical, quality, and safety skills. QESH awards were given by organizations as well as by customers. Examples of QESH awards include workplace safety, excellent supplier, safety assessment, and apprenticeship awards.

	2003	2004	2005
Third-party ratings and awards	5	1	11
Quality, HR, EHS awards	6	6	7
Quality, HR, EHS third-party ratings			10
Third-party awards for good child-labor practice	1		0
<b>Total</b>	<b>12</b>	<b>7</b>	<b>28</b>

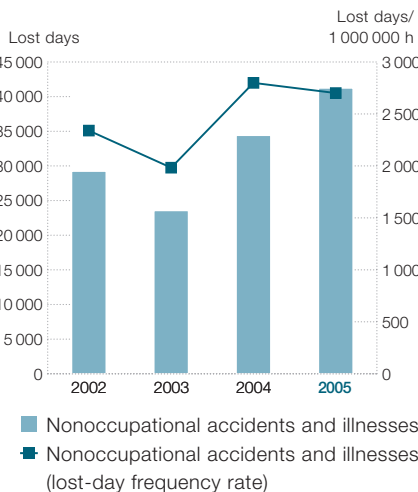
### Accidents and Illnesses

Data 2005 includes SEED *light* sites. Occupational accidents and illnesses: the number of lost days as well as the lost day frequency rate increased in 2005.

Nonoccupational accidents and illnesses: in 2005 the number of lost days increased while the lost day frequency rate decreased. Non-occupational accidents and illnesses cause ten

times more lost days than occupational accidents.

The changes in 2005 are a result of the inclusion of SEED *light* sites, as well as of efforts taken to increase the quality of collected data in the field of accidents and illnesses. Further measures have been taken to improve the data collection in the future.



### Memberships

Data for 2005 include SEED *light* sites. As in previous years, the most important category is national memberships. In 2005, the total number of reported memberships increased; approximately 50% of the increase originates from the integration of SEED *light* sites. Memberships include industrial sector memberships, QESH, quality and standardization topics, as well as industry association memberships. Some examples: International Thermal Spray Association, ETN—European Turbine Network, ABIMAC—Machines Brazilian Association, British Pump Manufacturers' Association.

	2003	2004	2005
International memberships	33	27	37
National memberships	64	67	80
Local memberships	17	14	31
Other memberships		2	0
<b>Total</b>	<b>114</b>	<b>110</b>	<b>148</b>

## Ecological Data

### Energy Consumption

Data for 2005 include SEED *light* sites. The trend over the last three years shows that Sulzer has improved its eco-efficiency; energy consumption per net value added decreased in this period by about 20%. In the same period, consumption per employee remained stable over the last five years.



### Energy Sources Mix

Data for 2005 include SEED *light* sites. In 2005, electricity, natural gas, and district heating comprised over 95% of the total energy demand; electricity, only over 65%. Other shares are negligible. Compared to previous years, the share of electricity increased in 2005 by 10% due to the overall increase in production as well as in the integration of SEED *light* sites. The share of gas decreased by 8% due to significantly optimized building management at one site and reduced testing activities at another site.

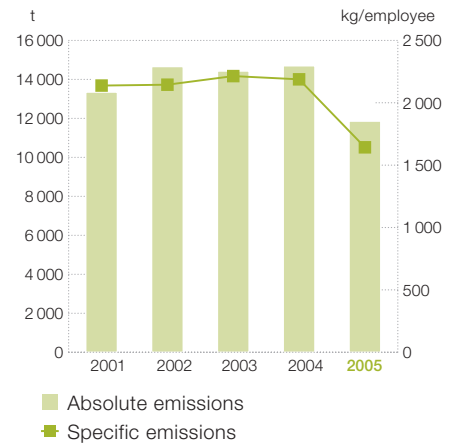
#### Consumption by Sources

	2003	2004	2005
Electricity	56%	57%	65%
Gas	29%	29%	21%
Fuels	1.1%	1.0%	1.5%
Fuel oils, coal, coke	1.5%	1.6%	2.1%
District heating	13%	12%	11%
Cooling energy	0.0%	0.0%	0.0%
Wood and other renewable sources	0.0%	0.0%	0.1%

