# SIKA BUSINESS YEAR 2019

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BUILDING TRUST

# SUSTAINABILITY REPORT

## ENHANCING CUSTOMER VALUE, REDUCING ENVIRONMENTAL IMPACTS, AND ASSUMING SOCIAL RESPONSIBILITY

As a global company, Sika is committed to sustainable development. The company honors its responsibilities by offering sustainable solutions for energy-efficient construction and innovative vehicles. It also implements numerous projects and measures aimed at boosting the Group's economic, social, and ecological sustainability.

## SIKA'S SUSTAINABILITY STRATEGY

The revision and further development of the 2014–2018 Sustainability Strategy has been the priority during the year under review. Taking into account the results of the materiality analysis conducted in 2018 and the development of the Sika Growth Strategy 2023, the Sustainability Strategy now includes the new focus area "Climate Performance" with specific targets on the reduction of $CO_2$ emissions, the use of electricity from renewable sources and recycling of waste. In addition, community engagement now encompasses targets referring to volunteering activities and number of beneficiaries.

With its newly defined sustainability targets, Sika's priority will be to minimize resource consumption and the environmental impact of its production process. In particular, Sika's overriding goal is to reduce $CO_2$ emissions per ton sold by 12.0% until 2023. The sustainability related performance of the year 2019 is going to be the baseline for the Sustainability Strategy 2023. More details are available on https://www.sika.com/en/about-us/sustainability/sika-sustainability-strategy.html

## MANAGEMENT AND ORGANIZATION

The further development and the implementation of the Sustainability Strategy has been assigned to the department "Sustainability and Operations Technology" (S&OT). This department encompasses Product Sustainability, Environment, Health and Safety (EHS), as well as Factory KPI Reporting. Other areas of S&OT are Quality Assurance, Risk Management, and Operations Technology. The Sustainability Strategy is implemented and anchored locally by the line organization. A particular degree of responsibility lies with the General Managers, Target Market Managers, R&D Managers, and Operations Managers, who drive the development and implementation of local action plans.

The existing network of local and regional EHS and sustainability resources supports Sika companies in ideation, planning, and implementation of higher-level regional measures. In 2019, a world-wide EHS network was established, including regional and area representatives.

Sika established a Sustainability Advisory Board (SAB) in 2016. An independent expert opinion aims to provide Sika management with additional guidance regarding the direction and implementation of Sika's Sustainability Strategy. In 2019, the SAB met twice, in June and in November. The focus topics concentrated on the target areas "climate change" and "occupational health and safety" (June), and on "process optimization" (November). In June, Prof. Dr. David N. Bresch, Professor for Weather and Climate Risks at ETH Zurich (Swiss Federal Institute of Technology) presented the new Swiss climate scenarios. In November, the SAB met at the department of materials at the ETH. Jan Vermant, Professor for Soft Materials, presented ideas about process intensification in industrial manufacturing, potentially applicable within Sika's production processes. By the end of 2019, Sika also set up an internal Sustainability Committee to steer and coordinate initiatives to achieve sustainability targets and monitor proper implementation of the Sustainability Strategy throughout the Group.

## ECONOMICAL: PERFORMANCE

### TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURE

The Financial Stability Board Task Force on Climate-related Financial Disclosures (TCFD) has developed voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders. The task force structured its recommendations around four themes that represent key aspects of how organizations operate: governance, strategy, risk management, and metrics and targets. In the year under review, Sika started to address the recommendations, and to integrate them into the reporting structure.

#### GOVERNANCE

The Corporate Governance Report as part of the Annual Report describes how the Group Management and the Board of Directors manage sustainability and climate-related aspects. Both the external Sustainability Advisory Board and the internal Sika Sustainability Committee ensure that climate-related aspects are adequately considered in the Group's strategy and operations. The task of the internal Sika Sustainability Committee is to prepare the decision-making of the Group Management. Climate-related risks are identified via the Sustainability and Operations Technology Manager, and the Compliance and Risk Management divisions. Information on specific climate-related risks is collected on regional level and consolidated on corporate level aligned with the overall strategy. Here, the external Sustainability Advisory Board gives recommendations for the agenda setting on global level. Locally, climate-related risks are assessed and evaluated by EHS and Operations Managers in collaboration with General Managers who are reporting to Area

Managers. An Area Manager reports to the Regional Manager. The Regional Manager is part of the Sika Group Management.

STRATEGY

The Sika Strategy 2023 is closely aligned with the Sustainability Strategy. The overall goal is to reduce the $CO_2$ emissions by 12.0% by 2023. Climate Performance is one of the target areas of this strategy. In the year under review, the Sustainability and Operations Technology team started to assure that climate transition risks in future will be part of the Sika Risk Management. The focus in 2019 was the further development of the Sika Sustainability Strategy, the definition of "Climate Performance" as target area, and the development of a greenhouse gas emissions reduction plan; climate risks and opportunities will be defined in 2020. In this context, it's the ambition of Sika to increase the coverage of scope 3 emissions. Furthermore, the company will start to identify the climate-relevant risks at operation level, and will then consider transition and physical risks along its value chain.

Furthermore, in the year under review as part of the Sustainability Strategy 2023, Sika has started the development of a Sustainable Portfolio Management (SPM) methodology. This methodology will be used to assess sustainability-related risks and opportunities of product-technology combinations in defined market segments in which Sika is active, with a focus on the long term. This will lead to a deeper understanding of the sustainability performance of Sika products and solutions portfolio, focusing on new developments.

RISK MANAGEMENT

The risk management process, the main risks, and the process used to rank them are described in the "Risk Management" chapter. Climate-related risks, being long-term financial risks, in future will be embedded into the Group risk management. This implies that climate-related risks are considered in the analysis process when setting up a new factor.

METRICS AND TARGETS

The target areas of the new Sika Sustainability Strategy are Sustainable Solutions, Climate Performance, Community Engagement, Water/Waste, Energy and Occupational Health and Safety. The strategic objectives used to drive sustainable value creation are described in the Sika Sustainability Strategy "More Value – Less Impact".

With the Sustainability Strategy 2023 Sika has set the target to reduce $CO_2$ emissions per ton sold by 12.0% by 2023 by improving its energy efficiency and energy mix and by investing in clean technologies. Greenhouse gas Scope 1 and Scope 2 emissions are fully reported. The scope of emissions reporting is consistent with financial reporting. Scope 3 emissions related to upstream activities are disclosed only partly, currently covering business travel and leased vehicles. Other scope 3 emissions that occur in the value chain, related to purchased goods, transportation and distribution, waste disposal, employee commuting, processing and use of sold products are quantitatively assessed on product level and potential meaningful impacts have been identified but not fully quantified on company level, and are therefore not disclosed. Sika aims to increase the coverage of indirect upstream and downstream emissions that occur in the value chain (scope 3 emissions).

Sika solutions are designed to enable customers to reduce emissions in the respective applications and during the lifetime of the building or vehicle.

**STANDARDS AND COMPLIANCE**

Sika has a Group-wide, culturally well established and integrated Compliance Management System (CMS). The Group pursues a holistic approach to compliance and engages the whole organization throughout hierarchies, functions, and geographical areas. In 2019, Sika's focus has been on the following CMS initiatives:

STRENGTHENING OF THE SIKA COMPLIANCE ORGANIZATION

In June 2019, the Group Compliance Officer – while remaining Head of the Group Compliance Organization – was also appointed Head of Corporate Human Resources (HR). Merging the two positions of Head HR and Head Compliance into one allows the HR and Compliance functions to cooperate very closely, which in turn helps promote strong ethical leadership and a culture of integrity across the Group. A Senior Compliance Manager joined the Group in September 2019, assuming the role of Sika's Deputy Group Compliance Officer. Two additional positions fully assigned to the Corporate Compliance team were created in October.

GLOBAL AWARENESS-RAISING CAMPAIGN

The rollout of the Global Awareness-Raising Campaign on Compliance, which started in 2016, was completed in 2019. Overall, a total of more than 21,000 Sika employees in more than 100 countries were trained on the Sika Code of Conduct (CoC) and on how to use the Sika Trust Line, the internal digital platform allowing Sika employees to report suspected CoC violations and other serious misconduct. More than 4,000 Parex employees were also trained after merging with the Sika Group in 2019.

COMPLIANCE CULTURE

In 2019, Sika launched the first global Sika Employee Survey, with the objective to measure the engagement level of employees, to identify strengths and improvement potential. More than 14,600 colleagues from all over the world participated in the survey, with an overall response rate of 78.0%. The survey confirmed that Sika's strong corporate values represent the foundation of the unique corporate culture. It underscored that these values are broadly practiced in the Group, with managers setting the right "tone from the top" and being role models. One question of the survey asked employees whether they feel comfortable speaking up and reporting compliance or ethical concerns to their line manager. Sika's excellent score of 80 index points out of 100 (0 meaning "I don't feel comfortable", 100 meaning "I feel very comfortable") shows that a strong majority of employees have a positive attitude towards internal reporting of misconduct.

COMPLIANCE CASES
In 2019, allegations of misconduct could be substantiated in 19 instances. The analysis of the 2019 compliance cases shows the following:
- Considering the size of the Group, Sika has a very low number of compliance cases.
- Sika's employees continue to be the most effective channel to detect violations.
- Cases primarily resulted in dismissals, confirming Sika's zero tolerance culture and consistency in remediation.

CODE OF CONDUCT
In the year under review, Sika has released an up-to-date version of the CoC and increased the number of CoC translations from 36 to 42, all of which are available on the internal collaboration platform and the Sika intranet.

GRI CONFIRMATION, COMPLIANCE COMMITMENT
Each fiscal year, Sika General Managers (GMs) – by signing the "GRI Confirmation" – confirm their compliance with the CoC and other Corporate Policies and Manuals, and that they have offered adequate information and training to their staff. The annual "GRI Confirmation" campaign gives Sika the assurance that each GM has conducted the business in compliance with applicable laws and internal prescriptions concerning fundamental environmental, anti-corruption, antitrust, and labor laws. Furthermore, by signing the "Compliance Commitment 2020–2021", all General Managers and Sika Senior Managers renewed their pledge to be compliance role models, leading their staff and conducting business with highest integrity and in accordance with the CoC.

COMPLIANCE AUDIT PROGRAM: The draft design of a Compliance Audit Program covering ethical leadership, anti-corruption, antitrust and due diligence of third parties has been finalized and the approval process has been initiated. In 2020, Corporate Compliance will assess the overall implementation of Sika's defined minimum requirements in the identified risk areas and propose a defined audit plan, to be aligned with other Sika assurance functions.

## SIKA SUSTAINABILITY ACADEMY

Sustainability has always been part of Sika's identity. The company aims to continually measure and improve sustainable value creation and communicate activities and progress. "More Value – Less Impact" refers to Sika's obligation to maximize the value of its solutions and contributions for all stakeholder groups, while simultaneously minimizing the risks and resource consumption associated with value generation.

In the year under review, regional Sika organizations managed and coordinated local sustainability activities and projects which were planned in the 2016 and 2017 regional Sustainability Academy programs. In 2019, the Sustainability Academy took place from October 14 to October 17 in Madrid, Spain. It was Sika's first climate-neutral event, certified by the climate protection partnership "MyClimate".
The training provided the necessary skills, methods, and practical examples to the responsible people in the countries to develop, coordinate, and implement local activities and projects in the "More Value – Less Impact" focus areas. 20 participants from 15 different countries in the regions EMEA and Americas were producing roadmaps for implementing the new, revised Sika Sustainability Strategy, targets, principles, and tools. Participant projects in the "More Value – Less Impact" focus areas give insights into local initiatives. The participants visited an NGO and learned how to plan and run Community Engagement projects which included volunteering activities together with the Fundación Gil Gayarre which is committed to the integration of equal opportunities for people with intellectual disabilities. Furthermore, the interaction with a customer and insights into the sustainability journey of Sika Spain rounded off the interdisciplinary academy.

After having concluded the seminar, participants were certified as local Sustainability Champions. Those experts now rely on methods and ways to initiate, manage and drive sustainability projects and engage people in their organizations. The Sika Sustainability Academy 2019 was designed as climate-neutral training. The entire carbon foot printing of the Academy involved calculating and reporting all relevant greenhouse gas emissions. This included mainly the emissions of the flights of the participants to the event, catering and lodging for the participants, and event-specific materials and waste. The total 24.8 tons of $CO_2$ emissions were compensated (offsetting) in cooperation with "MyClimate". Sika supports a high-quality and gold standard certified project by the installation of photovoltaic cells on the roofs of Ethiopian and Kenyan houses for electricity production. This gives families access to lighting and improves the quality of life within the communities in rural regions of Ethiopia and Kenya.

## SUSTAINABLE DEVELOPMENT GOALS

Sika is making a contribution to the UN 2030 Agenda for Sustainable Development, focusing on eight of the 17 goals. Sika's contribution to both the construction and the vehicle industry highly influence these goals: 3 (good health and well-being), 4 (quality education and lifelong learning), 6 (clean water and sanitation), 8 (decent work and economic growth), 9 (industry, innovation and infrastructure), 11 (sustainable cities and communities), 12 (responsible consumption and production), 13 (climate action).

More detailed information about the integration of the UN Sustainable Development Goals can be found at www.sika.com/sustainability.

**INSPECTIONS AND AUDITS**

Inspections and audits are core elements of Sika's comprehensive management system. They provide management at Group, regional, and local company level with a regular, independent assessment on whether activities in scope comply with official requirements, as well as with Sika's own internal guidelines, principles, and risk management specifications. The inspections and audits thereby ensure the effectiveness of the relevant processes and controls at Sika.

Audits are performed by various assurance functions across the Group covering quality, environment, safety, health, risk, technology, application, legal and compliance, branding, IT security, suppliers, and products. The results and subsequent corrective actions of these audits are regularly presented to Group Management. Besides those assurance functions, an independent Corporate Internal Audit function, reporting to the Audit Committee of the Board of Directors, validates the effectiveness of internal controls in both legal entity audits and reviews of Group processes and functions. In total, Sika conducted 181 audits, including 22 internal audits, 69 supplier audits, and 14 quality audits in the year under review. Associated improvements were implemented wherever necessary.

To ensure that suppliers also meet the official requirements and labor standards, they are asked to perform self-assessments. Sika also performs supplier audits when required. In the year under review, all new suppliers were assessed according to the vendor evaluation process. Most of these audits are reviewed by safety, quality, or technology experts. This enhances continuous improvements in collaboration with suppliers, including sustainability aspects.

Being a key supplier in the automotive and industrial sectors, Sika is regularly subjected to external audits. These audits are designed to ensure compliance with international labor standards, and quality, environment, safety, and health requirements.

**TAX APPROACH**

Through its tax principles, internal policies, and actions, Sika is committed to be a "good corporate fiscal citizen" in pursuit of a long-term sustainable tax strategy, while fully and efficiently complying with national and international tax laws and regulations. Sika's tax approach is in line with OECD/G20 guidelines and their general objectives.

By following a business-oriented approach based on functions, assets, and operating risks when determining processes and transactions, Sika has a market-based outcome where a fair amount of taxes is paid in each jurisdiction in which the company operates. The outcome of the business-oriented approach is always checked for its compliance with all applicable laws. Such an approach results in an effective Group tax rate which reflects Sika's global footprint, the decentralized nature of the business, and the Group's successful local operations.

Starting in the 2016 business year, Sika was one of the first companies to submit an annual Country-by-country Report to the Swiss Federal Tax Administration on a voluntary basis. This OECD/G20 standard comprises pertinent information such as profit, taxes paid, and other factors of relevance to taxation per country in which companies are active.

In line with the OECD's intention, the Swiss Federal Tax Administration passes this report on to the tax authorities in the other countries in which Sika is subject to taxation. This demonstrates to these countries that Sika is duly complying with its tax obligations and paying its fair share of tax.

## MORE VALUE – LESS IMPACT RESULTS 2019 (OVERVIEW)

Sika takes a long-term perspective on the development of its business. Through its products, systems, and solutions, Sika seeks to generate benefits for stakeholders that outweigh the negative consequences of the production process and resource consumption. An effective strategy, trust in the company, and the dedication of all employees are the pillars of Sika's success. The Sika journey to global leadership is founded on the company's entrepreneurial philosophy and the Sika Spirit, which is a synonym for the strong set of five values and principles that make up the DNA and culture of the company: customer first, courage for innovation, sustainability & integrity, empowerment & respect, and manage for results.

2019 has been a year of transition: The new Sustainability Strategy 2023 was developed and communicated together with the Sika Growth Strategy 2023 on October 3, 2019 in connection with the Capital Markets Day in Zurich. In the year under review, Sika continued to report according to the "More Value – Less Impact" KPI's of the recent years.

Due to the size of the acquired company Parex, the integration had a substantial impact on the monitored KPI's. The 2019 figures include the acquired Parex activities as from June 1 (seven months). The sustainability related performance of the year 2019 is going to be the baseline for the Sustainability Strategy 2023.

The following details relate to all business operations of the Sika Group, including the activities of newly acquired companies, focusing on the core themes of sustainable solutions, community engagement, energy, water/waste, occupational safety, and $CO_2$ emissions at the more than 300 Sika production sites.

**PRODUCT SUSTAINABILITY**

In the year under review, the focus was to work on the development of the new Sustainability Strategy 2023, which builds upon the previous strategy and sets new enhanced targets for sustainable solutions. Sika started the ongoing process of developing a Sustainable Portfolio Management (SPM) methodology, a new sustainability assessment methodology which addresses relevant sustainability indicators and which forms part of the official Sika product development process, replacing the existing framework. The methodology will be used to assess sustainability-related risks and opportunities and performance categories of product-technology combinations in the defined market segments where Sika is active, combining both performance and sustainability into a single concept. This will lead to a deeper understanding of the sustainability performance of Sika's product and solutions portfolio, with a focus on new developments. Over the coming years, Sika plans to apply the concept across its product portfolios, to evaluate new product innovations and identify mitigation actions for exiting products by reference to innovation priorities, and portfolio actions, and to disclose the progress qualitatively.

On local level, the larger countries in EMEA, Americas and Asia/Pacific further developed and implemented product sustainability roadmap activities in the year under review. As a result of the regional Sustainability Academy programs in the past, the scope of the roadmap activities in the year under review could be extended. The Sustainability Academy programs play an important role in involving additional national subsidiaries and increasing the future number of projects and activities. Examples of local projects can be found at www.sika.com/sustainability.

Customers, as well as stricter building and construction standards, increasingly demand that companies declare the environmental performance or environmental impact of their products in a transparent manner. This calls for sound data and knowledge about the impacts of product manufacturing and application, and of the added value of finished products in their application and use. In 2019, as in the years before, Environmental Product Declaration (EPD) activities in European markets as well as active involvement in association work in Europe have been key activities for Sika. Sika's existing EPD reference database for its products and systems has been expanded, focusing on locally produced products such as cementitious mortars and floors. Providing information on the environmental performance of Sika solutions improves the customers' basis for decision-making when it comes to product selection.

With the comprehensive product portfolio and the know-how built up over the years, more and more local Sika companies are involved in projects according to international green building schemes. Such schemes include the US Green Building Council's LEED program, the British Research Establishment's BREEAM scheme and the German Sustainable Building Council's DGNB program. These programs award credits for buildings incorporating products with EPDs, low VOC and odor levels, recycled content and material disclosure, amongst other criteria. In the year under review, the existing LEED product portfolio was broadened and the DGNB guidelines and associated training documents were developed to support countries in the acquisition of projects. With the increasing number of green building projects in commercial and public construction, the fact that Sika has a product portfolio that contributes to multiple green building requirements means that it is well prepared to assist customers in selecting the best solutions.

More detailed information on how Sika solutions support sustainable construction and help to save energy, raw materials, and water, and reduce $CO_2$ emissions, while meeting sustainable building standards can be found at www.sika.com/sustainability.

## SOCIAL: PEOPLE

**COMMUNITY ENGAGEMENT**

In 2019, Sika sponsored 148 projects (previous year: 128 projects). This equates to a year-on-year increase of 15.6%. The projects are classified as "social", "ecological", "scientific", and "sports and cultural". They relate to Community Engagement with the purpose to support local neighborhoods.

SOCIAL

The main goals are to support communities in infrastructure development for social projects, to promote education and training for children and young adults, and to run water related and environmental projects to respond to the climate change. Sika also seeks to promote on-the-ground self-help. Sika endeavors to provide intelligent support for projects through the application of company-specific expertise, voluntary work by its employees, and long-term collaboration with partners.

Support of children and young people: Projects sponsored by Sika in the year under review include initiatives such as the continued collaboration with the non-profit organization Operation Smile in Vietnam and Thailand. Sika has supported the activities of Operation Smile in Vietnam since 2010, and in Thailand since 2014. Thanks to the assistance of committed volunteers, the organization has, since 1989, arranged surgery for some 240,000 children and youths with cleft lips and palates or similar facial disfigurements. Likewise, in 2019 Sika continued the support of children's homes throughout the world.

Education and schooling: Another focus is to support schools. In China, Sika supports the Library Project, a nationwide initiative to sponsor libraries in public schools. Between 2015 and 2019 the Sika team helped to create reading rooms and corners in 86 schools, donating more than 70,000 books and providing comfortable and safer learning environments for more than 18,000 children. In 2019, Sika also continued its support of a new school for girls and young women in Madagascar. Sika Tanzania is supporting "ProjeKt Inspire", a youth-related initiative, aimed at opening career options to younger generations.

Improving the lives of people with disabilities: In the year under review, Sika increased its engagement for improving the lives of people with physical or intellectual disabilities. In 2019, for example, the team from Sika Spain organized a volunteering program which focuses on improving the living conditions of people with intellectual disabilities and on unemployment aid. Furthermore, at Sika's facility in Gournay-en-Bray, France, a partnership with the local governmental initiative "ESAT" ("Centre d'Aide par le Travail") supports the professional reinsertion of disabled people.

Sika aims to vigorously support volunteering work in relation to social activities and personal development. In the year under review, 75 Sika employees in Switzerland were participating at two community projects in Zurich covering biodiversity and waste management. Volunteering work was carried out by Sika teams in all regions.

ENVIRONMENT

The focus of Sika's environmental engagement is on water, building, infrastructure, and renewable energy projects. The main sponsorship partner in this field is the Global Nature Fund (GNF). Sika has supported the GNF and its international Living Lakes environmental program since 2004. Made up of over 100 partner organizations from various lake regions across the globe, the Living Lakes network aims to promote sustainable development and the protection of drinking water, lakes, and wetlands. In 2019, Sika sponsored projects to ensure drinking water in Africa. Furthermore, community development projects were planned and implemented in Colombia and India. The construction of a social center for women is an example of a communitarian participation process and serves as a catalyst for the empowerment of women in rural areas of Colombia. In India the focus of the project was to enable farmers to establish organic horticulture.

SCIENTIFIC SPONSORSHIPS

As project sponsor, Sika engages in the cooperation with the ETH Zurich (Swiss Federal Institute of Technology in Zurich), the University of Fribourg (Switzerland), EPFL (Swiss Federal Institute of Technology in Lausanne), the ESPCI ParisTech (School of Industrial Physics and Chemistry of the City of Paris, France), the University of Burgundy (France), Princeton University (USA), the Beijing University of Chemical Technology (PRC), the University of Tokyo (Japan), and similar institutions across the globe. Sika's local subsidiaries cooperate with research institutes and provide mutual support. Further cooperations are described in the chapter, "Products & Innovations", pp. 30.

2019 was the tenth year in which the Sika Master Award was presented to the authors of three outstanding master thesis in the field of civil engineering, based on the recommendation of ETH's Department of Civil, Environmental, and Geomatic Engineering. Sika also participates in ETH Zurich's Partnership Council of Sustainable Construction. This interdisciplinary forum promotes dialog on current research topics, provides resources, supports knowledge transfer, and encourages the launch of joint research projects in the field of sustainable construction.

SPORTS AND CULTURE

Sika supports sports and cultural projects throughout the world. In the year under review, the focus of sponsorship in Switzerland has been on the EV Zug ice hockey club and on the support of the organization of the Federal Swiss Wrestling & Alpine Festival in Zug, Switzerland. During three days in August, an audience of 420,000 watched around 200 wrestlers from all over Switzerland battling it out for the crown and wreath.

**OCCUPATIONAL SAFETY**

Sika's goal is to ensure every employee feels comfortable and protected in the workplace. The number of occupational accidents (lost working days >1) decreased by 8.2% in 2019 compared to 2018. In the year under review, 9.55 occupational accidents per 1,000 employees were recorded (previous year: 10.4). In 2019, injuries caused absences, on average, of 21.5 days (previous year: 18.4 days). There has been one fatality on the premises of an acquired Sika company. The increase in total number of lost days due to injuries mainly can be explained by the figures from acquisitions.

In 2019, Sika has established and strengthened the regional and area EHS structure by identifying reference Sika EHS Managers. A further measure has been the planning of a worldwide occupational safety program that will be launched in 2020.

## ECOLOGICAL: PLANET

**ENERGY**

Due to the lower energy intensity of the acquired Parex company, energy consumption per ton sold has further decreased in the year under review. Energy consumption per ton sold was 366 megajoules (previous year: 424 megajoules), which leads to a reduction of 13.7% compared to the previous year.

Sika continued to replace lighting solutions with the latest LED technology. This technology has led to substantial energy savings of up to 70% of total lighting electricity consumption in those locations where the technology was implemented. Furthermore, shorter batch time in production led to a higher output of existing production lines, resulting in increased energy efficiency. The replacement of technical equipment focuses on new energy-efficient installations, such as motors, air conditioning, heating/cooling, and pressurized air systems. Further activities encompass energy-efficient operation of electric motors with frequency converter, leakage detection and fixation of air losses in pressurized air systems, and energy-efficient cooling of process water with use of cooling tower and optimized logistics. The modernization of the vehicle fleet also resulted in fuel reduction. Energy audits and participation at energy networks promoted energy awareness throughout the company. A particular focus has been set on sand drying. A process optimization guideline was set up in 2019, which will be used on a global scale starting in 2020, this will lead up to 30% energy savings.

**$CO_2$ EMISSIONS**

According to the latest conversion factors published by the International Energy Agency (IEA), total $CO_2$ emissions caused by purchased electricity in 2019 summed up to 243,000 tons (Scope 1, 2 and 3). Compared to 2018 (191,000 tons) this result is significantly higher due to the size of the acquired Parex company and other acquisitions which were integrated in the reporting for the first time (Index, King Packaged Materials, Faist). The integration had a substantial positive impact on $CO_2$ emissions per ton sold, which decreased from 31 kg $CO_2$ per ton sold (2018) to 27 kg $CO_2$ per ton sold in 2019.

$CO_2$ EMISSIONS (DIRECT): $CO_2$ emissions from burning fossil fuels by all Sika companies, and by its own vehicles, are calculated based on the reported fuel quantities. In 2019, $CO_2$ emissions from the use of primary energy sources amounted to approximately 88,000 tons (previous year: 48,000).

$CO_2$ EMISSIONS (INDIRECT): $CO_2$ emissions from electricity consumption and leased vehicles, as well as business travel, are derived from the reported energy quantities. In 2019, $CO_2$ emissions caused by electricity consumption amounted to 124,000 tons (previous year: 109,000 tons). Leased vehicles and business travel caused additional $CO_2$ emissions of 16,000 tons and 15,000 tons respectively (previous year: 20,000 tons and 14,000 tons).

**WATER AND WASTE**

WATER

In 2019, Sika used approximately 2.7 million cubic meters of water (previous year: 1.8 million cubic meters). The water consumption per ton sold was around 0.34 cubic meters (previous year: 0.39 cubic meters). This decrease is mainly caused by acquisitions processed in 2018 and 2019, which were taken into account in 2019.

