

Articles of Association of Sulzer Ltd



Articles of Association of Sulzer Ltd Winterthur

Winterthur, April 1, 2015

I. Name, Registered Offices and Object of the Company

Art. 1

Under the name of
Sulzer AG
Sulzer SA
Sulzer Ltd

there exists a joint-stock company limited by shares, whose registered offices are in Winterthur.

Art. 2

The object of the Company is participating in technological companies and in other companies of all kinds in Switzerland and abroad. The Company may conduct any business which is suitable to promote or facilitate the development of the concern and the attainment of the Company's object.

The Company may also acquire, mortgage and dispose of real estate.

II. Corporate Capital

Art. 3

The share capital is 342,623.70 francs and is divided into 34,262,370 shares with a nominal value of CHF 0.01 each. All shares are registered shares and are fully paid-up.

Art. 3a

Abrogated

Art. 4

The Company shall issue its registered shares in the form of individual or collective certificates or securities. The Company may, insofar as is legally permissible, convert any registered shares issued in any one of the aforementioned forms at any time without the consent of the shareholders. It shall bear the related costs.

The shareholder is not entitled to request that registered shares issued in a specific form be converted into another form. Each shareholder may however at any time request that the Company issue a written confirmation for the shares held by the shareholder pursuant to the entry into the share register.

Book entries which registered shares of the Company form the basis of may not be transferred by assignment. Such book entries cannot be assigned as surety.

Art. 5

The shares are indivisible, and the Company recognizes only one representative per share.

The ownership of a share automatically entails recognition of the Articles of Association.

Art. 6

For registered shares, a register is kept at the offices of the Company, in which the name, domicile and address of the shareholders and usufructuaries are to be entered.

Only those persons entered as shareholders or usufructuaries in the share register shall be recognized as such in respect of the Company.

The entry in the register is conditional upon proof of the proper transfer of the shares. The Company may further refuse to register an acquirer in the share register as shareholder with voting rights if such acquirer, upon demand, does not explicitly certify that he acquired and shall hold the shares in his own name and for his own account.

Art. 6a

The Board of Directors shall record persons who fail to expressly declare in the registration application that they hold the shares for their own account ("Nominees") with the right to vote in the share register, provided that the Nominee is subjected to recognized banking and financial market supervision and has entered into an agreement with the Board of Directors with regard to his position, the share capital held by the Nominee does not exceed 3% of the share capital registered in the commercial register, and the Nominee discloses the names, addresses and number of shares of the persons for whose account the Nominee holds 0.5% or more of the share capital registered in the commercial register. The Board of Directors is authorized to record shares of Nominees with voting rights beyond these thresholds, to the extent all other requirements are fulfilled.

After hearing the registered shareholder or Nominee, the Board of Directors may cancel registrations in the share register, retroactive to the date of registration, if such registrations were made based on incorrect information. The relevant shareholder or Nominee shall be informed immediately as to the cancellation.

The Board of Directors shall regulate the details and issue the instructions necessary for compliance with the preceding provisions. In special cases, it may grant exemptions from the rules concerning Nominees. The Board of Directors may delegate its duties.

Art. 7

Each share entitles to one vote at the Shareholders Meeting.

A shareholder may only be represented by his legal representative, another shareholder with the right to vote or the independent proxy. All shares held by one shareholder may be represented by only one representative.

The Board of Directors shall issue procedural rules regarding participation in and representation at the Shareholders Meeting.

The Shareholders Meeting shall elect the independent proxy for a term of office extending until completion of the next ordinary Shareholders Meeting. Re-election is possible.

If the Company does not have an independent proxy, the Board of Directors shall appoint the independent proxy for the next Shareholders Meeting.

Art. 8

Shareholders shall have subscription rights in proportion to the nominal value of their shares if the share capital is increased, unless the Shareholders Meeting resolves for good cause a different ruling with regard to subscription rights.

III. Organisation of the Company**Art. 9**

The statutory organs of the Company are:

- A. the Shareholders Meeting
- B. the Board of Directors
- C. the Auditors

A. The Shareholders Meeting**Art. 10**

The ordinary Shareholders Meeting shall be held every year within six months after the close of the business year.

Art. 11

Extraordinary Shareholders Meetings shall be called in the cases provided for by law and whenever the Board of Directors deems them necessary.