### Greenhouse Gases (CO<sub>2</sub> Equivalents)

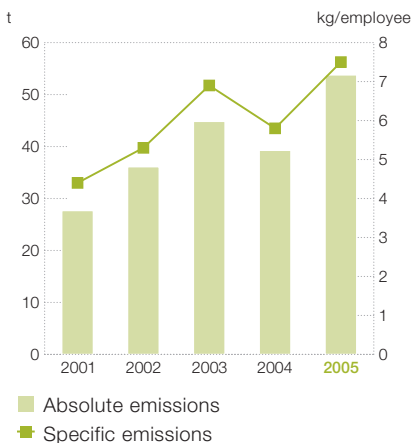
The values are calculated CO<sub>2</sub> equivalents from direct emissions due to the use of fossil energy sources, natural gas being the main fossil energy source. Emissions from other production processes are not relevant.

Due to the reduced consumption of natural gas in 2005, direct CO<sub>2</sub> emissions decreased by about 25%.



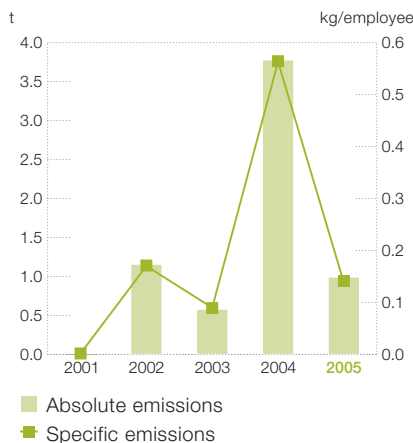
### Photosmog (Ethylene Equivalents)

These emissions originate from the use of chemicals, mainly for surface treatment processes (e.g., degreasing). Therefore, the emissions are directly linked to the production mix. With the exception of 2004, emissions have increased steadily over the last five years, mainly caused by the increase in production.



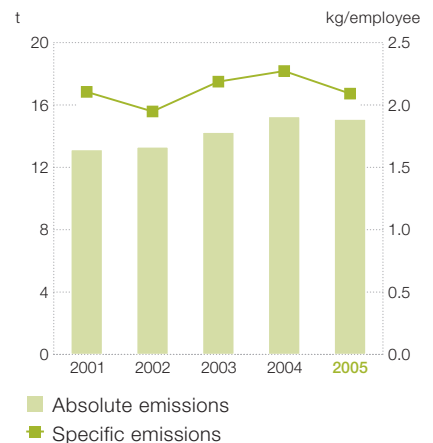
### Ozone-Depleting Substances

These emissions originate from the use of chemicals, e.g., degreasing processes, which relates to the production mix of Sulzer. Due to the pilot operation of surface treatment processes at one site, the emissions increased significantly in 2004. In 2005, the emissions dropped again to the level of previous years.



### Acidification Potential

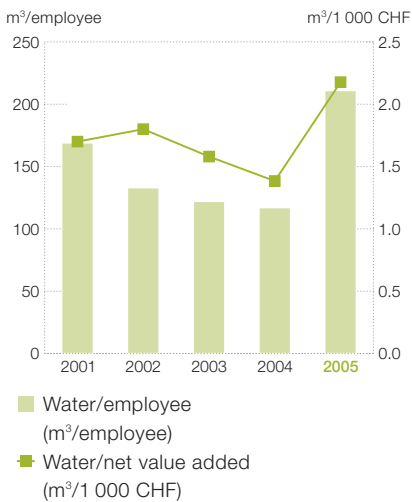
These emissions originate from the use of fossil energy sources—basically fuels and fuel oils—as well as from the use of chemicals. The absolute and specific emissions mainly reflect changes in the consumption of energy sources. The emissions have remained relatively stable over the last few years.



