

GRI REPORT

2018

GRI REPORT 2018

As a successful global corporation, Sika is committed to sustainability. The company honors its responsibilities by offering sustainable solutions for energy-efficient construction and environmentally friendly vehicles, as well as by means of numerous projects and measures aimed at boosting economic, social, and ecological sustainability. 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.

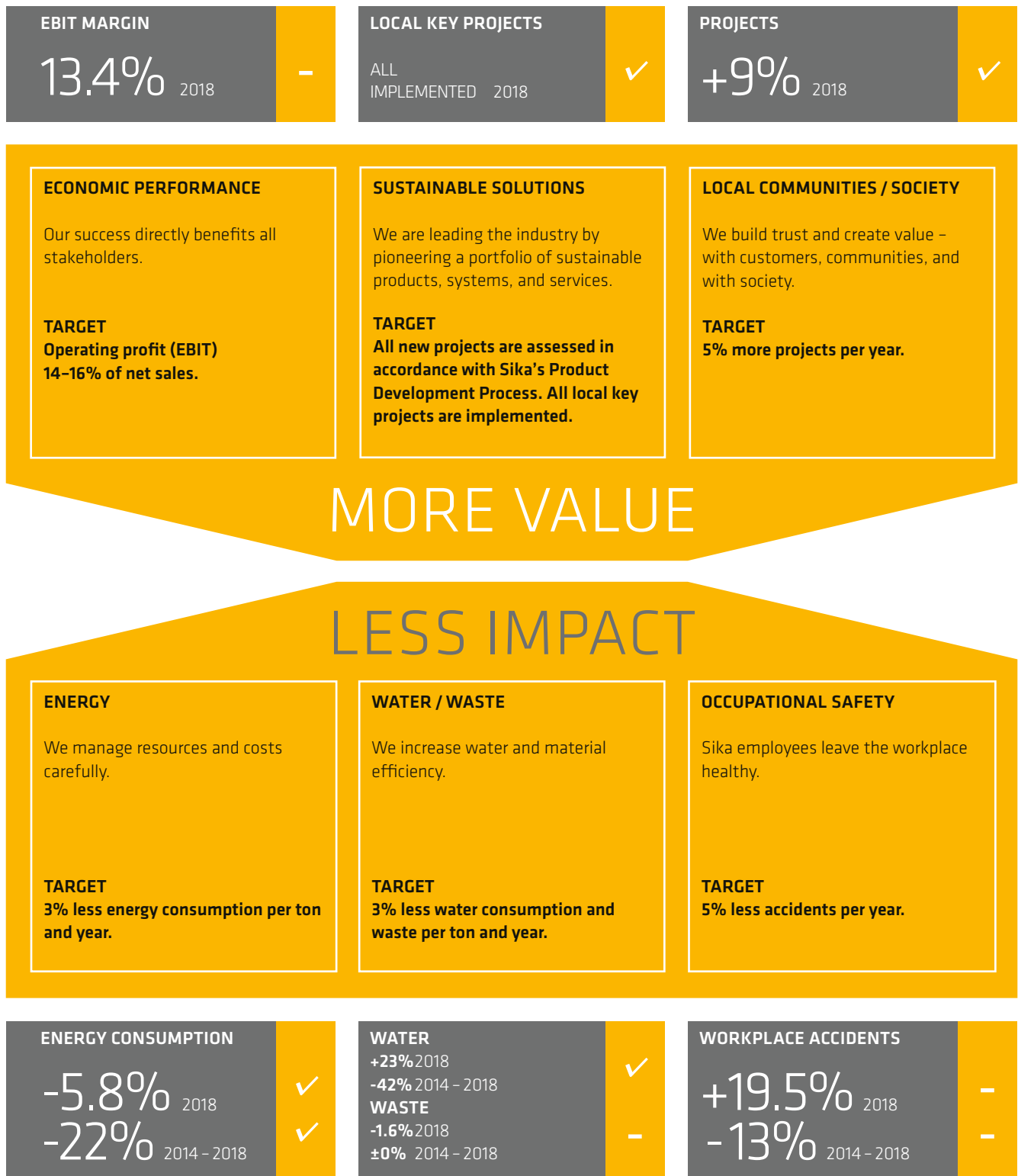
MORE VALUE – LESS IMPACT

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

As part of its “More Value – Less Impact” sustainability strategy, Sika has been measuring six parameters for the last five years. In 2018, the “More Value” and energy targets were met, while in terms of waste utilization, water consumption and occupational safety the goals were not achieved. The increased number of accidents in the year under review has negatively impacted the 5-year result, whereas between 2014 and 2017 there was a significant decrease of 27%. Overall Sika could reduce the amount of waste per ton sold in 2018 by 1.6%. Considering all acquisitions since 2013, Sika could keep the waste rate per ton sold at the same level. The increase in water is mainly caused by acquisitions processed in 2017 which were taken into account in 2018. In the period of 2014 to 2018, the water consumption was reduced by 42%.



IDENTIFICATION OF UN SUSTAINABLE DEVELOPMENT GOALS (SDG)

Among others, both the construction and the automotive 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)

ECONOMIC PERFORMANCE

Our success directly benefits all stakeholders.

TARGET

Operating profit (EBIT)
14–16% of net sales.



SUSTAINABLE SOLUTIONS

We are leading the industry by pioneering a portfolio of sustainable products, systems, and services.

TARGET

All new projects are assessed in accordance with Sika's Product Development Process. All local key projects are implemented.



LOCAL COMMUNITIES / SOCIETY

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

TARGET

5% more projects per year.



MORE VALUE

LESS IMPACT

ENERGY

We manage resources and costs carefully.

TARGET

3% less energy consumption per ton and year.



WATER / WASTE

We increase water and material efficiency.

TARGET

3% less water consumption and waste per ton and year.



OCCUPATIONAL SAFETY

Sika employees leave the workplace healthy.

TARGET

5% less accidents per year.