Art. 12

Shareholders Meetings shall be called by the Board of Directors and, if need be, by the Auditors or any other body stipulated by law.

The convening of the Shareholders Meeting shall take place at least 20 days prior to the day of the meeting by publication in the Swiss Official Journal of Commerce.

The convening letter shall state the items on the agenda and the proposals of the Board of Directors and, where applicable, the proposals of the shareholders who have requested the Shareholders Meeting or that an item be included on the agenda. Shareholders whose combined shareholdings represent an aggregate par value of at least 2% of the share capital may request that an item be included on the agenda of a Shareholders Meeting. Such inclusion must be requested in writing at least 2 months prior to the meeting and shall specify the agenda items and proposals of such shareholder(s).

Art. 13

The Board of Directors shall make the necessary arrangements for the determination of voting rights and shall state in the convening letter the cut-off dates regarding the entry in the share register which are decisive with respect to voting rights.

Art. 14

The Shareholders Meeting shall be chaired by the Chairman of the Board of Directors or by the Vice-Chairman or, should they be unable to do so, by another member of the Board.

The Chairman shall designate a Secretary for the minutes and persons for counting the votes who need not be shareholders.

The minutes of the Shareholders Meeting are to be signed by the Chairman and by the Secretary for the minutes.

Art. 15

The Shareholders Meeting shall pass its resolutions and carry out its elections upon an absolute majority of the votes represented, unless the law nor the Articles of Association provide otherwise.

Elections and votes at the Shareholders Meeting shall take place openly as a rule. Written votes and elections shall take place, if the Chairman so rules or the majority of the shareholders present so request. The chair of Shareholders Meeting may also arrange for resolutions and elections to be carried out by electronic means. Resolutions and elections carried out by electronic means are deemed to have the same effect as secret ballots.

The chair of the Shareholders Meeting may at any time order that an election or resolution be repeated if, in his view, the results of the vote are in doubt. In this case, the preceding election or resolution shall be deemed to have not occurred.

In elections, if the first ballot fails to result in an election and more than one candidate is standing for election, the chair of the Shareholders Meeting shall order a second ballot in which a relative majority shall be decisive.

Art. 16

Amendments to the Articles of Association require a majority of at least two thirds of the votes represented; increases in corporate capital are carried out, however, upon an absolute majority of the votes represented. The dissolution or fusion of the Company can only be decided upon if at least half the shares issued are represented at the Shareholders Meeting and two thirds thereof vote in favour of the corresponding proposal.

The above is subject to Art. 704 para. 1 CO.

Art. 17

The Shareholders Meeting is the supreme organ of the Company. It has the following non-transferable powers:

1. to adopt and amend the Articles of Association;
2. to elect and remove the members of the Board of Directors, the Chairman of the Board of Directors, the members of the Compensation Committee, the Auditors of the Company and the independent proxy;
3. to approve the management report and the consolidated accounts;
4. to approve the annual accounts and to determine the allocation of profits as shown on the balance sheet, in particular to set the dividends;
5. to approve the compensation of the Board of Directors and of the executive management pursuant to Article 29 of these Articles of Association;
6. to discharge the members of the Board of Directors and of the executive management;
7. to pass resolutions regarding issues which are reserved to the Shareholders Meeting by law or by the Articles of Association.

B. The Board of Directors

Art. 18

The Board of Directors consists of five members at the least and nine members at the most.

The members of the Board of Directors and the Chairman of the Board of Directors are individually elected by the Shareholders Meeting for a term of office extending until completion of the next ordinary Shareholders Meeting.

Re-election is possible.

If the office of the Chairman of the Board of Directors is vacant, the Board of Directors shall appoint a new Chairman from among its members for a term of office extending until completion of the next ordinary Shareholders Meeting.

Art. 19

Except for the election of the Chairman of the Board of Directors and the members of the Compensation Committee by the Shareholders Meeting, the Board of Directors shall organise itself.

It appoints a Secretary who need not be a member of the Board of Directors.

Art. 20

The Board of Directors has authority to decide all matters which are not delegated to or reserved for another organ of the Company pursuant to law or the Articles of Association.

