



SUSTAINABILITY REPORT 2016

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 more than 170-year tradition of success. 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 2015 we again achieved our goal of exceeding the average rating for a selected group of comparable Swiss companies.

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.

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 organized the very first Investor Day at the company's headquarters in Winterthur in December 2016. 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 annual ranking of annual reports conducted by HarbourClub and the business magazine "Bilanz" our 2015 annual report maintained its very high ranking of 31 (out of a total of 228 companies) in the category Value Reporting (Print) and placed 49th in the category Design (Print). In the category Online, we placed 69th, far better than in the preceding years.

The annual Obermatt survey measures the performance of listed companies relative to peers and here Burckhardt Compression was rated 14th in the "growth performance ranking" of mid-cap companies for 2016.

In the 2016 survey of company boards carried out by zRating in collaboration with the "Finanz und Wirtschaft," Burckhardt Compression achieved an excellent 7th place ranking among the 165 Swiss listed companies covered by the survey. This survey comprised 27 criteria based on the principles of good corporate governance, statutory requirements and instruments of self-regulation.

Burckhardt Compression Holding AG shares have been in the SPI Select Dividend 20 Index since March 2015. This index comprises 20 out of the more than 200 stocks in the SPI that boast the highest dividend yields, stable dividend track records, and solid profitability. To be admitted to the index, companies must have also paid out a dividend in at least four of the past five fiscal years. Return on capital (ROC) is also measured to screen out the highest-yielding stocks with sustainable profitability levels. ABB, Nestlé, Swisscom and Roche are among the companies that have been admitted to this index. Admission to this index confirms Burckhardt Compression's attractive positioning in the capital market.

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 our compressors. 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. Customer surveys were conducted in the Systems Division and the Services Division during the year under review.

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 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 their suitability and annually assess their performance by means of visits and audits, and by measuring key performance indicators.

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 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 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.

Process improvement

The quest for continuous improvement by Burckhardt Compression's executives and employees forms the foundation 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 and sustainability 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.

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 120.8 mn (without acquisitions). A considerable amount of capital was invested in the construction of two new manufacturing plants in Busan (South Korea) and Houston (US) and in the expansion of our manufacturing site in Winterthur. Establishing manufacturing capacity in the respective regional markets facilitates further productivity and efficiency gains, for example, by enabling the gradual replacement of plant and equipment at the Winterthur and Pune sites.

Investments were also made to open new service centers and expand existing ones. Software programs were bought or updated and IT infrastructure was upgraded to further globalize our business processes.

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 2.6 (previous year 3.2). 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 11.20 (previous year CHF 16.34). We aim to increase this figure.

During the year under review, Burckhardt Compression acquired IKS Industrie- und Kompressorenservice GmbH, a German firm headquartered in Bremen that has since been fully integrated into the Group.

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.

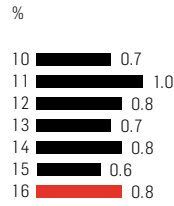
The Executive Board's assessment of risks is discussed with the Audit Committee twice a year. We distinguish between two categories of risk:

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

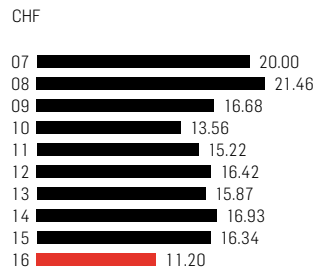
The objectives of our risk management activities are:

- 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 SHARE



SOCIAL SUSTAINABILITY

Corporate culture

A well-founded and sound corporate culture is the foundation of a company's competitiveness. We therefore updated the "BC Code of Conduct" during the year under review and issued a revised policy document headlined "Values and Behaviors." The revision of the BC Code was necessary to meet our increased needs in the wake of Burckhardt Compression's significant growth over the past few years, as a result of which collaboration between employees from different subsidiaries is becoming more common.

Employees are also given updates on our efforts to adhere to the core values in the "BC Live Report" newsletter.

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. Employees are also given updates on our efforts to adhere to the core values in the "BC Live Report" newsletter, which is published approximately every 2 months. 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 the right 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.

We participate in the largest national survey of employees on a regular basis with the twin objective of gathering input for further improvement and verifying the results of past measures.

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, modular 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 skillsets 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. 13.0% of our employees worldwide are women (12.4% in the previous fiscal year) and we aim to raise this percentage to 15% over the coming years. 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* 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 by the presidents of their divisions. The higher employee turnover rate of 10.2% for the year under review (previous year: 5.4%) is attributed to restructuring and acquisition activity.

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 64 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 industrial-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 1.5 mn. Vacant job positions at all levels will also be 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.

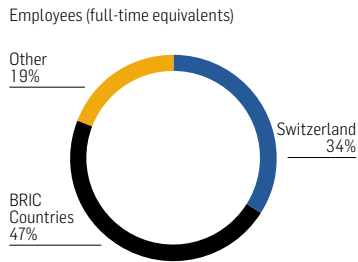
The health and general well-being of our employees are important to us. All employees are now required to wear protective eyewear in the workshop in Winterthur, for example, so as to further reduce the risk of eye injuries. Physical and mental health are closely linked to performance. An extensive range 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 in recent years. In the year under review, the average number of days off per employee was 6.3 days, which represents another reduction compared to the figure of 6.4 days in the previous fiscal year. Our aim is to bring this down to less than 6.0 days. Measures have been introduced to help us achieve this goal.