SUSTAINABLE DEVELOPMENT GOALS – 3 & 4

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

SDG	More Value – Less Impact focus	Sika's Commitment	Activities @ Sika
 SDG 3 GOOD HEALTH AND WELL-BEING Ensure healthy lives and promote wellbeing for every-one at all ages	SUSTAINABLE SOLUTIONS TARGET: All new projects are assessed in accordance with Sika's Product Development Process. All local key projects are implemented. OCCUPATIONAL HEALTH AND SAFETY TARGET: 5% less accidents per year.	PRODUCT SAFETY: Customer health and 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 raw materials that comply with all relevant legal regulations, and that have been thoroughly assessed on health and safety impacts. IMPROVING LABOR STANDARDS & WORKPLACE SAFETY: The company aims to improve working conditions for workers within the entire supply chain, by working with partners throughout the value chain to conduct training programs and joint projects. We also have a long-term objective of "zero accidents". The company aspires to fully implement OHSAS 18001/ISO 45001 (Occupational Health and Safety Assessment).	■ Sika strives to further enhance the user-friendliness and health and safety profiles of its products. The Group monitors environmental, health and safety aspects during the development, production, and product-handling stages. For this purpose, it has introduced the specific checking of new developments against relevant sustainability criteria, such as health and safety impacts and improvements. ■ Occupational standards ■ Management commitment ■ Employee involvement ■ Work site and risk analysis ■ Hazard recognition and resolution ■ Training and education
 SDG 4 QUALITY EDUCATION Ensure inclusive and equitable quality education, and promote lifelong learning opportunities for all	LOCAL COMMUNITIES/SOCIETY TARGET: 5% more community engagement projects per year.	INTERNAL: The aim is to provide at least ten hours of training per year for each employee. In 2018, this figure stood at 16.8 hours (previous year: 12.9 hours). EXTERNAL: Community Engagement: The main goals, among others, are to support communities in infrastructure development for social projects, to promote training in construction professions and trades, and to provide emergency aid to disaster-stricken regions. Sika also 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 site 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: ■ E-learning platform, with more than 320 internal trainings. ■ More than 100 courses in the domain of leadership and talent management in 2018 were attended by 1,600 participants. ■ More than 2,000 training hours completed online. ■ Knowledge Management via SikaWorld EXTERNAL: ■ Sika supported in 2018 128 projects (+9% vs. 2017). The projects can be classed as "social" (including donations), "ecological", "scientific", and "sports and cultural".

SUSTAINABLE DEVELOPMENT GOALS – 6

SDG	More Value – Less Impact focus	Sika's Commitment	Activities @ Sika
 SDG 6 CLEAN WATER AND SANITATION Ensure availability and sustainable management of water and sanitation for all	SUSTAINABLE SOLUTIONS TARGET: All new projects are assessed in accordance with Sika's Product Development Process. All local key projects are implemented. LOCAL COMMUNITIES/SOCIETY TARGET: 5% more community engagement projects per year. WATER TARGET: 3% less water consumption per ton and year.	SUSTAINABLE SOLUTIONS: The composition of Sika products is designed to have the least possible impact on the environment. OPERATIONS: 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. 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 water.	Products to use less water in construction ■ Sika Viscocrete technology allows the reduction of cement paste contents in conventional concrete, breaking the traditional limits to obtain a better concrete (in fresh and hardened states) with a lower cost. The use of new admixture technologies allows for a better concrete with less water and cement, maintaining or improving its properties. ■ Through the application of its water-proofing products, Sika has made an impact on reducing water loss and increasing water quality, for example in drinking water reservoirs. Community work in emerging markets ■ In 2018, Sika supported Living Lakes projects to ensure drinking water in Africa, focusing on initiatives in Tanzania, South Africa, Burundi, and the Ivory Coast.

SUSTAINABLE DEVELOPMENT GOALS – 8 & 9

SDG

More Value – Less Impact focus

Sika's Commitment

Activities @ Sika



SDG 8 DECENT WORK AND ECONOMIC GROWTH

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

ECONOMIC PERFORMANCE

TARGET
Operating profit (EBIT) 14 –16% of net sales.

The five strategic pillars, market penetration, innovation, emerging markets, acquisitions, and values, are not only the foundation for growth, but they also drive improvements in margins, cash flow, and return on capital. Within the framework of the growth model, various initiatives contribute to the achievement of the strategic targets.

- Key investments: Since 2015, Sika has invested in 37 new plants, 11 new national subsidiaries and 20 acquisitions – a total of 68 key investments.
- Investments in R&D lead to the launch of a large number of new products in all target markets every year. Sika spends approximately 3% of sales on R&D annually.
- Globally organized procurement coordinates purchasing in all regions, resulting in more price efficient sourcing.
- Focus on pricing with global pricing tools and monthly pricing reporting.
- 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.



SDG 9 INDUSTRY, INNOVATION AND INFRA- STRUCTURE

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

ECONOMIC PERFORMANCE

TARGET: Operating profit (EBIT) 14 –16% of net sales.

SUSTAINABLE SOLUTIONS

TARGET: All new projects are assessed in accordance with Sika's Product Development Process. All local key projects are implemented.

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 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.

- Research and development of new products, systems, technologies, applications, and production processes form the basis of Sika's innovations. More than 900 employees at 20 global technology centers and 44 local and 20 regional research and development facilities.
- Thanks to targeted investments in research and development, Sika is a global industry leader. Sika has a comprehensive range of products, systems and services that contribute to sustainable construction.
- Sika solutions to build infrastructure and develop emerging and developing countries.
- Community Initiatives to support local infrastructure.
- Product innovations in construction and industrial production.