Sika aims to boost the sustainability performance of its production sites by reducing water consumption and treating water locally. The company implements measures to reduce consumption, or to re-use water, particularly in geographic regions where water is scarce. Efficient production means closed-loop cooling, and switching from public to surface and ground water, reducing the amount of drinking water used in production. By reusing wastewater, Sika aims to reduce its water consumption on a larger scale.

WASTE

With an increased production volume, the company generated some 114,000 tons of waste (previous year: 84,000 tons). This corresponds to 14.3 kilograms of waste per ton sold (previous year: 18.1 kilograms per ton sold), or a decrease of 21.0%.

Overall, Sika could reduce the amount of waste per ton sold by putting in place activities such as the optimization of the production planning, streamlining the production process layout, and the reuse of production waste. In addition, water from cleaning processes (tanks, bulk delivery trucks, and gas scrubbers) was reused. Furthermore, filter dust from dosing and bagging stations was recycled into similar products in mortar production. Innovative warehouse management was also put in place to reduce the quantity of expired products.

With regards to circular economy initiatives, Sika has been working on a project to recycle waste from polyurethane adhesive to be used as raw material in membrane production.

## SIKA SUSTAINABILITY STRATEGY 2023

In 2019, Sika further developed and published the Sustainability Strategy "More Value – Less Impact". With this framework the company is pursuing the goal of creating values for people and of respecting the environment, while at the same time using resources in a moderate and sustainable manner. This is how the future can be shaped sustainably.

The company makes an essential contribution to customers in construction and other industries to meet their sustainability targets, such as energy- and material-efficient vehicles and buildings. Sustainability is an integral part of the innovation process and development of new products

Sika strives to extend the service life of buildings and infrastructure constructions in order to reduce maintenance effort, to improve energy and material efficiency, and to further enhance user friendliness and health and safety profiles. One of the company's main objectives is to reduce resource consumption, energy consumption, and the associated $CO_2$ emissions along the value chain, both internally and for partners and customers who place their trust in Sika products and solutions. The following graph explains the strategy, the targets and the KPI's. The strategy will be effective by January 2020.

## SUSTAINABLE SOLUTIONS

We are leading the industry by pioneering a comprehensive portfolio of customer focused solutions, combining both higher performance and improved sustainability.

**TARGET**

- **All new product developments with "Sustainable Solutions" until 2023**

## CLIMATE PERFORMANCE

We run our business in a responsible way and mitigate climate change and its impacts.

**TARGET**

- **12% reduction of $CO_2$-emissions per ton sold until 2023**

## COMMUNITY ENGAGEMENT

We build trust and create value – with customers, communities, and with society.

**TARGETS**

- **10,000 working days of volunteering work p.a.**
- **50% more projects**
- **50% more direct beneficiaries**

# MORE VALUE

# LESS IMPACT

## ENERGY

We manage resources and costs carefully.

**TARGETS**

- **15% less energy consumption per ton sold**
- **50% renewable electricity rate**

## WASTE / WATER

We increase material and water efficiency.

**TARGETS**

- **15% less waste generation per ton sold**
- **25% higher recycling rate of total waste**
- **15% less water consumption per ton sold**

## OCCUPATIONAL SAFETY

Sika employees leave the workplace healthy.

**TARGETS**

- **50% less accidents**
- **0 fatalities**

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BUILDING TRUST

# GRI REPORT
# 2019

BUILDING TRUST

# MORE VALUE – LESS IMPACT

Sika has been a successful manufacturer of specialty chemicals for over 100 years. Sustainability has long been a core element of its strategy, business operations and corporate culture. Sika's sustainability strategy is therefore closely linked to its corporate strategy and encompasses six targets that cover the economic, environmental and social dimensions.

MORE VALUE – LESS IMPACT
With its sustainability strategy geared to "More Value – Less Impact", Sika's aim – through its products – is to maximize long-term benefits and added value for all stakeholders and, at the same time, reduce resource consumption and the environmental impacts associated with production. In this way, Sika's future will be secured through sustainable, profitable growth.

# STRATEGY

With its sustainability strategy “More Value – Less Impact”, which was realigned in 2019, the company pursues the objective of creating lasting value for people and the environment, while at the same time adopting a moderate and sustainable approach to the utilization of resources. Thus, shaping the future responsibly.

**SUSTAINABLE SOLUTIONS**
We are leading the industry by pioneering a comprehensive port-folio of customer focused solutions, combining both higher performance and improved sustainability.

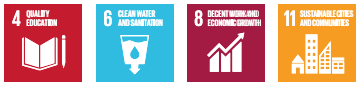
**TARGET 2023**
- **All new product developments with "Sustainable Solutions"**


**CLIMATE PERFORMANCE**
We run our business in a responsible way and mitigate climate change and its impacts.

**TARGET 2023**
- **12% reduction of $CO_2$-emissions per ton sold**


**COMMUNITY ENGAGEMENT**
We build trust and create value – with customers, communities, and with society.

**TARGET 2023**
- **10,000 working days of volunteering work per year**
- **50% more projects**
- **50% more direct beneficiaries**




## MORE VALUE

## LESS IMPACT

**ENERGY**
We manage resources and costs carefully.

**TARGET 2023**
- **15% less energy consumption per ton sold**
- **50% renewable electricity rate**


**WASTE / WATER**
We increase material and water efficiency.

**TARGET 2023**
- **15% less waste generation per ton sold**
- **25% higher recycling rate of total waste**
- **15% less water consumption per ton sold**


**OCCUPATIONAL SAFETY**
Sika employees leave the workplace healthy.

**TARGET 2023**
- **50% less accidents**
- **0 fatalities**

# SUSTAINABLE DEVELOPMENT GOALS

Sika is making a contribution to the UN 2030 Agenda for Sustainable Development, focusing on eight of the 17 goals.

| SDG | More Value – Less Impact focus | Sika Commitment | Activities @ Sika |
|---|---|---|---|
|  <br>**SDG 3**<br>**GOOD HEALTH AND WELL-BEING**<br>Ensure healthy lives and promote well-being for everyone at all ages | **SUSTAINABLE SOLUTIONS**<br>TARGET 2023:<br>■ All new product developments with "Sustainable Solutions" | PRODUCT SAFETY: Costumer safety has always been of crucial importance to Sika. Sika only offers products that are safe and compatible with human health. When formulating products the company only uses ingredients that comply with all relevant legal regulations and that have been thoroughly tested for compatibility with health. | ■ Sika strives to extend the service life of buildings and industrial applications in order to reduce maintenance effort, to improve energy and material efficiency, and to further enhance user-friendliness and health and safety profiles. The Group monitors ecological and safety aspects during the development, production, and product-handling stages. For this purpose, it has introduced the specific checking of new developments against a sustainability profile.<br>■ Sika Life Saving Rules are in place to keep all Sika employees, contractors and visitors safe from harm while at work. They apply to all Sika sites and to Sika employees when visiting clients or suppliers. They are a condition of entry to Sika sites and must be adhered to at all times. |
| | **OCCUPATIONAL HEALTH AND SAFETY**<br>TARGET 2023:<br>■ 50% less accidents<br>0 fatalities | IMPROVING LABOR STANDARDS & WORKPLACE SAFETY: Sika employees leave the workplace healthy. Thats's the overall priority. The company implements an effective workplace prevention program to strengthen Occupational Health and Safety culture. | |
|  <br>**SDG 4**<br>**QUALITY EDUCATION**<br>Ensure inclusive and equitable quality education, and promote lifelong learning opportunities for all | **COMMUNITY ENGAGEMENT**<br>TARGET 2023:<br>■ 10,000 working days of volunteering work p. y.<br>■ 50% more projects<br>■ 50% more direct beneficiaries | INTERNAL: The aim is to provide at least ten hours of training per year for each employee. In 2019, this figure stood at 11.4 hours (previous year: 16.8 hours).<br><br>EXTERNAL: Community Engagement: The main goals, among others, are to support communities in infrastructure development for social projects, education and vocational training, and projects which link social causes with ecological interests.<br><br>Sika seeks to promote on-the-ground self-help. The local Sika companies thus put forward specific aid applications and, working with local partners, supervise the projects from start-up to completion. Sika endeavors to provide intelligent support for projects through the application of company-specific expertise, voluntary work by its employees, and long-term collaboration with partners. | INTERNAL:<br>■ E-learning platform, with more than 360 internal trainings.<br>■ Programs offered by the Sika Business School encompass more than 100 courses. In 2019, they were attended by 1,700 participants.<br>■ More than 5,500 training hours completed online.<br>■ Partnership with the London Business School.<br><br>EXTERNAL:<br>■ Community Engagement focuses on education and vocational training. |
|  <br>**SDG 6**<br>**CLEAN WATER AND SANITATION**<br>Ensure availability and sustainable management of water and sanitation for all | **COMMUNITY ENGAGEMENT**<br>TARGET 2023:<br>■ 10,000 working days of volunteeering work p. y.<br>■ 50% more projects<br>■ 50% more direct beneficiaries<br><br>**WASTE / WATER**<br>TARGET 2023:<br>■ 15% less waste generation per ton sold<br>■ 25% higher recycling rate of total waste<br>■ 15% less water consumption per ton sold | LIVING LAKES INITIATIVE: Sika supports the Living Lakes network which sets out to promote sustainable development and the protection of drinking water, lakes and wetlands. Many of Sika's community engagement projects aim to guarantee clean and fresh sustainability performance of production sites: reducing water consumption and treating water locally. | ■ Community Work in Emerging Markets;<br>■ Community Engagement program "Sika Cares"<br>■ Measures to reduce consumption, or to re-use water, particularly in geographic regions where water is scarce. Closed-loop cooling, switching from public to surface and ground water, reducing the amount of drinking water used in production. By reusing wastewater, Sika aims to reduce its water consumption on a larger scale. |

| SDG | More Value – Less Impact focus | Sika Commitment | Activities @ Sika |
|---|---|---|---|
|  <br>**SDG 8**<br>**DECENT WORK AND ECONOMIC GROWTH**<br>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all | **COMMUNITY ENGAGEMENT**<br>TARGET 2023:<br>■ 10,000 working days of volunteeering work p. y.<br>■ 50% more projects<br>■ 50% more direct beneficiaries | With ist program "Sika Cares", the company is helping local communities to build up and maintain infrastructure for social projects. Important elements also encompass the advancement of education and vocational training, as well as projects that focus on water and climate protection. | ■ 567 projects have been supported by Sika worldwide in the domain of community engagement since 2015.<br>■ Different projects, for example "Project Inspire" in Tanzania, provide career opportunities for younger generations, and focus on helping reintegrate people with disabilities into the workforce. |
|  <br>**SDG 9**<br>**INDUSTRY, INNOVATION AND INFRASTRUCTURE**<br>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation | **SUSTAINABLE SOLUTIONS**<br>TARGET 2023:<br>■ All new product developments with "Sustainable Solutions" | Urbanization has a major impact on the construction industry and the mobility of populations, and it also stimulates demand for Sika technologies, solutions, and products. Dense population clusters and heavily limited space on which to build are factors conducive to the construction of high-rise buildings that use high-performance, safe, and environmentally-friendly building materials from the foundation to the roof. Large numbers of people living in small areas also pose significant challenges in terms of infrastructure, transportation, and energy supplies, as well as cultural and leisure offerings. Likewise, rising population densities go hand in hand with the expansion of such elements. | ■ Sika solutions to build infrastructure and develop emerging and dedveloping countries and develop emerging countries.<br>■ Community Engagement to support local infrastucture<br>■ Product innovations in construction and industrial production |
|  <br>**SDG 11**<br>**SUSTAINABLE CITIES AND COMMUNITIES**<br>Make cities and human settlements inclusive, safe, resilient and sustainable | **SUSTAINABLE SOLUTIONS**<br>TARGET 2023:<br>■ All new product developments with «Sustainable Solutions»<br><br>**CLIMATE PERFORMANCE**<br>TARGET 2023:<br>■ 12% reduction of $CO_2$ emissions per ton sold<br><br>**COMMUNITY ENGAGEMENT**<br>TARGET 2023:<br>■ 10,000 working days of volunteering work p. y.<br>■ 50% more projects<br>■ 50% more direct beneficiaries | With its sustainability strategy "More Value – Less Impact" strategy, Sika pursues the objective of creating lasting value for people and the environment, while at the same time adopting a moderate and sustainable approach to the utilization of resources. Thus, shaping the future sustainably. The target area "Climate Performance" encompasses the reduction of $CO_2$ emissions. This is linked to increased energy efficiency at its more than 300 production sites around the world through lowering consumption of fossil fuels and electricity per ton of product sold by 15% until 2023. Another target is to increase the use of renewable electricity by 50%. Innovation also places a strong emphasis on sustainable product development. One way to do this is with solutions that make it possible for customers to save or reduce $CO_2$ emissions, directly or indirectly. Another way is with products that help customers construct and operate buildings that are more sustainable and $CO_2$ efficient. | ■ Sika solutions for sustainable construction and new forms of mobility<br>■ Construction chemicals, shotcreting machines and waterproofing membranes allow efficient tunneling<br>■ Composite materials substantially prolong the service life of aging engineering structures such as bridges<br>■ High-Performance and Low Cement Mortars<br>■ Root-resistant polymeric roof membranes and systems allow the installation of green roofs to improve the urban climate<br>■ Special concrete repair mortars and resins considerably extend the service life of bridges and concrete structures<br>■ Concrete admixtures allow earthquake safe constructions.<br>■ SikaPower®adhesives in automotive lead to up to 50% weight reduction and $CO_2$ reduction |

| SDG | More Value – Less Impact focus | Sika Commitment | Activities @ Sika |
|---|---|---|---|
|  <br>**SDG 12 RESPONSIBLE CONSUMPTION AND PRODUCTION**<br>Ensure sustainable consumption and production patterns | **ENERGY**<br>TARGET 2023:<br>■ 15% less energy consumption per ton sold<br>■ 50% renewable electricity rate<br><br>**WASTE / WATER**<br>TARGET 2023:<br>■ 15% less waste generation per ton sold<br>■ 25% higher recycling rate of total waste<br>■ 15% less water consumption per ton sold | EFFICIENCY: Sika aims to boost the sustainability performance of its production sites by reducing water consumption and treating water locally. The company implements measures to reduce consumption, or to use lower-grade water qualities, particularly in geographic regions where water is scarce. Efficient production means closed loop cooling, and switching from public to surface and ground water, reducing the amount of drinking water used in production. By reusing wastewater, Sika aims to reduce its water consumption on a larger scale. Efficient use of entry goods is crucial to all Sika companies, as production processes are material intensive and use high volumes of non-renewable resources. Efficient production in this context means reducing and reusing production scrap and packaging materials. | ■ The decrease in energy consumption is a consequence of a global strategy: Sika continued to replace lighting solutions with the latest LED technology.<br>■ Shorter batch time in production led to a higher output on existing production lines, resulting in increased energy efficiency.<br>■ The replacement of technical equipment focuses on new energy efficient installations, such as motors, air conditioning, heating/cooling, and pressurized air systems.<br>■ Energy efficient operation of electric motors with frequency converter, leakage detection and fixation of air losses in pressurized air systems, and energy efficient cooling of process water with use of cooling tower and optimized logistics.<br>■ Sika reduces the amount of waste per ton sold by putting in place activities such as optimization of the production planning, streamlining the production process layout, and the reuse of production waste.<br>■ Water consumption per ton sold in 2019 was around 0.34 cubic meters (previous year: 0.39 cubic meters).<br>■ Water from cleaning processes is reused.<br>■ Measures to reduce consumption, or to use lower-grade water qualities.<br>■ By reusing wastewater, Sika aims to reduce its water consumption on a larger scale. |
|  <br>**SDG 13 CLIMATE ACTION**<br>Take urgent action to combat climate change and its impacts. | **SUSTAINABLE SOLUTIONS**<br>TARGET 2023:<br>■ All new product developments with «Sustainable Solutions»<br><br>**CLIMATE PERFORMANCE**<br>TARGET 2023:<br>■ 12% reduction of $CO_2$ emissions per ton sold<br><br>**ENERGY**<br>TARGET 2023:<br>■ 15% less energy consumption per ton sold<br>■ 50% renewable electricity rate | Sika solutions aim to enable clean energy, lower emission, and less input with more output. Sika is minimizing its impact with regard to climate change by reducing its energy consumption, replacing more $CO_2$-intensive fossil energy sources with less $CO_2$-intensive fossil energy and increasing the renewable electricity rate. The overall target is to reduce $CO_2$ emission by 12% per ton sold by 2023. | ■ Sustainable innovations to enable clean energy, lower emission, less input with more output. Sika products take less from the environment and offer more in durability and longevity, which results in a smaller overall environmental footprint<br>■ $CO_2$ emission per ton sold decreased from 31 kg $CO_2$ per ton sold (2018) to 27 kg $CO_2$ per ton sold in 2019.<br>■ Sika aims to boost the sustainability performance of its production sites by reducing water consumption and treating water locally. |

# CONTENT GRI STANDARDS



March 2020

The information contained in this report has been prepared in accordance with the GRI Standards option “core”. This is Sika’s seventh GRI report, and it covers the calendar year of 2019. Sika will continue reporting on an annual basis. The GRI Standards are also available online: www.sika.com/en/group/sustainability/gri-standards.html

# GRI 102: GENERAL DISCLOSURES

# 1. ORGANIZATIONAL PROFILE

- The strong Sika brand is recognized for its sustainable solution portfolio
- Sika screens the product portfolio for sustainability using life-cycle data
- Dynamic growth through fragmented markets, megatrends, and an attractive business model

**DISCLOSURE 102-1: NAME OF THE ORGANIZATION**
Sika AG

**DISCLOSURE 102-2: ACTIVITIES, BRANDS, PRODUCTS, AND SERVICES**
Description general activities:
Sika is a specialty chemicals company with a leading position in the development and production of systems and products for bonding, sealing, damping, reinforcing and protecting in the building sector and motor vehicle industry.

THE SIKA BRAND
The Sika umbrella brand, and some 980 Sika product trademarks, such as Sika ViscoCrete®, SikaBond®, or Sikaflex®, sharpen the company's competitive edge. Hence the crucial role of trademark protection as a management task, performed both globally at Group level and locally at national level. In total, Sika held 12,296 trademark registrations in 167 countries at the end of 2019. Sika continuously monitors its trademarks and takes appropriate legal action in cases of infringement. Here is a small selection of the 980 Sika product trademarks:

- Sika MaxTack®: Power grab adhesive
- Sikaflex®: Polyurethane-based sealants for a wide range of sealing applications
- Sikasil®: Silicone sealants for all types of applications
- SikaBaffle®: Heat-reactive thermoplastic or elastomeric parts designed to seal a vehicle body cavity
- Sika Boom®: Professional polyurethane-foam range for sealing, bonding, and damping
- SikaBond®: Bonding solutions for all your needs
- SikaCeram®: Tiling system solution
- SikaForce® Powerflex: Combining advantages of both structural and elastic adhesives
- Sikalastic®: Liquid-applied waterproofing systems
- Sikagard®: Professional solutions for cleaning and protection
- Sika AnchorFix®: Sika solutions for all types of anchoring applications
- Sikadur®: Strong and long-lasting epoxy-based adhesives
- Sikafloor®: Flooring systems which contribute to higher process reliability and effectiveness
- Sika® ViscoCrete®: Sika admixtures that bring innovative options to concrete mix design
- SikaRoof®: Roofing systems for all purposes
- Sarnafil® and Sikaplan®: Long-lasting thermoplastic roofing membranes and solutions

SUSTAINABLE SOLUTIONS
Sika aims to be an industry leader with a portfolio of sustainable products, systems, and services. The company makes a crucial contribution in helping customers in construction and other industries to meet their sustainability targets, for example, in the production of energy- and material-efficient vehicles and buildings. Sustainability is an important component of the company's capacity for innovation and an important driver of product development. Sika strives to extend the service life of buildings and industrial applications, to reduce maintenance effort, to improve energy and material efficiency, and to further enhance user-friendliness and health and safety profiles. One of the company's main objectives is to reduce resource consumption, energy consumption, and the associated $CO_2$ emissions along the value chain – both internally and for partners and customers who place their trust in Sika products and solutions.

In 2019, the focus was on developing the new Sustainability Strategy 2023, which builds on the previous strategy and sets new, enhanced sustainable solutions targets. Sika launched the ongoing process of developing a Sustainable Portfolio Management (SPM) methodology, a new sustainability assessment methodology which addresses relevant sustainability indicators and forms part of the official Sika product development process, replacing the existing framework. The methodology will be used to assess sustainability-related risks and opportunities and performance categories for product-technology combinations in the defined market segments where Sika is active, combining both performance and sustainability into a single concept. This will lead to a deeper understanding of the sustainability performance of Sika's product and solutions portfolio, with an eye to new developments. Over the coming years, Sika plans to apply the concept across its product portfolios, to evaluate new product innovations and identify mitigation actions for existing products by reference to innovation priorities, and portfolio actions, and to disclose the progress qualitatively.

On local level, the larger countries in EMEA, Americas and Asia/Pacific further developed and implemented product sustainability roadmap activities in the year under review. As a result of the regional Sustainability Academy programs in the past, it was possible to expand the scope of the roadmap activities in the year under review. The Sustainability Academy programs play an important role in involving additional national subsidiaries and extending the future number of projects and activities to currently 39 countries. Examples of local projects can be found at www.sika.com/sustainability.

Customers, as well as stricter building and construction standards, increasingly demand that companies declare the environmental performance or environmental impact of their products in a transparent manner. This calls for sound data and knowledge about the impacts of product manufacturing and application, and of the added value of finished products in their application and use phase. In 2019, as in the years before, Environmental Product Declaration (EPD) activities in European markets as well as active involvement in association work in Europe were key activities for Sika. Sika's existing EPD reference database for its products and systems was expanded, with a focus on locally produced products such as cementitious mortars and floors. Providing information on the environmental performance of Sika solutions widens the customers' choice when it comes to product selection and decision-making.

With the comprehensive product portfolio and the know-how built up over the years, more and more local Sika companies are involved in projects that accord with international green building schemes. Such schemes include the US Green Building Council's LEED program, the British Research Establishment's BREEAM scheme and the German Sustainable Building Council's DGNB program. These programs award credits for buildings incorporating products with EPDs, low VOC and odor levels, recycled content and material disclosure, amongst other criteria. In the year under review, the existing LEED product portfolio was broadened and the DGNB guidelines and associated training documents were developed to support countries in the acquisition of projects. With the increasing number of green building projects in commercial and public construction, the fact that Sika has a product portfolio addressing multiple green building requirements makes it well-equipped to assist customers in selecting best-choice solutions.

**DISCLOSURE 102-3: LOCATION OF HEADQUARTERS**
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**DISCLOSURE 102-4: LOCATION OF OPERATIONS**
Please consult: Sika Annual Report 2019, page 145 et sqq.

**DISCLOSURE 102-5: OWNERSHIP AND LEGAL FORM**
Sika AG, Public company, listed at the Swiss Stock Exchange.

**DISCLOSURE 102-6: MARKETS SERVED**
Sika is active in the following target markets: concrete, waterproofing, roofing, flooring, sealing & bonding, refurbishment, building finishing and industry.

CUSTOMERS
The breakdown into eight target markets allows Sika to sharpen its customer focus, optimize its technical market support activities, and concentrate its research and development operations on key areas. Sika's target markets are concrete, waterproofing, roofing, flooring, sealing & bonding, refurbishment, building finishing and industry.

BUILDING FINISHING
Sika provides one of the most comprehensive sets of solutions dedicated to tile setting, facade protection and decoration, as well as interior wall finishing, for both residential and commercial buildings. The offering comprises tile adhesives and tile grouts, as well as systems for under-tile waterproofing and sound reduction. Furthermore, it includes products for exterior and interior walls, such as wall-levelling products, decorative finish renders, and facade Exterior Insulation and Finish System (EIFS). The global urbanization trend and the increasing need for home improvement are further fueling the market. Through a solid presence in rapidly evolving distribution channels, servicing fragmented contractors, and its comprehensive portfolio of complementary technologies for the building envelope from basement to roof, Sika addresses the increasing demand for quality, comfort, aesthetics, and environmentally friendly solutions.

CONCRETE
Sika develops and markets a complete range of admixtures and additives for use in concrete, cement, and mortar production. These products enhance specific properties of fresh or hardened concrete, such as workability, watertightness, durability, load-bearing capacity, and early and final strength. The demand for admixtures and additives is currently on the rise due to the increased performance requirements placed on concrete and mortar, especially in urban areas and for infrastructure construction. Furthermore, the increasing use of alternative materials, such as processed aggregates (sand) and alternative materials with cementitious properties in cement, mortar, and thus also in concrete, is leading to a growth in the need for admixtures.

WATERPROOFING
Sika's system solutions for waterproofing cover the full range of technologies used for below- and above-ground waterproofing: flexible membrane systems (polymeric sheets, modified bitumen sheets), liquid-applied membranes, joint waterproofing systems (water stops, swelling profiles, adhered tapes), waterproofing mortars and mortar admixtures, and injection resins and grouts. Key market segments include commercial and residential basements, tunnels, bridges, and all types of water-retaining structures, such as reservoirs, storage basins, and storage tanks. Waterproofing systems face increasingly stringent requirements regarding speed and ease of application, as well as total cost management. The selection of the appropriate system in line with the needs and expectations of the end customer, as well as well-trained and competent specialized waterproofing contractors, are key for long-lasting and watertight structures.

ROOFING
Sika provides a full range of single-ply and built-up flat roofing systems, incorporating both flexible sheet and liquid-applied membranes, as well as thermal insulation and various roofing accessories. In recent years, Sika has acquired bituminous sheet membrane technologies in markets where bitumen technology dominates. A more than 50-year history testifies to the outstanding, reliable, sustainable, and long-lasting performance of Sika roofing solutions. Demand in this segment is driven by the need for eco-friendly, energy-saving solutions such as green roof systems, cool roofs, and solar roofs, which simultaneously help to reduce $CO_2$ emissions. While refurbishment projects continue to gain significance in mature markets, emerging markets are moving towards higher-quality roofing solutions for new-build structures.

FLOORING
Sika's flooring solutions are based on synthetic resin and cementitious systems for industrial and commercial buildings, such as pharmaceutical and food-sector production plants, public buildings such as educational and healthcare facilities, parking decks, and private residential properties. Each market segment is subject to its own requirements in terms of mechanical properties, safety regulations (for example slip resistance), antistatic performance, and chemical or fire resistance. Trends in the flooring market are being dictated by the growing significance of safety and environmental regulations, as well as customized technical requirements. The high volume of building alteration and conversion projects nowadays has boosted the importance of efficient solutions for the refurbishment of existing flooring systems.

SEALING & BONDING
Sika offers a wide range of high-performance and durable sealants, tapes, spray foams, and elastic adhesives for the building envelope, for interior finishing and for infrastructure construction. Typical applications include the sealing of movement joints between facade elements to make buildings weatherproof, the bonding of wood floors to reduce noise, and the sealing of joints in airport aprons. The growing demand in this market is being fueled by an increasing awareness of the importance of high-performance adhesives and sealants for the overall durability and energy efficiency of buildings, the greater use of different materials, increasing urbanization including the larger volumes of high-rise projects, and the continuing replacement of mechanical fastening systems by adhesives due to better performance.

REFURBISHMENT
This segment features repair, strengthening and protective solutions for concrete structures, such as repair mortars, non-shrinking high-strength grouts, anchoring adhesives, protective coatings, corrosion control and structural strengthening systems. Especially in developed markets, many structures are decades-old and need to be refurbished. Sika provides technologies for the entire life cycle of commercial buildings and infrastructure facilities, as well as design and calculation software for structural engineers and designers. The present uptrend in demand is attributable to a rising volume of infrastructure rehabilitation projects in the transport, water management, and energy sectors, such as the construction and maintenance of wind energy farms.

