



SUSTAINABILITY REPORT 2017

SUSTAINABILITY REPORT

COMMITMENT AND LEADERSHIP

Burckhardt Compression has made a long-term commitment to the economy, society and the environment. Our aim is to create all the right conditions to preserve and continue the company's 174-year tradition of success. This can only be achieved if a balance is found between the different and sometimes opposing interests of individual stakeholders.

We are committed to transparency. Only by knowing exactly where things stand can appropriate goals be set and the right measures be initiated to achieve them. Regular management reviews and appropriate controlling instruments ensure that we achieve the goals we set. Burckhardt Compression's sustainability credentials are regularly assessed by an external specialist (GAM). During the latest assessment in 2015 we again achieved our goal of exceeding the average rating for a selected group of comparable Swiss companies.

Burckhardt Compression adapted its quality management systems during the year under review in accordance with the requirements of ISO9001:2015 and received the corresponding new certification.

ECONOMIC SUSTAINABILITY

Objective

Our company's primary objective is to achieve our financial goals, since failure to meet these goals could have a profound impact on the future of our company. The continued existence of Burckhardt Compression over the long term is ensured only if we manage to achieve financial results that at least average those of our direct competitors.

As part of the effort to maintain economic sustainability, Burckhardt Compression regularly produces a Mid-Range Plan, usually covering a period of five fiscal years. This is periodically reviewed and adjusted in line with the economic, political and technological environment.

Investors

We maintain an open and transparent dialog with our investors and interested parties. The aim of our Investor Relations is to adequately portray our company and markets to enable a fair valuation of Burckhardt Compression stock. In an effort to further that dialog, we held our second Investor Day at the company's headquarters in Winterthur in January 2018, where we presented investors with our new Mid-Range Plan for 2018 to 2022.

Our Investor Relations are evaluated by independent firms and receive consistently very good ratings considering the size of our company. The leading Swiss business newspaper "Finanz und Wirtschaft" gives us an A- rating (A being the highest rating) for Investor Relations and transparency.

In the yearly ranking of annual reports conducted by HarbourClub and the business magazine "Bilanz," our 2016 annual report improved its ranking in the Value Reporting (Print) category from 31st out of more than 220 companies in the previous year to 24th. We came 61st in the Design (Print) category, and 105th in the Online category.

The annual Obermatt survey measures the performance of listed companies relative to peers. It rated Burckhardt Compression 5th in the "growth performance ranking" of mid-cap companies for 2017 (previous year: 14th).

In the 2017 survey of company boards carried out by zRating in collaboration with the "Finanz und Wirtschaft," Burckhardt Compression achieved an excellent 14th place among the 165 Swiss listed companies covered by the survey. This survey comprised 26 criteria based on the principles of good corporate governance, statutory requirements and self-regulatory instruments.

Customers

Burckhardt Compression seeks long-term customer relations. The average useful life of our compressors is 30–50 years. Following the project phase, we provide our customers with the necessary services and components they need throughout the entire life cycle of the compressor systems. Our longest standing customer relationship dates back to 1885, when we supplied BASF in Ludwigshafen with one of the first compressors ever built by our company.

The various business activities of Burckhardt Compression also call for a variety of tools for measuring customer satisfaction. Here a distinction is made between direct and indirect key performance indicators (KPI), which are measured and evaluated. Customer satisfaction is evaluated during claims and warranties meetings, which are an integral part of the management process and are held with the Management Team. Appropriate measures are then introduced and implemented based on the results of the evaluation. In the year under review, customer surveys were carried out with a focus on the Systems Division.

Competition

We are committed to fair competition, in which there is no room for price fixing, cartels or other activities that distort competition. We value our corporate and business know-how, especially our technical and commercial know-how, and are constantly safeguarding it against loss or unauthorized access.

Suppliers

A well-functioning supply chain ensures our continual product development and manufacturing activities. Burckhardt Compression buys its products from various global and regional suppliers. We cooperate closely with them as early as the development stage and aspire to establish long-lasting partnerships. We adhere to the principles set out in our Code of Conduct and ensure that they are strictly complied with in all dealings with our suppliers. The Code of Conduct is available to the public and can be viewed at www.burckhardtcompression.com/about-us/vision-mission-values. We systematically test our suppliers' suitability and annually assess their performance by means of visits and audits, and by measuring key performance indicators.