SUSTAINABLE DEVELOPMENT GOALS – 11 & 12

SDG	More Value – Less Impact focus	Sika's Commitment	Activities @ Sika
 SDG 11 SUSTAINABLE CITIES AND COMMUNITIES Make cities and human settlements inclusive, safe, resilient and sustainable	SUSTAINABLE SOLUTIONS TARGET: All new projects are assessed in accordance with Sika's Product Development Process. All local key projects are implemented. LOCAL COMMUNITIES/SOCIETY TARGET: 5% more community engagement projects per year.	INNOVATION: We have set a clear target that each new product must make a contribution to sustainability. In line with this, we systematically assess products throughout our innovation process. Innovation also places a strong emphasis on sustainable product development. One way to achieve this is with solutions that make it possible for customers to save or reduce CO₂ emissions, directly or indirectly. Another way is with products that help customers construct and operate buildings that are more sustainable and CO₂ efficient.	■ Sika solutions for sustainable construction, and green building standards such as LEED, BREEAM and DGNB (amongst others). ■ Composite materials substantially prolong the service life of aging engineering structures such as bridges. ■ Root-resistant polymeric roof membranes and systems allow the installation of green roofs to improve the urban climate. ■ Special concrete repair mortars and resins considerably extend the service life of bridges and concrete structures. ■ Concrete Admixtures allow earthquake safe constructions. ■ Construction chemicals, shotcreting machines, and waterproofing membranes, allow efficient tunneling.
 SDG 12 RESPONSIBLE CONSUMPTION AND PRODUCTION Ensure sustainable consumption and production patterns	SUSTAINABLE SOLUTIONS TARGET: All new projects are assessed in accordance with Sika's Product Development Process. All local key projects are implemented. ENERGY TARGET: 3% less energy consumption per ton and year. WATER/WASTE TARGET: 3% less water consumption and waste per ton and year.	INNOVATION: We have set a clear target that each new product must make a contribution to sustainability. In line with this, we systematically assess products throughout our innovation process. WATER TARGET: We have set a clear target of using 3% less water/waste per ton of produced product annually (base year 2013). ENERGY TARGET: With its target of using 3% less energy per ton of produced product annually (base year 2013), Sika is committed to making a contribution to the reduction of CO₂ emissions. One means of achieving this is by increasing energy efficiency at its 240 production sites around the world through lowering consumption of fossil fuels and electricity per ton of product sold by 3% each year. Another is by using low-carbon fossil fuels, such as natural gas.	■ The Group evaluates new product developments against relevant sustainability aspects during the development, production, and product-handling stages. ■ 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 durability. ■ Sika companies are certified to the international management system standard ISO 14001 (Environmental Management) in operations and is starting to introduce ISO 50001 (Energy Management) in bigger facilities.

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April 2019

The information contained in this report has been prepared in accordance with the GRI Standards option “core». This is Sika’s sixth GRI report, and it covers the calendar year of 2018. 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 930 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 11,383 trademark registrations in 165 countries at the end of 2018. Sika AG continuously monitors its trademarks and takes appropriate legal action in cases of infringement.

- Sika MaxTack®: Power grab adhesive
- Sikaflex®: Polyurethane-based sealants for a wide range of sealing applications
- Sikasil®: Silicone sealants for all types of applications
- Sika Boom®: Professional polyurethane-foam-range for sealing, bonding, and damping
- SikaBond®: Bonding solutions for all your needs
- Sikalastic®: Liquid applied waterproofing systems
- Sikagard®: Professional solutions for cleaning and protection
- Sika AnchorFix®: Sika solutions for all types of anchoring applications
- Sikadur®: Our strong and long lasting epoxy-based adhesives
- Sikafloor®: Strength and beauty – combined in our Sikafloor products
- Sika® ViscoCrete®: Sika admixtures that bring innovative options to concrete mix design
- Sikafloor®: Flooring systems which contribute to higher process reliability and effectiveness
- 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 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 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 CO₂ emissions along the value chain, both internally and for partners and customers who place their trust in Sika products and solutions. The Group's goals are:

TARGET 1: PRODUCT CREATION PROCESS

All new product developments are reviewed against sustainability criteria using a standardized methodology, including a documented sustainability profile and an appropriate improvement plan where necessary.

PERFORMANCE: A uniform sustainability assessment process (including guidelines and tools) addresses relevant sustainability indicators and forms part of the official Sika product development process. The objective of the sustainability assessment process, which is established throughout the company, is to evaluate relevant sustainability aspects of a new development over its entire life cycle, compared with the company's own or competitive solutions. Economic, environmental and social aspects are assessed and serve as the basis for understanding risks and opportunities, and therefore deciding what measures are feasible to improve the sustainability profile of a development.

In the year under review, the sustainability assessment process was used to evaluate 108 new local and global product developments. Of these, 15% were identified to offer an improvement over the existing product and are therefore of importance for the company's sustainability. Some examples of sustainable innovations are described below.

NEW PROCESS FOR HIGH-QUALITY RECYCLING CONCRETE: A new process for 100% recycling of concrete/mortar demolition waste allows to significantly reduce the embodied footprint of buildings and structures. Sika has developed a new patented recycling process which allows the extraction of secondary raw material from old concrete at the quality level of primary material which enables the production of high quality recycling concrete by using 100% secondary aggregates, which saves limited natural resources such as sand and gravel.

Sika's novel recycling technology exploits synergy from a chemo-mechanical treatment of concrete demolition waste. The new process focuses on sequestering approximately 50 kg of CO₂ per ton of crushed concrete demolition waste. It involves a superficial carbonation of the cementitious matrix which is softened and removed upon attrition. The freshly exposed surfaces are able to further carbonate until aggregates which are free from cementitious material are obtained.

In this way, concrete/mortar demolition waste can be separated into "secondary aggregates" for recycling at a quality level of primary material and a powdery by-product utilizable as secondary raw materials in a broad application spectrum, such as partly replacing primary cement raw meal for cement clinker production, or as an inert filler for cement plants and building materials in general. Once implemented at an industrial scale, this new process can also significantly help decarbonize the cementitious sector as well.

NEW I-CURE TECHNOLOGY BASED POLYURETHANE WATERPROOF COATING SYSTEM FOR BALCONY RANGE: Resin flooring developments continue to focus on high performance products that meet sustainable building requirements. To complement the existing balcony range, a new moisture triggered polyurethane waterproof coating system was developed, consisting of Sika® Concrete Primer LO, Sikafloor®-425 (waterproofing layer) and Sikafloor®-420 (protection layer). All system components are i-Cure technology based, a novel latent hardener that prevents gassing in the finished film, which can often be seen in conventional polyurethanes when applied in harsh environments. The new technology allows the final products to be formulated with higher solid content, reduced VOC's (volatile organic compounds), lower odor, lower hazard, and most importantly, reduced emissions. The system is protected by the water-based polyurethane Sikafloor®-418W top sealer, which allows the design of a new generation of best-in-class highly durable and aesthetically attractive balcony system buildups.

INNOVATIVE INJECTION MATERIAL THAT SETS A NEW STANDARD IN POST APPLIED WATERPROOFING APPLICATIONS: Conventional acrylic injections are supplied as three part systems including liquid resin, accelerator and hardener, which have to be packed and kept separately to prevent preliminary curing. The hardener requires special handling as it is classified as dangerous goods. On construction sites, the components have to be applied according to a comparatively complex procedure that includes dosing of the accelerator, mixing with water, preparation of premixes and finally, their homogenization.

