



SUSTAINABILITY REPORT

# SUSTAINABILITY

## COMMITMENT AND LEADERSHIP

Burckhardt Compression's industrial commitment to the economy, society and the environment is long-term. Our aim is to create the framework for continuing the company's 167-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 appropriate goals can be set and the right measures initiated to achieve them. A corresponding controlling ensures the achievement of these goals.

## ECONOMIC SUSTAINABILITY

### Objective

Our company's primary objective is to achieve our financial goals, 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.

### Investors

We maintain an open and transparent dialogue with our investors and interested parties. The aim of our Investor Relations is to accurately portray our company, in order to enable a fair valuation of the Burckhardt Compression stock.

Our Investor Relations are evaluated by independent bodies and regularly receive good ratings. In a 2010 survey carried out by zCapital, an independent asset manager, our company's Corporate Governance ranked 37 out of the 130 Swiss companies assessed. The renowned Swiss business newspaper "Finanz und Wirtschaft" currently rates our Investor Relations and transparency at A- (with A being the highest value). The Harbour Club, who in cooperation with the business magazine "Bilanz" evaluates the annual reports of Swiss companies, ranked the design part of our annual report for the 2009 fiscal year 100 out of the 231 annual reports evaluated.

### Customers

Burckhardt Compression is geared towards long-term customer relations. The average lifetime of our compressors averages 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 our compressors. Our longest customer relationship, which still exists today, dates back to 1885, when we supplied BASF in Ludwigshafen with one of the first compressor ever built by our company.

The various 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, which are measured and evaluated. The evaluation of customer satisfaction is discussed in customer satisfaction and operation meetings, which are integrated in the management process. Following the drawn conclusions appropriate measures are introduced and implemented.

### Competition

Lower life cycle costs distinguish us from our competitors in our sales markets. The investment required for our products is offset against significantly lower operating expenses over the entire product life cycle.

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 the development and manufacturing of our products. Burckhardt Compression buys its products from various global and regional suppliers. We cooperate closely with our suppliers as early as the development stage and aspire to establish long-lasting partnerships. We continuously apply the principles set out in the "BC Code" (Burckhardt Compression's Code of Conduct) in our dealings with our suppliers. We systematically test their suitability and annually assess their performance by means of visits and audits, and by measuring key performance indicators. The topic of procurement is an integral part of Burckhardt Compression's management cycle. Those responsible for procurement report regularly on key changes. Decisions are made together with management to ensure a smooth-running supply chain. Every year, we reward the best suppliers in the various categories to encourage them to achieve even more.

### Continuous improvement

The quest for continuous improvement through Burckhardt Compression's executives and employees forms the foundations on which the company is based. Operational progress, which is reflected in above-average profitability, is fostered on the one hand by a structured improvement process for employees and executives and, on the other, through systematic application of operating methods and procedures. We consider our successful, constructive approach to interfaces, where the greatest potential for improvement can usually be found, as one of our company's core capabilities. While the focus of productivity improvement efforts in recent years was on production, it has now been gradually expanded to include engineering, sales and administration. 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 executives.

### Risk management

As one of the world's leading manufacturers of reciprocating compressors, Burckhardt Compression is exposed to a number of risks. We have developed a comprehensive risk management system for our companies and integrated it into our existing management process, with the aim of

- systematically identifying particular risks,
- establishing processes to monitor, reduce and, at best, prevent risks and
- find a balance between business risks and opportunities.

## SOCIAL SUSTAINABILITY

### Corporate culture

"We believe that a well-founded and sound corporate culture is a key factor, if not the original source, of a company's competitiveness. The reputation that precedes our company, and the trust bestowed upon us, depend to a great extent on the integrity and conduct of each and every one of us. A fair and careful balance in our dealings with others – be it with customers, suppliers, co-workers, shareholders or other business partners – is just as important as the sustainable conduct of our business." (extract from the "BC Code")

All employees are taught the values set out in our global Code of Conduct, the "BC Code". This helps us ensure that all employees are familiar with our corporate culture and act in accordance with our beliefs and values. Our executives in particular are expected to set an example, also when it comes to corporate culture, in their daily work.

### 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 the right balance of employees in regards to gender and age. Loyalty and the ability to identify with the company are confirmed by the fact that the average number of years spent working for the company is 11 years.

Every other year, we participate in the biggest national survey of employees in Switzerland: In 2009, our employees voted us as one of the top 25 Swiss employers for the third time in a row. Burckhardt Compression came out top in the areas of management, corporate strategy, work content and customer focus. The main reason for participating in the employee survey is to obtain suggestions for further improvements and to check the success of the measures introduced earlier.

We have a responsibility to ensure the expertise of our employees and promote knowledge transfer. Our systematic employee introduction programs ensure that new employees are familiarized with their area of work and the corporate culture. Personal development is part of our annual appraisal and performance review of each employee and it is also financed by Burckhardt Compression.