Art. 21

The Board of Directors has the following non-transferable and inalienable duties:

1. the ultimate direction of the business of the Company and the issuing of the necessary instructions;
2. the determination of the organisation of the Company;
3. the organisation of accounting, financial control and financial planning;
4. the appointment and recall of the persons entrusted with the management and representation of the Company;
5. the ultimate supervision of the persons entrusted with the management of the Company, in particular with respect to their compliance with law, the Articles of Association, by-laws and instructions;
6. the preparation of the business report and the compensation report as well as the Shareholders Meeting and the carrying out of the resolutions adopted by the Shareholders Meeting;
7. the notification of the judge if liabilities exceed assets.

Art. 22

The Board of Directors meets upon invitation of its Chairman or, in his absence, its Vice-Chairman, whenever business requires and also whenever a member requests a meeting.

The Board of Directors represents a quorum if at least half its members are present. Resolutions are passed upon the majority of the votes cast. In case of a tie, the chairman of the meeting shall have the casting vote.

Resolutions may also be passed in writing by circular resolution, unless a member requests an oral discussion.

Minutes are to be kept of the deliberations and resolutions of the Board of Directors. The minutes are to be signed by the chairman of the meeting and the Secretary.

Art. 23

The Board of Directors is empowered to appoint committees of the Board of Directors from its midst. The Board is furthermore entitled to delegate the representation of the Company and the management in whole or in part to individual members of the Board of Directors or to third parties. The Board of Directors shall draw up organisation by-laws which stipulate the details.

C. The Compensation Committee**Art. 24**

The Compensation Committee consists of at least three members of the Board of Directors.

Art. 25

The members of the Compensation Committee are individually elected by the Shareholders Meeting for a term of office extending until completion of the next ordinary Shareholders Meeting.

Re-election is possible.

If there are vacancies on the Compensation Committee, the Board of Directors shall appoint substitute members from among its members for a term of office extending until completion of the next ordinary Shareholders Meeting.

Art. 26

The Compensation Committee shall organise itself. The Board of Directors shall elect its chairman.

The Board of Directors shall draw up regulations establishing the organisation and decision-making process of the Compensation Committee.

Art. 27

The Compensation Committee shall support the Board of Directors in establishing and reviewing the compensation strategy and guidelines and the performance objectives as well as in preparing the proposals to the Shareholders Meeting regarding the compensation of the Board of Directors and of the executive management, and may submit proposals to the Board of Directors in other compensation-related issues.

The Board of Directors shall determine in regulations for which positions of the Board of Directors and of the executive management the Compensation Committee shall submit proposals for the performance metrics, target levels and the compensation to the Board of Directors, and for which positions of the Board of Directors and the executive management it shall itself determine, in accordance with these Articles of Association and the compensation guidelines established by the Board of Directors, the performance metrics, target levels and the compensation.

The Board of Directors may delegate further tasks to the Compensation Committee that shall be determined in regulations.

D. The Auditors

Art. 28

Each year the Shareholders Meeting elects Auditors of the Company with all the rights and duties defined by law.

IV. Compensation of the Members of the Board of Directors and of the Executive Management

Art. 29

The Shareholders Meeting shall approve the proposals of the Board of Directors in relation to the maximum aggregate amounts of:

1. compensation of the Board of Directors for the next term of office;
2. compensation of the executive management for the following financial year.

The Board of Directors may submit for approval by the Shareholders Meeting deviating or additional proposals relating to the same or different periods.

In the event the Shareholders Meeting does not approve a proposal of the Board of Directors, the Board of Directors shall determine, taking into account all relevant factors, the respective (maximum) aggregate amount or (maximum) partial amounts, and submit the amount(s) so determined for approval by an extraordinary Shareholders Meeting or the next ordinary Shareholders Meeting.

The Company or companies controlled by it may pay out compensation prior to approval by the Shareholders Meeting subject to subsequent approval.

The Board of Directors shall submit the annual compensation report to an advisory vote of the Shareholders Meeting.

Art. 30

The Company or companies controlled by it shall be authorized to pay to each person who becomes a member of the executive management or is being promoted within the executive management after the Shareholders Meeting has approved the compensation a supplementary amount during the compensation period(s) already approved if the compensation already approved is not sufficient to cover his compensation. The supplementary amount per compensation period shall in total not exceed 40% of the maximum aggregate amount of compensation for the executive management last approved.

Art. 31

Non-executive members of the Board of Directors shall be paid a fixed compensation. Total compensation shall take into account position and level of responsibility of the recipient.