Burckhardt Compression was named as world market leader for reciprocating compressor systems during the year under review.

Strategic procurement is a regular component of the management schedule at Burckhardt Compression Group. Responsible managers report at regular intervals on the most important changes in the global procurement market, such as price trends for raw materials and finished products. Decisions are made together with the divisional management teams to ensure a smooth supply chain. Every year, we reward the best suppliers in the various categories to encourage them to achieve even more.

Innovation

Burckhardt Compression was named as world market leader for reciprocating compressor systems during the year under review. The Global Market Leaders Index was developed by the Business School of the University of St. Gallen in collaboration with the Akademie Deutscher Weltmarktführer. The index lists companies that offer leading technology and outstanding products and services.

Process improvement

The quest for continuous improvement by Burckhardt Compression's executives and employees forms the foundation on which the company is based.

Every year, the personal objectives of our executives and employees include implementing continuous improvement projects. These projects are implemented using methods developed by Burckhardt Compression and evaluated by its executives. We also work with suppliers, universities, institutions and advisors worldwide to develop and improve products or processes in areas where we do not have the necessary expertise. Collaboration with external experts and specialists fosters new ideas and maximizes creative potential, also within the company.

Capital expenditure

In the past five years Burckhardt Compression has invested CHF 115.2 mn (excluding acquisitions). In the year under review, most of it was invested in Winterthur and at Shenyang Yuanda Compressor.

Value-based management

We measure the value generated for our shareholders in two ways:

- Market capitalization as a percentage of equity
- Change in earnings per share

Market cap divided by shareholders' equity at the end of the reporting year resulted in a quotient of 3.1 (previous year according to Swiss GAAP FER 2.9). This clearly shows that we continue to generate substantial value with the capital of our shareholders (shareholders' equity). Net income per share for the period under review amounted to CHF 8.51 (previous year CHF 9.12). We aim to increase this figure further.

During the year under review, Burckhardt Compression acquired and fully integrated CSM Compressor Supplies & Machine Work Ltd., based in Edmonton and Drumheller, Canada.

All acquisition targets must meet three specific criteria: 1) The acquired activities must be a good strategic fit for our company; 2) the price must be in accord with our expectations; 3) the corporate culture of the target company must be compatible with our own.

Risk management

As the world's leading manufacturer of reciprocating compressors, Burckhardt Compression is exposed to a number of risks. We have developed a comprehensive risk management plan for our company and integrated it into our existing planning and management process.

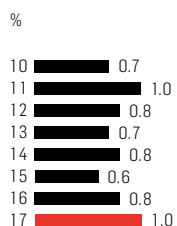
The Executive Board's assessment of risks is discussed with the Audit Committee twice a year. We distinguish between two categories of risk:

1. Internal: Risks that Burckhardt Compression can directly influence
2. External: Risks over which Burckhardt Compression has little or no influence.

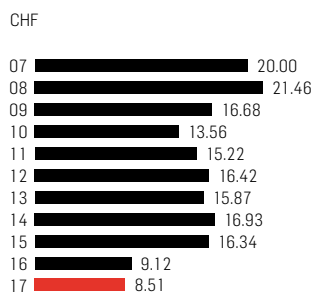
The objectives of our risk management activities are:

- to systematically detect special risks;
- to establish processes for monitoring, reducing and, in a best case, preventing risks;
- achieving a balance between risks and rewards for our business.

ACTUAL WARRANTY COSTS AS A PERCENTAGE OF SALES



NET INCOME PER SHARE¹



¹ The consolidated accounts have been prepared in accordance with Swiss GAAP FER since April 1, 2017. The previous period (fiscal year 2016) has been restated accordingly to enable comparison with the year under review.

SOCIAL SUSTAINABILITY

Corporate culture

A well-established corporate culture is crucial to a company's competitiveness. Our comprehensive value program, called "Values and Behaviors", ensures that employees in our Group's different locations and companies share the same corporate values and principles. This shared understanding makes collaboration between teams and across borders much easier.

All employees are trained in our corporate values and our code of conduct. Members of the Executive Board have also stressed the importance of these common values and behaviors in video podcasts. Employees are also given updates on our efforts to corporate values in the "BC Live Report" e-newsletter, which is published three times a year. These measures help us to ensure that our employees are familiar with our corporate culture and live up to our core values. Our executives are important role models in this regard.