Sika Injection-310 is based on Sika proprietary technology and is regarded as game changing material, as it overcomes the aforementioned limitations. It combines all components in only one powder which is simply mixed with water in order to obtain the injection solution. As the product comprises all components for a reliable cure in one part, the risk of injecting wrongly mixed and unreactive chemicals into soil and ground is eliminated, which contributes to an efficient consumption of waterproofing material, and reduces the release of chemicals to the environment. Due to its product design, Sika® Injection-310 also allows for improvements in the supply chain and environmental footprint. As the material is not labelled as dangerous goods, no precautionary measures have to be taken for shipping, and no limitations concerning transportation apply. In contrast to the conventional acrylic injections, Sika Injection-310 is provided as bagged goods that results in an 80% reduction of plastic packaging material and packaging waste reduction on site to the same extend.

NEW SOLUTION FOR SEALING VENTILATION DUCTS: Buildings equipped with tight and well-functioning ventilation systems save energy, help avoid spreading disturbing odors, and ensure a good indoor climate, which is important for the occupant's health. Sikaflex 404 Inliner, an innovative new solution, has been developed in collaboration with an external partner to help reduce energy losses by sealing and insulating ducts and leaking ventilation channels. A flexible, fire protected, and air tight composite-inliner is cured on-site in the existing old ventilation, adjusting to all surface irregularities, offsets, and narrowings. The on-site curing allows the inliner to follow the shape of the channels and seal leaking ventilations regardless of shape, diameter, and ventilation material, and without the inhabitant having to leave the residence. Sealed, air tight channels permit significant energy savings, safety improvements, and cost savings, which ensures a pay back of the installation costs in less than ten years.

TARGET 2: LOCAL SUSTAINABILITY ROADMAPS

The major Sika national subsidiaries prepare a sustainability action plan and implement all key projects planned in this context. The plan is aligned with local trends and market requirements, and encompasses the key projects and topics that are geared towards the global initiative.

PERFORMANCE: All of the larger countries in North America, Southern Europe, Northern Europe, Central Europe, and Eastern Europe further developed product sustainability road maps in the year under review. As a result of the regional Sustainability Academy programs in 2017 for Asia/Pacific and Latin America, a priority in the year under review was to extend the scope of the road map activities into the Asia/Pacific and Latin America region. In this regard, the Sustainability Academy programs played an important role in involving further national subsidiaries and increasing the future number of projects and activities to currently 39 countries.

ENVIRONMENTAL PRODUCT DECLARATION

Customers, as well as building and construction standards, increasingly demand that companies declare the environmental performance or environmental impact of its products in a transparent manner. This calls for sound data and knowledge regarding the impacts of product manufacturing and application and the added value of finished products in their application and use phase. In 2018, Sika expanded the existing reference database for Environmental Product Declarations (EPD) for its products and systems in accordance with the international ISO and EN standards, which increases the customer's choice when it comes to product selection and decision making, by providing information on the environmental performance of Sika solutions. Examples include the preparation of EPD for Pulastic® multifunctional sportsfloor and the Sikafloor® product range under the German IBU standard, whereby Sika has published EPDs for all its major European flooring products and technologies. Furthermore, Sika has been developing third party certified EPDs for the North American construction market, covering sealing and flooring products and liquid applied membranes for roof waterproofing solutions, utilizing local US standards. In 2019, EPD activities in European and North American markets and active involvement in association work will continue to be key activities.

GREEN BUILDING PRODUCT PORTFOLIO

Customer interest in EDPs has grown significantly alongside the increase in green building projects. Green building schemes, such as the US Green Building Council's (USGBC) LEED, the UK's British Research Establishment Environmental Assessment Method (BREEAM) and the German Sustainable Building Council's (DGNB) DGNB, amongst others, award credits for buildings incorporating products with EPD, which provide added value and comprehensive information for assessing buildings and building structures/elements. In the year under review, the existing LEED product portfolio was expanded to include a large number of adhesives and sealants as well as flooring products, with a particular focus on Europe and North America (USA, Canada). With the increasing number of green building projects in commercial and public construction, and having a product portfolio that contributes to multiple green building requirements, Sika is in a good position to benefit. With the know-how built up over the years in local companies and with the comprehensive product portfolio, a number of LEED and BREEAM projects were successfully acquired in several European countries such as Greece, Serbia, Slovakia or Poland.

REDUCING EMBODIED AND OPERATIONAL FOOTPRINT

With buildings having extensive direct and indirect impacts on the environment, embodied and operational energy and CO₂ efficiency is an essential aspect for building design. In the reporting year, Sika has introduced an "energy-saving calculator" for its roofing business, which enables to quantify the contribution of the roof design on energy and cost savings during a building's use phase. Possible energy savings can be achieved through improved thermal insulation characteristics and/or reflectivity of roofing membranes. Dedicated trainings were held in countries including Spain, Portugal, Netherlands and UK, amongst others. In Spain, for example, the acquisition of first projects was successfully supported by quantifying the benefits of reflectivity of highly reflective roofing membranes in warm climates. In 2019 the focus will be to further introduce the energy saving concept in other key countries in EMEA, Latin America and Asia/Pacific to support sales of insulation and cool roof solutions.

Another initiative in Refurbishment is the development and introduction of a complete range of sustainable cementitious mortars for repairing, waterproofing, levelling, tiling and flooring. The main characteristic of these products is the significant reduction of portland cement by replacing part of it with supplementary cementitious materials, which may otherwise be disposed off in a landfill. In direct comparison with a cement based mortar of equivalent performance, reducing the amount of portland cement results in significant reduction in the embodied energy and carbon footprint. As an example, the existing concrete repair product range will be extended with Sika MonoTop®-910 Eco, a new high-performing one-component ready mix, bonding and corrosion inhibitor primer, which was developed in 2018.

Sika innovates to increase the efficiency of products and solutions along the entire value chain, and thus responds to the market demand for sustainable solutions. Sika is transitioning into a supplier of innovative solutions which enhance the efficiency, durability, and the aesthetic appeal of buildings, infrastructure, and installations. The integrated concepts and solutions address the entire life cycle of a built structure, from initial construction and maintenance through to refurbishment expansion or ultimately demolition.