Compensation of the members of the executive management consists of fixed and variable compensation elements. Fixed compensation comprises the base salary and other compensation elements. Variable compensation may comprise short-term and long-term variable compensation elements. Total compensation shall take into account position and level of responsibility of the recipient.

Short-term compensation elements shall be governed by performance metrics that take into account the performance of the Company, the group or parts thereof, targets in relation to the market, other companies or comparable benchmarks and/or individual targets, and achievement of which is generally measured during a one-year period. Depending on achieved performance, the compensation may amount to a multiple of target level.

Long-term compensation elements shall be governed by performance metrics that take into account strategic and/or financial objectives, and achievement of which is generally measured during a perennial period. Depending on achieved performance, the compensation may amount to a multiple of target level.

The Board of Directors or, to the extent delegated to it, the Compensation Committee shall determine the performance metrics and target levels of the short- and long-term compensation elements, as well as their achievement.

Compensation may be paid in the form of cash, shares, in kind or in the form of services or other types of benefits; compensation of members of the executive management may also be paid or granted in the form of options, financial instruments or similar units. The Board of Directors or, to the extent delegated to it, the Compensation Committee shall determine grant, vesting, exercise and forfeiture conditions. In particular, they may provide for continuation, acceleration or removal of vesting and exercise conditions, for payment or grant of compensation based upon assumed target achievement, or for forfeiture, in each case in the event of pre-determined events such as a change-of-control or termination of an employment or mandate agreement. The Company may procure the required shares through purchases in the market or by using conditional share capital.

Compensation may be paid by the Company or companies controlled by it.

V. Agreements with Members of the Board of Directors and the Executive Management

Art. 32

The Company or companies controlled by it may enter into agreements for a fixed term or for an indefinite term with members of the Board of Directors relating to their compensation. Duration and termination shall comply with the term of office and the law.

The Company or companies controlled by it may enter into employment agreements for a fixed term or for an indefinite term with members of the executive management. Employment agreements for a fixed term may have a maximum duration of one year. Renewal is possible. Employment agreements for an indefinite term may have a termination notice period not exceeding twelve months.

Non-compete agreements for the time after termination of an employment agreement are permissible. Their duration shall not exceed one year. Their consideration shall not exceed the last total annual target compensation such member was entitled to prior to termination.

VI. Mandates Outside the Group, Loans

Art. 33

No member of the Board of Directors may hold more than ten additional mandates of which no more than four may be in listed companies.

No member of the executive management may hold more than five mandates of which no more than one may be in listed companies.

Not subject to these limitations are:

- (a) mandates in companies which are controlled by the Company or which control the Company;
- (b) mandates held at the request of the Company or companies controlled by it. No member of the Board of Directors or of the executive management may hold more than ten such mandates;
- (c) mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations. No member of the Board of Directors or of the executive management may hold more than ten such mandates.

Mandates shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities that are under joint control or same beneficial ownership are deemed one mandate.

Art. 34

The Company or companies controlled by it shall not grant loans to members of the Board of Directors or the executive management.

VII. Closing of Accounts

Art. 35

The annual accounts and the consolidated accounts are closed every year as on 31st December.

Art. 36

5% of the annual profits are to be allocated to the general reserve fund until this reserve fund amounts to 20% of the paid-up share capital.

Subject to the statutory provisions, the remaining profits as shown on the balance sheet may be allocated by the Shareholders Meeting at its discretion; it may appropriate the profits to build further reserves, in particular to create special reserve funds.

VIII. Dissolution and Liquidation

Art. 37

The Shareholders Meeting may at any time resolve the dissolution and liquidation of the Company in accordance with the provisions of law and the Articles of Association. The respective quorum is as defined under Art. 18.

The liquidation shall be carried out by the Board of Directors, unless the Shareholders Meeting decides otherwise.

IX. Announcements and Notices

Art. 38

The announcements of the Company are published in the Swiss Official Journal of Commerce (Schweizerisches Handelsamtsblatt). The Board of Directors is at any time authorized to designate further publication organs.

Notices to registered shareholders in those cases prescribed by law shall take place in writing to the shareholder's address last known to the Company.

(Translation – German version shall prevail)

Sulzer Ltd

8401 Winterthur
Switzerland

Phone +41 52 262 11 22

Fax +41 52 262 01 01

www.sulzer.com

