

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 the framework for continuing the company's 175-year history of success on all levels. This can only be achieved if a balance is found between the different and sometimes opposing interests of the individual stakeholders.

We are committed to transparency. Only by knowing exactly where things stand can appropriate goals be set and the right measures 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 evaluated by an external specialist (GAM) on a regular basis. During the latest assessment in 2018 we again achieved our goal of exceeding the average rating for a selected group of comparable Swiss companies.

Burckhardt Compression modified its occupational health and safety management systems during the year under review in accordance with OHSAS 18001 requirements and introduced an environmental management system in compliance with ISO 14001, obtaining certification for both standards.

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 modified to reflect the prevailing 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 accurately portray our company to enable a fair valuation of Burckhardt Compression's stock. In an effort to further that dialog, we organize Investor Days, most recently at the company's headquarters in Winterthur in January 2018, where we presented the targets and objectives of our 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 2017 annual report scored a very high 26th (out of a total of 230 companies) in the Value Reporting (Print) category.

In the 2018 survey of company boards carried out by zRating in collaboration with the "Finanz und Wirtschaft," Burckhardt Compression ranked 15th among the 174 Swiss listed companies covered by the survey. This excellent ranking is based on 26 criteria pertaining to board organization, independence, transparency, compensation and sustainability.

Customers

Burckhardt Compression seeks to establish lasting customer relationships, given that the average useful life of our compressors is 30 to 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 designated management teams. Appropriate measures are then introduced and implemented based on the results of the evaluation. In the year under review, customer satisfaction surveys were focused on the Services 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 downloaded at www.burckhardtcompression.com/about-us/vision-mission-values. We systematically test their suitability and annually assess their performance by means of visits and audits, and by measuring key performance indicators.

We were honored to receive an SAP Gold Award in the “Fast Delivery” category for our swift and smooth implementation of SAP’s Success Factors HR software in fiscal year 2018.

Procurement is an integral part of Burckhardt Compression’s strategic management cycle. The relevant procurement 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. In the year under review, we organized a Supplier Day in Switzerland and in India to deepen our contact with our suppliers and inform them about various changes and projects.

We were honored with the SAP Gold Award in the “Fast Delivery” category in connection with the roll-out of SAP’s Success Factors HR software in fiscal year 2018. SAP’s award is given in recognition of superb project planning and the fast and cost-effective implementation of SAP software solutions, focusing closely on SAP standards.

Innovation

Burckhardt Compression was named 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

Burckhardt Compression has invested CHF 125.9 mn over the past five years (excluding acquisitions). Most of its capital expenditure during the period under review was spent on projects 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 shareholder equity at the end of the reporting year resulted in a quotient of 2.7 (previous year 3.1). This clearly shows that we continue to generate substantial value with the capital of our shareholders (shareholders’ equity). Net income per share attributable to the shareholders of Burckhardt Compression for the period under review amounted to CHF 8.15 (previous year: CHF 8.51). We aim to increase this figure going forward.

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 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.

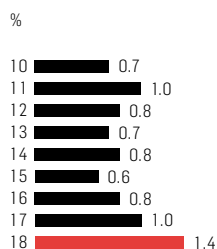
The objectives of our risk management activities are:

- 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.

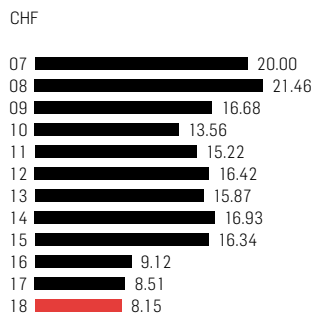
Warranty costs

The significant increase in actual warranty costs in the fiscal year 2018 is mainly due to additional costs incurred in the LNGM business.

ACTUAL WARRANTY COSTS AS A PERCENTAGE OF SALES



NET INCOME PER SHARE



SOCIAL SUSTAINABILITY

Corporate culture

A well-founded and sound corporate culture is the foundation of a company's competitiveness. Our "Values and Behaviors" policy document ensures that all employees at the Group's various sites and subsidiaries share the same corporate values and principles. This shared understanding makes collaboration between teams and across borders much easier.