## Ecological Data

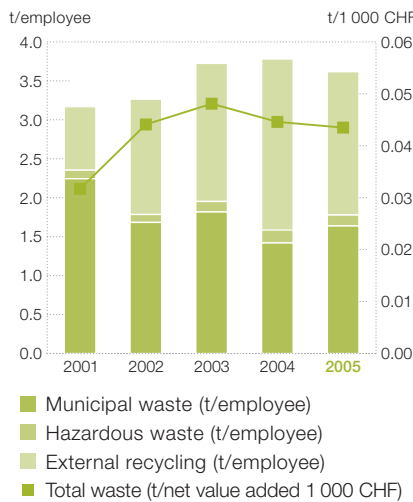
### Water Consumption

Data for 2005 include SEED *light* sites. While the consumption of water decreased steadily from 2001 to 2004, it increased significantly in 2005. This increase originates mainly from an undetected leakage at a single site. In 2005, approximately 70% of the overall water consumed was used for cooling; 10%, for sanitary and drinking purposes.



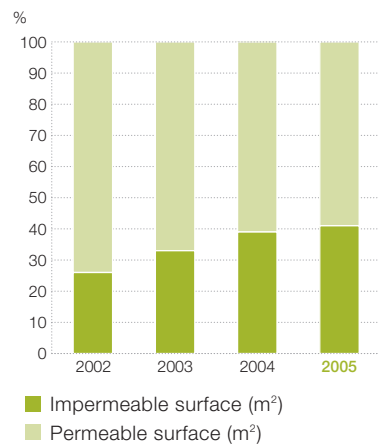
### Waste and Recycling

Specific quantities per net value added and per employee have decreased over the last three and two years respectively. The type of waste, especially municipal solid waste and external recycling, changes from year to year and depends on the product mix as well as on the specific activities at the sites.

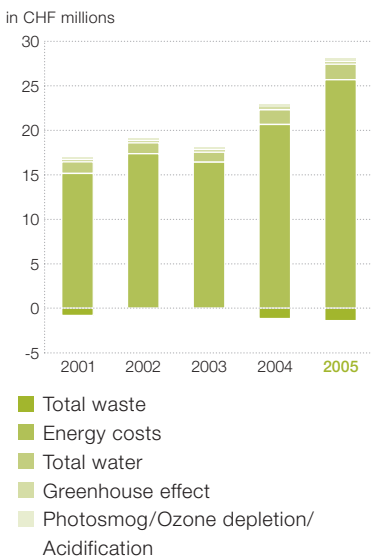


### Land Use

Data for 2005 include SEED *light* sites. Together, the companies own about 1 560 000 of m² of land. Thereof, approximately 41% is impermeable land. In 2005, a single site owned on average ca. 42 000 m². This figure has decreased slightly over the last three years by about 4%. Figures shown do not include any rented locations.



### Overview of Environmental Impact



The illustration shows the relevance of the external cost of acidification, ozone depletion, photosmog, and the greenhouse effect in comparison within the energy, water, and waste costs that are also collected with the yearly sustainability data collection of Sulzer.

The illustration shows that energy costs are the most substantial of the selection. Energy costs have increased significantly in the last two years. Waste management has been improved continuously over the last several years, with the effect that a significant quantity of the waste can now be sold (recycling). The costs of water and external costs of emissions to air are low. In 2005, the cost of water amounted to CHF 1.7 million; the calculated external costs of the emissions to air, to CHF 350 000. At least 50% of these costs originate from the use of fossil energy sources.

### Extrapolation to Sulzer Corporation

In 2005, approximately 1 800 employees were omitted from the sustainability data collection. The majority of these employees work in support functions such as sales, finances, or human resources. The data of Sulzer's core businesses were thus estimated based on average data for nonproductive activities (energy: 30 GJ/employee and year, water: 15 m³/employee and year, waste 0.3 t/employee and year). The extrapolation results in an increase in energy consumption of about 5% (in total, to 968 000 GJ), in water consumption of about 2% (in total, to 1 690 000 m³) and waste production of about 2% (in total, to 31 000 t). The extrapolation further shows that supporting activities have little impact on the environmental performance of Sulzer.