Sustainable HR policy

Only satisfied employees are willing to go that extra mile to meet the needs of our customers. That's why we are committed to a sustainable HR policy. We actively promote a balance of employees in regard to gender and age. Loyalty and the ability to identify with the company are confirmed by the fact that the average employee has been with the company for nine years.

Toward the end of the year under review, Burckhardt Compression carried out a worldwide employee survey. The results are expected at the start of the coming fiscal year. Once it has these, Burckhardt Compression will launch initiatives and projects designed to further improve employee satisfaction.

We have a responsibility to ensure the expertise of our employees and promote the exchange of knowledge. Our new employee orientation process ensures that new hires are familiarized with their area of work and our corporate culture. Personal development is part of our annual appraisal and it is financed by Burckhardt Compression. We have developed an internal, modularly structured expert, product-related and leadership training program to ensure the continual development of our technology know-how and leadership competencies. Training courses for specific skill-sets are organized for the entire Burckhardt Compression Group twice a year.

Burckhardt Compression conducts an annual appraisal and performance review of each employee suited to the particular level of hierarchy, comprising personal development goals and suggestions for continuous improvement. Part of this system involves reviews as to the status of individual objectives and corresponding measures.

13.6% of our employees worldwide are women (13.0% in the previous fiscal year). Having nearly reached our interim target of 15%, we aim to raise this percentage steadily over the coming years to 20%. Both men and women sit on the Board of Directors and the Executive Board of our company. This meets one of the recommendations of the Code of Best Practice for Corporate Governance published by *economiesuisse*; but, more than that, we are convinced that mixed-gender teams perform better.

Our employees are regularly informed about the course of business and other corporate developments by their managers. Burckhardt Compression employees in Switzerland are informed twice a year in person by the CEO and Division heads. The still high employee turnover rate of 9.8% (previous year 10.2%) is caused by the worldwide good economic cycle. We are aiming for a further significant reduction in employee turnover.

Promoting new talent and career development

We actively promote and support new talent at all levels and we are committed to the Swiss system of apprentice training. There are currently 60 apprentices in Switzerland and 17 in India receiving vocational training in eight different trades. We are a founding member of the initiative launched under the auspices of the Swiss Federal Office for Professional Education and Technology and the Swiss-Indian Chamber of Commerce to establish an apprenticeship system of learning in India patterned after the Swiss model and we are a corporate sponsor of the AZW Training Center in Winterthur for vocational educational career pathways. Apprentices with a good performance record are generally retained by Burckhardt Compression upon completion of their apprenticeship. Burckhardt Compression's annual spending on apprenticeship training programs (cash out) amounts to about CHF 1.4 mn. Based on the internal talent review process, potential new managers and specialists are identified at an early stage and carefully developed. Vacant job positions at all levels are also advertised internally. External as well as internal candidates must go through a proprietary screening process. The systematic evaluation and development of the company's future managers, which we have practiced internally with success for many years, enabled us to again fill various management vacancies during the past year with internal candidates. If there are no suitable candidates available in-house to succeed a departing executive or to fill a new management-level position, we are in a good position to recruit well-qualified external candidates, not least due to our company profile and image.

Occupational health & safety

Safety at work is very important to Burckhardt Compression. We believe it is important that all employees are informed of the risks involved in their work and aware of the accident prevention measures. Regular training is provided on the topic of safety at work. Work safety audits and safety inspections are carried out annually by external professionals and the findings are implemented accordingly.

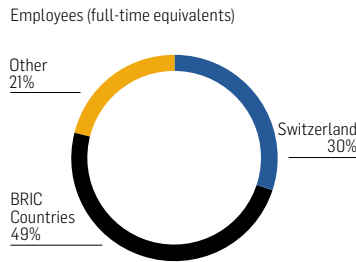
The health and general well-being of our employees are important to us. During the year under review an initiative was launched at the workshop in Winterthur to prevent slips and trips. Burckhardt Compression knows that physical and mental health is closely linked to performance. An extensive range of physical activities, preventive measures and measures on specific topics help to improve employee satisfaction, health and motivation, and to reduce absences.