DISCLOSURE 102-3: LOCATION OF HEADQUARTERS

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DISCLOSURE 102-4: LOCATION OF OPERATIONS

Please consult: Sika Annual Report 2018, page 136 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 and industry.

CUSTOMERS

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

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 the fresh or hardened concrete, such as workability, water tightness, durability, load-bearing capacity, or early and final strength. The demand for admixtures and additives is currently on the rise, particularly 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 cementitious materials in cement, mortar, and therefore also in concrete, leads 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, liquid-applied membranes, waterproofing admixtures for mortars, joint sealants, waterproofing mortars, injection grouts, and coatings. Key market segments include basements, underground parking garages, tunnels, and all types of water-retaining structures (for example reservoirs, storage basins, and storage tanks). Waterproofing systems face increasingly stringent requirements regarding sustainability, ease of application, and total cost management. Therefore, the selection of appropriate waterproofing systems to suit the needs and requirements of owners, as well as the treatment of specific project-related details, is 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. It has been documented for over 50 years that Sika roofing solutions are outstanding performers, reliable, sustainable, and long-lasting. 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 CO₂ emissions. While refurbishment projects continue to gain significance in the mature markets, the emerging markets are moving towards higher quality roof 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 particular 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 current high demand for building alterations and conversion projects 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 fueled by an increasing awareness of the importance of high-performance sealants for the overall durability and energy efficiency of buildings, the increasing urbanization including the larger volumes of high-rise projects, and the continued replacement of mechanical fastening systems by adhesives due to better performance.

REFURBISHMENT

This segment features concrete protection and repair solutions, including repair mortars, protective coatings, grouts, and structural strengthening systems. It also includes products for interior finishing, such as leveling compounds, tile adhesives, and tile grouts, as well as facade mortars for external use. Sika provides technologies for the entire life cycle of commercial buildings, residential properties, and infrastructure constructions. Particularly in developed markets, many structures are decades old and need to be refurbished. The present uptrend in demand is attributable to a rising volume of infrastructure rehabilitation projects in the transport, water management, and energy sectors. The global urbanization trend and the increasing need for renovation in developed markets are also fueling demand.

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), 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, serving the world's leading industrial manufacturers. Customers rely on Sika solutions to enhance product performance and durability, whilst 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 2018

Number of employees	p. 147
Group companies	p. 136 seq.
Net sales	p. 4
Total capitalization	p. 7
Risk management	p. 34
Group strategy	p. 14 seq.

DISCLOSURE 102-8: INFORMATION ON EMPLOYEES AND OTHER WORKERS

The total number of employees at the end of the reporting period was 20,060. Female employees in the Group account for approximately 22% of the total workforce.

REGION	% FEMALE OF TOTAL REGIONAL WORKFORCE
EMEA	21.8
Americas	20.6
Asia/Pacific	22.6
Global Business	23.5
Corporate	31.9

REGION	% OF TOTAL WORKFORCE
EMEA	43.4
AMERICAS	20.8
Asia/Pacific	19.8
Global Business	12.9
Corporate	3.1

ITEM	% OF TOTAL WORKFORCE
Age Groups	
< 30 years	14.8
30–50 years	59.8
> 50 years	25.4
Male employees	77.7
Staff (clerks, lab, production staff incl. shift team leaders)	60.3
Middle management	13.2
Local Company management team	3.4
Top management (Senior Management)	0.8
Female employees	22.3
Staff (clerks, lab, production staff incl. shift team leaders)	18.1
Middle management	3.2
Local Company management team	1.0
Top management (Senior Management)	0.1

Internal promotions within the reporting period (%): 0.8

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

CONTRACT	% OF TOTAL WORKFORCE
Permanent	95.0
Temporary	3.9
Apprenticeship/internship	1.1

Regarding employment contract (permanent and temporary), we do not collect the data for gender distribution, because the number of temporary contracts is regarded insignificant.

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

Contract	Permanent(%)	Temporary(%)
EMEA	41.8	1.6
AMERICAS	20.1	0.7
Asia/Pacific	19.2	0.6
Global Business	11.9	1.0
Corporate	3.0	0.1

Apprenticeship/internship (%): 1.1

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

CONTRACT	NUMBER EMPLOYEES
Full time	19,407
Part time	653
Total	20,060

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 regarded as insignificant.

D. WHETHER A SIGNIFICANT PORTION OF THE ORGANIZATION'S ACTIVITIES ARE PERFORMED BY WORKERS WHO ARE NOT EMPLOYEES

If applicable, a description of the nature and scale of work performed by workers who are not employees.

Sika engages workers employed through employment agencies and service providers in the range of approximately 10% of the total workforce (mentioned in Disclosure 102-8) at the end of the reporting period. These personnel are leased labor who are not on Sika's payroll, but under contract at a labor leasing company. The share of workers can vary 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 2018, Sika employed 777 temporary laborers as part of Sika's workforce to adapt to peak demand.

F. AN EXPLANATION OF HOW THE DATA HAVE BEEN COMPILED, INCLUDING ANY ASSUMPTIONS MADE

The figures have been reported by each individual subsidiary through the central reporting system and aggregated on Group level.

DISCLOSURE 102-9: SUPPLY CHAIN

- Supply chain structure varies per product segment and raw material streams
- Sika manages the supplier base using also social and environmental criteria

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 have to be imported into the country of production. Sand and cement for mortars is 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 approximately 12,000 direct material suppliers from over 16,000 supply locations, for both local and global sourcing. The company strives to work together with local suppliers wherever possible, to reduce lead time, risk, and transport, as well as to increase availability and control quality. Sika's purchasing spend for direct materials corresponds to approximately 45% of total net sales. The total global spend for direct materials and trading goods amounts to over CHF 3,000 million at average exchange rates for the year 2018. The regional split for direct materials is as follows: EMEA 50%, Americas 25%, Asia/Pacific 18% and Automotive 7%.

Sika's diverse customer base includes local construction craftsmen, 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 supply chain of raw materials. This approach is described in this report under 102-11.

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

In January 2018, Sika acquired a majority stake in Index Construction Systems and Products, a leading manufacturer of roofing and waterproofing systems headquartered close to Verona, Italy. By acquiring Index, Sika will extend its product range and significantly strengthen its position in the Italian market.