## Indicators and Reporting Standards

### Number of Employees/Net Value Added

The increase in employees and net value added in 2005 in SEED sites (see chart on p. 17) reflects the growth of business at Sulzer and the integration of SEED *light* sites.

The following gives an overview of the number of sites considered in this summary:

	2001	2002	2003	2004	2005
SEED sites	31	32	30	30	30
SEED <i>light</i> sites	–	–	–	–	7

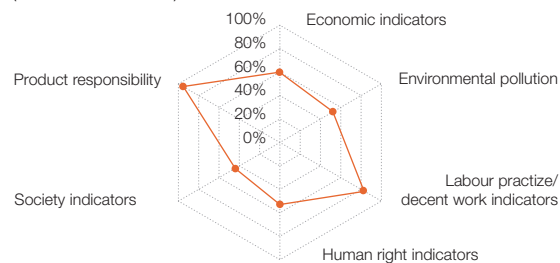
Since 2004, SEED *light* sites have been assessed, their data from 2005 are partially considered in this summary.

Percentage of assessed employees and sales in the Sulzer Corporation for SEED sites:

	2001	2002	2003	2004	2005
Share of sales	63%	84%	76%	76%	77%
Share of employees	68%	78%	73%	73%	76%

Including the SEED *light* dates (2005) 84% share of sales and 83% share of employees are covered.

Sulzer reports according to the GRI standard, the internationally acknowledged standard for sustainability reporting set by the Global Reporting Initiative, or GRI ([www.globalreporting.org](http://www.globalreporting.org)). Sulzer fulfils a number of these requirements and regularly reviews the inclusion of further GRI indicators in its reporting. Selection of the environmental and social indicators and of the key aspects in this sustainability summary was guided by the GRI standards and their relevance for the Sulzer business. Sulzer tracks data for several other environmental and social indicators. The following chart shows the coverage of Sulzer of the third revision of the GRI Standard (G3 indicators, September 2006). Economic indicators are not part of this summary and can be found in the Sulzer Annual Report ([www.sulzer.com](http://www.sulzer.com)).



## Glossary

**Acidification:** A process whereby air pollution—mainly ammonia, sulphur dioxide, and nitrogen oxides—is converted into acidic substances that cause damage, e.g., to forests, lakes, and buildings. Sulphur dioxide and the nitrogen oxides are mainly emitted by burning fossil fuels.

**Black list:** A tool to identify risks of chemicals. It covers “currently or potentially regulated substances”.

**Greenhouse gases:** Gaseous components of the atmosphere that contribute to the greenhouse effect. The major natural greenhouse gases are water vapor (which causes about 60% of the greenhouse effect on earth), carbon dioxide (which causes about 25%), and ozone.

**Industrial water:** Collective term for process water and cooling water.

**ISO 9001:** International standard that defines the general conditions of a quality management system. The latest version ISO 9001: 2000 requires a process-oriented approach and the commitment to demonstrating continuous improvement.

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

EMAS or BS7750.

**ISO 16949:** This is the ISO 9000 derivative for suppliers to the automotive industries.

**Net value added:** Within Sulzer, defined as operating income (EBITDA) plus the personnel costs.

**Municipal water supply:** Water supplied by a municipality, other public facility, or private provider.

**OHS/OHSAS 18001:** Occupational Health and Safety Assessment Series is an occupational health and management system (OHSMS) standard designed to create a safer workplace.

**Hazardous waste:** In SEED, this includes all classes of waste defined as hazardous by the diverse local legislations. The treatment of a significant share of these materials could be defined as recycling (e.g., waste oil). At Sulzer, hazardous waste includes liquid and solid waste—most often used paints and solvents, used emulsions from machinery, metallic sludges, waste water from galvanic processes, and filter dusts from, e.g., sand blasting equipments.