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

Our employees are regularly informed by their superiors, and quarterly by the CEO, about business developments and other aspects of the business. Additional information is provided by the staff magazine BC Xpress, which is written by employees for employees and distributed worldwide.

### Promoting new talent and career development

We actively promote and support new talent at all levels. We are committed to the Swiss system of apprentice education. We are currently training 43 apprentices in six different trades. Apprentices with a good performance record are generally retained after their apprenticeship. All new vacancies at all levels are also advertised internally. Both external and internal candidates go through selection processes developed in-house. The systematic evaluation and development of the company's future managers, which we have practiced internally with success for many years, enabled us also during the course of the reporting year to fill various management vacancies with internal candidates. If there are no suitable candidates available in-house to succeed or replace an executive, we are in a position to recruit very good external candidates, not least due to our

company profile and image. Due to retirement, the management of the subsidiaries in Japan and Canada were replaced in the reporting year.

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### **We are currently training 43 apprentices in six different trades.**

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#### **Occupational health and 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 number of days' absent from work, caused by occupational accidents in Winterthur, have risen to 378 days over the past three years. We have therefore launched an initiative including various measures to at least halve the number of days' absent from work in 2011.

The health and general well-being of our employees are important to us. Physical and mental health is closely linked to performance. An extensive range of physical activities, preventative measures and measures on specific topics help to improve employee satisfaction, health and motivation, and reduce absences. We were able to systematically reduce the overall number of days' absent from work per employee in recent years to 7.8 days in the 2010 calendar year. Our aim is to bring this down below 6.0 days.

#### **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. To strengthen local social networks, we run programs in Switzerland and India with which we 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" ("BC Code").

#### **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. 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.

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### **Environmental protection starts with product design and development.**

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Lower life cycle costs distinguish Burckhardt Compression from the competition in its sales markets. We make a conscious effort to lengthen servicing intervals. We set great store by this when developing our compressors and use compressor components – wherever possible, from our own product portfolio – to optimize maintenance cycles. "Compressors for a Lifetime" is not just a saying but the philosophy we live by. Around 75% of the compressors we have manufactured since 1883 are still in use.

**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: The ME-GI diesel propulsion system for LNG tankers, designed by MAN Diesel can also run on environmentally friendly natural gas. The Laby®-GI fuel gas compressors by Burckhardt Compression compress the boil-off gas from the tanks before injecting it directly into the diesel engine. This economical and environmentally friendly type of propulsion significantly reduces CO<sub>2</sub> and SO<sub>x</sub> emissions when vessels run on natural gas.
- Process Gas Compressors: In FY 2010, Burckhardt Compression expanded its range of compressors to include Process Gas Compressors, which cover applications with rod loads of up to 1'500 kN (335'000 lbs). These compressors are used specifically for the desulphurization 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 damage. In 2008, PROGNOST launched PROGNOST®-SILver onto the market. The world's first SIL-certified industrial machine protection has a hardware-based safety shutdown feature for reciprocating compressors.

**Procurement**

We draw on the experience of our suppliers to help us continuously improve our products. As our suppliers are largely responsible for value creation, we place the same high demands on them as we do on ourselves. They are part of our environmental and quality policy. Checks are made on site or when goods arrive to ensure adherence to specifications and verified by checking the required audit reports.

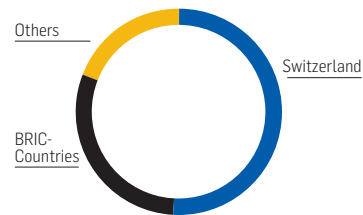
**Production and logistics**

As part of transferring 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. Thanks to our improvement project "PULL@BCA", we are able to optimize internal logistics processes and transportation. We are also able to cut transportation with consolidated transports to individual Group companies and container consolidations. Thanks to more local manufacturing operations, we are now closer to our customers and are therefore able to shorten transport routes.

**EMPLOYEES WORLDWIDE**



**GEOGRAPHIC BREAKDOWN OF THE WORKFORCE, 2010  
100% = 917**



**Buildings and fixtures**

The energy needed to heat the offices and production areas in Winterthur comes from the heating generated by a neighboring waste incineration plant. In converting the company premises acquired in 2009 in Winterthur, we put great emphasis to aspects of environmental protection and energy efficiency. For example when replacing the compressed air station in 2010 for the whole complex, we were able to considerably reduce energy consumption while increasing performance.

Over the last few years, our machine tool equipment has been almost completely renewed. The new machinery is much more powerful yet uses much less energy.

**Recycling and waste disposal**

We dispose of our waste in such a way that as much as possible is recycled and as little as possible is wasted. The aim of our internal collection points is to ensure that employees sort and dispose of their waste in the correct manner. By implementing such measures, most of our waste can be recycled. The rest is sent to the neighboring waste incineration plant, where district heating is generated for warm water and room heating. Specialized companies are hired to recycle certain materials (e.g. metals), in order to ensure the materials are recycled in the appropriate and environmentally friendliest manner.