

Shareholder information on the compensation votes at the 2019 Annual General Meeting

Agenda Item 4

Vote 4.1

Binding vote on the maximum aggregate compensation of the Board of Directors from the 2019 Annual General Meeting to the 2020 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 2019 Annual General Meeting until the completion of the 2020 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 2019 AGM to the 2020 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	60	
Committee member	35	

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 2019 AGM to the 2020 AGM.

Compensation of the Board of Directors	Approved	Actual	Proposal
thousands of CHF	2018 AGM – 2019 AGM	2018 AGM – 2019 AGM	2019 AGM – 2020 AGM
Fees in cash ¹	1'390	1'226	1'390
Fair value of the Restricted Share Units (RSU)	1'155	1'155	1'155
Mandatory social security contributions	299	257	299
Reserve amount ²	140	0	140
Total compensation	2'984	2'638	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 2019 and 2020 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 2018 compensation report (<https://report.sulzer.com/ar18>).

Vote 4.2

Binding vote on the maximum aggregate compensation of the Executive Committee for the financial year 2020

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 2020.

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 2020 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 2020. Furthermore, the table shows the compensation effectively paid out or granted in the financial years 2017 and 2018 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	2017	2017	2018	2018	2019	2020
thousands of CHF	Max	Actual	Max	Actual	Max	Max proposed
Base salary	3'913	4'367	3'695	4'090	4'170	4'170
Bonus in cash	5'262	3'742	4'936	3'683	5'614	5'614
Other ¹	380	278	458	2'401	310	310
Cap value of the Performance Share Units (PSU) ²	8'940	3'785	9'230	4'462	8'725	8'725
Contributions to pension benefits and social security ³	2'315	1'784	2'844	2'066	2'686	2'686
Total compensation	20'810	13'956	21'163	16'703	21'505	21'505

¹ 2017 Actual and 2018 Actual: Other consists of housing allowances, schooling allowances, private use of company cars, tax services, holiday compensation and child allowances. For 2018, this category also includes the step-up in fair value of outstanding PSU (PSP 2016 and PSP 2017) resulting from the Board's decision to set TSR floors reflecting the exceptional market conditions and share price collapse following the US sanctions against Russia and the collateral damages to Sulzer.

² 2017 Actual and 2018 Actual: represents the full fair value at grant.

³ Employer contributions. Contributions to social security are owed under mandatory law. The maximum amount included for 2020 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.

The actual compensation payout, including the distribution among these non-binding components, will be disclosed in the 2020 compensation report, which will be submitted to an advisory shareholder vote.

Further information on the compensation of the Executive Committee is provided in the 2018 compensation report (<https://report.sulzer.com/ar18>).

Mind and Matter

Annual Report 2018

<https://report.sulzer.com/ar18>

Order intake¹⁾

+ 13%

Sales¹⁾

+ 12%

Basic earnings per share

+ 45%

¹⁾ On a currency-adjusted basis.

Sulzer Annual Report 2018 exclusively online

Iron and brass were the materials Sulzer used to cast its first products almost 200 years ago. We have come a long way from that and today, we continue pushing the boundaries – with advanced materials but also advanced processes such as additive manufacturing. At Sulzer, it is not a question of mind over matter. It is a question of mind and matter.



Read more in our online
Annual Report 2018:
<https://report.sulzer.com/ar18>