

Shareholder information on the compensation votes at the 2018 Annual General Meeting

Agenda Item 4

Vote 4.1

Binding vote on the maximum aggregate compensation of the Board of Directors from the 2018 Annual General Meeting to the 2019 Annual General Meeting

Proposal: The Board of Directors proposes to approve a maximum aggregate amount of compensation of the Board of Directors of CHF 2 984 000 for their term of office from the 2018 Annual General Meeting until the completion of the 2019 Annual General Meeting.

Explanation: This binding vote, which is to be conducted according to the Ordinance against excessive compensation in stock listed corporations, allows shareholders to vote directly on the aggregate maximum compensation amount of the Board of Directors for the forthcoming term of office. The proposed amount allows for a maximum aggregate compensation of the Board of Directors for the term of office from the 2018 AGM to the 2019 AGM of CHF 2 984 000.

In order to reinforce their independence, the members of the Board of Directors of Sulzer receive a fixed compensation only. They are neither eligible to variable or performance-based compensation nor entitled to participate in the pension benefit plans of Sulzer. The compensation of the Board of Directors is delivered partly in cash and partly in Restricted Share Units (RSU) and is summarized below:

Compensation of the Board of Directors ¹		
thousands of CHF	Cash component (net of social security contributions)	Grant value of restricted share units (net of social security contributions)
Member of the Board of Directors	70	125
Chairman of the Board of Directors ²	420	250
Vice-Chairman of the Board of Directors	100	155
Additional committee fees:		
Committee chairman	40	
Committee member	25	

¹ Compensation for the term of office from AGM to AGM.

² The Chairman of the Board of Directors is not entitled to receive additional committee fees.

The following table illustrates the composition of the proposed maximum aggregate amount of CHF 2 984 000 for the compensation of the Board of Directors for their term of office from the 2018 AGM to the 2019 AGM.

Compensation of the Board of Directors	Approved	Actual	Proposal
thousands of CHF	2017 AGM – 2018 AGM	2017 AGM – 2018 AGM	2018 AGM – 2019 AGM
Fees in cash ¹	1 340	1 271	1 390
Fair value of the Restricted Share Units (RSU)	1 155	1 155	1 155
Mandatory social security contributions	275	266	299
Reserve amount ²	127	0	140
Total compensation	2 897	2 692	2 984

¹ Includes basic membership fee and committee fees.

² Compensation for ad hoc committees and significant additional assignments.

The actual compensation payout, including the distribution among these non-binding components, will be disclosed in the 2018 and 2019 compensation reports, respectively, which will be submitted to an advisory shareholder vote.

Further information on the compensation of the Board of Directors is provided in the 2017 compensation report (www.sulzer.com/ar17).

Vote 4.2

Binding vote on the maximum aggregate compensation of the Executive Committee for the financial year 2019

Proposal: The Board of Directors proposes to approve a maximum aggregate amount of compensation of the Executive Committee of CHF 21 505 000 for the financial year 2019.

Explanation: This binding vote, which is to be conducted according to the Ordinance against excessive compensation in stock listed corporations, allows shareholders to vote directly on the aggregate maximum compensation amount of the Executive Committee for the forthcoming financial year. The proposed amount allows for a maximum aggregate compensation of the Executive Committee for the financial year 2019 of CHF 21 505 000.

The compensation policy of Sulzer is driven by the performance orientation of the company and a strong alignment with long-term shareholder value creation and sustainable growth. Therefore, the overall compensation of the members of the Executive Committee consists of a fixed and a variable compensation. The variable compensation is performance-based and includes a short-term incentive (in cash) and a long-term Performance Share Unit (PSU) plan. This system shall encourage and reward superior performance.

Elements of compensation of the Executive Committee			
Base salary	Benefits	Bonus in cash (short-term incentive)	Performance Share Unit (PSU) Plan (long-term incentive)
Reflects the function and scope of responsibilities, as well as the personal profile of the employee (experience and skill set)	Establishes a level of security for the employees and their dependents in the retirement age and against risks such as death and disability. Tailored to local regulations and market practice	Rewards performance and the achievement of business, financial and personal objectives over a one-year period	Rewards the company's success over a three-year period and drives long-term shareholder value creation. Ties compensation to the long-term performance of the Sulzer share

The following table illustrates the composition of the proposed maximum aggregate amount of CHF 21 505 000 for the compensation of the Executive Committee for the financial year 2019. Furthermore, the table shows the compensation effectively paid out or granted in the financial years 2016 and 2017 and the maximum amount of compensation which would have been payable under the applicable compensation plans upon the maximal achievement of the performance targets.

Yearly compensation of the Executive Committee	2016	2016 ⁵	2017	2017	2018	2019
thousands of CHF	Max	Actual	Max	Actual	Max	Max proposed
Base salary	3 702	4 727	3 913	4 367	3 695	4 170
Bonus in cash	5 012	3 579	5 262	3 742	4 936	5 614
Other ¹	350	1 523	380	278	458	310
Fair value of the Restricted Share Units (RSU) ²	-	600	-	-	-	-
Cap value of the Performance Share Units (PSU) ³	8 940	6 529	8 940	3 785	9 230	8 725
Contributions to pension benefits and social security ⁴	2 294	2 517	2 315	1 784	2 844	2 686
Total compensation	20 298	19 477	20 810	13 956	21 163	21 505

¹ 2016 Actual and 2017 Actual: Other consists of housing allowances, schooling allowances, private use of company cars, tax services, holiday compensation and child allowances. Includes a special cash payment of CHF 98 730 for a new EC member as compensation for forfeited incentives at the previous employer as a result of joining Sulzer.

² 2016 Actual: Replacement awards to compensate for forfeited remuneration at the previous employer as a result of joining Sulzer. The amount represents the full fair value at grant.

³ 2016 Actual and 2017 Actual: represents the full fair value at grant.

⁴ Employer contributions. Contributions to social security are owed under mandatory law. The maximum amount included for 2019 covers contributions to social security to be made (or expected to be made) with respect to base salaries, bonuses in cash and other compensation as well as PSU (based on the cap value), as well as contributions to pension benefits.

⁵ An additional Executive Committee member was appointed in February 2016.

The actual compensation payout, including the distribution among these non-binding components, will be disclosed in the 2019 compensation report, which will be submitted to an advisory shareholder vote.

Further information on the compensation of the Executive Committee is provided in the 2017 compensation report (www.sulzer.com/ar17).

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Key figures 2017

+12%

Order intake¹⁾

+5%

Sales¹⁾

+41%

Basic earnings per share

¹⁾ On a currency-adjusted basis.