**Ozone depletion:** Destruction of the ozone layer, which protects all living things from ultraviolet solar radiation.

**Photosmog:** Photochemical smog, caused by the impact of sunlight on a mixture of hydrocarbons and nitrogen oxides.

**QESH:** Quality, Environment, Occupational Safety, and Health.

**SA 8000:** Social Accountability 8000; an auditable social standard, based on the eleven conventions of ILO, the declaration of human rights, and the UN convention of children’s rights.

**SAE AS 9100:** The international ISO 9000 derivative for suppliers to the aerospace industry, released in 1999 and revised in 2001 to align with ISO 9001:2000.

**SCC:** Safety Certificate Contractors; a certifiable standard of safety management systems, important between suppliers and purchaser.

**SEED:** Social, Economic, and Ecological Data, the database that Sulzer uses to collect, validate, and report on sustainability data (see p. 18).

**SEED *light*:** A reduced version of SEED for smaller sites with less exposure.

**VOC:** Volatile organic compounds, e.g., solvents. There are nonhalogenated and halogenated VOCs; halogenated VOCs destroy the ozone layer.

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**Social Sustainability**



Photograph: *Zeitung in der Schule*, Switzerland, spring 2006

**Gaining Experience for Life at Sulzer**

Sulzer assumes responsibility for society and globally promotes art, culture, education, science, and sports. In Winterthur, Sulzer supported a school project which promoted reading and writing abilities, by giving children the chance to do research and interviews for their first newspaper report.

**Ecological Sustainability**



Photograph: Factory site Oberwinterthur, Switzerland, spring 2006

**Deconstruction of Former Production Buildings**

In Winterthur, CH, the former production area of Sulzer goes through a broad transformation. Fulfilling strictest environmental standards, deconstruction materials undergo triage and conditioning to separate reusable (metals, concrete, soil) and contaminated fractions (concrete, soil).

**Feedback Form Sulzer Sustainability Summary 2006**

Your feedback on the Sulzer Sustainability Summary 2006 would be appreciated and will be taken into consideration when preparing future summaries. Please complete the following form and return it via post or by fax to +41 52 262 03 79. Alternatively, you can e-mail your comments to [sustainability@sulzer.com](mailto:sustainability@sulzer.com) or go to [www.sulzer.com/susu06/feedback](http://www.sulzer.com/susu06/feedback) and complete the form online.

**1. Your interest in Sulzer's performance is as a(n):**

- Employee
- Customer
- Supplier
- Shareholder
- Investor
- Financial Analyst
- Journalist
- Local Resident
- Educator/Student
- Special Interest Group
- Regulatory Body
- Other

**2. Please rate our Sulzer Sustainability Summary 2006:**

- |  |                          |                          |                          |                          |                                       |
|--|--------------------------|--------------------------|--------------------------|--------------------------|---------------------------------------|
|  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Meeting your information requirements |
|  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Openess and transparency              |
|  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Clarity and ease of understanding     |
|  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Appearance and layout                 |
|  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Overall impression of the summary     |
- Excellent  
Very good  
Good  
Average  
Poor

**3. Which sections did you find most useful?**

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**4. Which sections did you find least useful?**

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**5. How do you think we could improve this summary?**

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**6. Please provide your overall impressions and any general comments about the Sulzer Sustainability Summary 2006.**

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From:

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PLEASE  
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POSTAGE

Sulzer Ltd  
Sustainable Development  
8401 Winterthur  
Switzerland

## Sustainability at Sulzer



Photograph: A Sulzer service employee at the Sunila Pulp Mill, Finland, spring 2006

### Service Keeps Pumps Running

Pumps are *The Heart of The Process* in pulp and paper mills. Quality and service of the pumps are the keys for reliable operation of the pumps in processes. Reliability of the pumps is an important aspect in avoiding environmental incidents and occupational accidents.

### Economical Sustainability



Photograph: Sulzer training session, Switzerland, spring 2006

### Operational Excellence, Organic Growth, External Growth

Sulzer's management philosophy is based on three steps. Companywide action-learning programs transfer this principle into the daily activities of all employees. As actual business projects are essential parts of these programs, participants create value while enhancing their management skills.