INDUSTRY
The markets served by Sika include automobile and commercial vehicle assembly (structural bonding, direct glazing, acoustic systems, reinforcing systems), automotive aftermarket (auto glass replacement, car body repair), marine vessels, industrial lamination, renewable energies (solar and wind), home appliances, and facade engineering (structural glazing, sealing of insulating glass units). Sika is a technology leader in elastic bonding, structural adhesives, sealants, reinforcing and acoustic applications, and serves the world's leading industrial manufacturers. Customers rely on Sika's solutions to enhance product performance and durability, while optimizing manufacturing efficiency. For example, Sika's solutions address key megatrends in vehicle design, leading

to lighter, stronger, safer, quieter, and more efficient vehicles, while fast-processing materials and compatibility with automation optimize productivity.

**DISCLOSURE 102-7: SCALE OF THE ORGANIZATION**

| PAGE IN ANNUAL REPORT 2019 | |
|---|---|
| Number of employees | p. 157 |
| Group companies | p. 145 seq. |
| Net sales | p. 4 |
| Total capitalization | p. 9 |
| Risk management | p. 39 |
| Group strategy | p. 15 seq. |

**DISCLOSURE 102-8: INFORMATION ON EMPLOYEES AND OTHER WORKERS**

The total number of employees at the end of the reporting period was 25,141. Female employees in the Group account for around 23% of the total workforce.

| REGION | % FEMALE OF TOTAL REGIONAL WORKFORCE |
|---|---|
| EMEA | 22.4 |
| Americas | 21.3 |
| Asia/Pacific | 25.0 |
| Global Business | 21.9 |
| Corporate | 31.4 |

| REGION | % OF TOTAL WORKFORCE |
|---|---|
| EMEA | 40.4 |
| Americas | 21.7 |
| Asia/Pacific | 25.1 |
| Global Business | 10.1 |
| Corporate | 2.7 |

| ITEM | % OF TOTAL WORKFORCE |
|---|---|
| **Age Groups** | |
| < 30 years | 15.1 |
| 30–50 years | 60.2 |
| > 50 years | 24.7 |
| **Male employees** | **77.0** |
| Staff (clerks, lab, production staff incl. shift team leaders) | 76.8 |
| Middle management | 77.7 |
| Local company management team | 76.1 |
| Top management (Senior Management) | 90.8 |
| **Female employees** | **23.0** |
| Staff (clerks, lab, production staff incl. shift team leaders) | 23.2 |
| Middle management | 22.3 |
| Local company management team | 23.9 |
| Top management (Senior Management) | 9.2 |

Internal promotions within the reporting period (%): 1.2

A. TOTAL NUMBER OF EMPLOYEES BY EMPLOYMENT CONTRACT (PERMANENT AND TEMPORARY)

| CONTRACT | % OF TOTAL WORKFORCE |
|---|---|
| Permanent | 88.0 |
| Temporary | 11.0 |
| Apprenticeship/internship | 1.0 |

B. TOTAL NUMBER OF EMPLOYEES BY EMPLOYMENT CONTRACT (PERMANENT AND TEMPORARY), BY REGION

| Contract | Permanent(%) | Temporary(%) |
|---|---|---|
| EMEA | 37.7 | 2.6 |
| Americas | 21.0 | 0.7 |
| Asia/Pacific | 17.8 | 7.4 |
| Global Business | 9.0 | 1.1 |
| Corporate | 2.5 | 0.2 |

Apprenticeship/internship (%): 1.0

C. TOTAL NUMBER OF EMPLOYEES BY EMPLOYMENT TYPE (FULL-TIME AND PART-TIME)

| CONTRACT | NUMBER EMPLOYEES |
|---|---|
| Full time | 24,435 |
| Part time | 706 |
| Total | 25,141 |

Regarding employment type (full-time and part-time), we do not collect the data for gender distribution, because the number of part-time employees is considered insignificant.

D. WHETHER A SIGNIFICANT PORTION OF THE ORGANIZATION'S ACTIVITIES IS PERFORMED BY WORKERS WHO ARE NOT EMPLOYEES
Workers employed through employment agencies and service providers accounted for approximately 10% of Sika's total workforce (as indicated in Disclosure 102-8) at the end of the reporting period. These workers are not on Sika's payroll, but under contract with employment agencies. The number of temporary workers varies depending on the seasonality of the business in the individual Sika companies. The work performed by this part of the workforce is mainly manufacturing, warehousing and logistics.

E. ANY SIGNIFICANT VARIATIONS IN THE NUMBERS REPORTED IN DISCLOSURE 102-8-A, 102-8-B, AND 102-8-C
Due to the seasonality of the construction business, the workforce may increase in the main season, e.g. the summer months in the northern hemisphere. In 2019, Sika employed 2,772 temporary workers as part of its workforce to meet the peak demand.

F. AN EXPLANATION OF HOW THE DATA HAVE BEEN COMPILED, INCLUDING ANY ASSUMPTIONS MADE
The figures were reported by each individual subsidiary through the central reporting system and aggregated on Group level.

**DISCLOSURE 102-9: SUPPLY CHAIN**
- Supply chain structure varies by product segment and raw material streams
- Sika also applies social and environmental criteria to the management of its supplier base

Sika's supply chain varies depending on the business segment. The local Sika companies source raw materials both locally and internationally. Some materials are only available from international suppliers and must be imported into the country of production. Sand and cement for mortars are mainly sourced in the producing country, additives are usually sourced from multinational companies. Admixture raw materials are sourced either locally or from multinational companies. Proprietary admixture ingredients are produced in specialized factories and distributed to other Sika production sites. Raw materials for adhesives and sealants are sourced from multinational companies. Polymeric plastic raw materials are sourced from multinational companies or large local vendors.

In Sika factories, the raw materials are converted into higher-value goods, usually through mixing, blending, compounding, and suitable form-giving. From Sika's finished goods warehouses, products are distributed within the respective country and partly exported. Sika today collaborates with around 12,000 direct material suppliers from around 16,000 supply locations, for both local and global sourcing. The company strives to work with local suppliers wherever possible, in order to reduce lead time, risk, and transport, and to increase availability and control quality. Sika's purchasing spend for direct materials corresponds to approx. 45% of total net sales. The total global spend for direct materials and trading goods amounts just over CHF 2,700 million at average exchange rates for the year 2019. The regional split for direct materials is as follows: EMEA 47%, Americas 26%, Asia/Pacific 19%, and Automotive 8%.

Sika's diverse customer base includes local construction craftspersons, larger construction companies and very large multinationals, e.g. cement companies, as well as mainly large automotive, transportation and appliance manufacturing companies.
Sika employs a risk management approach for suppliers and the raw material supply chain. This approach is described in this report under 102-11.

**DISCLOSURE 102-10: SIGNIFICANT CHANGES TO THE ORGANIZATION AND ITS SUPPLY CHAIN**

In March 2019, Sika acquired King Packaged Materials Company, a large independent Canadian manufacturer of dry shotcrete and mortars for concrete repair. With the acquisition Sika, has expanded its geographical footprint in Canada and improved its growth potential in the home improvement, construction, mining and tunneling markets.

In the same month, Sika acquired Belineco LLC, a Belarusian manufacturer of polyurethane foam systems. With the acquisition, Sika has expanded its know-how in the production and development of polyurethane foams. Together, Sika and Belineco have gained better access to the trade distribution channels in Eastern Europe.

In May 2019, Sika completed the acquisition of Parex. With this acquisition, Sika has expanded its product portfolio for the building finishing market and strengthened its world leadership position in construction chemicals. Parex's product offering includes facade mortars, tile adhesives, and waterproofing mortars. With its expertise in mortar solutions for renovation and new-builds, Parex participates in all phases of the construction life cycle. Parex has a particularly strong presence in distribution channels, especially in China, where it has built up a network of over 90,000 points of sale.

In September 2019, Sika acquired Crevo-Hengxin, a Chinese manufacturer of silicone sealants and adhesives used in both industry and construction applications. Crevo-Hengxin is a family-owned manufacturer of a broad range of silicone products used for facades, fenestration, insulated glass, interior finishing and other sealing and bonding applications. In addition, the company holds a leading position as supplier of silicones for the growing solar industry.

In November 2019, Sika acquired Adeplast SA, a major manufacturer of mortars and thermal insulation solutions in Romania. Adeplast produces a wide range of building mortars as well as thermal insulation (EPS) for building envelope solutions. With the acquisition, Sika Romania has strengthened its product portfolio for the Building Finishing target market and gained access to Adeplast's large, well-established network of distributors.

With regard to GRI reporting, the 2019-acquired companies Crevo-Hengxin (China), King Packaged Materials (Canada), Belineco (Belarus) and Adeplast (Romania) are not yet included in the 2019 figures. However, the figures include the results for July to December of the 2019-acquired company Parex.

In 2019, Sika opened seven new factories in Senegal, Egypt, Qatar, Serbia, Cameroon, Ethiopia and Indonesia.
- Mortar plant in Senegal: Dakar, March 2019
- Expansion of mortar plant in Egypt: Alexandria, April 2019
- Concrete admixture plant in Qatar: Doha, May 2019
- Expansion of mortar plant in Serbia: Belgrade, July 2019
- Mortar plant in Cameroon: Douala, September 2019
- Mortar plant in Ethiopia: Addis Ababa, November 2019
- Third plant in Indonesia: Jakarta, December 2019

**DISCLOSURE 102-11: PRECAUTIONARY PRINCIPLES OR APPROACH**
- Risk-based management approach, also in operations
- Sustainability part of the operations performance indicators

Sika employs a risk-based management approach for its own operations, the supply chain, and the products it sells and distributes. Major operations are regularly screened by experts according to a loss prevention methodology, with frequent support from our insuring partners. Results are translated into improvement plans in consultation with management. This results in an overall low loss rate due to events such as major supply disruptions and ensures that customers receive their goods from Sika on time.

The Financial Stability Board Task Force on Climate-related Financial Disclosures (TCFD) has developed voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders. In 2019, Sika started to address the recommendations, and to integrate them into the reporting structure.

Through various audits and inspections of its own operations and suppliers as well as external audits by customers and certification bodies in Sika facilities, the company adopts a preventative approach and undertakes continuous improvements. Sika companies are certified to the international management system standards ISO 14001:2015 (Environmental Management) and ISO 9001:2015 (Quality Management) in all operations. The company aspires to fully implement OHSAS 18001 (Occupational Health and Safety Assessment) in major operations and is starting to introduce ISO 50001 (Energy Management) in the bigger facilities.

Regarding the supply of raw materials, Sika maintains a supplier qualification process for new vendors. This process encompasses three main elements: supplier code of conduct, supplier self-assessment and supplier visit. It can be complemented by supplier audits when necessary. The process covers all new suppliers. In addition, existing suppliers will be evaluated using similar criteria, such as supplier evaluation, supplier code of conduct, and material specifications. A clear process description of the supplier qualification is defined in the Procurement Manual and observed by Sika companies.

In respect of products and services, Sika follows the Product Development Process (PCP) to manage functional, safety, environmental, and commercial product risks. Regarding the life cycle of commercial products, Sika runs a comprehensive Product Stewardship program including preparation of customer instructions, information on proper use, registration, labelling, packaging and transportation, disposal, as well as improvement of product groups. Sika actively assumes responsibility for sustainability along the entire supply chain, from supplier qualification through production and distribution to the use phase and disposal of its products.

**DISCLOSURE 102-12: EXTERNAL INITIATIVES**

Sika is committed to genuinely added sustainable value along the entire value chain. Its principles form the basis for strategic management. The company has bound itself by signature and is therefore committed to aligning its operations and strategies with the universally accepted principles in the areas of human rights, labor, environment, and anti-corruption established by the United Nations Global Compact Initiative. Sika is also a member of the World Business Council of Sustainable Development (WBCSD), Geneva, Switzerland. Together with the WBCSD, Sika builds on the momentum of the Chemical Sector Roadmap for the Sustainable Development Goals (SDGs), and is contributing to the UN 2030 Agenda for Sustainable Development, focusing on eight of the 17 goals. Both the construction and the automotive industry, among others, greatly influence these goals.

**DISCLOSURE 102-13: MEMBERSHIP OF ASSOCIATIONS**

Sika is a member of manifold industry associations and initiatives on local, national, and multi-national level, e.g. World Business Council for Sustainable Development, Responsible Care, Carbon Disclosure Project, Green Building Councils Network and Sustainable Construction Switzerland.

The company holds a position on the board or actively participates in projects or committees of the following associations.

| ASSOCIATION | ACRONYM | WEBSITE |
|---|---|---|
| American Chemistry Council | ACC | www.americanchemistry.com |
| Association Française des Industriels des Colles, Adhésifs et Mastics | AFICAM | www.fipec.org |
| American High Performance Building | AHPBC | www.betterbuildingstandards.com |
| Austrian Sustainable Building Council | ÖGNI | www.ogni.at |
| Coalition Spanish National Association for Concrete and Mortar Additive Manufacturers | ANFAH | www.anfah.org |
| Portuguese Association of Paint Producers | APFAC | www.apfac.pt |
| Spanish National Association of Industrial Mortar Manufacturers | ANFAPA | www.anfapa.com |
| Spanish National Association of Concrete Repair, Protection and Reinforcement | ARPHO | www.arpho.org |
| Portuguese Association of Paints | APT | www.aptintas.pt |
| Adhesive and Sealant Council | ASC | www.ascouncil.org |
| American Society of Testing Materials | ASTM | www.astm.org |
| British Adhesives and Sealants Association | BASA | www.basaonline.co.uk |
| British Precast Concrete Federation | BPCF | www.britishprecast.org |
| Cement Admixtures Association | CAA | www.admixtures.org.uk |
| Center for Environmental Innovation in Roofing (US) | CEIR | www.roofingcenter.org |
| European Paint and Printing Ink Council | CEPE | www.cepe.org |
| Chemical Fabrics and Film Association | CFFA | www.chemicalfabricsandfilm.com |
| Italian National Research Council | CNR | www.cnr.it |
| Italian National Association of Industrial Flooring | CONPAVIPER | www.conpaviper.it |
| Construction Products Association | CPA | www.constructionproducts.org.uk |
| Corrosion Prevention Association | CPA | www.corrosionprevention.org.uk |
| Concrete Repair Association | CRA | www.cra.org.uk |
| Concrete Society | CS | www.concrete.org.uk |
| Deutsche Bauchemie | DBC | www.deutsche-bauchemie.de |
| German Sustainable Building Council | DGNB | www.dgnb.de |
| European Federation of Concrete Admixtures Association | EFCA | www.efca.info |
| European Cool Roof Council | ECRC | www.coolroofcouncil.eu |

| | | |
|---|---|---|
| European Federation for Construction Chemicals | EFCC | www.efcc.eu |
| Hellenic Organization for Standardization | ELOT | www.elot.gr |
| European Single Ply Waterproofing Association | ESWA | www.eswa.be |
| Association of European Adhesive and Sealant Industry | FEICA | www.feica.com |
| The Resin Flooring Association | FeRFA | www.ferfa.org.uk |
| Forschungsgesellschaft für Strassen- und Verkehrswesen | FGSV | www.fgsv.de |
| Fachverband Schweizerischer Hersteller von Betonzusatzmitteln | FSHBZ | www.fshbz.ch |
| Gemeinschaft Emissionskontrollierte Verlegewerkstoffe, Klebstoffe und Bauprodukte e.V. | GEV | www.emicode.com |
| Green Building Council España | GBCe | www.gbce.es |
| Green Building Council UK | UKGBC | www.ukgbc.org |
| Italian Green Building Council | GBCI | www.gbcitalia.org |
| Hellenic Association of Chemical Industries | HACI | www.faci.gr |
| UK Liquid Roofing & Waterproofing Association | LRWA | www.lrwa.org.uk |
| National Federation of Roofing Contractors, UK | NFRC | www.nfrc.co.uk |
| Polyurea Development Association Europe (Italian Committee) | PDA Europe | www.pda-europe.org |
| Spanish Technology Platform for Construction | PTEC | www.construccion2030.org |
| Swiss Plastics | – | www.swiss-plastics.ch |
| Structural Concrete Alliance | SCA | www.structuralconcretealliance.org |
| Swiss Society of Engineers and Architects | SIA | www.sia.ch |
| Syndicat Français des Joints et Façades | SFJF | www.sfjf.ffbatiment.fr |
| Syndicat Français des Métiers de la Résine | SFMFR | www.sfmr.ffbatiment.fr |
| Syndicat National des Mortiers Industriels | SNMI | www.desmortiersdesidees.com |
| Syndicat National des Adjuvants pour Bétons et Mortiers | SYNAD | www.synad.fr |
| Single Ply Roofing Association | SPRA | www.spra.co.uk |
| Single Ply Roofing Industry | SPRI | www.spri.org |
| Sustainability Supply Chain School | SSCS | www.supplychainschool.co.uk/uk |
| Together for Sustainability | TfS | https://tfs-initiative.com/ |
| Verband der deutschen Lack- und Druckfarbenindustrie e.V. | VdL | www.wirsindfarbe.de |
| Institute Construction and Environment | IBU | www.ibu-epd.com |
| International Concrete Repair Institute | ICRI | www.icri.org |
| Concrete Society of Southern Africa | CSSA | www.concretesociety.co.za |
| Athens Chamber of Commerce & Industry | ACCI | www.acci.gr |
| Precast Concrete Institute | PCI | www.pci.org |
| National Ready Mix Association | NRMCA | www.nrmca.org |
| Interlocking Concrete Pavement Institute | ICPI | www.icpi.org |

# 2. STRATEGY

- Release of Sika Sustainability Strategy 2023
- Sustainability and $CO_2$ reduction included in the Sika Growth Strategy 2023
- New "Climate Performance" focus area
- "Sika Cares" program for supporting community engagement on local level
- 2019 sustainability-related performance is the baseline for the Sustainability Strategy 2023

**DISCLOSURE 102-14: STATEMENT FROM SENIOR DECISION-MAKER**

*"As a global company, Sika is committed to sustainable development. The company honors its responsibilities by offering sustainable solutions for energy-efficient construction and innovative vehicles. It also implements numerous projects and measures aimed at boosting the Group's economic, social, and ecological sustainability."*

With its sustainability strategy "More Value – Less Impact", which was realigned in the year under review, the company pursues the objective of creating lasting value for people and the environment, while at the same time adopting a moderate and sustainable approach to the utilization of resources. Thus, shaping the future responsibly.

SIKA'S SUSTAINABILITY STRATEGY

The revision and further development of the 2014–2018 Sustainability Strategy was the priority during 2019. Given the results of the materiality analysis conducted in 2018 and the development of the Sika Growth Strategy 2023, the Sustainability Strategy now includes the new "Climate Performance" focus area with specific targets for the reduction of $CO_2$ emissions, the use of electricity from renewable sources and recycling of waste. In addition, community engagement now includes targets relating to volunteering activities and the number of beneficiaries.

With its newly defined sustainability targets, Sika's priority will be to minimize resource consumption and the environmental impact of its production process. Sika's overriding goal is to achieve a 12% reduction in $CO_2$ emissions per ton sold by 2023. The sustainability-related performance for 2019 will be the baseline for the Sustainability Strategy 2023. More details are available at https://www.sika.com/en/about-us/ sustainability/sika-sustainability-strategy.html

On the basis of the GRI Sustainability Reporting Standards, the following five criteria have been established to evaluate sustainability aspects and Sika's performance:

**Relevance:** Sustainability is relevant as a business enabler, business driver, and brand message, in construction and transportation. We monitor material aspects.

**Compliance:** Legal and regulatory compliance, anti-corruption, and human rights in the supply chain are the foundations of our business wherever we operate.

**Increase Value:** Leading the industry by pioneering a portfolio of sustainable products, systems, and services for energy, material and water efficiency, durability, and safe use.

**Reduce Impacts:** We improve our environmental and safety footprint, reducing energy, water and material demand per product unit, and work without injuries.

**Social Progress and Integration:** We build trust and create value with communities and society.

To integrate with other stakeholders and reinforce commitment, Sika signed up to the UN Global Compact.

**SUSTAINABILITY STRATEGY**

**SUSTAINABLE SOLUTIONS**
We are leading the industry by pioneering a comprehensive port-folio of customer focused solutions, combining both higher performance and improved sustainability.

**TARGET 2023**
- **All new product developments with "Sustainable Solutions"**


**CLIMATE PERFORMANCE**
We run our business in a responsible way and mitigate climate change and its impacts.

**TARGET 2023**
- **12% reduction of $CO_2$-emissions per ton sold**


**COMMUNITY ENGAGEMENT**
We build trust and create value – with customers, communities, and with society.

**TARGET 2023**
- **10,000 working days of volunteering work per year**
- **50% more projects**
- **50% more direct beneficiaries**


# MORE VALUE

# LESS IMPACT

**ENERGY**
We manage resources and costs carefully.

**TARGET 2023**
- **15% less energy consumption per ton sold**
- **50% renewable electricity rate**


**WASTE / WATER**
We increase material and water efficiency.

**TARGET 2023**
- **15% less waste generation per ton sold**
- **25% higher recycling rate of total waste**
- **15% less water consumption per ton sold**


**OCCUPATIONAL SAFETY**
Sika employees leave the workplace healthy.

**TARGET 2023**
- **50% less accidents**
- **0 fatalities**

**DISCLOSURE 102-15: KEY IMPACTS, RISKS, AND OPPORTUNITIES**
- Risks and opportunities systematically explored on all levels
- Supply chain risks managed actively
- Products and market risks included in the development and marketing process

Flawed risk assessments may seriously impair a company's reputation, limit its freedom of action or, at worst, lead to insolvency. Mindful of this, Sika reacted years ago by introducing a comprehensive risk management system at Group level and for all its subsidiaries. The aim is to identify risks at an early stage and integrate them in strategic decision-making processes. Risk management may sometimes assist in the identification of new opportunities and thereby help to generate added value.

GROUP MANAGEMENT AND BOARD OF DIRECTORS
While Sika's Group Management regularly reviews the processes underlying risk management, the Board of Directors bears ultimate responsibility for risk assessment. Its duties include the annual reassessment of the risk situation at Group level. All risks are assessed in terms of a few basic questions:
- Is the risk global or regional in scope?
- What implications does the risk have for the Group?
- How high is the probability of losses occurring?
- What measures need to be implemented to eliminate the risk or mitigate its consequences?

If a risk is rated critical in the overall assessment, effective measures are then taken to reduce the probability of or prevent its occurrence or limit its implications.

Sika pursues a risk-based management approach along the entire value chain from procurement and production to marketing.

SUPPLIER MANAGEMENT AND RAW MATERIAL PROCUREMENT
The raw materials that Sika processes into superior-grade products are the Group's biggest cost factor. This is why they are high on the risk assessment agenda. Approximately two-thirds of the materials used by Sika in production, such as polyols, epoxy resins, acrylic dispersions, and polycarboxylates, are based on fossil fuels or their derivatives. Purchase prices consequently vary according to the supply and demand situation for each raw material and fluctuations in the price of oil. To reduce its dependency on crude oil, Sika is increasingly relying on renewable raw materials, such as sugar derivatives, bioethanol derivatives, and natural oils. Moreover, recycled raw materials are used wherever possible, and many production plants implement their own, or externally operated, recycling loop systems. Mineral substances, such as cement, sand, calcium carbonate, make up the remaining raw materials.

Sika purchases its base chemicals in accordance with strict quality requirements from certified suppliers offering the best value for money. In the case of key raw materials with limited availability or large purchase volumes, Sika mandates at least two suppliers whenever possible. For unique, highly innovative technologies, the Group seeks to manufacture raw materials itself, or source them in close collaborative partnerships with innovative suppliers. In respect of all the materials used, compliance with the relevant statutory registration requirements (e.g. REACH or TSCA ) is monitored and ensured by a network of global and local specialists, as well as external consultants. Sika's procurement specialists and technical experts work closely with suppliers' technical units to fully understand the raw material flows, and continually optimize costs, quality, availability, and sustainability.

Potential suppliers are closely screened by Sika. Before working with Sika, new suppliers are required to sign the Supplier Code of Conduct, which includes the Sustainability, Ethics, and Fair Competition principles. Suppliers are regularly evaluated by a comprehensive supply risk management process to achieve continuous uninterrupted material availability, quality, cost competitiveness, and compliance, which are essential for business success. The corresponding findings are incorporated into the risk assessment, along with the suppliers' self-assessments and data available in the public domain. If a relevant risk is identified, Sika will conduct an audit of the supply company in question to ensure the expected functionality of the latter's internal risk management system. Raw materials are systematically evaluated within Sika to identify potential risks and to determine relevant measures, such as maintaining safety stocks, and/or securing long-term supply contracts.

2019 saw the successful implementation of an improved risk management process that allows the company to better identify potential risks and put in place well-structured mitigation practices. Sika continues to apply this risk management process stringently to ensure that any potential impacts on the company and its customers are mitigated.

PRODUCTION AND LOGISTICS
Sika sets defined standards for risk provisions that are binding for its production and logistics operations. These standards form part of the Group-wide "Sika Corporate Management System" and lay down minimum requirements and best practices, e.g. processes and guidelines in the areas of safety, health, environment, quality, sourcing, manufacturing, and logistics. The "Sika Corporate Management System" is accessible to all Sika Group employees. Together with the local regulatory requirements, these standards are subsequently documented in the individually maintained Sika management systems of the local Sika companies. Additionally, Sika

production companies are certified to ISO 9001:2015 (Quality Management) and ISO 14001:2015 (Environmental Management), and many also to OHSAS 18001 (Occupational Health and Safety Assessment) and IATF 16949:2016 (Automotive Quality Management). A growing number of larger facilities are also certified to ISO 50001:2018 (Energy Management).

The current certification status of individual Group companies is shown on page 145 et seq. of the download version of the Annual Report 2019. Audits and inspections are core elements of Sika's comprehensive management system. They provide management at Group, regional, and local company levels with a regular, independent assessment of compliance with official requirements, as well as with Sika's internal risk management guidelines and principles. These audits and inspections ensure the effectiveness of processes and related controls. Quality, environment, health, safety, property loss prevention and business interruption, product development and technology, legal matters, application risks, IT security, suppliers, and product performance are all subject to audits.

In 2019, Sika conducted 181 centrally documented audits throughout the organization. Supplier audits are carried out by the purchasing and quality assurance departments based on the risk assessment, and the number of reviews is steadily increasing. In 2019, 69 supplier audits were performed, and supplier audit trainings for more than 20 purchasing and quality assurance employees were conducted. Sika also regularly audits production and logistics operations at local companies. This includes recording any risks that may result in personal injury, incidents, production downtime, property damage, or liability claims. The probability and significance of these risks are assessed, and measures are subsequently defined and implemented to minimize the risk potential at the site and to enhance operational safety.

Sika is also insured against production losses. Over recent years, Sika has succeeded in significantly reducing the number of accidents and is constantly working on further improvements. The company is focusing more closely on systematic accident and incident prevention.

PRODUCT DEVELOPMENT AND MARKETING

For products and services, Sika implements a structured product development process that factors in potential risks. The Group monitors ecological and safety aspects during the development, production, and product-handling stages. For this purpose, it has introduced the specific checking of new developments against a sustainability profile. Sika also focuses on market opportunities and risks, product sustainability performance, and the protection of intellectual property.

Over a period of many years, Sika has had a global program in place to minimize the risks in advisory and sales activities that could provide grounds for product complaints. Thanks to a host of additional measures, including the regular training of employees, clearly formulated standards, detailed causal analyses, and stricter controls, expenditure for product-related claims is steadily being reduced. To avoid the risk of customers using Sika's products incorrectly, Sika provides systematic instructions, application training, and support to customers, as well as extensive documentation and quality control.