In July 2018, Sika agreed to acquire Polypag, a leading Swiss-based manufacturer and developer of polyurethane foam systems. This acquisition enhances Sika's expertise in the area of polyurethane foam development, expand its product portfolio and production capacity, and drive forward the specialist trade business.

In November 2018, Sika acquired the global Concrete Fibers business from Propex Holding, LLC, which includes a US plant manufacturing synthetic fibers for use in concrete reinforcement, sales operations in Sika's three geographical regions, and a strong brand. The acquired business is a perfect addition to Sika's concrete systems for high value-added solutions required in the construction of high-rise buildings and demanding infrastructure projects.

Regarding GRI reporting the 2018 acquired companies Index, Polypag and Propex Holding are not yet included in the 2018 figures.

In 2018, the following Sika production facilities were opened:

- New mortar plant Vietnam (Hanoi, March 2018)
- 1st admixture plant Senegal (Dakar, April 2018)
- New admixture factory Saudi Arabia (Dammam, June 2018)
- New admixture and mortar plant Azerbaijan (Baku, July 2018)
- Mortar and admixture factory United Arab Emirates (Dubai, August 2018)
- Automotive plant Mexico (Querétaro, September 2018)
- 2 new admixture plants Kazakhstan (Almaty and Astana, October 2018)
- New admixture plant Russia (Yekaterinburg, October 2018)
- Admixture, mortar and liquid applied membrane (Lima, November 2018)

In the year under review, Sika opened a new subsidiary in Honduras (February 2018). The company is now present in 101 countries with own national subsidiaries..

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 of our insuring partners. Results are translated into improvement plans together with management. This results in an overall low loss rate due to events such as major supply disruptions, and ensures that customers will receive their goods from Sika in time. 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 adheres to a preventative approach and to 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 by 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 followed by Sika companies.

With regards to products and services, Sika follows a 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 to production, distribution to the use phase and the disposal of its products.

DISCLOSURE 102-12: EXTERNAL INITIATIVES

Sika commits itself to genuinely added sustainable value along the entire value chain. Sika's principles are the foundation for the 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. Furthermore, Sika is 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) which was released in the USA at the High-Level Political Forum in July 2018. The SDG Roadmap identified a series of 18 key impact opportunities for the chemical sector to contribute to the realization of the SDGs across a variety of different systemic themes.

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.fipcc.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 Association	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.gbctalia.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 Engineer and Architect Association	SIA	www.sia.ch
Syndicat Français des Joints et Façades	SFJF	www.sfjffbatiment.fr
Syndicat Français des Métiers de la Résine	SFMFR	www.sfmfr.fbatiment.fr
Syndicat National des Mortiers Industriels	SNMI	www.desmortiersdesidees.com

Syndicat National des adjuvants pour bétons et	SYNAD	www.synad.fr mortiers
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
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

- Comprehensive sustainability strategy
- “More Value – Less Impact” refers to Sika’s commitment to maximize the value of solutions and contributions to all stakeholders while reducing risks and resource consumption
- “More Value” and energy targets were met in 2018, while in terms of waste utilization, water consumption and occupational safety the goals were not achieved

DISCLOSURE 102-14: STATEMENT FROM SENIOR DECISION-MAKER

“We are committed to pioneering sustainable solutions to address global challenges, and to achieve this safely with the lowest impact on resources”.

Sika takes a long-term perspective on the development of its business and acts with responsibility towards all stakeholders. We are proud of our sustainability achievements and the fact that we have delivered more value to our stakeholders with less impact on the environment.

Sika is continuously improving its environmental protection and safety performance, through its routine investment planning and maintenance activities. In 2018, Sika spent CHF 14.3 million on technical equipment (previous year: 6.5 million). This corresponds to roughly 6% of total investments of CHF 238.6 million. In addition, Sika invested CHF 30 million (previous year: CHF 26 million) in environment, health, and safety measures, including waste treatment and protecting devices. The total worldwide headcount in this field runs to over 100. Sika employs environment, safety, and sustainability specialists at all its major sites.

MORE VALUE FOR ALL STAKEHOLDERS

Through its products, systems, and solutions, Sika seeks to generate benefits for stakeholders that far outweigh the negative consequences of the production process and resource consumption. Both the right strategy and trust, as well as the dedication of all employees, are 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 which makes up the DNA and culture of the company: Customer First, Courage for Innovation, Sustainability & Integrity, Empowerment & Respect, and Manage for Results. Sustainability has always been part of our identity. We are committed to continuously measure, improve, report, and communicate sustainable value creation. “More value – less impact” refers to Sika’s commitment to maximize the value of our solutions and contributions for present and future generations.

SUSTAINABILITY AS A BUSINESS DRIVER

In this sense, Sika regards sustainability as a business enabler and business driver, with growing relevance in our construction and industrial target markets, and with special relevance in the transportation target market. We strive to be an industry leader by pioneering a portfolio of sustainable products, systems, and services. These products and systems are designed for energy, material, water efficiency, durability, and safe use. Leadership and innovation in technology and sustainability are core elements of the Sika strategy. On the other hand, we strive to improve our own environmental and safety footprint, reducing energy, water, and material demand per product unit, and work without injuries. To achieve these ambitions, we have set mid-term targets for safety and efficiency, holding line management responsible for implementation. As a basis, Sika honors the principles of the UN Global Compact and has adopted the widely used GRI system for its reporting activities.

VALUE CREATION

Sustainability and long term thinking have been in the center of our identity, and continue to be a core element with a wider meaning for the years ahead. We are committed to measuring, improving, reporting, and communicating sustainable value creation.

STRATEGY AND TARGETS 2014–2018 (FIVE YEAR STRATEGY)

As part of its “More Value – Less Impact” sustainability strategy, Sika has been measuring six parameters for the last five years. In 2018, the targets for sustainable solutions, local communities/society, and energy were met, while in terms of waste utilization, water consumption, and occupational safety, the goals were not achieved. The higher number of accidents in the year under review has negatively impacted the 5-year result, whereas between 2014 and 2017 there was a significant decrease of 27%. Overall Sika was able to reduce the amount of waste per ton sold in 2018 by 1.6%. Considering all acquisitions since 2013, Sika could keep the waste rate per ton sold at the same level. The increase in water consumption is mainly caused by acquisitions processed in 2017 which were taken into account in 2018. In the period of 2014 to 2018, the water consumption was reduced by 42%.