We have systematically reduced the average number of working days lost because of illness over the last 13 years. During the year under review, this figure went up again for the first time to 7.5 days (previous year 6.3 days). The requisite measures were initiated to achieve our target of under 6 days. This and other measures are part of the EOHS system (Environment/ Occupational Health & Safety System) that is being introduced at all Group sites in compliance with ISO 14001 and OHSAS 18001 standards.

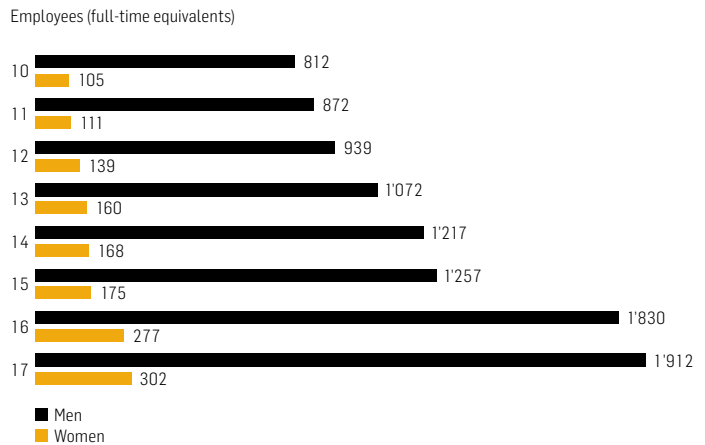
Social environment

We are well established in our social environment. We actively cooperate with citizens and the authorities at all locations. Our company supports employees who are committed to doing good for the community. Therefore, we support the engagement of our executives and employees in political and charitable aspirations with the aim of alleviating problems facing society. For example, our Board Chairman has been president of the Swiss Employers' Association for the past seven years, and of "Check your Chance", a Swiss association that fights youth unemployment, since 2014. Our CEO is the honorary chair of the Swiss-CIS/Georgia Chamber of Commerce. To strengthen local social networks, we run programs at the locations of our biggest companies in Switzerland and India that support local social and cultural projects. In doing so, we specifically encourage our employees to become personally involved in such projects.

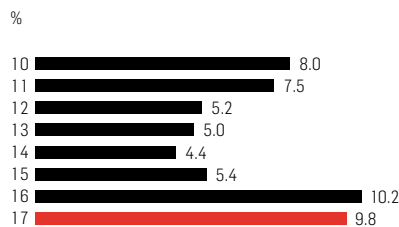
GEOGRAPHIC BREAKDOWN OF THE WORKFORCE, 2017
100% = 2'214



GLOBAL WORKFORCE BY GENDER



EMPLOYEE TURNOVER RATIO



ENVIRONMENTAL SUSTAINABILITY

"We are a company that cares about the environment and that strongly supports responsible and prudent consumption of energy and our planet's finite natural resources. By exercising foresight and prudence, we help to minimize the use of energy, water and chemicals of all kinds while addressing the issue of harmful emissions." (Code of Conduct)

Innovation

Environmental protection starts with product design and development. Here, the focus is on sustainable and efficient development, taking into account the entire life cycle of a product; the average lifetime of our compressors is 30 to 50 years. Whenever it makes sense, our customers are included early on in the development stage of new products, in order to find joint innovative solutions and verify ideas.

Products

Highly functional products enable our compressor systems to run optimally. The following newly developed products and solutions promise to offer customers greater benefits while improving our environmental footprint:

- Laby®-GI Compressors: The dual-fuel propulsion system developed for LNG carriers can be powered by environmentally friendly natural gas instead of diesel. The Laby®-GI fuel gas compressors by Burckhardt Compression compress the boil-off gas from the LNG tanks, which is then injected directly into a diesel engine. The dual-fuel propulsion system for LNG carriers significantly reduces CO₂ and SO_x emissions when powered by natural gas.
- Process Gas Compressors API 618: These compressors are used specifically in industrial processes for the desulfurization of fuels.
- PROGNOST®-SILver: Systems for monitoring and diagnosing the condition of reciprocating compressors are key tools for increasing operational safety, lengthening service intervals and preventing fault events.