CUSTOMERS AND MARKETS

Sika has a policy of strategic diversification to limit market- and customer-related risks. Geographical diversification is tremendously important in the locally based construction industry, given the sometimes-contrary business trends witnessed in this sector in different regions of the world. Customer diversification – with no single customer accounting for more than 2.5% of Sika's turnover – is another stabilizing factor. As a further safeguard against economic fluctuations, Sika operates both in the new-build sector, and in the less cyclical renovation and maintenance market.

FINANCIAL RISKS

The purpose of financial risk management is to optimize funding and achieve a liquidity position geared to financial obligations. Liquidity is ensured by means of long-term bonds and a long-term revolving credit facility. Liquidity is optimized by means of a cash-pooling arrangement. Sika also manages its net working capital with the utmost prudence. For example, the local companies have precisely defined processes for handling accounts receivable. A cost structure dovetailed to the prevailing market conditions ensures adequate cash generation. Sika attaches high priority to open and cost-efficient access to capital markets. In this context, the A-/stable rating of Standard & Poor's must be taken into account.

INTERNAL AUDIT

Internal Audit carries out audits as set out in the annual audit plan, approved by the Audit Committee. The internal audits are primarily for Group companies in the areas of sales, accounts receivable and accounts payable management, product development, purchasing, production, quality control, inventory management, financial and operational reporting, payroll processes, and IT management. In addition to the global audit of sales and production companies, regular in-depth audits are carried out in the area of headquarter functions and Group-wide support processes. Internal Audit is an instrument of the Board of Directors and reports to the Audit Committee.

# 3. ETHICS AND INTEGRITY

- Code of Conduct obliging all employees to uphold our values and principles
- General Managers pledge to be role models in respect of integrity and compliance
- Worldwide instruction on Sika Code of Conduct and the Sika Values and Principles

**DISCLOSURE 102-16: VALUES, PRINCIPLES, STANDARDS, AND NORMS OF BEHAVIOR**

The values and principles of the Sika Code of Conduct were reviewed and launched in 2014 by the Group Management and the Board of Directors. The Code of Conduct is available in 42 languages and has been distributed to all Sika employees through their line organizations. Trainings have been delivered to all subsidiaries, also through an ad hoc e-learning platform available in 14 languages, both online (SikaLearn platform) and offline (as course for local classroom delivery). All employees pledged with their signature to uphold these values, and the General Managers (GMs) undertake every year with their signature to enforce and train the values and principles in their organizations. Sika has also developed a document setting out the Sika Values and Principles. These Values and Principles have been rolled out and trained in all Sika's global subsidiaries. GMs and Sika Senior Managers (SSMs) are requested to sign a "Compliance Commitment", in which they pledge to be role models in respect of integrity and compliance. Every two years, Corporate Compliance requires all Sika GMs and SSMs to renew their pledge. We also encourage them to seek the same commitment from their local management team. The most recent pledge campaign was launched in December 2019 and will be completed by the end of Q1 2020. Moreover, on an annual basis, all Sika GMs are asked to sign the "Compliance-GRI Confirmation". By signing this document, the GMs confirm compliance, at local level and for the past fiscal year, with selected requirements of the Global Reporting Initiative (GRI), a UN-initiated corporate social responsibility and sustainability initiative that Sika joined in 2013. Specifically, GMs confirm that their companies operate in compliance with the applicable laws and Sika's internal regulations, including the Values and Principles, the Code of Conduct, the Sika Trust Policy and other corporate policies and manuals, and that they offer adequate information and training to all their staff.

For the Sika Code of Conduct, please consult:
www.sika.com/en/group/Aboutus/VisionandMission.html

SUSTAINABILITY AND INTEGRITY
Sika takes a long-term perspective on the development of business and acts with respect and responsibility towards its customers, stakeholders and employees.

# 4. GOVERNANCE

- Sika follows the SIX Swiss Exchange Guidelines
- Transparency is the highest objective of good corporate governance

**DISCLOSURE 102-18: GOVERNANCE STRUCTURE**

Creating transparency is the highest objective of good corporate governance in the provision of information on structures and processes, areas of responsibility and decision procedures, as well as rights and obligations of the various stakeholders. Sika follows the SIX Swiss Exchange guidelines.

Details on corporate governance and the Group structure can be found here:
www.sika.com/en/group/investors/corporate-governance/group-structure-and-shareholders.html

ZEITZ MUSEUM OF CONTEMPORARY ART AFRICA
IN CAPE TOWN, SOUTH AFRICA
With the technological expertise of Sika, the old grain silos were transformed into a new landmark of Cape Town.

# 5. STAKEHOLDER ENGAGEMENT

- Stakeholders regularly reviewed and consulted
- Materiality considerations driven by stakeholder responses
- Sika Sustainability Advisory Board (SAB) provides input regarding the direction and implementation of Sika's sustainability strategy and activities

**DISCLOSURE 102-40: LIST OF STAKEHOLDER GROUPS**

Sika's most relevant stakeholder groups are:

- Employees
- Customers
- Suppliers
- Financial analysts
- Investors
- Academia
- Sika Management
- Sika Board
- Competitors
- Regulators
- Sponsorship partners
- Local communities

**DISCLOSURE 102-41: COLLECTIVE BARGAINING AGREEMENTS**

No data was available in the reporting year on the percentage of all employees covered by collective bargaining agreements. Sika is present in more than 100 countries with both small and large subsidiaries. In many of the smaller companies, the number of employees is low and no collective bargaining agreements exist. However, in many big countries, e.g. USA, Germany, France etc., collective bargaining agreements for workers are the rule, and the majority of workers at these locations are covered.

**DISCLOSURE 102-42: IDENTIFYING AND SELECTING STAKEHOLDERS**

Stakeholders are defined as groups or individuals that are significantly affected by the organization's activities, products, and/or services, or whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives. Stakeholder engagement is an essential part of responsible business practice and is key to capturing opinions and insights from across our business.

In the context of the Sustainability materiality analysis, Sika reviewed the various stakeholder groups in 2018. A set of stakeholder groups was selected and prioritized / categorized according to the potential impact of Sika on the stakeholder and the stakeholder's ability to impact Sika. The results were verified with different entities within Sika (CTO, control panel with Senior Management) and largely confirmed the findings from the previous analysis. Overall, the financial community and regulators assume greater importance due to an evolving business landscape and shareholder structure. In the same year, the most relevant stakeholder groups were consulted for their contribution to the materiality process. Material aspects and topics were reviewed to detect any changes of priority or need for re-evaluation.

**DISCLOSURE 102-43: APPROACH TO STAKEHOLDER ENGAGEMENT**

In 2018, as part of the periodic review of our sustainability priorities, Sika specifically engaged with selected principal internal and external stakeholder groups to review the most recent materiality analysis, conducted in 2018. The following groups were approached via an online survey to provide input in defining the future strategic framework and priorities: employees, customers, financial analysts, investors, Sika Management, suppliers, academia and sponsoring partners. The results were integrated in the materiality analysis (see chapter 6: Reporting Practice).

In the year under review, Sika actively engaged with numerous stakeholder groups, such as associations and sponsoring partners / communities via personal interactions, common projects or platforms, intensifying existing contacts and starting new cooperations. Please consult https://www.sika.com/en/group/sustainability/people.html for more details about the various initiatives and activities which Sika is supporting and to which it is contributing.

The Sika Sustainability Advisory Board (SAB), established in 2016, is an important body that provides an independent expert view regarding the direction and implementation of Sika's sustainability strategy and gives further input on sustainability issues to Sika's management and the sustainability team. The SAB consists of 5 members with academic, consultancy and NGO backgrounds and was created to further reduce the company's environmental footprint along the whole supply chain. In 2019, the SAB met twice, in June and in November. The focus was on the target areas "climate change" and "occupational health and safety" (June), and "process optimization" (November). In June, Prof. Dr. David N. Bresch, Professor for Weather and Climate Risks at ETH Zurich

(Swiss Federal Institute of Technology) presented the new Swiss climate scenarios. In November, the SAB met at the Department of Materials at the ETH. Jan Vermant, Professor for Soft Materials, presented ideas about process intensification in industrial manufacturing, potentially applicable to Sika's production processes. By the end of 2019, Sika also set up an internal Sustainability Committee to steer and coordinate initiatives aimed at achieving sustainability targets and monitoring proper implementation of the Sustainability Strategy throughout the Group.

Local Sika entities regularly engage with their relevant stakeholders on local and national level, though informally. The revised international management system standards ISO 14001:2015 (Environmental Management) and ISO 9001:2015 (Quality Management), to which all Sika companies are certified, have a strong focus on stakeholder engagement. A guidance document for stakeholder engagement supports local entities in implementing this requirement in their processes and activities. The framework has been gradually implemented with the renewal of the local ISO certificates in the last few years and will be further intensified in the years ahead.

**DISCLOSURE 102-44: KEY TOPICS AND CONCERNS RAISED**

The materiality analysis 2018 captured responses from relevant internal and external stakeholder groups across our value chain via an online survey. For a summary of topics with high to low stakeholder materiality relevance, please consult chapter 6 of this report. The outcome has since been used to further develop the Sika Sustainability Strategy and redefine the 2019 – 2023 targets.

The GRI report covers high-materiality aspects. Aspects classed as moderate and low are not necessarily covered in the GRI report, but will be monitored on a regular basis. Newly identified issues will be analyzed, prioritized and integrated where relevant.

HIGH-QUALITY SOLUTIONS FOR THE SOCIAL HOUSING PROJECTS OF THE BRAZILIAN CONSTRUCTION GROUP DIRECIONAL ENGENHARIA
Sika integrated Parex quickly and successfully. The experts from the two companies worked closely together from the beginning.Left to right: Kilson Nogueria, Commercial Director; Lígia Botelho, Commercial Technical Coordinator, Southeast; Márcio Tavares, Sales Supervisor Portokoll Southeast; Paulo Neves, Mortar Technical Seller; Mauricio Borger, Business Manager.

# 6. REPORTING PRACTICE

- The 2018 materiality analysis largely confirmed the results of the previous analysis
- Stakeholders are more inclined to give importance to all sustainability topics than in the past

**DISCLOSURE 102-45: ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS**
A full list of companies is included in the Annual Report 2019, page 145 seq.
Please consult: www.sika.com/en/group/Publications/annual_reports01.html

**DISCLOSURE 102-46: DEFINING REPORT CONTENT AND TOPIC BOUNDARIES**
The key aspects of Sika's sustainability strategy and reporting were defined through a materiality analysis.

A materiality analysis is a process to identify the most important sustainability topics, opportunities and risks for our business from two perspectives: their importance to our stakeholders and their impact on Sika's business. The outcome is a materiality matrix that shows all topics identified and prioritized as mattering most to our business and stakeholders, and helps us to focus on those topics that have the highest priority. The information gained through this process can support decisions about the direction of our business and allows the integration of sustainability topics in the core business strategy.

In 2018, Sika reviewed the materiality analysis, which had last been conducted in 2015. This periodic update is important for detecting any changes of priority or need for re-evaluation. The analysis focused on potential material topics that reflect the sustainability impacts of Sika's operations, products, and services along the entire value chain. The key aspects of Sika's sustainability strategy and reporting were defined through the following activities.

SUSTAINABILITY CONTEXT
The context in which Sika operates at global and local level was considered when determining the list of relevant topics and prioritizing the activities. The analysis focused on potential material topics that reflect the sustainability impacts of Sika's operations, products, and services along the entire value chain. The identification of potential material topics included the creation of a comprehensive list of topics based on different sources:
- GRI standards
- Dow Jones Sustainability Index
- Previous materiality analysis
- Internal policies and guidelines
- Topics raised in internal and external communications
- Issues picked up in media
- Relevant topics for stakeholder groups
- Desk research
- Expert knowledge

This list was discussed with the Corporate Communications department and adjusted accordingly.

MATERIALITY
The relative importance of the topics was rated according to the two criteria "influence on stakeholder assessments and decisions" (importance to stakeholders) and "significance of economic, environmental and social impacts" (importance to Sika).

The materiality of the topics was defined by considering:
- The main sustainability topics raised by Sika's stakeholders
- The relevance for Sika's core business
- Potential reputational impacts
- Potential of Sika to influence/impact the topic
- Relevant laws and regulations, compliance
- Sika's risk management

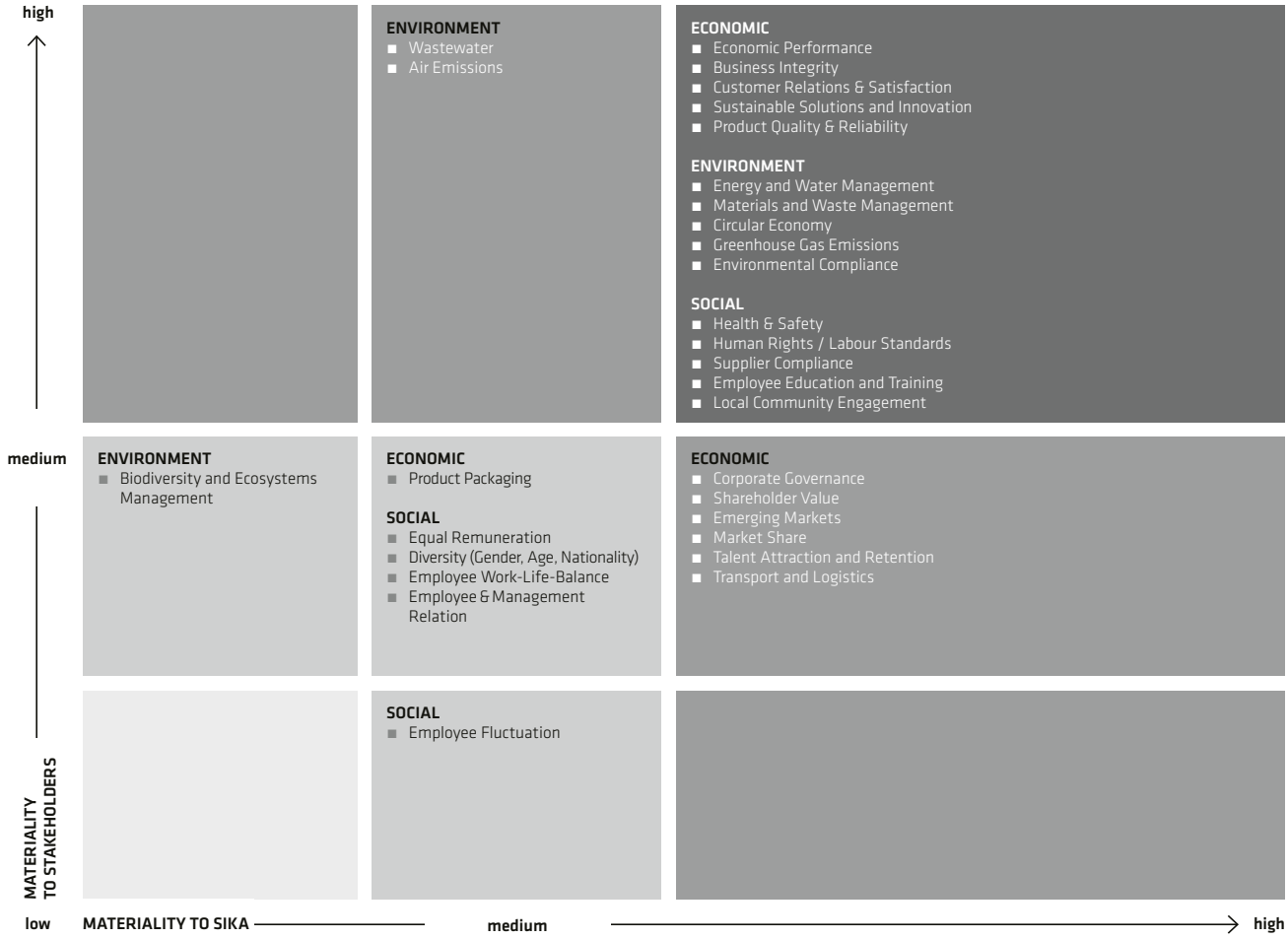
The materiality analysis captured responses from relevant internal and external stakeholder groups across our value chain via an online survey, to prioritize the importance of each topic on a scale from very low to very high.

In the 2018 materiality analysis process, the online survey was sent to over 1,000 stakeholders, of which 249 responded: 102 employees from different departments and regions, 85 customers covering all target markets, 27 suppliers, 7 financial analysts/investors, 5 academic partners, 5 community/society partners and 18 in the 'other' category.

Sustainability affects our entire business. It was therefore important to engage senior Sika leaders from different departments and regions in the materiality process. In total, 5 Sika Group Management members and 22 Senior Managers were involved in evaluating the topics' relevance for Sika's core business, potential reputational impacts and Sika's potential to influence/impact.

Finally, an internal interdisciplinary panel consisting of Sika Senior Managers and the CTO reviewed and validated the materiality matrix. Each topic was assessed in terms of its possible financial and reputational impact, and the legal implications associated with non-conformity.

The materiality matrix below outlines the key topics identified and prioritized as mattering most to our business and stakeholders.




The key findings of the materiality analysis are as follows:

- The results largely confirmed the findings of the previous analysis.
- All in all, stakeholders are more inclined to give importance to all sustainability topics than in 2015 and 2013. For external stakeholders, the importance of "Local Communities" as a material sustainability topic has lost significance. However, Sika staff confirmed its importance for a local approach.
- Product-related topics, such as sustainable solutions, quality, reliability, safe-to-use, and innovation, lead the field in terms of stakeholder perception. Circular Economy emerged as a new topic.
- Sika Group Management and Sika staff tend to be more demanding with regard to topics considered to be material. This applies especially to social and economic topics.
- Customers typically emphasize product-related topics. The automotive industry, in particular, tends to prioritize environmental issues. The megatrends in vehicle manufacturing and sustainability necessitate a reduction in emissions, fueling the demand for high-strength bonding systems that produce lighter, stronger, safer, quieter, and greener vehicles – all of which can be achieved with the aid of Sika products.

The materiality assessment has shaped the strategic target areas for the Sustainability Strategy 2023. The revised strategy delivers the reference values for sustainability-related action in the period 2020 to 2023. With its newly defined sustainability targets,

Sika's priority will be to minimize resource consumption and the environmental impact of its production process. Sika's overriding goal is to achieve a 12% reduction in $CO_2$ emissions per ton sold by 2023. The sustainability-related performance for 2019 will be the baseline for the Sustainability Strategy 2023.

Regular engagement with its stakeholders helps Sika to identify, understand, prioritize and communicate how the company is addressing the most material areas.

MATERIALITY COMPLETENESS
The report considers all significant impacts of Sika along its value chain. The reporting processes ensure that the data collected include the results from all entities with significant impacts in terms of the material topics.

STAKEHOLDER INCLUSIVENESS
Stakeholder inclusiveness is ensured by considering feedback from stakeholder engagement (see chapter 5).

**DISCLOSURE 102-47: LIST OF MATERIAL TOPICS**
The process of defining the content of the report identified the following topics as most material for Sika and its stakeholders. The topics relate to Sika's business and may affect stakeholders along the value chain – upstream, downstream, and on a global scale. Upstream/downstream: topics are listed below.

| Material topic | Upstream | Geographies | Downstream |
|---|---|---|---|
| **ECONOMIC** | | | |
| Economic Performance | None | Globally | None |
| Business Integrity (Business Ethics & Compliance, Anti-Corruption, Anti-Discrimination) | Raw material suppliers, trading product suppliers | Globally, but focus on risk and high-risk countries based on Human Rights Risk Map | Customers of building systems such as: owners, architects, designers, specifiers, contractors, cement and concrete customers; automotive customers |
| Customer Relations & Satisfaction | | Globally | Customers of building systems such as: owners, architects, designers, specifiers, contractors, cement and concrete customers; automotive customers; competitors |
| Sustainable Solutions | Raw material suppliers, trading product suppliers | Globally | Customers of building systems such as: owners, architects, designers, specifiers, contractors, cement and concrete customers; automotive customers; competitors; associations |
| Product Quality and Reliability | Raw material suppliers, trading product suppliers | Globally | Customers of building systems such as: owners, architects, designers, specifiers, contractors, cement and concrete customers; automotive customers; competitors |
| **ENVIRONMENT** | | | |
| Energy Management | Raw material suppliers, trading product suppliers | Globally | Customers of building systems such as: owners, architects, designers, specifiers, contractors, cement and concrete customers; automotive customers; competitors |
| Water Management | Raw material suppliers, trading product suppliers | Globally; water-stressed geographies | Cement and concrete customers |
| Materials Management | Raw material suppliers, trading product suppliers | Globally | Customers of building systems such as: owners, architects, designers, specifiers, contractors, cement and concrete customers; automotive customers |
| Circular Economy/ Effluents / Waste | Raw material suppliers, trading product suppliers | Globally | Customers of building systems such as: contractors |
| Greenhouse Gas Emissions | Raw material suppliers, trading product suppliers | Globally | Customers of building systems such as: owners, architects, designers, specifiers, contractors, cement and concrete customers; automotive customers; competitors |
| Environmental Compliance (Legal, EHS) | Raw material suppliers, trading product suppliers | Globally | None |

| Material aspect | Upstream | Geographies | Downstream |
|---|---|---|---|
| **SOCIAL** | | | |
| Health and Safety (Suppliers, Employees, Customers) | Raw material suppliers, trading product suppliers | Globally | Customers of building systems such as: owners, architects, designers, specifiers, contractors, cement and concrete customers; automotive customers; competitors |
| Human Rights/ Labour Standards (own operations) | None | Globally | None |
| Supplier Compliance (Social, Environment) | Raw material suppliers, trading product suppliers | Risk and high risk countries based on Human Rights Risk Map | None |
| Education and Training | None | Globally | Customers of building systems such as: owners, architects, designers, specifiers, contractors, cement and concrete customers; automotive customers |
| Local Community Engagement | None | Globally, but more relevant in emerging countries | All non-commercial stakeholder groups of local companies |
| Diversity and Equal Opportunity | Temporary employment agencies | Globally | None |

**DISCLOSURE 102-48: RESTATEMENT OF INFORMATION**
Recalculation of GHG emission intensity figure (disclosure 305-4) due to new conversion factors for Scope 1 and Scope 2.

**DISCLOSURE 102-49: CHANGES IN REPORTING**
There are no significant changes in the list of material topics and topic boundaries compared to previous reporting periods. Sika includes all subsidiaries in the reporting. Acquired companies must immediately reconfigure their reporting, data collection, and submission practices in line with the Sika data system.

In 2019, regional reporting was divided into EMEA, Americas, Asia Pacific and Global Business. Global Business encompasses Automotive.

**DISCLOSURE 102-50: REPORTING PERIOD**
The reporting period is the calendar year.

**DISCLOSURE 102-51: DATE OF MOST RECENT REPORT**
This is Sika's seventh report and covers the 2019 calendar year.

**DISCLOSURE 102-52: REPORTING CYCLE**
Sika will continue reporting on an annual basis.

**DISCLOSURE 102-53: CONTACT POINT FOR QUESTIONS REGARDING THE REPORT**
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**DISCLOSURE 102-54: CLAIMS OF REPORTING IN ACCORDANCE WITH THE GRI STANDARDS**
This report has been prepared in accordance with the GRI Standards: Core option

**DISCLOSURE 102-55: GRI CONTENT INDEX**
Please consult: www.sika.com/en/group/sustainability/gri-standards/gri-102-general-disclosure/disclosure-102-55.html

**DISCLOSURE 102-56: EXTERNAL ASSURANCE**
Sika's GRI Report 2019 has not been externally assured.

MANAGEMENT COMPETENCE
Sika's Group Management is made up of experienced managers who have been active at Sika companies across the globe. Thanks to the diversity of their careers and their many years with the company, the Group Management members have vast expertise that enables them to lead Sika successfully and steer the company safely into the future. Urbanization, entailing high population densities, high-rises, and infrastructure investments, is one of the megatrends that allow Sika to capitalize on its full business potential.

# GRI 200: ECONOMIC

# GRI 201: ECONOMIC PERFORMANCE

Sika employs a very successful growth strategy
- Sales reach CHF 8,109.2 million (+14.4% in local currencies)
- Operating profit (EBIT) increased to CHF 1,055.1 million (+11.5%)
- Net profit up 10.4% to CHF 758.5 million
- Growth in all regions

## 1. MANAGEMENT APPROACH DISCLOSURES

**DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY**

Financial solidity and long-term profitability ensure that Sika remains a reliable and value-adding partner for all its stakeholders now and in the future, and they represent important cornerstones in maintaining global technology leadership and market penetration from design and construction to refurbishment.

By evaluating economic impacts, risks and opportunities deriving from investments in assets and innovation, Sika strives to focus on the most promising opportunities that deliver optimized value for its customers, in the form of durable solutions, and create returns that benefit shareholders. Moreover, economic health enables Sika to share created value with its various stakeholders, be a reliable employer, an attractive long-term investment opportunity, a responsible taxpayer, and a good corporate citizen that helps communities to flourish. Ultimately, economic value creation simultaneously helps improve the economic, environmental, and social conditions for Sika and its stakeholders and is therefore an aspect of high importance.

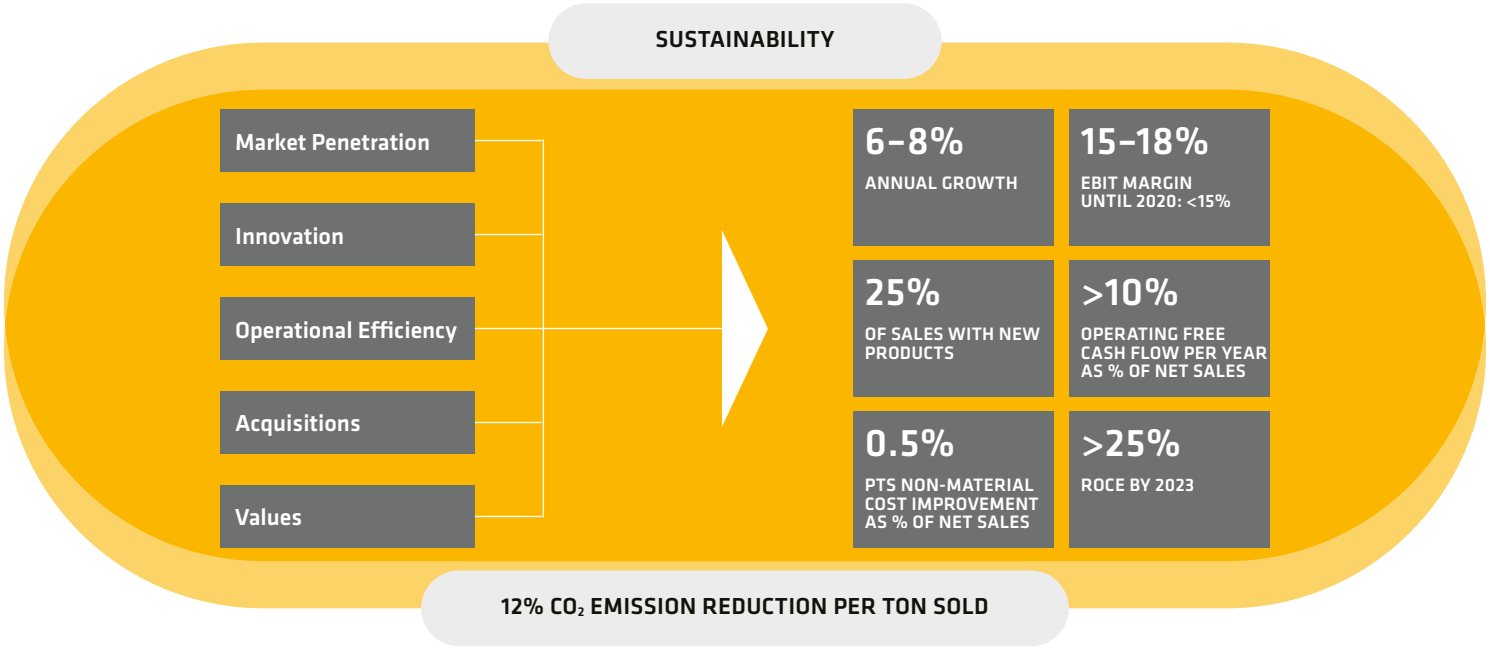
**DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS**

GOALS AND TARGETS

The Sika growth model is synonymous with long-term success and profitable growth. By targeting the six pillars of market penetration, innovation, operational efficiency, acquisitions, strong corporate values, and sustainability, Sika plans to grow by 6–8% a year up to 2023. At the same time, it is aiming for a higher EBIT margin of 15–18%, instead of today's 14–16%.