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

Relevance: Sustainability is relevant as a business enabler, business driver, and brand message, relevant 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 to reinforce our commitments, we have been signing on to the UN Global Compact.

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. Well aware of this, Sika reacted years ago by introducing a comprehensive risk management system at Group level and for all its subsidiaries. Risks should be identified at an early stage and integrated into 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

Whereas 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 prevent 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 calcium carbonate, sand, and cement, 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 the company, they are required to sign the Supplier Code of Conduct, which covers all principles of sustainability. Suppliers are regularly evaluated by a comprehensive supply risk management process to achieve continuous uninterrupted material

availability, quality, cost competitiveness, and compliance, essential for the business success. The corresponding findings are incorporated into the risk assessment, along with the suppliers' self-appraisals 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 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.

2018 saw significant efforts invested into strengthening Sika's risk management process, with clear enhancements made to enable early identification of potential risks and reinforcement of well-structured risk mitigation strategies. Raw materials are systematically evaluated within Sika to assess possible risks relating to quality and availability, and to determine relevant measures such as maintaining safety stocks or securing long-term supply contracts. Risk mitigation actions are actively developed in collaboration with R&D and Operations to ensure approval of potential alternate suppliers or solutions to mitigate an overall risk. 2018 was again met with a considerable number of incidents, all of which were managed with determined implementation of the above processes and measures to ensure any impact on Sika and its customers were mitigated and all disruptions were avoided.

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 determine, for example, processes and guidelines in the areas of purchasing, quality, environment, health, and safety. The "Sika Corporate Management System" is now accessible to employees all around the world. Together with the statutory regulations, the standards are also documented in the management systems of local Sika companies. Additionally, Sika production companies are certified to ISO 9001:2015 (quality management) and ISO 14001:2015 (environmental protection), and many also to OHSAS 18001 (safety and health). A growing number of larger facilities are also certified to ISO 50001 (energy management).

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. The audits and inspections ensure the effectiveness of processes and related controls. Quality, environment, health, safety, loss prevention and business interruption, product development and technology, legal matters, application risks, IT security, suppliers and products are all subject to audit. In 2018, Sika conducted 182 documented audits throughout the organization. These audits are the following:

- Avanti - The Legal Fitness Test (Corporate Legal)
- Internal Audits
- IT Security Assessment
- PCP Audits (Product Creation Process)
- Product Audits
- Quality Audits
- Risk Audits
- Supplier Audits (Corporate)
- Supplier Audits (Regional)
- Supplier Audits (Local)

Supplier audits are carried out by the purchasing and quality assurance departments on the basis of the risk assessment, and the number of reviews is steadily being increased. In 2018, 52 supplier audits have been executed and supplier audit trainings for more than 20 purchasing and quality assurance employees were conducted.

Sika also regularly audits production and logistics at local companies. This includes recording any risks that may result in production downtime, personal injury, 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 accident prevention and, since 2015, has also operated a global, web-based emergency notification and crisis management service solution.

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 2.0% 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. 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, 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.

SIKA BOLIVIA –

TEAM R&D, OPERATIONS, AND SALES

At Sika Bolivia we understand that teamwork is a key pillar of success. R&D, operations, and commercial staff collaborate to create new ideas and solutions for our customers. Therefore, we are the most important supplier of admixtures and other products for road integration projects in Bolivia. These projects are rising in demand as urbanization continues.



3. ETHICS AND INTEGRITY

- All employees sign the Code of Conduct
- General Managers assure to enforce and train both the 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 edited in 2014 by the Group Management and the Board of Directors. The Code of Conduct is available in 36 languages and has been distributed to all Sika employees through their line organizations. Trainings have been delivered to all subsidiaries. All employees pledged with their signature to uphold these values, and the General Managers assure every year with their signature to enforce and train the values and principles in their organizations. Furthermore, Sika has developed a document stating Sika's Values and Principles. These Values and Principles have been rolled out and training provided throughout the global subsidiaries of Sika.

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 the 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 to provide information on structures and processes, areas of responsibility and decision procedures, as well as rights and obligations of 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

SIKA SOLUTIONS

Sika SolutionsThe Stavros Niarchos Foundation Cultural Center in Athens, Greece. Sika solutions were used for everything from waterproofing the foundations to the roof installations.



5. STAKEHOLDER ENGAGEMENT

- Stakeholders regularly reviewed and consulted
- Materiality considerations driven by stakeholder responses
- Sika Sustainability Advisory Board (SAB) provides impulses 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

In the reporting year, no data was available regarding the percentage of total employees covered by collective bargaining agreements. Sika is present in 101 countries with both small and large subsidiaries. In many of the smaller companies, the number of employees is small 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 are covered in these geographies.

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 a key part of responsible business practices and is key to capturing opinions and insights from across the business.

In the context of the Sustainability materiality analysis, Sika reviewed the various stakeholder groups in the reporting year. A set of stakeholder groups were 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 become a higher 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 needs for re-evaluation.

DISCLOSURE 102-43: APPROACH TO STAKEHOLDER ENGAGEMENT

As part of the periodical review of our sustainability priorities Sika specifically engaged in the reporting year with selected principal internal and external stakeholder groups to review the materiality analysis, last conducted in 2015. The following groups were approached via an online survey to provide input to define 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 has been actively engaging with numerous stakeholder groups, such as associations, sponsoring partners / communities via personal interactions, common projects or platforms, intensifying existing contact, and starting new cooperations. Please consult <https://www.sika.com/en/group/sustainability/people.html> for more details regarding the various initiatives and activities Sika is supporting and contributing to.

The Sika Sustainability Advisory Board (SAB), established in 2016, is an important body providing an independent expert view regarding the direction and implementation of Sika's sustainability strategy and to give further input on sustainability topics to Sika's management and the sustainability team. The SAB consists of 5 members with academia, consultancy and NGO background and has been created to further reduce the company's environmental footprint along the whole supply chain.

In 2018, the SAB met four times, in March, June, August and November 2018. The focus topics concentrated on the target areas “Local Communities/Society” (March), “Compliance” (June), “Sustainable Solutions” (August) and “Less Impact” (November). In November 2018, the SAB met in Cerano (Italy), where Sika Polyurethane Manufacturing S.R.L provided a factory tour, highlighting in particular work place safety.