Procurement

We draw on the experience of our suppliers to help us continuously improve our products. Much of the value creation is performed by them. Therefore, we place the same high demands on them as we do on ourselves. They are integrated into our environmental and quality policy. Checks are made on site or when goods arrive to ensure adherence to specifications and verified by reviewing the required audit reports.

Manufacturing and logistics

In our efforts to transfer knowledge and production know-how between our various production and engineering centers, we are also transferring safe, efficient and environmentally friendly production and engineering processes. We have optimized our internal logistics processes and transportation operations through the "PULL@BCAG" program. We are also reducing the number of transport runs by consolidating deliveries and deploying more container delivery solutions. PULL@BCAG is not simply a project but rather a reflection of our basic philosophy about the work we do. Local procurement of machine accessories brings us even closer to our customers and allows us to reduce transport runs.

The small parts finishing shop's heat recovery solutions for the heating and ventilation systems achieve a high efficiency rate of 77%.

Buildings and fixtures

A new surface finishing shop for small parts was commissioned in fiscal 2016. It is equipped with cutting-edge technology and enables small parts weighing up to four tons to be coated more efficiently than before. The small parts finishing shop's heat recovery solutions for the heating and ventilation systems achieve a high efficiency rate of 77%. This enables us to further reduce our emissions of harmful VOC gases (Volatile Organic Compounds). Water-soluble paints can also be used in the future. Furthermore, the continuous flow manufacturing system for the new assembly hall was finalized.

At the factory in Shenyang owned by Shenyang Yuanda Compressor, the company in which a majority interest was acquired in 2016, a waste air filtration system was installed to treat gases released during casting operations; various other investments were made in the casting preparation and casting process.

Our factory in Pune, India, received a GreenCo Gold Award during the year under review. GreenCo is a rating system established by the Confederation of Indian Industry (CII), which takes a holistic approach to measuring the results of companies' environmental initiatives. One of the reasons why we won this award is that the Pune factory has reduced its energy consumption by 32% in just two years. This was made possible by the consistent use of LED light bulbs, motion sensors and solar panels, and by careful monitoring of energy consumption. In addition, fresh water consumption at Pune fell by 30% thanks to rainwater harvesting, while waste per productive hour of work decreased by 23%.

**Our factory in Pune, India, received
a GreenCo Gold Award during the year
under review.**

Environmental management, recycling and waste disposal

Hazardous goods and chemicals are transported, stored and disposed of in accordance with applicable laws and regulations. We try to recycle as much of our waste as possible. Internal collection points help our employees sort and dispose of waste correctly. This allows most of our waste to be recycled. The rest is sent to a nearby waste incineration plant that produces district heat for water and space heating systems. Specialized companies are engaged to ensure that certain materials (e.g. metals) are recycled in the proper, most environmentally friendly way.

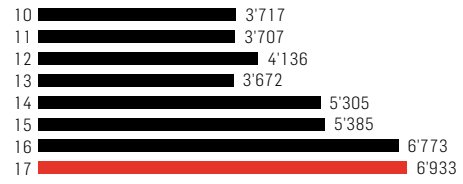
The waste management concept introduced in collaboration with an external consultant was continued and expanded and will lead to even greater separation of waste in the future.

Burckhardt Compression reviewed and adjusted the chemicals concept at its Winterthur site during the year under review. Combustible chemicals were replaced by less combustible ones, and all container labelling was amended. Oil storage was modernized by means of collecting containers and special transport tanks, which helped improve both the safety of the chemicals and the efficiency of our processes.

These and other measures are part of the EOHS system (Environment/Occupational Health & Safety System) that is being introduced at all Group sites in compliance with ISO 14001 and OHSAS 18001 standards. Official certification is planned for 2018.

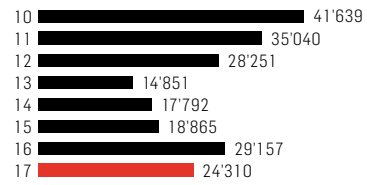
ELECTRICITY CONSUMPTION

MWh



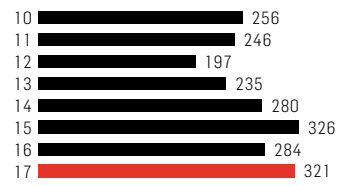
WATER CONSUMPTION

m³



WASTE

t



Figures without Shenyang Yuanda Compressor

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