Various initiatives contribute to the achievement of the strategic targets:
- Key Investments: To expand the supply chain in growth markets, new plants and acquisitions drive growth and margins. Since 2015, Sika's market presence has been strengthened by 11 new national subsidiaries, 116 new factories and 24 acquisitions.
- Investments in R&D: Investments in R&D lead to the launch of many new products in all target markets every year. Sika spends approximately 3% of sales on R&D annually.
- Globally Organized Procurement: Globally organized procurement coordinates purchasing in all regions, resulting in more price-efficient sourcing.
- Focus on Pricing: Focus on pricing with global pricing tools and monthly pricing reporting.
- Transparent Performance Management: Transparent performance management focused on well-defined KPIs.
- Strict Cost Management: Fast efficiency measures in countries which are not growing.
- Operating Leverage: Sales growth of 6–8% generates higher margins, as costs increase at a disproportionately lower rate.

**STRATEGY 2023 FOR SUSTAINABLE AND PROFITABLE GROWTH**




The new corporate strategy was developed and launched in the past financial year. In addition to even more ambitious financial targets, important elements include a focus on operational efficiency, an increase in market penetration, and the targeted orientation towards environmentally friendly products and sustainability.

With its newly defined sustainability targets for the reduction of energy and water consumption, as well as waste, Sika will be minimizing its need for resources and the environmental impacts of the production process. Sika's overriding goal is to reduce $CO_2$ emissions per ton sold by 12% by 2023.

- **Market Penetration:** One strategic pillar of the new Strategy 2023 is an increase in market penetration. In addition to the establishment of the eighth target market – "Building Finishing" – the focus will be above all on the intensification of key project management, the further development of distribution channels, and an expansion of the product portfolio and its distribution in emerging markets.
- **Innovation:** By 2023 the company aims to generate 25% of sales with products that have been launched on the market in the last five years. Innovation at Sika is always determined by the needs of customers. These needs feed into both fundamental and applied research. Furthermore, the company has committed itself to ensuring that every new product must offer a higher performance as well as additional sustainability benefits. Even today, Sika offers its clients a broad spectrum of sustainable products and technologies.
- **Acquisitions:** Acquisitions are an important element of Sika's growth strategy, enabling the company to enhance its core business with complementary technologies, improved market access, or expanded distribution channels. The focused approach allows Sika to establish the acquired businesses as platforms for additional growth.
- **Operational Efficiency:** To a significant extent, the improvement in margins will be achieved through operational efficiency. Projects in the areas of operations, logistics, procurement, and product formulation should result in an annual improvement in operating expenses equivalent to 0.5% of sales.
- **Values:** Sika's strong corporate culture lays the foundation for its success. Customer First, Courage for Innovation, Sustainability & Integrity, Empowerment & Respect, and Manage for Results – these are the values that drive business activity and are put into practice by employees every single day, all around the globe.

RESPONSIBILITIES

Overall responsibility for financial performance at Group level remains with the Group CFO, CEO, and the Board of Directors. Since Sika's international expansion first began, Sika has organized its global activities by country. The national units were later consolidated into regions with higher-level management functions. The heads of the regions are members of the Group Management. The regions are EMEA (Europe, Middle-East, and Africa), Asia Pacific (APAC), Americas and Global Business. The regional and national management teams bear full profit and loss responsibility, and – based on the Group strategy – set country-specific growth and sustainability targets and allocate resources.

**DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH**
Sika evaluates its management approach through a process steered by the Board of Directors. The company audits and publishes the results accordingly in the quarterly and annual reports.

## 2. TOPIC SPECIFIC DISCLOSURES

**DISCLOSURE 201-1: DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED**

**Economic Performance**
Sika creates sustainable value for its customers, the supply chain and other stakeholders. The company distributes the derived economic value to various stakeholders. This includes governments through taxes, employees through compensation and benefits, shareholders through dividends, suppliers and service providers through raw material and service prices, and society through taxes and local community projects. Part of the value earned is retained in the company for further development of novel technology, acquisitions, capital investments, and to maintain a certain amount of independence from capital market fluctuations.

TABLE 1
The following table indicates the net value added including depreciation and changes in provisions (see Annual Report, p. 158)

| Item | mn CHF | % |
|---|---|---|
| Total sales | 8,109 | 100.0 |
| To suppliers | 5,157 | 63.60 |
| Net value added | 2,613 | 32.22 |

TABLE 2
The net value added flows to the various stakeholders and to the Sika Group as follows:

| Item | mn CHF | % |
|---|---|---|
| To employees | 1,544 | 59.09 |
| To Sika | 466 | 17.84 |
| To shareholders | 293 | 11.21 |
| To governments | 254 | 9.72 |
| To lenders | 56 | 2.14 |
| **Total** | **2,613** | **100.00** |

# GRI 205: ANTI-CORRUPTION

- No accusations of corruption have ever been brought against Sika by authorities
- Code of Conduct put into place, local versions in 42 languages
- Responsibilities for compliance defined on corporate, regional and local level
- Compliance-GRI Confirmation required annually from each General Manager
- Compliance Commitment required bi-annually from each General Manager and Senior Manager
- Trainings through e-learning/face-to-face; incident reporting via online reporting tool

## 1. MANAGEMENT APPROACH DISCLOSURES

**DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY**
Corruption is a phenomenon with a worldwide presence, causing economic damage and contributing to an unfavorable business environment by distorting market mechanisms and increasing the cost of doing business. The World Bank estimated that 0.5% of GDP is lost through corruption each year, impeding the economic development of developing countries.

Sika enjoys a high ethical reputation in the market and is perceived by its stakeholders as a reliable partner. Sika believes that sustainable and successful business depends heavily on operating in compliance with laws, regulations and integrity. Accordingly, Sika operates a Group-wide, culturally well-established and integrated Compliance Management System (CMS), which evolves and improves year on year. The Group pursues a holistic approach to compliance and engages the whole organization throughout hierarchies, functions and geographical areas. Sika's Values and Principles reflect the Group's management style and culture, which is built on trust, personal integrity and responsibility, and full transparency at all levels.

**DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS**
Sika's management approach to anti-corruption aims at avoiding negative impacts on its reputation and financial costs associated with non-compliance.
In order to provide a clear message to all employees, Sika's Code of Conduct strictly prohibits any form of active or passive bribery and provides guidance on gifts, entertainment, and donations:

*NO BRIBERY, NO CORRUPTION*
- *Avoid any form of either active or passive bribery or corruption.*
- *Do not offer or accept any favor of any kind (cash, trip, gifts, etc.) for any improper advantage (offer, permit, order, project award, etc.).*

*Bribery and corruption can take many forms. It may be cash, but also any other favor (trips, excessive gifts of any kind). It is always intended to influence the receiving person's decision to obtain an improper advantage for the person or entity offering the favor. It does not matter whether you offer or receive such a favor. It does not matter who the counter party is (government, company or private person). Except for ordinary gifts and entertainment which do not aim at an improper advantage (see section 3) it does not matter how big or small the favor or the advantage is. It still is bribery or corruption which is strictly forbidden.*

*GIFTS, ENTERTAINMENT AND DONATIONS POLICY*
- *Only give or accept gifts and entertainment which are lawful, reasonable, and in compliance with the local Sika company's written rules.*
- *Sponsoring and charitable contributions are permitted in compliance with the local Sika company's written rules.*
- *Sika does not contribute to any political party or for a political cause unless approved by Group Management.*

*In almost all countries and markets reasonable gifts and entertainment (meals, sporting or cultural events, etc.) are an inherent part of business. They become bribery and corruption when they are intended to influence the receiving person's decision. Trips or multiple day events as well as gifts and entertainment for public officials are especially critical. All companies must implement written rules based on the corporate model rules to further specify which gifts and entertainment as well as which sponsoring and charitable contributions are permissible in the framework of this Code of Conduct. The rules must also provide for authority levels depending on the amount involved. Contributions to political parties or a political cause are subject to the approval of Group Management.*

The management approach for anti-corruption within Sika includes the following components:

COMMITMENT
Sika has a zero-tolerance approach to bribery and corruption within the context of its own operations and with its suppliers.

GOALS AND TARGETS
Sika does not tolerate any incidents of corruption. Confirmed misconduct leads to dismissal and possible court action.

RESPONSIBILITIES
At Sika, compliance is considered mainly a line management responsibility, specifically for General Managers (GMs). Corporate Functions provide appropriate tools and methods to support managers in ensuring compliance of Sika's business with applicable laws, regulations and internal guidelines, including the Code of Conduct.

Sika's CMS aims at ensuring that governance, risk management and other structures and processes within the Group are not only adequately designed in line with regulatory requirements, but also sufficiently implemented and operationally effective to mitigate risks and prevent financial losses. This includes having a strong and ethical Compliance Culture and clear and consistent Compliance Objectives which are

(i) strategically aligned with business objectives,
(ii) formally approved and supported by the Board and the Group Management, and
(iii) fully understood within the organization.

It also requires raising awareness on the importance of compliance risk management, through internal communication, training and specific initiatives addressing areas of increased or recurrent risk exposure, identified through regular risk assessments and monitoring.

Beside the Code of Conduct and other key internal compliance policies (such as the Gift and Entertainment Policy and the Sika Trust Policy on internal misconduct reporting), other core elements of Sika's CMS are the Group Compliance Organization, the e-learning on the Code of Conduct, the planned e-learning on anti-corruption, and the Sika Trust Line, a web-based reporting platform where employees may report serious misconduct or breaches of Sika's Code of Conduct in a confidential environment, whenever reporting through other internal channels, such as line management or HR, is not feasible or effective. In this way, the compliance function contributes to the Group's performance by providing a framework to preserve and strengthen Sika's corporate value-based culture, improve its corporate governance and mitigate risks. The more effective this framework is, the more successful the organization can be.

POLICIES
- Code of Conduct (PDF) – translated into 42 languages. Please consult:
- https://www.sika.com/en/about-us/who-we-are/values-principles/sika-code-of-conduct.html
- Localized Gift & Entertainment Policies
- Supplier Code of Conduct. Please consult:
- https://www.sika.com/en/about-us/who-we-are/procurement/sourcing-governance.html
- Procurement Manual

**SPECIFIC ACTIONS**

- **Compliance Commitment:** As part of their duties and responsibilities, GMs at Sika ensure that their companies operate in compliance with applicable laws and Sika's internal regulations. All GMs, Senior Managers and local management team members renewed their commitment to lead with integrity and be compliance role models by signing the "Compliance Commitment 2020-21". In particular, they promised (i) to "report and escalate serious violations or well-founded concerns related to bribery/corruption" to their superior and/or the Area Manager, the Regional Manager or Group Compliance, and (ii) to make sure that suspected misconduct receives proper and timely follow-up, and that employees who report suspected misconduct in good faith are not subject to retaliation."
- **Compliance-GRI Confirmation:** The Compliance-GRI Confirmation is sought from each GM on an annual basis. It provides a brief definition of corruption as *"the abuse of entrusted power for private gain. Corruption includes practices such as bribery, facilitation payments, fraud, extortion, collusion, and money laundering. It also includes an offer or receipt of any gift, loan, fee, reward, or other advantage to or from any person as an inducement to do something that is dishonest, illegal, or a breach of trust in the conduct of the enterprise's business or provides an improper advantage or that may result in moral pressure to receive such an advantage"*. Again, this year, no accusations of corruption were reported with the Compliance-GRI Confirmation in any of the more than 100 countries in which Sika is present.
- **Strengthening of the Group Compliance Organization:** During 2019, Sika further strengthened the Group Compliance Organization. The Group Compliance Officer took over the additional role as Head of HR and now reports directly to the CEO. Moreover, several new employees joined the Compliance team with a full-time role: a Senior Compliance Manager, assuming the full-time role of Sika's Deputy Group Compliance Officer, a Junior Compliance Manager and a Compliance Manager (previously working as Compliance Area Manager Africa, joining on March 1, 2020 on a 60% basis). The compliance team of the newly acquired Parex Group, located in France, has also been integrated and will take on a part-time role in supporting the Europe South area. Finally, two new positions with partial compliance responsibilities resulted from the geographical reorganization of the Americas region. Overall, 3.6 FTE are now fully assigned to the Group Compliance Organization. The other team members are assigned to compliance tasks on a part-time basis. This includes the Group Compliance Officer, the Group Data Protection Manager, the four Regional Compliance Officers, as well as another 10 compliance officers operating at area or local levels.

- **Group Audits/Compliance Audit Program:** Compliance with Sika's Code of Conduct and other corporate policies and manuals is monitored through regular Group audits (125 in 2019) and legal supervision of the local companies and GMs. A proposal to introduce a Compliance Audit Program covering ethical leadership, anti-corruption, anti-trust and third parties screening is under review. In 2019, the compliance function defined a three-step action plan for a Compliance Audit Program which is awaiting approval by the Audit Committee.
- **Supplier Management:** Sika's Supplier Code of Conduct requests suppliers to respect Sika's zero-tolerance policy concerning bribery and corruption and, thus, to avoid any active or passive corruption. Suppliers are required to have systems in place to ensure the proper instruction, training, and auditing of its personnel and subcontractors to ensure compliance with these principles. Sika performs supplier audits and evaluations to monitor and assess their compliance with Sika's requirements and the Code of Conduct. Suppliers are obliged to immediately inform Sika of any known violation of the Supplier Code of Conduct. Sika is increasingly requested to certify compliance not only regarding its own activities, but also regarding those of its suppliers. Accordingly, Sika has started to improve and strengthen its Third-Party Due Diligence efforts.
- Under the lead of Corporate Procurement, Sika has agreed to join "Together for Sustainability" (TfS), an industry-driven organization in which the major chemical companies participate with the aim of developing and implementing a global assessment and audit program for their supply chain.
- **Training/new e-learning:** Anti-corruption is part of the Code of Conduct training for all employees and General Managers. To preserve Sika's strong compliance culture and to ensure that the Code of Conduct's principles are understood and adhered to by all employees, Sika has developed an animated e-learning program to supplement the regular class training events. The program includes a special section on Gifts & Entertainment and bribery risks. Employees are regularly reminded, at least once a year, of these rules. Other corporate functions regularly conduct targeted training sessions and audits.
- In 2019, more than 450 managers were trained on anti-corruption and other compliance matters by members of the Group Compliance Organization. For the compliance trainings, Sika uses the Sika Business School's programs for the enhancement of ethical leadership. In 2019, several cross-functional training initiatives at regional and local level provided information on the importance of the Code of Conduct, introduced the new compliance organization, and outlined the main tools available to support management in mitigating compliance risks. As part of the post-acquisition integration of the Parex Group in 2019, around 4,000 former Parex employees were aligned with Sika's compliance policy framework and trained on compliance risks and the available tools. A new e-learning on anti-corruption is planned for 2020.
- **Internal Reporting Tool:** To preserve and foster Sika's strong culture of trust, integrity and transparency, Sika developed a new web-based reporting platform, the Sika Trust Line (available in 35 languages). It was rolled out throughout the organization as part of an Awareness-Raising Campaign on Compliance, which started in 2016 and was completed in 2019, with an additional 11,000 employees trained across the regions. The Sika Trust Line is an externally hosted reporting channel where Sika's employees may raise legitimate complaints regarding serious misconduct, such as corruption incidents, and/or other breaches of Sika's Code of Conduct, in a safe and confidential environment. The Sika Trust Policy (now available in 40 languages) defines clear rules and processes on rights and obligations relating to internal misconduct reporting. In the course of the Awareness-Raising Campaign, more than 25,000 employees received information and training on the tool.
- **Anti-fraud:** In 2019, Sika continued its cross-functional effort to mitigate cyber-fraud risks. Throughout the year, the IT Security Team issued numerous alerts, raising the group-wide awareness regarding external security threats and fraud attempts. Local Sika organizations were assisted in raising awareness through themed fraud and IT security newsletters on principles and practices for mitigating cyber risks. With cyber threats and targeted 'attacks' rapidly increasing, Sika employees and local IT departments were also trained on how to respond to detected threats and escalate perceived IT problems promptly to Group IT. An ad hoc IT security training for employees was rolled out globally to increase awareness and support local organizations in the timely identification of cyber risks. More than 8,500 employees completed the training.
- With regard to internal fraud, an anti-fraud training initiative launched in 2017 introduced prevention techniques to avoid potential key fraud risk events and detection techniques to uncover fraud events when preventive measures fail, or unmitigated risks are realized. In 2019, the Regional Controller/Compliance Officers provided further training on how to prevent and detect internal fraud.
- **Support of Transparency International:** Sika financially supports Transparency International in its global fight against corruption.

**DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH**

Sika evaluates its management approach through:

- **Monitoring:** Sika investigates reported cases of corruption and any corrective action to be taken according to a defined incident response process (see below). Confirmed cases and actions taken are followed up by the compliance function and reported annually to the Audit Committee of the Board of Directors. Management approaches are adapted accordingly.
- **Evaluation of results from audits:** Group Audit results are implemented in the management system, and regular follow-up reports are presented to identify root causes and monitor the implementation of improvement measures.
- **Investigations:** Internal Audit conducts audits on a regular basis and in case of suspected corruption or fraud. All reports of potential corruption cases within Sika are investigated and properly followed up according to the applicable laws. A standard

incident reporting and response process has been developed to provide guidance for Sika's management on the procedures to be followed in case of suspected criminal acts or material misconduct. Highly sensitive incidents and criminal acts, such as corruption cases, must be reported and escalated to the Group Compliance Officer irrespective of the source. Corruption reports generated via the Sika Trust Line are automatically forwarded to the Group Compliance Officer who conducts and/or supervises the investigation process.

- **Overview of compliance cases:** Sika's Group Compliance Officer regularly reports to the Audit Committee of the Board of Directors, the Group Management and the External Auditors about known compliance cases and the corrective actions taken.
- **General Managers' briefings:** GMs are regularly instructed and briefed about anti-corruption requirements in the companies.

Sika monitors and evaluates the effectiveness of its management approach according to target achievement. The management approach has been reviewed and adapted accordingly.

MANAGEMENT COMPETENCE
Sika Australia: A highly motivated team with expertise on all processes was the basis for a successful implementation of an Operational Efficiency enhancement program.

## 2. TOPIC SPECIFIC DISCLOSURES

**DISCLOSURE 205-1: OPERATIONS ASSESSED FOR RISKS RELATED TO CORRUPTION**
All legal entities have been assessed by their management teams regarding the implementation of anti-corruption practices and incidents of corruption.

All new suppliers have signed the Supplier Code of Conduct and therefore committed themselves to respect Sika's zero-tolerance policy concerning bribery and corruption. Suppliers are required to have systems in place to ensure the proper instruction, training, and auditing of its personnel and subcontractors to ensure compliance. Sika performs supplier audits and evaluations to monitor and assess their compliance with Sika's requirements and the Code of Conduct. Suppliers are obliged to immediately inform Sika of any known violations of the Code of Conduct.

**DISCLOSURE 205-2: COMMUNICATION AND TRAINING ON ANTI-CORRUPTION POLICIES AND PROCEDURES**
Sika's anti-corruption approach is based on the Code of Conduct, which clearly prohibits bribery and corruption. Compliance with the Code of Conduct is an integral part of the employment contract and the onboarding program. Accordingly, compliance is the personal responsibility of each Sika employee. In addition, employees are trained at least once a year on matters relating to compliance and anti-corruption. Corporate Legal, Internal Audit and the entire Compliance Organization regularly conduct training sessions and audits. GMs are responsible for the compliance of their companies with the applicable laws, internal regulations, including the Code of Conduct, and for informing and training their staff.

**DISCLOSURE 205-3: CONFIRMED INCIDENTS OF CORRUPTION AND ACTIONS TAKEN**
Please consult:
https://www.sika.com/en/about-us/sustainability/gri-standards/gri-205-anti-corruption/disclosure-205-3-confirmed-incidents-of-corruption.html

Adoption of and compliance with the Code of Conduct by GMs and their management teams were reviewed again in 2019, and conformity was confirmed by means of the Compliance-GRI Confirmation. The 100% response rate and completeness of the details provided suggest absolute compliance. In 2019, Sika consolidated, for the second time in succession, all major compliance cases, at any level, throughout the organization. The statistics were analyzed for the first time in a year-on-year comparison.

The total number of compliance cases in 2019 was 24 (with 4 still under investigation), which is a very low number considering the size of the Group. Our employees are the most effective channel for detecting violations, which proves that transparency is a key value at Sika and needs to be preserved. 75% of the substantiated cases led to dismissals, 10% to resignations. This underscores Sika's zero-tolerance culture and its consistency in case handling.

In 2019, internal fraud, corruption and harassment were the most recurrent types of misconduct. (Local) management was the group most exposed to the risk of misconduct. In 2019, out of 7 alleged cases of misconduct submitted through the Sika Trust Line, 6 were not substantiated and thus excluded from the 24 compliance cases mentioned above, and one is still under investigation. There has been no case of abuse or misuse of the Sika Trust Line.

# GRI 206: ANTI-COMPETITIVE BEHAVIOR

- No accusations of anti-competitive behavior brought against Sika in 2019
- Compliance assurance by all General Managers
- Auditing and trainings/briefings provided by legal and audit functions

## 1.MANAGEMENT APPROACH DISCLOSURES

**DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY**
Sika's approach to anti-competitive behavior is based on the Code of Conduct, which requires the company and all employees to act fairly in the market both vis-à-vis customers and suppliers, and in accordance with the applicable cartel and anti-trust laws.

The Code of Conduct – Fair Competition – clearly states the following:

- *Act performance oriented and fair in the market both vis-à-vis customers and suppliers.*
- *Do not discuss, agree or cooperate in any form with competitors on strategies, prices, markets, customers, products, production, or other market-sensitive aspects.*
- *Do not agree with Sika's customers on their resale prices.*
- *Pre-check any sensitive obligation (e.g. exclusivity, non-compete, joint ventures) with Corporate Legal or a local legal adviser.*
- *Do not abuse a market-dominant position.*

*We expect full compliance with applicable cartel and anti-trust laws. This especially regards any kind of discussion or agreement with competitors on price- or other market-sensitive aspects. Special attention must be given to informal gatherings, conferences, trade shows, and meetings of trade associations or in discussions involving possible acquisition opportunities. To the extent contacts with competitors are permitted, they must as a principle be managed by a member of Sika's Senior Management.*

**DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS**
To support GMs in fulfilling their compliance duties, a "Compliance Checklist" has been developed and is distributed regularly. The checklist sets out minimum requirements and best practices to minimize compliance risks. It is a tool that allows GMs to measure the compliance of their companies with Sika's Code of Conduct and the identified minimum requirements, monitor identified risks, prevent and detect misconduct, and plan corrective actions. The checklist is regularly reviewed and improved by Corporate Compliance for alignment with any newly introduced minimum requirements and to make it as effective as possible. During 2019, the checklist was thoroughly reviewed with the support of external advisors, and complemented by a self-assessment questionnaire, as part of the risk assessment exercise that will lead to the scoping of the new Compliance Audit Program. The updated Compliance Checklist is scheduled to be rolled out in 2020, after approval by the Audit Committee of the Board of Directors.

**DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH**
Sika evaluates its management approach through:
- **Monitoring:** Sika investigates reported cases of anti-competitive behavior and any corrective action to be taken according to a defined incident response process (see below). Confirmed cases and actions taken are followed up by the compliance function and reported annually to the Audit Committee of the Board of Directors. Management approaches are adapted accordingly.
- **Evaluation of results from audits:** Group Audit results are implemented in the management system and regular follow-up reports are presented to identify root causes and monitor improvements.
- **Investigations:** Internal Audit conducts audits on a regular basis and in case of suspected anti-competitive behavior. All reports of potential anti-competitive behavior within Sika are investigated and properly followed up according to the applicable laws. A standard incident reporting and response process has been developed to provide guidance for Sika's management on the procedures to be followed in case of suspected criminal acts or material misconduct. Highly sensitive incidents and criminal acts, such as anti-competitive behavior cases, must be reported and escalated to the Group Compliance Officer irrespective of the source. Anti-trust reports generated via the Sika Trust Line are automatically forwarded to the Group Compliance Officer who conducts and/or supervise the investigation process.
- **Overview of compliance cases:** Sika's Group Compliance Officer regularly reports to the Audit Committee of the Board of the Board of Directors about known compliance cases and the corrective actions taken.
- **General Managers' briefings:** GMs are regularly instructed and briefed about anti-competitive behavior requirements in their companies. In addition to the Group-wide Awareness-Raising Campaign on Compliance, members of Corporate Legal and the Group Compliance Organization trained more than 450 managers on anti-trust and compliance matters in 2019.

Sika monitors and evaluates the effectiveness of its management approach according to target achievement. The management approach has been reviewed and adapted accordingly.

## 2. TOPIC SPECIFIC DISCLOSURES

**DISCLOSURE 206-1: LEGAL ACTIONS FOR ANTI-COMPETITIVE BEHAVIOR, ANTI-TRUST, AND MONOPOLY PRACTICES**
For the fifth year and as part of his/her duties and responsibilities, each GM at Sika signed and submitted the annual Compliance-GRI Confirmation to Group Compliance, which allows Sika to monitor and receive assurance that business throughout the organization has been conducted in compliance with the applicable laws and the Code of Conduct, including anti-trust regulations.

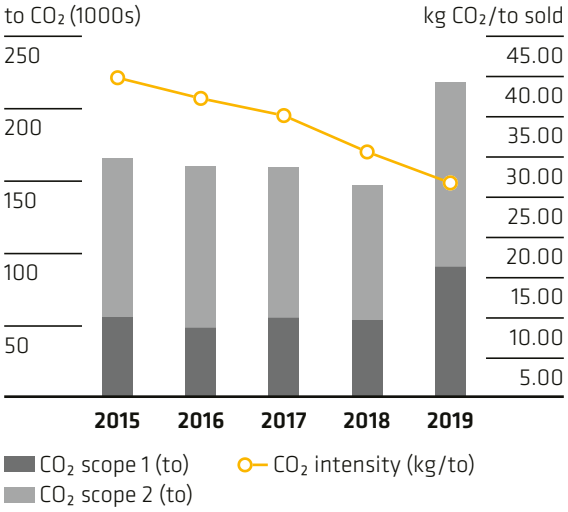
In 2019, no accusations of anti-competitive behavior were brought against Sika.

ETHICAL CONDUCT
The Code of Conduct, signed by all employees, sets the guidelines for corporate behaviour.