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 ISO14001 and OHSAS18001 standards.

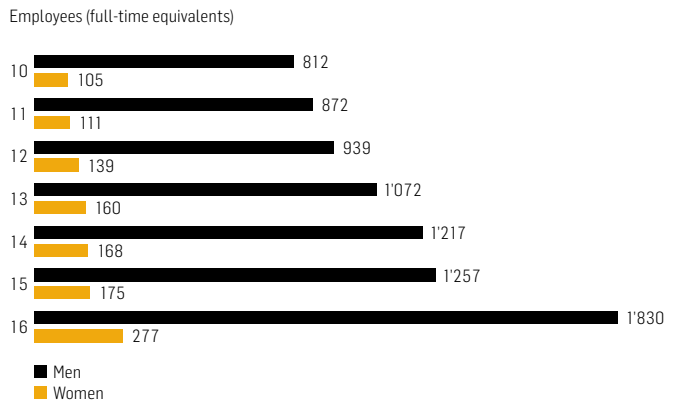
Social environment

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 presided over the Swiss Employer's Association (honorary office) for the past six years and the 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.

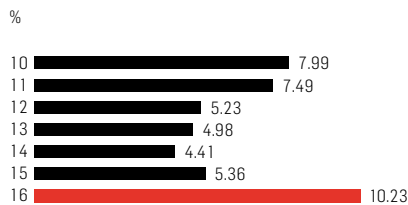
GEOGRAPHIC BREAKDOWN OF THE WORKFORCE, 2016
100% = 2'107



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. 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.

Lower life cycle costs distinguish Burckhardt Compression from the competition. We make a conscious effort to lengthen servicing intervals. We set great store by this when developing our compressors and we use compressor components – wherever possible, from our own product portfolio – to optimize service cycles. "Compressors for a Lifetime™" is not just a saying, but a philosophy we live by. The average life cycle of our compressors is 30 to 50 years.

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 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 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@BCA" 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

Thanks to the new 2'300 m² manufacturing hall that became operational in September 2015, we were able to vacate more leased premises. Great attention was paid to environmental protection and energy efficiency during the construction of the new manufacturing area. For example, waste heat generated in the paint shop and testing facility is recovered by ceiling panels and pumped to a storage unit. The stored heat can be directly returned directly to the underfloor heating system. This has reduced the need for district heating by up to 60%. The ventilation system and drying systems in the paint shop also have their own integrated heat recovery system. Thanks to these heat exchangers, 77% of the heat required is returned to the cabins.

Energy for heating the offices and production facilities in Winterthur comes from the heat generated by a nearby waste incineration plant. Highly energy-efficient external doors, and where necessary additional air locks, have been installed almost everywhere at the manufacturing facilities in Winterthur. The new manufacturing area is also equipped with state-of-the-art LED technology. Daylight sensors dim the lights automatically or shut them off altogether. This reduces energy consumption by 60%. Their longer lifespan of 50'000 hours also means that the expensive process of changing the bulbs has also been minimized. We have renewed our machine tools over the past few years. The new machines are much more powerful, but consume much less energy. 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.

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

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 during the year under review, a waste air filtration system to treat the gases that are released during the casting operations was installed and various investments were made in the casting preparation and casting processes.

Our factory in Pune, India, received a GreenCo Silver 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.

In November 2015, we received an award from the Carbon Disclosure Project (CDP) for making the greatest improvement of any company in Switzerland. CDP takes all the information about a company's electricity and water consumption, waste volumes and mobility, and converts this data into the equivalent quantity of carbon dioxide. In 2015, Burckhardt Compression earned a CDP rating of 9IDE and was placed in Performance Band "C" for the year under review. A direct comparison for the past two years is not possible due to changes in CDP's rating structure. Burckhardt Compression's consumption of electricity and water rose significantly during the past fiscal year due to the commissioning of a new assembly plant in Korea and in the US.

Environmental management, recycling and waste disposal

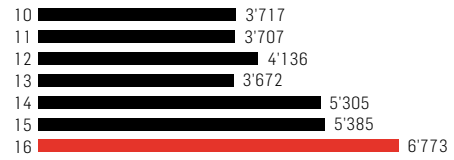
Hazardous goods and chemicals are transported, stored and disposed of in accordance with applicable laws and regulations. We try to recycle as much of our waste as possible. Internal collection points help our employees sort and dispose of waste correctly. This allows most of our waste to be recycled. 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 2015 in collaboration with an external consultant was continued and expanded and will lead to even greater separation of waste in the future.

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.

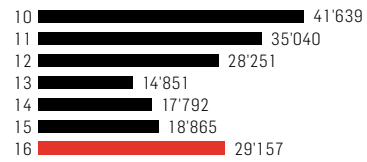
ELECTRICITY CONSUMPTION

MWh



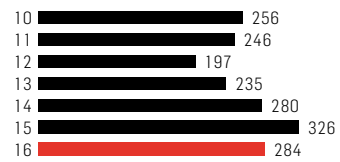
WATER CONSUMPTION

m³



WASTE

t



Figures without Shenyang Yuanda Compressor

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