All employees are briefed on the company's binding values and code of conduct. Members of the Executive Board have also stressed the importance of these common values and behaviors in video podcasts. These measures help 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 sustainable HR policies. We actively promote a good balance of employees in terms of gender and age. High levels of employee loyalty and identification with the company are confirmed by the fact that the typical employee has been with the company for 8.4 years.

Toward the end of the previous fiscal year, Burckhardt Compression conducted an engagement survey with all employees around the world. The high response rate of 89% is another reflection of our employees' commitment. According to GfK, which conducted the global survey, Burckhardt Compression employee views on the quality of management, internal communications and employee focus were better than the average industry scores. Cross-departmental collaboration and change were two areas where our scores were below the industry average. Burckhardt Compression therefore organized Group-wide workshops, action plans and projects to further improve employee satisfaction. This employee survey will be conducted every two years to measure changes in 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 performance reviews and it is financed by Burckhardt Compression. We have developed an internal training program with various technical, product-specific and management modules to ensure the continual development of our technical and leadership competencies. Training courses for specific skill sets are organized for the entire Burckhardt Compression Group several times a year.

Burckhardt Compression conducts an annual appraisal and performance review with every employee (MyPerformance@BC), comprising personal development goals and suggestions for continuous improvement. Periodic reviews of the progress made toward performance goals, formal meetings with employees and goal-setting are part of the (MyPerformance@BC) system.

13.8% of our employees worldwide are women (previous year: 13.6%). 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 from the Code of Best Practice for Corporate Governance published by *economiesuisse* and 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 by the CEO and the heads of their divisions. The still high employee turnover rate of 9.8% in the period under review (previous year: 9.8%) is attributed to the good state of the global economy. We aim to reduce this rate to a significantly lower level.

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 57 apprentices in Switzerland and 27 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 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 offered selective talent development programs. 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 depart-

ing 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 also important to us. Burckhardt Compression acknowledges that physical and mental health correlates with employee productivity and 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. During the year under review the Occupational Health & Safety System introduced at all of Burckhardt Compression's sites received OHSAS 18001 certification. Various activities such as more frequent or detailed risk assessments, safety tours with managers, and safety training courses for employees have had a positive impact on the relevant KPIs. At the Winterthur site, all workshop employees are now also required to wear protective footwear.

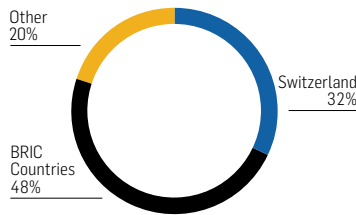
The average number of working days lost because of illness declined to 6.1 days per employee (previous year: 7.5 days). Our aim is to bring this down to less than 6.0 days. Measures were taken to achieve this goal.

Environmental management

All Burckhardt Compression sites received ISO 14001 certification in the past fiscal year. In addition to compliance with the applicable standards, activities here were primarily focused on environmentally relevant aspects, with the aim of reducing energy consumption. A comprehensive chemicals management concept was also drawn up, hazardous chemicals were replaced with less hazardous ones and our storage practices were optimized.

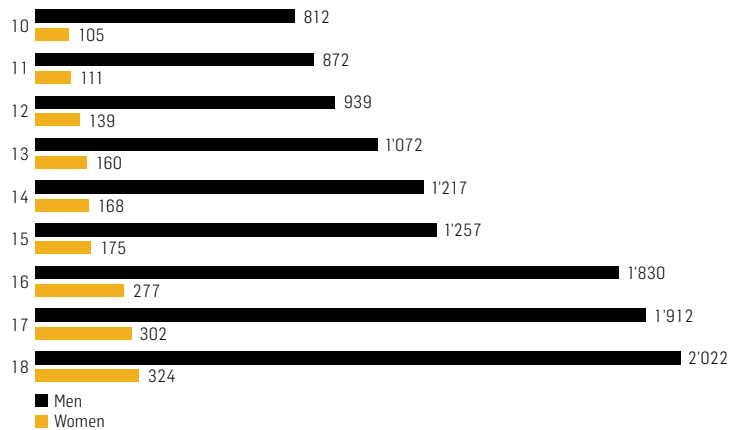
GEOGRAPHIC BREAKDOWN OF THE WORKFORCE, 2018
100% = 2'346

Employees (full-time equivalents)