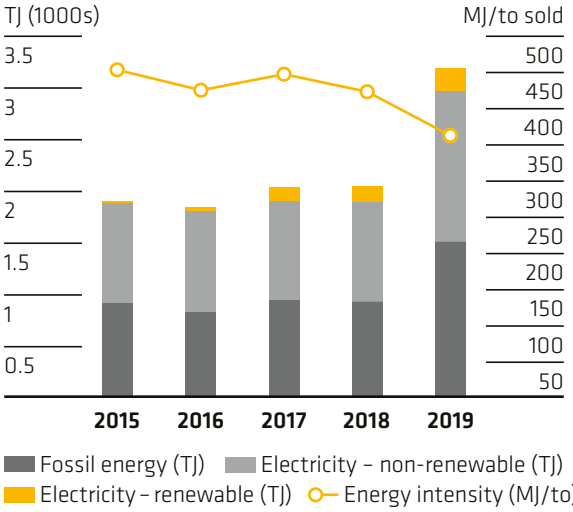
# GRI 300: ENVIRONMENTAL

# ENVIRONMENTAL FACTS & FIGURES

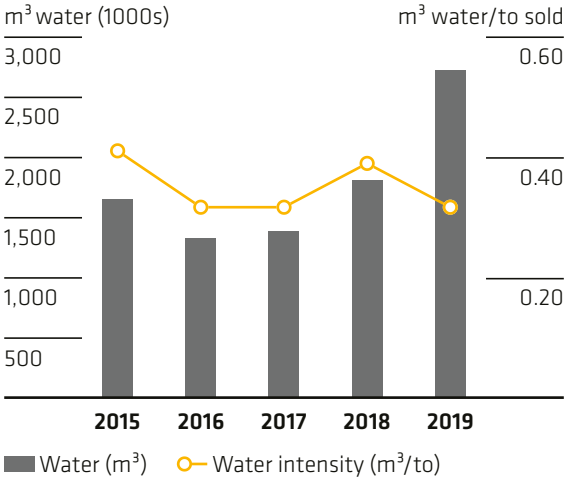
**$CO_2$ EMISSIONS OVERVIEW**




**ENERGY OVERVIEW**

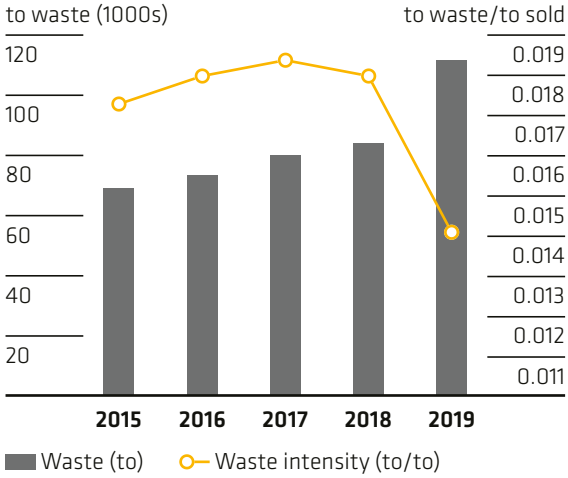



**WATER CONSUMPTION OVERVIEW***




* without water in products

**WASTE OVERVIEW**



# GRI 301: MATERIALS

- Besides ensuring security of supply, management and efficient use of input materials are important focus points
- Sika strives to reduce its own resource consumption and that of customers in downstream industries

## 1. MANAGEMENT APPROACH DISCLOSURES

**DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY**

Sika converts raw materials to value-added finished products and solutions relying mainly on non-renewable input materials. Direct materials are Sika's major cost factor, corresponding to approximately 45% of sales. Almost all materials used in production – e.g. for polyurethane adhesives, epoxy-resin products, polymeric roofing and waterproofing membranes, cementitious mortars, polymer concrete admixtures or parts for the automotive industry – are based on crude oil or crude oil derivatives (downstream products) or require fossil fuels for conversion. Other large contributors are sand, minerals, cement, and water.

Sika is exposed to the price volatility of oil and raw materials from chemical conversion or natural provenience, such as chalk, titanium dioxide, etc. Amplified by the industrialization of developing countries, global demand for material resources is expected to increase in the long term, leading to rising prices, price volatilities and supply uncertainties.

Apart from those raw materials, Sika uses several other resources as input materials for its products which are subject to local availability and constraints. In some regions, even sand (in the required quality) may become a rare raw material. Besides ensuring security of supply, the management and efficient use of input materials have become very important focus points for Sika.

Materials are not only an important factor with regard to Sika's own operations and supply, but also in relation to its customers, who also seek to become more resilient to supply chain disruptions and constraints.
Through investments in Sika's sustainable solutions, the company strives to reduce its own resource consumption and that of customers in downstream industries, such as the construction, automotive, or cement and concrete industry, where Sika solutions, for instance, enable customers to increase the use of recycled input materials.

**DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS**

Sika's management approach is twofold, primarily mitigating risks to its production and financial performance from supply chain disruptions and price volatility, and, secondly, providing sustainable, value-added solutions to its customers.
The management approach for materials within Sika includes the following components:

COMMITMENT

Sika strives to use input materials efficiently, to develop resource-efficient products, and to improve the existing portfolio accordingly.

GOALS AND TARGETS

Sika's goal is to assess all new product developments in respect of their sustainability characteristics, using a systematic and comprehensive internally standardized methodology. As a result, these developments are geared towards a higher inherent sustainability profile in raw material consumption, production, marketing, use phase, and disposal / recycling, and also impact Sika's own manufacturing processes, boost the efficiency of its operations and reduce dependency on raw materials. Sika, at the same time, manages the waste streams.

RESPONSIBILITIES

The responsibility with regard to material management is split between technology and the supply chain. While technology creates better conversion methods or less material-intensive products and solutions, the supply chain influences conversion efficiency and waste reduction. Efficiency targets have been set for both functions. The responsibility for securing supply and minimizing the exposure to price volatilities lies with Sika Global Procurement, which vouches for the worldwide, reliable, and on-time supply of raw materials. The ultimate responsibility lies with the CEO.

**SPECIFIC ACTIONS**

- **Life Cycle Assessment (LCA):** Sika sets out to undertake objective, transparent, and comparative assessments of the sustainability performance of its products – not only in manufacturing, but throughout their life cycle, in accordance with internationally recognized standards. These analyses may pinpoint potential improvements for existing or new products during product development and maintenance. They may also deliver important insights into resource management (raw materials, energy, water, and waste), production processes, or application efficiency and thereby promote innovation and optimize the development of new products and systems.
- **Risk Management:** The objective of risk management at Sika is to secure the supply of materials in all market situations in the required consistent quality at competitive conditions. A structured and systematic recording and rating process for relevant risks is implemented in order to enable early identification of critical materials and/or suppliers through the systematic analysis and implementation of measures based on a clear classification of potential risks.
- **Sustainable Solutions:** Sika seeks to enhance the outstanding and widely appreciated utility of its products by optimizing their sustainability profile, and thus to create added value for customers and contribute to sustainable development.
- **Waste Management:** Sika manages the waste streams and operates various waste reduction programs, e.g. avoidance of waste through internal recycling of adhesives, reduction of wash water in admixture production, and reuse of cleaning sand batches and filter dust in mortars.

Sika evaluates its management approach through:
- **Monitoring:** Sika measures its material use and waste levels on a regular basis. Material use is reported quarterly to the Sustainability and Operations Technology team, where results are followed up and management approaches adapted accordingly.
- **Evaluation of results from LCA:** The LCA results serve to assess energy and water demand, as well as greenhouse gas emissions and resource efficiency during a product's life cycle and the associated possible impacts on the environment.
- **Benchmarking:** The procurement and technology organization screens Sika's supplier base and the market in general for alternative or more efficient raw materials.
- **Technology comparison:** Based on the life cycle approach for raw materials, Sika compares the effectiveness and efficiency of competing technologies to Sika's existing technology base.

Furthermore, Sika monitors and evaluates the effectiveness of its management approach according to target achievement.

## 2. TOPIC SPECIFIC DISCLOSURES

**DISCLOSURE 301-1: MATERIALS USED BY WEIGHT OR VOLUME**

Sika uses raw materials such as polymers, additives, resins, colors, plastic articles, sand, cement, and packaging materials corresponding to a total volume of 7.0 million tons, excluding trading goods and water (previous year: 4 million tons). These numbers are reported in Sika's operational reporting system.
The company uses only a small amount of renewable raw materials from plant-based sources, such as castor oil or alcohols. This is mainly due to unavailability, economic viability, or ineffective application of formulation as compared to non-renewable feedstock. However, the company is constantly exploring ways in its R&D of using non-petroleum-derived materials for Sika products.

Input materials are converted to value-added products from which customer value and ultimately commercial value are derived. Sika strives to convert as much of the input materials as possible into commercial products. However, waste results from cleaning, trials, color changes, repair and maintenance, and other non-continuous operations as reported in the section on waste.

Sika strives to use input materials efficiently. Research and development are governed by the principles of sustainable development and enhanced customer utility, such as the demand for resource-saving construction methods, energy-efficient construction materials, or lighter and safer vehicles. Sika's goal is to assess all new product developments in respect of their sustainability characteristics, using a comprehensive internally standardized methodology. As a result, these projects are geared towards a higher inherent sustainability profile in raw material consumption, production, marketing, use phase, and disposal / recycling.

Through its sustainable solutions, Sika strives to reduce the resource consumption in downstream industries, such as the construction, automotive, or cement industry, where Sika solutions enable customers to increase the use of recycled input materials.

**DISCLOSURE 301-2: RECYCLED INPUT MATERIALS USED**

For direct materials, the proportion of recycled materials used in 2019 was around 1.3% (previous year: 1.6%), regained from used products. This figure is reported in Sika's operational reporting system. For many other secondary materials, such as packaging or solvents, local Sika companies use circular systems or rely on the recycling systems in place today in many countries.

CORPORATE SUSTAINABILITY TEAM
A passionate and dedicated team of experts plans, facilitates, and manages the development and implementation of the Sika Sustainability Strategy across the company. Sustainability experts from the acquired company Parex are fully integrated into the team, which further strengthens the engagement and collaboration with global, regional, and local functions.

# GRI 302: ENERGY

- Decrease in energy consumption from 424 MJ per ton sold (2018) to 363 MJ per ton sold is mainly due to the lower energy intensity of the acquired Parex company
- A process optimization guideline was framed in 2019
- A special focus was placed on sand drying

## 1. MANAGEMENT APPROACH DISCLOSURES

**DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY**

Sika's energy consumption is to a large extent based on fossil, non-renewable sources of energy, exposing Sika to price volatilities, supply and production uncertainties, and increasing regulatory interventions related to climate change.
Although Sika's production itself is less energy-intensive than the supplier industries, specifically the chemical industry, Sika sees itself as responsible for minimizing its impact with regard to climate change by reducing its energy consumption. Sika views energy efficiency and the mitigation of emissions as major drivers of its overall efficiency effort that additionally contribute to cost reductions.

Apart from its own operations, Sika also contributes to the reduction of energy consumption through its products and systems, by providing sustainable solutions for the construction and transportation industries, i.e. to improve the energy efficiency of buildings and to build lighter cars. Energy is a relevant factor throughout the value chains of both industries. Especially in the cement industry, energy consumption and secondary fuels play a major role in production processes.
Sika products, such as grinding aids in cement production and admixtures in concrete preparation and application, can contribute considerably to savings. Sika's sustainable solutions contribute to the reduction of energy use in these sectors.

**DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS**

On the one hand, Sika's management approach is aimed at reducing energy consumption and the $CO_2$ emissions resulting from Sika's own operations, for both direct and indirect energy. On the other hand, Sika is constantly improving its products and systems to reduce energy consumption and resulting $CO_2$ emissions in their application and use phase, and in the production processes of its customers.

COMMITMENT

Sika manages limited resources and reduces energy consumption. The company is committed to increasing the energy efficiency of its own operations and contributing to the reduction of energy use in its customers' production processes as well as to energy savings during the installation and use phase of its products and systems.

GOALS AND TARGETS

The revision and further development of the 2014–2018 Sustainability Strategy was the priority in 2019. The target area "Energy" now includes new targets for energy consumption per ton sold and the use of electricity from renewable sources.

RESPONSIBILITIES

Energy efficiency in Sika's operations is the responsibility of line management. At local level, the operations manager is responsible for helping Sika's energy efficiency targets to be met and for setting and achieving local targets accordingly.

**SPECIFIC ACTIONS**

- **Life Cycle Assessment (LCA):** Sika sets out to undertake objective, transparent, and comparative assessments of the sustainability performance of its products – not only in manufacturing, but throughout their life cycle, in accordance with internationally recognized standards. These analyses may pinpoint potential improvements for existing or new products during product development and maintenance. They may also deliver important insights into resource management (raw materials, energy, water, and waste), production processes, or application efficiency and thereby promote innovation and optimize the development of new products and systems.
- **Energy management system according to ISO 50001:** Some Sika entities are in the process of developing energy management systems to ISO 50001, which provide for continuous improvements in energy efficiency. Seven locations of Sika Germany are certified to ISO 50001.
- **Evaluation of results from environmental management system ISO 14001:** Two-thirds of Sika production facilities are certified to ISO 14001 and perform impact assessments, target setting, and management reviews of the effectiveness of the management system regarding energy use.
- **Sustainable solutions:** Sika seeks to enhance the outstanding and widely appreciated usefulness of its products by optimizing their sustainability profile, and thus to create added value for customers.

**DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH**

Sika evaluates its management approach through:

- **Monitoring:** Sika measures its energy use on a regular basis. Energy use is reported quarterly to the internal Sustainability and Operations Technology team, where results are followed up and management approaches adapted accordingly.
- **Evaluation of results from LCA:** The LCA results serve to assess energy and water demand, as well as greenhouse gas emissions and resource efficiency during a product's life cycle and the associated possible impacts on the environment.
- **Evaluation of Results from energy management system ISO 50001:** The entities have implemented energy management systems to ISO 50001, which provide for continuous efficiency improvement by evaluating and acting on the outcome of the certifications. Sika reviews all audit results to improve the management approach and integrates improvements.
- **Evaluation of results from environmental management system ISO 14001:** Two thirds of Sika production facilities are certified to ISO 14001 and perform impact assessments, target setting, and management reviews of the effectiveness of the management system regarding energy use.
- **Benchmarking:** Sika compares energy consumption per product unit internally through factory reporting and to benchmark with other similar companies.

Furthermore, Sika monitors and evaluates the effectiveness of its management approach according to target achievement.

RESULTS OF EVALUATION

- Energy consumption within the organization
- Direct greenhouse gas (GHG) emissions (Scope 1)
- Energy indirect greenhouse gas (GHG) emissions (Scope 2)

By reducing relative energy consumption per production unit (ton) over the past five years, Sika has only slightly decreased the carbon footprint of Sika's operations. The footprint strongly depends on the energy mix and local companies are forced to choose on the basis of the local supply options. Electricity usually increases the overall footprint due to conversion and grid losses.

Sika uses the official conversion factors according to the Carbon Disclosure Project, which are national mean values. In some cases, e.g. in Germany, Sika sources electricity via hydropower contracts, which results in a carbon footprint much lower than the national mean values. The renewable portions are deducted before calculating the scope of the carbon footprint from purchased electricity.

## 2. TOPIC SPECIFIC DISCLOSURES

### DISCLOSURE 302-1: ENERGY CONSUMPTION WITHIN THE ORGANIZATION

Sika used 2,890 terajoule (TJ) of energy (previous year: 1,971 TJ), 50% directly from non-renewable primary energy conversion and 50% from purchased electricity. The fuel types used for direct energy (1,451 TJ) are light liquid fuels (26%) and natural gas (74%). The increase in energy consumption is due to the acquired Parex company.

| **Total Energy Consumption** | 2,890 TJ | |
|---|---|---|
| Non-renewable | 1,451 TJ | Light liquid fuels and natural gas |
| Electricity | 1,439 TJ | From renewable and non-renewable sources, depending on local power generation |
| Renewable Electricity | 15 % | From renewable sources (water, wind, solar, etc.) |

Energy is a necessary input for conversion processes, e.g. stirring and mixing, melting and cooling, ventilation and pumping, as well as heating and air-conditioning of buildings. As mentioned above, around 50% of Sika's total energy consumption is from its own energy conversion and used mainly for heating buildings and production equipment, steam generation, drying processes, etc.

Sika's production itself is less energy-intensive than the supplier industries, specifically the chemical industry. However, Sika views energy efficiency and the mitigation of emissions as major drivers of its overall efficiency effort. Energy is also a relevant cost factor for Sika.

The company has therefore set an energy consumption target at Group level for the achievement of efficiency gains of 3% each year in relation to production volumes. Some of our subsidiaries have launched energy efficiency programs to ISO 50001.

ADDITIONAL INFORMATION ON LEASED VEHICLES AND TRAVEL

In addition, the leased car fleet consumed 230 TJ (288 TJ in 2018) of energy while business travel accounted for 219 TJ (204 TJ in 2018). The leased car fleet figure is derived from the fuel consumption rate of a sample of 72% of the leasing contracts and extrapolated to 100%. The figure for business travel is derived from a sample of 48% of the travel contracts and extrapolated to 100%. Sika uses conversion factors from the UK Department for Environment Food and Rural Affairs. Please consult: www.ukconversionfactorscarbonsmart.co.uk/

### DISCLOSURE 302-3: ENERGY INTENSITY

Energy intensity is the ratio between the total energy consumed by the company and total tons sold. Energy consumption per ton sold amounted to 363 megajoules (previous year: 424 megajoules).

Sika continued to replace lighting solutions with the latest LED technology. This technology led to substantial energy savings of up to 70% of total lighting electricity consumption at those locations where the technology was implemented. Furthermore, shorter batch times in production led to a higher output from existing production lines, thereby increasing energy efficiency. The replacement of technical equipment focuses on new energy-efficient installations, such as motors, air-conditioning, heating/cooling, and pressurized air systems. Further measures include energy-efficient operation of electric motors with frequency converters, leakage detection and elimination of air losses in pressurized air systems, and energy-efficient cooling of process water using cooling towers and optimized logistics. The modernization of the vehicle fleet also resulted in fuel reductions. Energy audits and participation in energy networks promoted energy awareness throughout the company. A special focus was placed on sand drying. A process optimization guideline was framed in 2019 for global use starting in 2020, which will achieve up to 30% energy savings.

### DISCLOSURE 302-4: REDUCTION OF ENERGY CONSUMPTION

Compared to last year, Sika has reduced energy consumption per ton by 14.4%. The decrease in energy consumption is mainly due to the lower energy intensity of the acquired Parex company.

# GRI 303: WATER

- Consumption cut from 0.39 m3 per ton sold (2018) to 0.34 m3 per ton sold
- By reusing wastewater, Sika aims to reduce its water consumption on a larger scale
- Sika's sustainable solutions can reduce water consumption in concrete production by up to 15%

## 1. MANAGEMENT APPROACH DISCLOSURES

**DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY**
Water is a crucial input factor for Sika's production, and water quality and scarcity are important issues for Sika in water-stressed regions and geographies. This applies for production facilities in certain areas of the Middle East, Latin America, Southeast Asia, and Australia, where water can be scarce.

Increasing water scarcity in many regions of the world is a potential threat to business growth and expansion. Especially in regions where freshwater is scarce, businesses may be exposed to water shortages, lower water quality, water price volatility, and reputational issues.

The impact of Sika's operations on water is mainly due to the use of water in its production processes and buildings. Water is used for cooling, processing, sanitary facilities, and in products.
A key function of many Sika products is waterproofing. Through the application of its products, Sika helps to reduce water loss and increase water quality, for example in drinking water reservoirs. Sika also offers its customers solutions which reduce water input in concrete production by up to 15% through the application of standard production procedures.

**DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS**
Sika's management approach is aimed at reducing water consumption in its own operations and at constantly improving its products to increase their contribution to saving water.

The management approach for water within Sika includes the following components:

COMMITMENTS
Sika is committed to reducing the amount of water used in its own operations and to contributing, through its products, to the reduction of water use and the increase in water quality.

GOALS AND TARGETS
The revision and further development of the 2014–2018 Sustainability Strategy was the priority in 2019. The target area "Water" now includes a new target for water consumption per ton sold.

RESPONSIBILITIES
Water efficiency in Sika's operations is the responsibility of regional management. At local level, the operations manager is responsible for helping Sika's targets regarding the reduction in water use to be met and for setting and achieving local targets accordingly.

**SPECIFIC ACTIONS**

- **Life Cycle Assessment (LCA):** Sika sets out to undertake objective, transparent, and comparative assessments of the sustainability performance of its products – not only in manufacturing, but throughout their life cycle in accordance with internationally recognized standards. These analyses may pinpoint potential improvements for existing or new products during product development and maintenance. They may also deliver important insights into resource management (raw materials, energy, water, and waste), production processes or application efficiency, and thereby promote innovation and optimize the development of new products and systems.
- **Environmental management system ISO 14001:** Sika production facilities are certified to ISO 14001, which provides for continuous efficiency improvement.
- **Sustainable solutions:** Sika seeks to enhance the outstanding and widely appreciated usefulness of its products by optimizing their sustainability profile, and thus to create added value for customers.

**DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH**
Sika evaluates its management approach through:

- **Monitoring:** Sika measures its water use on a regular basis. Water use is reported quarterly to the internal Sustainability and Operations Technology team, where results are followed up and management approaches adapted accordingly.
- **Evaluation of results from LCA:** The LCA results serve to assess energy and water demand, as well as greenhouse gas emissions and resource efficiency during a product's life cycle and the associated possible impacts on the environment.
- **Evaluation of results from environmental management system ISO 14001:** Sika production facilities are certified to ISO 14001 and perform impact assessments, target setting, and management reviews of the effectiveness of the management system regarding water use.
- **Benchmarking:** Sika has started to compare water consumption per product unit internally through factory reporting and to benchmark with other similar companies.

Furthermore, Sika monitors and evaluates the effectiveness of its management approach according to target achievement.

## 2. TOPIC SPECIFIC DISCLOSURES

**DISCLOSURE 303-1: WATER WITHDRAWAL BY SOURCE**
Water is used as cooling water, cleaning water, in products, and for general purposes, such as in sanitary facilities. Sika uses around 3.6 million $m^3$ (previous year: 2.1 million $m^3$) both from public supply (47%) and groundwater wells (53%). In water-rich areas, like Switzerland, the UK, and Eastern USA, cooling water is mainly obtained from groundwater wells in line with local permits. Cooling and process water accounts for 58% of Sika's water use. The increase in water consumption is due to the acquired Parex company.

Water consumption per ton sold was around 0.34 cubic meters (previous year: 0.39 cubic meters). This decrease was mainly due to the lower-water-intensity acquisitions processed in 2018 and 2019, which were considered in 2019. Sika aims to boost the sustainability performance of its production sites by reducing water consumption and treating water locally. The company implements measures to reduce consumption, or to reuse water, particularly in geographic regions where water is scarce. Efficient production means closed-loop cooling, and switching from public to surface water and groundwater, thereby reducing the amount of drinking water used in production. By reusing wastewater, Sika aims to reduce its water consumption on a larger scale.

The company strives to increase water efficiency and has set itself the target of reducing water consumption by 3% per ton of product sold and year.

Water sources:
- Surface water: 82,000 $m^3$ (previous year: 33,000 $m^3$)
- Groundwater: 1,835,000 $m^3$ (previous year: 1,050,000 $m^3$)
- Public supply: 1,692,000 $m^3$ (previous year: 1,524,000 $m^3$)
- Rainwater: A few factories have started to use rainwater to cover part of their freshwater demand, specifically when public water supply is limited. There are no detailed data available.
- Reused water: In many companies, water from rinsing and cleaning is reused. Some factories run their own wastewater-cleaning facilities, e.g. through sedimentation, distillation, or filtration, and reuse filtrate or distillate for production or cleaning.

Sika uses water for the following purposes:
- Process and cooling water: 2,065,000 $m^3$ (previous year: 825,000 $m^3$)
- Sanitary water: 620,000 $m^3$ (previous year: 492,000 $m^3$)
- Water in products: 891,000 $m^3$ (previous year: 800,000 $m^3$)

At some Sika sites, groundwater cooling capacity is used for secondary cooling cycles without removing water from the ground. This requires state permits, and the corresponding fees are posted as purchased cooling energy.

# GRI 305: EMISSIONS

- Cut from 31 kg $CO_2$ per ton sold (2018) to 27 kg $CO_2$ per ton sold
- The overall goal is to reduce $CO_2$ emissions per ton sold by 12% until 2023

## 1. MANAGEMENT APPROACH DISCLOSURES

**DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY**
Emissions are a material topic for the company. All non-greenhouse gas emissions are managed and controlled locally in the operating facilities. Greenhouse gas (GHG) emissions are a result of combustion processes to generate electricity and heat and power for production processes and facilities, transportation, and travel.

Although Sika's production itself is less $CO_2$-intensive than the supplier industries, specifically the chemical industry, Sika sees itself as responsible for minimizing its impact with regard to climate change by reducing its energy consumption, replacing more $CO_2$-intensive fossil energy sources with less $CO_2$-intensive fossil energy and increasing the renewable electricity rate. Sika views energy efficiency and the mitigation of emissions as major drivers of its overall efficiency effort that additionally contribute to cost reductions.

Apart from its own operations, Sika also contributes to the reduction of energy consumption through its products and systems, by providing sustainable solutions for the construction and transportation industries, i.e. to improve the energy efficiency of buildings and to build lighter cars. Energy is a relevant factor throughout the value chains of both industries. Especially in the cement industry, energy consumption and secondary fuels play a major role in production processes.

Sika products, such as grinding aids in cement production and admixtures in concrete preparation and application, can contribute considerably to savings. Sika's sustainable solutions contribute to the reduction of energy use in these sectors.

**DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS**
On the one hand, Sika's management approach is aimed at reducing energy consumption and the $CO_2$ emissions resulting from Sika's own operations, for both direct and indirect energy. On the other hand, Sika is constantly improving its products and systems to reduce energy consumption and resulting $CO_2$ emissions in their application and use phase, and in the production processes of its customers.

COMMITMENT
Sika manages limited resources and reduces energy consumption. The company is committed to decreasing the $CO_2$-intensity of its own operations and contributing to the reduction of energy use and $CO_2$ emissions in its customers' production processes as well as to energy and $CO_2$ savings during the application and use phase of its products and systems.

GOALS AND TARGETS
The revision and further development of the 2014–2018 Sustainability Strategy was the priority in 2019. Sika's overriding goal is to reduce $CO_2$ emissions per ton sold by 12% by 2023.

RESPONSIBILITIES
The energy efficiency and $CO_2$ intensity of Sika's operations is the responsibility of line management. At local level, the operations manager is responsible for helping Sika's $CO_2$-intensity targets to be met, and for setting and achieving local targets accordingly.

**SPECIFIC ACTIONS**

- **Life Cycle Assessment (LCA):** Sika sets out to undertake objective, transparent, and comparative assessments of the sustainability performance of its products – not only in manufacturing, but throughout their life cycle in accordance with internationally recognized standards. These analyses may pinpoint potential improvements for existing or new products during product development and maintenance. They may also deliver important insights into resource management (raw materials, energy, water, and waste), production processes, or application efficiency, and thereby promote innovation and optimize the development of new products and systems.
- **Energy management system to ISO 50001:** Some Sika entities are in the process of developing energy management systems to ISO 50001, which provide for continuous improvements in energy efficiency. Seven locations of Sika Germany are certified to ISO 50001.

- **Evaluation of results from environmental management system ISO 14001:** Two-thirds of Sika production facilities are certified to ISO 14001 and perform impact assessments, target setting, and management reviews of the effectiveness of the management system regarding energy use and $CO_2$ emissions.
- **Sustainable solutions:** Sika seeks to enhance the outstanding and widely appreciated usefulness of its products by optimizing their sustainability profile, and thus to create added value for customers.

**DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH**
Sika evaluates its management approach through:

- **Monitoring:** Sika measures its $CO_2$ emissions on a regular basis. Energy use is reported quarterly to the internal Sustainability and Operations Technology team, which calculates the $CO_2$ emissions. Results are followed up and management approaches adapted accordingly.
- **Evaluation of results from LCA:** The LCA results serve to assess energy demand and greenhouse gas emissions during a product's life cycle and the associated possible impacts on the environment.
- **Evaluation of results from energy management system ISO 50001:** The entities have implemented energy management systems to ISO 50001, which provide for continuous efficiency improvement by evaluating and acting on the outcome from the certifications. Sika reviews all audit results to improve the management approach and integrates improvements.
- **Evaluation of results from environmental management system ISO 14001:** Two-thirds of Sika production facilities are certified to ISO 14001 and perform impact assessments, target setting, and management reviews of the effectiveness of the management system regarding energy use and $CO_2$ emissions.
- **Benchmarking:** Sika has also compared $CO_2$ emissions per product unit internally since 2019 through factory reporting and has started to benchmark factories within the same factory segment.

Furthermore, Sika monitors and evaluates the effectiveness of its management approach according to target achievement.

## 2. TOPIC SPECIFIC DISCLOSURES

**DISCLOSURE 305-1: ENERGY DIRECT (SCOPE 1) GHG EMISSIONS**
Direct energy conversion results in local greenhouse gas emissions (Sika only refers to $CO_2$). Sika uses various fuels for its own energy conversion. Around 50% of the energy is converted at Sika sites, accounting for $CO_2$ emissions of around 88,000 tons (previous year: 48,000 tons).

**DISCLOSURE 305-2: ENERGY INDIRECT (SCOPE 2) GHG EMISSIONS**
Indirect energy conversion results in greenhouse gas emissions ($CO_2$) that are determined by the primary energy used in the country's electric power generation mix. A shift from the company's own power generation to purchasing electric power may therefore positively or negatively impact Sika's total carbon footprint.

The International Energy Agency (IEA) emission factors database is used for the calculation and reporting of the location-based $CO_2$ emissions for electricity, also referred to by the GHG Protocol. In some countries, e.g. in Germany and the USA, Sika has contractual agreements with power suppliers to procure electricity from renewable sources, e.g. from hydro-electric conversion or solar suppliers, which has a lower carbon footprint than the average footprint for energy generation in the country. In these cases, Sika deducts the renewable amount from total consumption, before conversion into $CO_2$. For the year under review, the calculated $CO_2$ emissions for the third-party power supply amounted to around 124,000 tons for the Group (previous year: 109,000 tons).

**DISCLOSURE 305-3: OTHER INDIRECT (SCOPE 3) GHG EMISSIONS**
The company also evaluates the carbon emissions from travel and leased vehicles (other scope 3 emissions are not reported). Extrapolations of the available data show a footprint of 16,000 tons of $CO_2$ for the leased fleet and 15,000 tons of $CO_2$ for business travel for the entire Group in 2019 (previous year: 20,000 and 14,000 tons respectively). Both figures are derived from samples, equivalent to approximately 72% of total energy consumption for the leased fleet and approximately 48% of total contracts for business travel, in each case extrapolated to 100%. The company uses conversion factors published by the International Energy Agency (IEA).

In absolute terms, the 2019 GHG emissions of 243,000 tons (Scope 1/2; Scope 3 partly) are significantly higher than the 2018 figure (191,000 tons) due to the size of the acquired Parex company and the other acquisitions integrated in the reporting for the first time (Index, King Packaged Materials, Faist). However, the integrated companies had a substantial impact on $CO_2$ emissions per ton sold, which decreased from 31 kg (2018) to 27 kg.

**DISCLOSURE 305-4: GHG EMISSION INTENSITY**

The company generates 27 kg $CO_2$ per ton sold from the direct and indirect energy used for the conversion of raw materials into finished goods (Scope 1/2). This was down on the 2018 figure of 31 kg $CO_2$ per ton sold.

**DISCLOSURE 305-5: REDUCTION OF GHG EMISSION**

The Sika Strategy 2023 is closely aligned with the Sustainability Strategy. The overall goal is to reduce $CO_2$ emissions per ton sold by 12% by 2023 (Scope 1/2). Climate Performance is one of the target areas of this strategy. In the year under review, the Sustainability and Operations Technology team started to ensure that climate transition risks will in future be incorporated in the Sika Risk Management. The focus in 2019 was on the further development of the Sika Sustainability Strategy, the definition of Climate Performance as a target area, and the development of a greenhouse gas emissions reduction plan; climate risks and opportunities will be defined in 2020. In this context, Sika sets out to increase the coverage of scope 3 emissions.

SIKA SUSTAINABILITY ACADEMY
The 2020 Sustainability Academy in Madrid, Spain. The seminar provided local or regional managers the skills to become "Sustainability Champions". Customer interaction insights in the sustainability journey of Sika Spain rounded off the interdisciplinary academy.

# GRI 306: WATER DISPOSAL AND WASTE

- Disposal of waste through management systems to ISO 14001
- In many Sika factories, process water is collected in tanks, and cleaned in its own or external treatment facilities

## 1. MANAGEMENT APPROACH DISCLOSURES

**DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY**
Given that Sika is a chemicals company, stakeholders and communities close to Sika's production sites have a great interest in how Sika manages waste and water discharge from production as they may be directly impacted through potential water contamination and improper waste disposal.

Waste resulting from Sika's production amounted to 112,000 tons in 2019, equivalent to around 1.6% of the material volume. The efficient use of input materials for production and the recycling of materials to reduce waste are key priorities for Sika. Water discharge is heavily regulated by local authorities at the Sika locations, and Sika adheres to permit limits and set standards.

As a supplier of products to the construction and transportation industry, Sika also has an impact on the waste production of its customers, through packaging material and in the after-use phase of its products. Sika sees itself as responsible for contributing to a reduction in the waste of its customers through better product durability, application methods, and optimization of packaging material, e.g. foil packs, mini-packs, plastic pails instead of metal, applicator tools, etc.

**DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS**
Through its management approach, Sika seeks to reduce the waste resulting from production as well as products and packaging. In terms of water discharge, Sika complies with national requirements. Sika manages the disposal of waste through management systems to ISO 14001, which are in place at all production sites.

COMMITMENT
Sika strives to increase input materials efficiency in its production processes. High-efficiency production in this context means reducing and reusing production scrap, reducing and reusing packaging material, improving the packaging design to cut material use, and focusing on sustainable input materials.
Sika strives to reduce effluents by controlling and reducing water inputs. Locally, effluents are managed according to their constituents and parameters, as permitted by the local authorities. For waste, Sika is committed to taking back products for recycling where possible and to increasing the durability of its products.

GOALS AND TARGETS
The revision and further development of the 2014–2018 Sustainability Strategy was the priority in 2019. The target area "Waste" now includes new targets for waste generation per ton sold and the recycling rate of total waste.

RESPONSIBILITIES
Effluents and waste efficiency in Sika's operations are the responsibility of regional management, which reports to the CEO. At local level, the operations manager is responsible for helping Sika's waste reduction targets to be met, for setting and achieving local targets accordingly, and for compliance with local requirements for effluents.

**SPECIFIC ACTIONS**

- **Life Cycle Assessment (LCA):** Sika carries out objective, transparent, and comparative assessments of the sustainability performance of its products and systems – not only in manufacture, but throughout their life cycle in accordance with internationally recognized standards. These analyses may pinpoint potential improvements for existing or new products during product development and maintenance. They may also deliver important insights into resource management (raw materials, energy, water, and waste), production processes or application efficiency, and thereby promote innovation and optimize the development of new products and systems.
- **Environmental management system ISO 14001:** Sika production facilities are certified to ISO 14001, which provides for continuous efficiency improvement.
- **Sustainable solutions:** Sika seeks to enhance the outstanding and widely appreciated usefulness of its products by optimizing their sustainability profile, and thus to create added value for customers.

**DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH**
Sika evaluates its management approach through:
- **Monitoring:** Sika measures its effluents and waste on a regular basis. Water use is reported quarterly to the internal Sustainability and Operations Technology team, where results are followed up and management approaches adapted accordingly.
- **Evaluation of results from LCA:** The LCA results serve to assess energy and water demand, as well as greenhouse gas emissions and resource efficiency during a product's life cycle and the associated possible impacts on the environment.
- **Evaluation of results from environmental management system ISO 14001:** Sika production facilities are certified to ISO 14001 and perform impact assessments, target setting and management reviews of the effectiveness of the management system regarding effluents and waste.
- **Benchmarking:** Sika has started to compare waste generation per product unit internally through factory reporting and to benchmark with other similar companies.

The evaluation showed that, although it is a key priority, Sika did not achieve the target on waste reduction and material efficiency. Programs to reduce waste typically involve process changes, which cannot be implemented in a short period.

## 2. TOPIC SPECIFIC DISCLOSURES

**DISCLOSURE 306-1: WATER DISCHARGE BY QUALITY AND DESTINATION**
Sika discharges around 2.5 million $m^3$ of water (previous year: 1.2 million $m^3$) in conformity with local legislation and permits. In many Sika factories, process water is collected in tanks, and cleaned in its own or external treatment facilities. If collected and treated on site, water is tested in accordance with the local permits before discharge into either the sewage system or directly into a surface water body.

The local companies hold permits for water discharge parameters, such as quantity and chemical limit values, by which the companies are bound. However, due to the very diverse nature of requirements, the Sika Group does not report on discharge water quality.

Discharge destination:
- Water to sewer, sewage plant: 0.77 million $m^3$ (previous year: 0.67 million $m^3$)
- Water to surface water bodies: 1.77 million $m^3$ (previous year: 0.56 million $m^3$)

**DISCLOSURE 306-2: WASTE BY TYPE AND DISPOSAL METHOD**
Waste consists of unavoidable losses of input material occurring in cleaning, trials, color changes, repair and maintenance, and other non-continuous operations. Other waste sources include packaging materials, cleaning materials, out-of-shelf-life finished goods, and maintenance goods, such as oils and other utilities.

In total, Sika generated around 112,000 tons of waste (previous year: 84,000 tons), which accounts for around 1.6% of the total volume handled by Sika (previous year: 2.1%).

Approximately three-quarters of the waste is non-hazardous. The "reuse" category covers waste which finds a secondary, lower-grade use or is reprocessed, e.g. through metal recycling. Sika manages waste disposal through management systems to ISO 14001, which regulates the flow of materials and local documentation. ISO 14001 is in place at all production sites.

**1. Total weight of non-hazardous waste:**
- Non-hazardous: 92,000 tons (previous year: 66,000 tons)

**Disposal method:**
- Landfill: 45,000 tons (previous year: 29,000 tons)
- Incineration: 9,000 tons (previous year: 8,000 tons)
- Reuse/Recycle: 38,000 tons (previous year: 29,000 tons)

**2. Total weight of hazardous waste:**
- Hazardous: 20,000 tons (previous year: 18,000 tons)

**Disposal method:**
- Incineration: 20,000 tons (previous year: 18,000 tons)

With an increased production volume, the company generated some 112,000 tons of waste (previous year: 84,000 tons). This corresponds to 14.1 kilograms of waste per ton sold (previous year: 18.1 kilograms per ton sold), or a decrease of 22%. This drop in waste generation is mainly due to the lower waste intensity of the acquired Parex company. Overall, Sika was able to reduce the amount of waste per ton sold by putting in place activities such as optimized production planning, streamlined production process layout, and the reuse of production waste. In addition, water from cleaning processes (tanks, bulk delivery trucks, and gas scrubbers) was reused. Furthermore, filter dust from dosing and bagging stations was recycled into similar products in mortar production. Innovative warehouse management was also implemented to reduce the quantity of expired products. With regard to circular economy initiatives, Sika worked on a project to recycle waste from polyurethane adhesive for use as a raw material in membrane production.

Large amounts of waste are minerals or sand from sand drying, oversized or undersized sieve residues or dust from air-filters and the cleaning of mortar facilities. Amounts vary widely from year to year, resulting in deviations which are difficult to predict and manage. Sika has started to find commercial applications for some materials, e.g. aggregates for roadworks, allowing these inert materials to be taken off the waste balance. Furthermore, the company strives to reduce the generation of contaminated water, and to reduce the volume on the premises per low pressure distillation.

Sika strives to increase the durability of its products. In the USA, for example, the company has long operated a successful recycling system for end-of-life roofing membranes, with the recycled material being used in the manufacture of new membranes. Under their ISO 14001 management systems, the local companies are obliged to find a compliant, cost-effective, and efficient method of disposal and to maintain the necessary documentation on waste transfer to the disposal endpoint.

**DISCLOSURE 306-3: SIGNIFICANT SPILLS**
Sika recorded 5 significant spills, which were contained locally without environmental damage.

WASTE / WATER
Sika provides solutions like concrete admixtures aiming to reduce the amount of water used in construction projects. At the same time, the company implements measures to reduce consumption, or to re-use water.

# GRI 307: ENVIRONMENTAL COMPLIANCE

- Sika's major subsidiaries are certified to ISO 9001 and 14001 as well as OHSAS 18001
- 3 (three) deviations from the compliance standard in 2019

## 1. MANAGEMENT APPROACH DISCLOSURES

**DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY**
Environmental compliance is a material topic for our operations across all regions. However, regulations vary very widely between regions and countries.

**DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENT**
Sika therefore delegates the responsibility for environmental compliance to the operating subsidiaries. They must all operate a management system to ISO 14001, which includes legal compliance and a compliance assurance mechanism with internal and external controls.

In a management review with their teams, the General Managers of all companies ensure that no compliance failures have occurred, or fines incurred, and confirm this annually to the Group Compliance Office.

**DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH**
Sika regards this approach as effective in view of the absence of legal action against the subsidiaries.

## 2. TOPIC SPECIFIC DISCLOSURES

**DISCLOSURE 307-1: NON-COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS**
Sika strives for full legal and regulatory compliance, which are the foundation of its business. Consequently, all ISO-certified subsidiaries have a process in place to help them understand regulatory requirements and changes. They maintain certified management systems to ISO 9001 (Quality), ISO 14001 (Environment), and in some cases OHSAS 18001 (Health & Safety) and ISO 50001 (Energy Efficiency). Most of Sika's subsidiaries work with external advisors to keep abreast of regulatory changes.

The management system according to ISO 14001 requires companies to follow up on new legislation and implement legal requirements accordingly. Subsidiaries are audited by Legal and Internal Audit for compliance. General Managers are obliged to strictly adhere to the applicable legislation and to supervise the subsidiary accordingly. Each year, they must verify the level of compliance in their company together with their management teams and confirm this through a global reporting system (the Compliance Confirmation).

In 2019, Compliance Confirmation reporting highlighted 3 (three) deviations from compliance standards resulting in fines exceeding CHF 2,000. The issues were related to operations in Chile (permit to operate violation, fine CHF 3,000 – CHF 10,000), Egypt (wastewater treatment, fine CHF 16,000), and India (hazardous waste disposal, fine CHF 140,000). All cases are managed to close out by the relevant regional operations team. Sika implements an Internal Control System in accordance with Swiss public company law in all its subsidiaries to ensure adherence to these standards.

# GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT

- The Supplier Code of Conduct is endorsed by a total of 8,367 suppliers
- No deviation from the compliance standard in 2019

## 1. MANAGEMENT APPROACH DISCLOSURES

**DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY**
Sika takes responsibility for sustainability along the value chain and includes suppliers. Since 2015, the "Supplier Code of Conduct" is binding for all new suppliers and is gradually being extended to existing suppliers. By the end of 2019, the agreement had been endorsed by a total of 8,367 suppliers (up by 21% on 2018) and now covers 86% of the value of direct spend. Sika thereby ensures that suppliers are informed of Sika's ethical, environmental, and social expectations and guidelines, and that they carry out their processes in compliance with the Sika sustainability criteria.

Sika's group-wide process maps out the main sustainability principles (economic, social, and ecological) for supplier qualification and evaluation. The multistage supplier evaluation process has three central elements, starting with the commitment to comply with the Supplier Code of Conduct and the completion of a self-assessment. In unclear cases, the purchasing department will follow up with sustainability audits before concluding a supply contract.

**DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENT**
Documentation generated during supplier qualification, such as audit and visit reports, supply agreements and specifications, is transparently recorded and stored on a dedicated platform introduced in the previous year. The system enables buyers to inspect suppliers' qualifications and improve them in their countries as necessary.

**DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH**
Sika regards the management approach as effective given the absence of social and environmental claims or legal action involving suppliers.

## 2. TOPIC SPECIFIC DISCLOSURES

**DISCLOSURE 308-1: NEW SUPPLIERS THAT WERE SCREENED USING ENVIRONMENTAL CRITERIA**
In the reporting year, all new suppliers were screened using ethical and environmental criteria.

# GRI 400: SOCIAL

# GRI 403: OCCUPATIONAL HEALTH AND SAFETY

- Number of OHSAS certifications increased
- Standardized accident reporting mechanism established
- Increased focus on prevention

## 1. MANAGEMENT APPROACH DISCLOSURES

**DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY**
The 25,141 Sika employees and the leased labor worldwide are the crucial element in Sika's success. Providing a healthy and safe work environment is a key commitment of Sika. As a specialty chemicals company with relatively labor-intensive production, small operations and large material throughputs, the production processes of Sika involve health and safety risks for its employees.

With 9.6 accidents (previous year: 10.4) per 1,000 employees, the number of occupational accidents (lost working days >1) was 8.2% down on 2018. In 2019, injuries caused absences lasting an average of around 21.5 days (previous year: 18.4). There was one fatality on the premises of an acquired Sika company. The increase in the total number of lost days due to injuries can be mainly explained by the figures from acquisitions.

Occupational health and safety is also considered as a material issue for Sika's suppliers, as their employees are in many cases exposed to occupational health and safety risks.

**DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS**
Sika's management approach for occupational health and safety sets out to avoid negative impacts through the following processes:

COMMITMENT
Sika strives to provide employees with the protection necessary to ensure that they leave the workplace in the same state of health as when they arrived.

GOALS AND TARGETS
The revision and further development of the 2014–2018 Sustainability Strategy was the priority in 2019. The target area "Occupational Safety" now includes new accident reduction targets.

RESPONSIBILITIES
Labor practices and safe working conditions for Sika's operations are the responsibility of regional management, which reports to the CEO. At local level, the general manager, the operations manager, and the line organization are responsible for helping Sika's occupational health and safety targets to be met, and for setting and achieving local targets accordingly.

POLICIES
- Guideline: Sika Site Safety System, in Corporate Management System
- Supplier Code of Conduct. Please consult: www.sika.com

**SPECIFIC ACTIONS**

- **OHSAS Certification:** 47 legal entities, including their headquarters, are certified to OHSAS 18001/45001. In some countries, several locations of the same legal entity are certified to OHSAS 18001/45001, the total number of locations being 108.
- **Sika has devised the Sika Site Safety Program** to reduce accident rates and promote prevention. This is a program for local companies, defining the preventive elements which a Sika company must put in place. The local companies are in the process of implementing this program, and the audit scheme will verify the degree of implementation in the coming years.
- **Supplier audits:** Occupational health and safety is covered by Sika's Supplier Code of Conduct. Suppliers are audited for compliance with the Supplier Code of Conduct, which includes Environment, Health and Safety requirements, and corrective actions prescribed where necessary.

**DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH**
Sika evaluates its management approach through:

- **Monitoring:** Sika monitors its occupational health and safety performance on a regular basis. Internal reports are sent quarterly to the Sustainability and Operations Technology team, where results are followed up and management approaches adapted accordingly.

Furthermore, Sika monitors and evaluates the effectiveness of its management approach according to target achievement.

## 2. TOPIC SPECIFIC DISCLOSURES

**DISCLOSURE 403-2: TYPES OF INJURY AND RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM, AND NUMBER OF WORK-RELATED FATALITIES**

**Injury rate per 1,000 employees, by region**
- GROUP: 9.6
- EMEA: 13.9
- Americas: 7.3
- Asia/Pacific: 2.6
- Global Business: 15.2

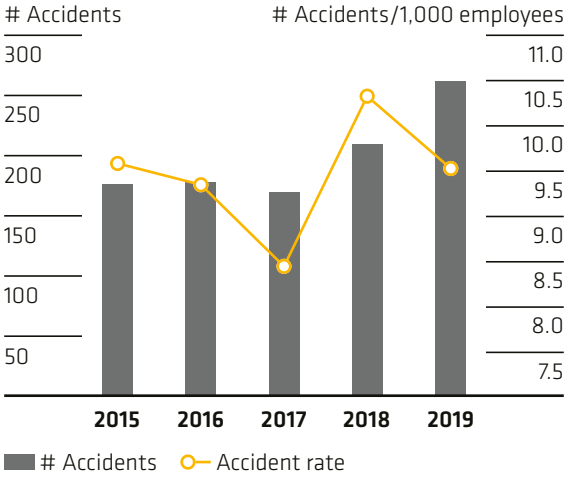
**Lost days rate per 1 million working hours**
- GROUP: 103
- EMEA: 107
- Americas: 116
- Asia/Pacific: 58
- Global Business: 171

As accident data from the subsidiaries is processed anonymously, a breakdown by gender at Group level is not possible.

In 2019, Sika had an injury rate of 9.6 accidents / 1,000 employees (previous year: 10.4). The companies reported 261 accidents (> 1 day of absence from work, excluding the day of the incident) compared to 209 in the previous year. The EMEA region accounted for 155 accidents, Americas for 45, Asia/Pacific for 19, and Global Business for 42. The rate includes leased labor (2,537 heads) not on Sika's payroll. 14 contractor accidents occurred on Sika premises (previous year: 17). There was one fatality on the premises of an acquired Sika company.

Sika will continue to develop and improve its occupational health and safety programs with further attention given to safe conduct, employee participation in safety programs, and a focus on prevention.

**ACCIDENTS OVERVIEW**



# GRI 404: TRAINING AND EDUCATION

- Performance and talent management system
- Trainings offered by the London Business School for Senior Managers
- Trainings offered by the Sika Business School, and job-specific trainings (Academies)
- Sika is expanding the e-learning platform, now with more than 360 internal trainings available

**DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY**

With more than 25,000 employees worldwide, Sika views training and education as crucial for qualifying, retaining, and grooming the capabilities of its workforce. The company has a large proportion of longtime associates and is aware that it needs to keep these colleagues up-to-date in terms of their knowledge and capabilities.

**DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS**

Sika's management ensures that employees receive adequate training. The management approach for training and education within Sika includes the following components:

COMMITMENT

With a cooperative management style, and diverse continuing professional development and training activities, Sika promotes the individual skills and initiative of its employees and encourages their entrepreneurial engagement so that they can keep up with the company's dynamic development. Sika recognizes, monitors, and continuously improves the performance of its employees.

GOALS AND TARGETS

Sika has no explicit targets regarding training and education, but strives to offer every Sika employee at least 10 hours of training each year, and managers a fully-fledged training seminar.

RESPONSIBILITIES

The responsibility for training and education lies with line management, in accordance with the principles of Corporate Human Resources and the Human Resource manuals.

**SPECIFIC ACTIONS**

- **Management Development:** Sika's performance and talent management system has been the mainstay of management development activities for many years. Designed to identify and develop managers' skills, it facilitates systematic employee succession planning in the respective organizations, while promoting company growth by continually pinpointing new talent. Potential managers are developed at different levels, either through continuous training initiated by the respective national organization or provided by the Sika Business School.
- **Sika Business School:** The Sika Business School provides global, hands-on courses in the areas of management and talent development as well as marketing and sales. Regional Sustainability Academies set out to train employees from local subsidiaries as sustainability experts, thereby enabling them to drive and accelerate implementation of the "More Value – Less Impact" strategy at a regional and local level. In the year under review, Sika organizations of the regions initiated, managed and coordinated local sustainability activities and projects planned in the 2019 Regional Sustainability Academy Programs. The Sustainability Academy will be repeated in the future and is set to become an integral part of the Sika Business School's training program. The goal is to initiate even more activities in the area of sustainability and achieve further progress. Another key part of the Sika Business School is the Operations Academy that provides training for Operations managers, with the aim of developing and increasing their knowledge on how to run a manufacturing facility with a short-, medium- and long-term approach. This initiative allows the establishment of an international network aimed at sharing challenges, advice and best demonstrated practices within Sika.
- **London Business School:** For the development of its more than 200 Senior Managers, Sika and the London Business School are offering a three-day program on strategy and leadership skills under the banner "Building Together our Future".
- **Curricula** include project assignments reflecting current everyday business situations. Members of Group Management and other line managers are involved in development activities to ensure that training remains relevant to practical needs. Product- and application-based knowledge is delivered by academies whose course content and organization are defined by target market managers. With the focus on practical applications for Sika products, these training programs promote customer advisory skills.
- **Training Programs:** Training activities for each Sika employee are determined on the basis of the evaluation by the line manager. Each employee should attend at least one training course per year (internal or external). All non-management functions are evaluated and managed by their line managers and Human Resources to identify training and development needs.

**DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH**
Sika evaluates its management approach through:

- **Monitoring:** Sika monitors its performance regarding training and education on a regular basis. Internal reports are sent quarterly to the Sustainability and Operations Technology team, where results are followed up and management approaches adapted accordingly.

Furthermore, Sika monitors and evaluates the effectiveness of its management approach according to target achievement.

## 2. TOPIC SPECIFIC DISCLOSURES

**DISCLOSURE 404-1: AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE**
With more than 25,000 employees globally, Sika regards training and education as an important instrument in retaining and grooming its workforce. The company is proud of its large share of longtime associates and recognizes the need to keep these valued associates up-to-date in terms of their knowledge and abilities.

Sika therefore runs a broad range of internal and external training programs and its own training academies, e.g. for operations, sustainability, sales and marketing, and technical faculties. Sika collaborates with universities to access up-to-date knowledge. In 2019, we continued our cooperation with various business schools and universities, where we provided training for talented employees with the potential to assume Senior Management positions.

Sika has no explicit Group targets regarding training and education, but strives to offer every Sika employee at least 10 hours of training each year, and managers a fully-fledged training seminar.

TRAINING AND DEVELOPMENT
Training and development are of strategic importance for Sika. Global, regional and local programs have been designed to support the careers of our employees, and the introduction of the digital SikaLearn Platform for all training activities has enabled multi-channel accessibility to training modules.

The total number of training hours reported by the local companies amounted, on average, to 11.4 hours per employee (2018: 16.8 hours). In addition, through the launch of a global e-learning platform, we have provided further options for offering sales trainings, product trainings, onboarding training and other internal relevant training programs. These programs currently account for another 0.2 h per employee.

As training data from the subsidiaries are processed anonymously, Sika does not yet provide a breakdown by gender at Group level.

**DISCLOSURE 404-3: PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS**

More than 20% of Sika employees are in management functions and receive regular performance and career development reviews.

TRAINING AND DEVELOPMENT
On the occasion of the Sika Sustainability Academy 2019, Sika experts from the US and the EMEA region were receiving insights into on-site information modules on occupational health and safety at the Sika production site in Alcobendas, Madrid.

# GRI 405: DIVERSITY AND EQUAL OPPORTUNITY

- The diverse Sika senior management team as a factor for success
- The five values and principles that define Sika's corporate culture
- Sika's firm commitment to diversity and an improved gender mix

## 1. MANAGEMENT APPROACH DISCLOSURES

### DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

Sika's worldwide presence makes the integration of widely differing cultures and the global exchange of knowledge and experience essential. Diversity is desired and seen as a key success factor for Sika. The company firmly believes that the diversity experienced daily by employees is one of the factors of its success, especially at senior management level.

| Work region of Sika's Senior Managers | Nationalities | % of Senior Managers |
|---|---|---|
| EMEA | 25 | 37 |
| Asia/Pacific | 16 | 18 |
| Americas | 14 | 16 |
| Global Business | 7 | 9 |
| Corporate Organization | 12 | 20 |

### DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS

Customer First, Courage for Innovation, Sustainability & Integrity, Empowerment & Respect as well as Manage for Results are the defining elements of Sika's corporate culture. These values and principles serve as a compass at all 101 Sika national subsidiaries and are adhered to by employees around the globe. The Group's culture of trust, transparency, and openness thus has a firm global foundation that is lived out in practice. Last year, a leadership commitment was formulated on the basis of the four pillars Drive Change, Unlock Potential, Win Together, and Inspire. This leadership commitment will help to preserve Sika's corporate culture. Together with the values and principles, it provides managers with clear and tangible guidelines.