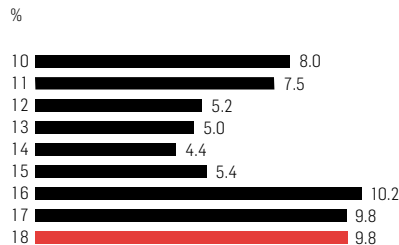


GLOBAL WORKFORCE BY GENDER

Employees (full-time equivalents)



EMPLOYEE TURNOVER RATIO



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 held the unpaid position of chairman of the Swiss Employers' Association since 2011 and of "Check your Chance," a Swiss association that fights youth unemployment, since 2014. Our CEO serves as the honorary chair of the Swiss-CIS/Georgia Joint 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.

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. We focus on sustainable and efficient product development concepts, taking into account the entire life cycle of a product, given that our compressors have an average lifetime of 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 marine diesel oil. 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 SOX emissions when powered by natural gas.
- Process Gas Compressors per 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 reliability, extending service intervals and preventing failures.

Procurement

We draw on the experience of our suppliers to help us continuously improve our products. Much of our value creation is dependent on 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 are 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.

Buildings and fixtures

At the Winterthur site, a multi-year project to replace conventional lighting with LEDs in our offices and workshops is under way to save energy.

More investments were made to reduce fine respirable dust at our foundry operations in China.

A new sand mixer was installed for Shenyang Yuanda Compressor's foundry. This new machine produces a better sand mixture and thus a more homogenous sand composition, which in turn, reduces the required amounts of sand hardeners. Other green investments were made to reduce fine respirable dust caused by the foundry's operations.

Our factory in Pune, India, received another GreenCo Gold Award during the year under review. GreenCo is an environmental rating system introduced by the Confederation of Indian Industry (CII) that takes a holistic approach to measuring the effectiveness of a company's environmental policies. The Pune factory also received a gold award for its energy-saving activities and an honorable mention for the best waste management and recycling project. It increased the renewables share of its energy mix and installed more roof-top solar panels, and reduced its overall energy consumption.

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 recycled certain materials (e.g. metals) are recycled in the proper, most environmentally friendly way.

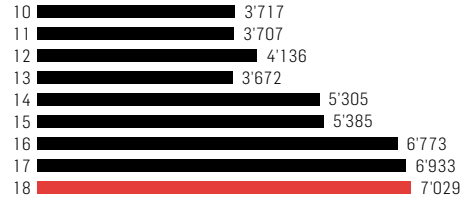
The waste management concept introduced in collaboration with external consultants was continued and expanded and will lead to even greater separation of waste in the future.

Burckhardt Compression reviewed and modified its chemicals concept at its Winterthur site during the year under review. Combustible chemicals were replaced with less flammable chemicals, and all storage containers were relabeled. Oil storage tanks were retrofitted with spill containment systems and special transport tanks, which improves our chemical safety practices and process efficiency. The substitution of hazardous chemicals further reduced our consumption of VOC gases (Volatile Organic Compounds), which have harmful effects on human health and the environment.

These and other measures are part of the EOHS system that is being introduced at all Group sites in compliance with ISO 14001 and OHSAS 18001 standards. Official certification was obtained in 2018.

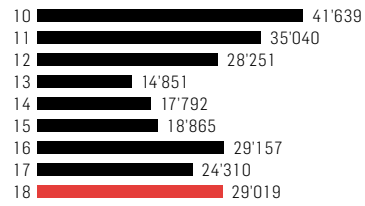
ELECTRICITY CONSUMPTION

MWh



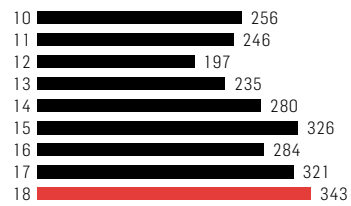
WATER CONSUMPTION

m³



WASTE

t



Figures without Shenyang Yuanda Compressor