Sika strives to increase the proportion of women in managerial and commercial positions. Women account for 23% of the total headcount (2018: 22.3%) and 19.4% of managers (2018: 18.4%). Sika is committed to providing equal opportunities for all its employees.

POLICIES

- Code of Conduct. Please consult: www.sika.com

### DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH

Sika introduced its five values and principles in 2014. The success of any company hinges not only on implementing the right strategy, but also on harnessing the trust and commitment of its employees. Sika's rise to its leading global position is driven by the five values and principles that define its corporate culture. These are:

1. **Customer First:** Sika designs all its new products and solutions with its customers' success in mind. The company looks to build long-lasting and mutually beneficial relationships rather than focus on short-term successes. This mindset is reflected in Sika's Building Trust tagline.
2. **Courage for Innovation:** Innovation management is at the core of the company's business. Sika has institutionalized its Product Creation Process with a strong focus on consistently developing new products, systems, and solutions.
3. **Sustainability & Integrity:** Sustainability is a key component of Sika's drive for innovation. For buildings and industrial applications alike, Sika aims to enhance durability and improve both energy and material efficiency. Sika's aim is to reduce resource consumption within its own company as well as for its partners, who trust in Sika products. The well-being and health of employees and partners is a prerequisite to the company's success.
4. **Empowerment & Respect:** Sika fosters a working environment based on trust and respect. The focus is consistently on employees working in close partnership with each other and with customers, suppliers, and stakeholders. Sika believes in the competence and the entrepreneurial spirit of its employees. The company empowers its people to develop and propose new ideas, which is why decisions and responsibilities are delegated to the level of competence. Corporate units are structured to be as decentralized as possible, with flat hierarchies and broad spans of control.

5. **Manage for Results**: Sika is persistent in the pursuit of its vision and targets and has a long-term view, taking pride in continuously achieving outstanding results. Functions and projects are clearly assigned because giving people responsibility guarantees success. Sika has transparent remuneration benchmarks following a defined strategy. Performance evaluation is based on market share, sales growth, profitability, and capital efficiency

In the coming year(s), Sika will continue to enhance its **culture of individual responsibility, entrepreneurship and strong leadership.** This has been reinforced by top management through the launch of the new **Leadership Commitment**, which is designed to inspire the whole organization and guide the future generation of leaders, and is based on 4 pillars: Win Together, Unlock Potential, Drive Change and Inspire. Sustainability, integrity and respect are at the center.

## 2. TOPIC SPECIFIC DISCLOSURES

### DISCLOSURE 405-1: DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES

COMPOSITION OF GOVERNANCE BODIES
The Composition of the Board of Directors:
Out of 8 members, 7 are male and 1 is female. Regarding age group, 7 members are over 50 years old, 1 member between 40 and 50 years old.

SIKA'S FIRM COMMITMENT TO DIVERSITY AND AN IMPROVED GENDER MIX
Sika's global presence and associated proximity to customers make it immensely important to integrate different cultures and share experience and know-how across national boundaries. The company firmly believes that the diversity experienced daily by employees is one of the factors of its success, and it promotes an open and integrative culture. At courses and seminars, Sika managers are encouraged to give high priority to diversity in team and project planning. Forty-nine nationalities are represented among Sika's Senior Managers. Women account for 23% of the Group's total headcount (previous year:22.3%). Sika is constantly working to increase this percentage at all hierarchical levels and conducted initiatives during the period under review to improve the quota of female employees in the company. The declared goal is to recruit and promote more women, particularly in sales. Recruitment campaigns in various channels are increasingly targeting women. To find out what female employees think about Sika, the first global "Women of Sika" forum was organized in May 2019. Female participants from various departments, cultures, and age groups were invited to spend two days attending workshops and discussions on how programs for women can contribute to Sika's success. The "Women of Sika" core team has subsequently been working closely with top management to develop an action plan that focuses on the following three pillars: recruiting, retaining, and promoting more women at Sika. The "Women of Sika" campaign was officially launched during a global leadership meeting in September with the prime objective of sharpening Sika leaders' awareness. Toolkits are to be used to support local campaign rollouts.

# GRI 412: HUMAN RIGHTS ASSESSMENT

- No accusations of human or labor rights abuses brought against Sika in 2019
- Supplier management takes account of Human Rights Assessment
- Compliance-GRI Confirmation must be signed annually by all Sika General Managers

## 1. MANAGEMENT APPROACH DISCLOSURES

**DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY**

As a signatory of the UN Global Compact, Sika supports and respects the protection of internationally proclaimed human rights and ensures that it is not complicit in human rights abuses. With operations in more than 100 countries, Sika is active in many regions ranking high on human rights risk indices. Sika thus takes seriously its responsibility of assessing its own operations in relation to potential human rights violations.

The Human Rights Assessment encompasses three levels: Statement in favor of human rights; confirmation of processing a human rights assessment; and a compliance check in order to specify the minimum requirements concerning human and labor rights. The minimum requirements are: Respect of human rights, prohibition of child labor, freedom of association, prohibition of forced labor and guarantee of equal opportunities for all employees. They are listed in Sika's Code of Conduct. This document gives a clear statement in favor of integrity and ethical conduct. By signing the Compliance-GRI Confirmation, GMs annually give written confirmation that the Code of Conduct is in place.

**DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS**

Sika's Code of Conduct requires all employees to comply with the applicable laws and regulations. At all locations where Sika operates, child labor and forced labor are strictly prohibited. For the reporting year, Sika has received no indication or reports of human rights violations within its own entities. This has been confirmed by the GMs by means of the Compliance-GRI Confirmation. In 2019, the response rate for the Compliance-GRI Confirmation was 100%. The Compliance Checklist distributed to GMs specifies the minimum requirements pursuant to the Sika compliance system, including training and information for staff on human rights (freedom of association, if permitted by local laws, no discrimination, no child or forced labor). In line with Sika's holistic approach to compliance, this checklist is relevant to the operation of all functional units in the Sika companies and in all regions.

Given the broad supplier base in many countries with high human rights violation risks and the sourcing from industries where labor rights, in particular, are potentially at risk, Sika considers the protection of human rights across its supplier base as an important issue that needs to be monitored and managed. Sika's Supplier Code of Conduct focuses on human rights and labor laws. Sika regards the protection of human rights as the foundation of its business, wherever it operates.

Through mechanisms such as audits and inspections, Sika ensures and monitors the protection of human rights by Group companies. A cross-functional team, led by Corporate Compliance and supported by Internal Audit and external experts, has developed a proposal (scope, focus, timing and resources) for a Compliance Audit Program. Approval of the proposal by the Audit Committee of the Board of Directors is pending.

GMs and the local management team are obliged to ensure, supervise, and monitor the protection of human rights for their area of responsibility in their companies. In the signed Compliance-GRI Confirmation, General Managers are asked to report annually on human rights and confirm:

- that they have ensured and communicated that child labor is strictly prohibited, and that child labor does not take place in their company,
- that they have ensured and communicated the right of freedom of association in their company,
- that they have ensured and communicated the non-discrimination principle as per Sika's Code of Conduct in their company, and that no apparent cases remain unresolved, and
- that they have ensured that no apparent cases of forced labor exist in their company.

As clearly stated in the Compliance-GRI Confirmation, which is signed by each GM each year:

- Sika promotes equal opportunities and fair treatment in employment and occupation. Discrimination is the act and result of treating people unequally by imposing unequal burdens or denying benefits rather than treating each person fairly based on individual merit.
- Sika ensures the right of workers and employers to establish and join organizations of their own choosing without the need for prior authorization.

- Sika prohibits "forced or compulsory labor", which refers to work and services exacted from any person under the menace of any penalty and for which the said person has not offered herself or himself voluntarily. The most extreme examples are slave labor and bonded labor, but debts can also be used to maintain workers in a state of forced labor (for example: withholding identity papers or requiring compulsory deposits).
- Child labor is strictly prohibited at Sika. The term "child" refers to any person under the age of 15 years or under the age of completion of compulsory schooling (whichever is higher).

Sika is an equal opportunities employer and is committed to treating staff without discrimination based on their race, color, gender, age, national origin, religion, sexual orientation, gender identity or expression, marital status, citizenship, disability, or any other legally protected factor.

COMMITMENT
Sika is committed to aligning its operations and strategies with the universally accepted principles in the area of human rights and labor established by the United Nations Global Compact Initiative.
Sika has integrated human rights reviews into its quality and risk management process.

RESPONSIBILITIES
The regional and local line management is responsible for compliance with human rights principles and local regulations.

**Assessment of Sika's Own Operations:**
Sika has assessed compliance with human rights through its internal Group auditing activities and will continue to improve the audit agenda to achieve a broader coverage. GMs have given account of the local human rights situation and their observations in this regard through the Compliance-GRI Confirmation 2019.

**Sika's suppliers**
Sika's management approach to supplier human rights assessments sets out to avoid negative impacts caused by Sika's suppliers with regard to human rights.

As clearly stated in Sika's Supplier Code of Conduct, Sika is committed to high ethical standards and to sustainability in its relationships with employees, shareholders, customers, suppliers, competitors, governments, communities, and to the environment. Sika follows the principles of the United Nations Global Compact. Sika therefore expects suppliers to observe equal standards of professional conduct and integrity in their relationship with Sika, their employees, and their subcontractors. Suppliers recognize that their compliance with this code is an essential element of Sika's vendor qualification. Suppliers' conduct is governed by high ethical, safety and environment, and sustainability standards. The supplier has taken note of Sika's Supplier Code of Conduct and, in its dealings with Sika, will not tolerate any conduct which constitutes a violation of that code.

In relation to social and working conditions, suppliers undertake to respect the provisions of the UN Universal Declaration of Human Rights and the Conventions of the International Labor Organization regarding:
- Prohibition and elimination of child labor and forced labor
- Freedom of association and collective bargaining
- Promotion of equal opportunity and fair treatment in employment and occupation
- Safe and healthy working conditions
- Payment of living wages and regular employment entitlements
- Non-excessive working hours

Suppliers undertake to put systems in place for the proper instruction, training, and auditing of their personnel and subcontractors to ensure compliance with these principles. To the extent that Sika is directly concerned, suppliers will immediately inform Sika of any identified violations of Sika's Supplier's Code of Conduct.

Sika is increasingly requested to certify compliance not only regarding its own activities, but also regarding those of its suppliers. Accordingly, Sika has started to improve and strengthen its Third-Party Due Diligence efforts. Under the lead of Corporate Procurement, Sika has agreed to join "Together for Sustainability" (TfS), an industry-driven organization in which the major chemical companies participate (see graph below) with the aim of developing and implementing a global assessment and audit program for their supply chain. Sika will become a full TfS member and gain access to more than 10,000 supplier assessments and audits. The questionnaires for both the self-assessments and the external audits were defined by the TfS members, and thus mirror a common CSR standard. The compliance topics covered by the TfS standard include ethical leadership, EHS, labor and human rights, privacy protection, fair competition, and the complaint procedure. Every member is obliged to organize between 100 and 150 self-assessments among its suppliers as well as 20+ audits. In exchange, it has access to the self-assessments of all the other members. The TfS will greatly increase Sika's ability to ensure compliance by its suppliers with broadly accepted CSR norms. By the same token, Sika's organization and processes will be measured against the same norms. This, in turn, will stimulate Sika's drive to continuously

improve its own CMS. As the graph below shows, although Sika's overall CSR performance rating is high compared to its industry peers, there is still room for improvement.

**Screening of new suppliers:** Based on the requirements set out in the Supplier Code of Conduct, Sika requires its new suppliers to perform a self-assessment.

- Procurement identifies suppliers with a hazard based on the results of the self-assessments.
- Suppliers subject to a high risk of human rights violations are screened by Sika personnel using desktop research and supplier audits.
- Compliance with the set of human rights included in the Supplier Code of Conduct is one of the basic contract renewal requirements.
- If human rights violations are identified, termination of the relationship with the supplier is the only option.
- In addition to covering all new suppliers, Sika also intends to monitor existing local suppliers, specifically in "risk geographies" where human rights violations are known or suspected, and will include this in the scope of audit and evaluation of suppliers.

**DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH**
The management approach has been reviewed and proven to be effective.

## 2. TOPIC SPECIFIC DISCLOSURES

**DISCLOSURE 412-1: OPERATIONS THAT HAVE BEEN SUBJECT TO HUMAN RIGHTS REVIEWS OR IMPACT ASSESSMENTS**
GMs are obliged to strictly adhere to legal practices and to supervise the subsidiary accordingly. They are also responsible for taking preventive action and training. Human rights reviews are included in the annual Compliance-GRI Confirmation signed by the GMs. Internal audits and legal audits are performed regularly at subsidiaries. Roughly 30 audits (internal and legal audits) are performed annually, covering about 20% of Sika's subsidiaries.

As part of the Compliance Checklist, GMs are asked to implement and communicate in their companies the following human rights principles:
- non-discrimination (including sexual harassment)
- prohibition of child labor
- freedom of association (without need of prior approval) – unless prohibited by local laws
- prohibition of forced labor

This checklist also provides specific explanations about the above human rights:
- **Discrimination:** is the act and result of treating people unequally by imposing unequal burdens or denying benefits rather than treating each person fairly based on individual merit.
- **Child:** refers to any person under the age of 15 years or under the age of completion of compulsory schooling (whichever is higher).

As mentioned above, Sika is confident, given the verification by the management teams and their annual signing of the Compliance-GRI Confirmation, that all companies adhere to the human rights charter, as set out in the Code of Conduct, and that no violations or incidents occurred in 2019.

# GRI 413: LOCAL COMMUNITIES

- Target for community projects achieved
- Community engagement projects in all regions
- Collaboration with NGOs

## 1. MANAGEMENT APPROACH DISCLOSURES

**DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY**

As a socially responsible company, Sika supports local communities. The "Sika Cares" community engagement program focuses on improving the quality of life of children, adults and families in the communities in which the company is active. The program aims to support local third parties in order to help people to help themselves. With this program, Sika companies ensure that local community members have access to valued social settings and activities, that Sika staff can contribute meaningfully to those activities, and that functional capabilities are provided to enable individuals to participate in those communities. To achieve this goal, cooperation with and support for existing, professional charity organizations should be given priority.

Areas which Sika aims to support:
- Sustainable construction and infrastructure
- Training of people working in construction and education of children
- Climate- and water-related projects

**DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS**

Sika's management approach aims at enhancing the positive impacts Sika has on local communities. The management approach for local communities includes the following components:

COMMITMENT

Sika's management approach aims at enhancing the positive impacts Sika has on local communities. The management approach for local communities includes the following components:

GOALS AND TARGETS

The revision and further development of the 2014–2018 Sustainability Strategy was the priority in 2019. The former "Local Communities" target area is now summarized under "Community Engagement". It encompasses targets relating to the quantity of projects, days of volunteering activities and number of beneficiaries. The sustainability-related performance for 2019 will be the baseline for the Sustainability Strategy 2023.

RESPONSIBILITIES

The corporate team is responsible for setting up the Community Engagement scheme and for monitoring and evaluating its implementation. The regional and local line management is responsible for implementing the scheme locally.

POLICIES

Sika has developed community engagement guidelines on how to plan, select, run and monitor projects in the domain of community engagement.

**DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH**

Sika evaluates its management approach:

- Internal auditors visit up to 20 Sika subsidiaries per year. During the visit, the effectiveness of activities directed towards local communities is checked.
- Defined processes for monitoring, reviewing, and evaluating:
  - Regions: Information on current and planned projects to Corporate Communications twice a year.
  - Corporate Communications/ Corporate Sustainability: Documentation and summary of community engagement activities annually (2nd quarter of each calendar year to the CEO). This documentation is distributed to all countries ("best cases").

Procedure for proposing support for a specific project:
1. General Managers of Sika subsidiaries submit a request for a project in their country with a project description, including cost/ resources, impact and duration (see also appendix), to the Regional / Area Manager
2. Project evaluation by Corporate Communications and Sustainability in cooperation with the Regional / Area manager
3. Project approval by the CEO

The Board receives a report / summary from the CEO on the status of all approved projects in the 2nd quarter of each calendar year.

Sika monitors and evaluates the effectiveness of its management approach according to target achievement. The General Manager of each Sika subsidiary must report annually on the quantity and quality of projects supported in the corresponding fiscal year.

## 2. TOPIC SPECIFIC DISCLOSURES

**DISCLOSURE 413-1: OPERATIONS WITH LOCAL COMMUNITY ENGAGEMENT, IMPACT ASSESSMENTS, AND DEVELOPMENT PROGRAMS**

Sika is committed to promoting on-the-ground self-help. When supporting social projects, local Sika companies are required to put forward specific aid applications and, together with local partners, to supervise the projects on site until completion.
In 2019, Sika supported 148 projects (previous year: 128 projects), a year-on-year increase of 9%. The projects can be split into the following categories: social (including donations), ecological, scientific, and sports and cultural.

HELPING PEOPLE HELP THEMSELVES

The world population is rising by 165 people per minute. At the end of 2019, there were 7.75 billion people in the world, with young people accounting for 1.8 billion. Young people are the foundation for the future. In the countries in which Sika is active, its strategic focus is on helping people help themselves. Projects aimed at increasing the scope for autonomy and self-determination in the lives of individuals or communities are a key element in Sika's strategy.

BUILDING SUSTAINABLY

Through its infrastructure projects in the social domain, Sika helps disadvantaged communities across the globe create a healthy and positive living environment that allows people to develop their full potential. Among the projects that Sika has supported for many years are renovation and construction projects for orphanages, children's homes, and youth centers.

COMMUNITY ENGAGEMENT
The "Teto Project" in Brazil: Sika staff volunteering to build modular homes for underprivileged families. In 2019, more than 20 families were provided with new housing facilities.

OPPORTUNITIES THROUGH EDUCATION

Attending school is far more difficult for children and young people facing poverty and deprivation. UNICEF estimates that 300 million children do not go to school at all. Sika promotes equal opportunities and supports a variety of training and education initiatives, including the establishment of school libraries in China, "Project Inspire" in Tanzania, which opens career opportunities for the younger generation, and a scheme to help reintegrate people with disabilities into the workforce in France.

SAFEGUARDING LIVING ENVIRONMENTS

Worldwide, three out of ten people live in homes with no access to clean drinking water. However, shaping your own future is only possible if safe drinking water, adequate sanitation and hygiene, and a sound environment are available. Sika's commitment in this area is structured primarily around water and renewable energy projects. The company has supported the Global Nature Fund (GNF) and its Living Lakes environmental program since 2004.

COMMUNITY ENGAGEMENT

THREE KEY FOCUS AREAS OF PROJECT FUNDING

## BUILDINGS AND INFRASTRUCTURE

**BUILDING SUSTAINABLY**

The health and dynamism of communities also depends on the infrastructure in place for people and the environment. This is where Sika comes in with its expertise and product solutions.

## EDUCATION AND VOCATIONAL TRAINING

**SUPPORTING EDUCATION**

Investment in good education gives young people the most important tool they need to lead an independent life. Sika works to ensure that disadvantaged children and young people get a genuine chance in life.

## WATER AND CLIMATE PROTECTION

**SAFEGUARDING LIVING ENVIRONMENTS**

Sika employees support projects which link social causes with ecological interests

COMMUNITY ENGAGEMENT
Sika Tanzania is supporting "Project Inspire", a program that enhances the learning environment of children.

# GRI 414: SUPPLIER SOCIAL ASSESSMENT

- Supplier Code of Conduct, supplier qualification and evaluation process established
- 8,367 suppliers signed Supplier Code of Conduct, all new suppliers screened

## 1. MANAGEMENT APPROACH DISCLOSURES

For management approach, please refer to GRI 308.

## 2. TOPIC SPECIFIC DISCLOSURES

**DISCLOSURE 414-1: NEW SUPPLIERS THAT WERE SCREENED USING SOCIAL CRITERIA**

Sika also assumes responsibility for the supply chain. The Supplier Code of Conduct has been binding on all new suppliers since 2015 and is gradually being extended to existing suppliers. By the end of 2019, the agreement had been endorsed by a total of 8,367 suppliers (up by 21% on 2018) and now covers 86% of the value of direct spend. Sika thereby ensures that suppliers are informed of Sika's ethical, environmental, and social expectations and guidelines and that they carry out their processes in compliance with the Sika sustainability criteria.

Sika's Group-wide process maps out the main sustainability principles (economic, social, and ecological) for supplier qualification and evaluation. The multistage supplier evaluation process has three central elements: It starts with the commitment to comply with the Supplier Code of Conduct and the completion of a self-assessment. In unclear cases, the purchasing department will follow up with sustainability audits before concluding a supply contract.

Documentation generated during supplier qualification is transparently recorded and stored on a dedicated platform. The system enables buyers to inspect suppliers' qualifications and improve them in their countries as necessary.
Sika continued the implementation of its worldwide process that maps out the main sustainability principles for vendor qualification and evaluation (multi-stage vendor qualification process). Procurement employees in the company are constantly trained using a systematic supplier audit method. These procedures are designed to ensure compliance with international labor standards and prescribed quality, environment, safety, and health criteria.

Sika's process involves collecting evidence and documents on a globally available platform. However, as Sika applies a risk-based approach, companies reporting according to GRI on human rights criteria, and signatories of the UN Global Compact and the OECD Guidelines for multinational companies will not necessarily be screened.

# GRI 416: CUSTOMER HEALTH AND SAFETY

- Global EHS software with one common database
- Product stewards for all finished goods categories in place
- Ongoing training for all involved local users, benchmarking, and quality control

## 1. MANAGEMENT APPROACH DISCLOSURES

**DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY**
As a supplier of building materials and specialty chemicals, Sika manufactures products that can pose health and safety risks for its customers, if they are not handled properly and the necessary safety measures are not taken. Over the last decades, regulations and political approaches such as REACH and other relevant chemical registration requirements have aimed at reducing the negative impacts of chemicals on health and safety, making the topic highly important for companies from the chemicals sector.

Reducing the health and safety impacts of its products and ensuring that its customers are fully aware of handling requirements and can work safely are key issues for Sika.

Sika's performance with regard to the assessment and improvement of the health and safety impacts of its products is considered state-of-the-art after the implementation of a global EHS software application with one common data base, product stewards for all finished goods categories, trainings for all involved local users, benchmarking, and quality control.

**DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS**
Sika's management approach for customer health and safety sets out to avoid negative impacts through its products. The management approach includes the following components:

COMMITMENT
Sika's Mission Statement: "We want to assume our responsibility for safety and the environment along the entire value chain." "We are committed to considering all requirements and obligations arising for substances used in our products."

GOALS AND TARGETS
Annual target for chemical products: 100% of chemical products in assessment or assessed for health and safety impacts, and improvements.

RESPONSIBILITIES
The responsibility for the products sold in the individual Sika country organizations lies with the local organizations, and finally with the General Manager. The responsibility for product data relating to health and safety lies with the Corporate Product Stewardship.

POLICIES
- Supplier Code of Conduct
- Product Stewardship Guidelines of the Group
- Banned Substance Policy
- Sika's Labelling Guidelines

**SPECIFIC ACTIONS**

- **REACH, GHS / CLP:** The Sika Group has implemented a project approach for REACH and GHS / CLP and other relevant chemical registration and labelling requirements throughout its entire organization. Group Management has set up a central corporate REACH and Chemical Regulatory Department in order to coordinate all corporate activities regarding this legislation.
- **Assessment of Health and Safety impacts:** Legal requirements for construction chemicals suppliers prescribe that health and safety impacts are managed along the value chain:
  - Raw materials supply to the factory,
  - Handling in factory (workplace safety of employees),
  - Manufacturing of products (workplace safety of employees),
  - Packaging of products (workplace safety of employees),
  - Shipping to customers (dangerous goods regulation),
  - Storage (customer safety),
  - Application (customer safety),
  - Use phase (customer safety),
  - End of life (customer safety).

  Customer health and safety is therefore crucial for Sika and is factored into chemical development work (formulation work, system design etc.) where product characteristics are determined. Customers and product users can participate in frequent application training sessions to learn the proper use of the products.
- **The Sika Banned Substance Policy** regulates the use of carcinogenic, mutagenic, and reprotoxic chemicals (CMR) in Sika operations and incorporation of CMR substances into sales products. In principle, Sika does not allow CMR substances in sales products over a defined concentration and use in production is subject to specific permits.
- **Update and review of product information:** All product information, specifically Safety Data Sheets and Product Data Sheets, must be up to date and reviewed regularly.

**DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH**
The company considers this management approach to be effective.

## 2. TOPIC SPECIFIC DISCLOSURES

**DISCLOSURE 416-1: ASSESSMENT OF THE HEALTH AND SAFETY IMPACTS OF PRODUCT AND SERVICE CATEGORIES**
Sika evaluates all raw materials, intermediate and finished goods for their health and safety impacts during transport, storage, production, distribution, and use. The company maintains a comprehensive Product Stewardship process and network, including a database for impact assessments, toxicological evaluations and product registration, classification, and labelling. Sika therefore considers all its significant product categories to be assessed for health and safety impacts and for improvements.

This results in a steady improvement in products, e.g. through reduction of solvent content across Sika's flooring product lines, elimination of critical chemicals from sealants and adhesives, and development of less critical hardeners for adhesives. Sika limits and regulates the use of raw materials with critical toxicological properties through an expert team.
The company strives to improve and reduce health and safety impacts continuously by:
- Internal work procedures for all hazardous materials
- Informing and educating product users through safety data and worker protection requirements
- Reducing hazardous chemicals, solvents, volatiles, reactive components where possible
- Application devices for safe, contact-free application

# GRI 417: MARKETING AND LABELLING

– Packaging and labelling controlled and managed for local compliance, and compliance with the Sika branding and labelling rules.

## 1. MANAGEMENT APPROACH DISCLOSURES

**DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY**
Packaging is essential as it is used for the identification of Sika products. It enhances the appearance of the label for product promotion. In addition, labelling provides information about the product. It helps to distinguish the product from others on the market shelves.

**DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS**
The overall goal is for all raw materials, products, and services to be assessed in terms of their health and safety impacts. We therefore classify all pure substances, raw materials, intermediates, and finished goods in line with their hazard potential and comply with chemical regulations for registration, labelling, packaging, and transport.

Local line management has the overall responsibility of ensuring that all products placed on the market meet the requirements of local legislation and customers, and assigning a product stewardship role to manage raw material and finished goods data, customer safety information, and labelling. This role collaborates with Global Product Stewardship.

Local tasks are:
- approval of labels for the country
- creation and approval of local Safety Data Sheets and packaging
- entry of local raw material and finished goods data into the databases
- support for the local organization in all product-safety-related matters
- support for customers regarding their demands on product safety
- implementation and enforcement of the banned substance program
- maintaining customer service hotlines for general and product-related inquiries using different channels, e.g. phone, internet, e-mail, social media

All products (except articles) must be accompanied by a Safety Data Sheet meeting the legal requirements of the country and in the required language(s). Packaging and labelling must be controlled and managed for local compliance, and compliance with the Sika branding and labelling rules.

**DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH**
The company perceives the management approach to be effective.

## 2. TOPIC SPECIFIC DISCLOSURES

**DISCLOSURE 417-1: REQUIREMENTS FOR PRODUCT AND SERVICE INFORMATION AND LABELLING**
100% of chemical products in assessment or assessed for health and safety impacts, and improvements.

Customers of all Sika sales organization can rely on customer service hotlines for general and for specific product relates inquiries. Sika supports a multi-channel approach and is maintaining customer service hotline activities via phone, internet, e-mail, and social media contacts.

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