Local Sika entities regularly engage with their relevant stakeholders on local and national level, though not in a formalized manner. 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 into 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 response 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 will be used to refine our sustainability focus areas and redefine the targets beyond 2018.

The GRI report covers high material aspects. Aspects rated moderate and low are not necessarily covered in the GRI report, but will be monitored on a regular basis. Newly identified issues will be analysed, prioritized and integrated upon relevance.

6. REPORTING PRACTICE

The 2018 materiality analysis largely confirmed the results of the previous years. Stakeholders are more inclined to give importance to all sustainability topics compared to the past.

DISCLOSURE 102-45: ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

A full list of companies is included in the annual report 2018, page 136 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, showing all topics which are identified and prioritized to matter most to our business and stakeholders, which helps focus on those topics that have the highest priority. The information gained through this process can support decisions about the direction of the business and allows the integration of sustainability topics into the core business strategy.

In 2018, Sika reviewed the materiality analysis which analysis, which was last conducted in 2015. This periodical update is important to detect any changes in priority or requirement for re-evaluation. The analysis focused on potential material topics, reflecting 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, reflecting 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, considering different sources:

- GRI Standards
- Dow Jones Sustainability Index
- Previous materiality analysis
- Internal policies and guidelines
- Topics raised up 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 were rated according to 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 taking into account:

- 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

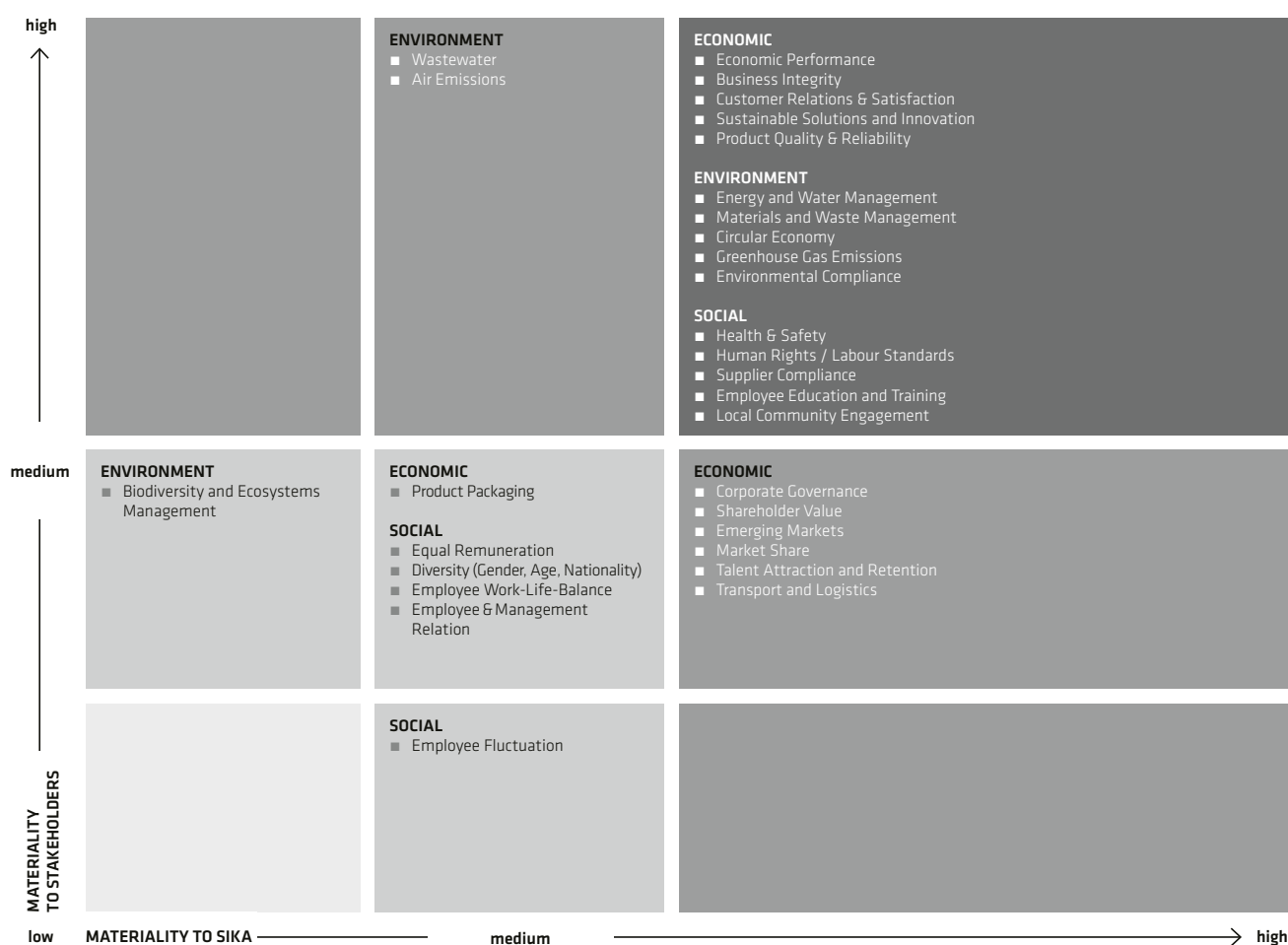
The materiality analysis captured responses from relevant internal and external stakeholder groups across our value chain via an online survey, to prioritize the importance of each topic on a scale from very low to very high.

In this year's materiality analysis process, the online survey was sent to > 1000 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 the entire Sika business. Therefore it was important to engage Sika senior leaders from different departments and regions in the materiality process. In total, 5 Sika Group Management members and 22 senior managers have been involved to evaluate the topics' relevance for Sika's core business, potential reputational impacts and Sika's potential to influence/impact.

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

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



The key findings of the materiality analysis are as follows:

- The results largely confirmed the findings from the previous analysis.
- Overall, stakeholders are more inclined to give importance to all sustainability topics compared to 2015 and 2013. For external stakeholders, the importance of "Local Communities" as a material sustainability topic has lost significance. However, Sika employees confirmed its importance for a local approach.
- Product related topics, such as sustainable solutions, quality, reliability, safe-to-use, and innovation, are leading the field in terms of stakeholder perception. Circular Economy emerged as a new topic.
- Sika Group Management and Sika employees tend to be more demanding with regards to topics considered to be material. This applies especially to social and economic topics.
- Customer are prone to put emphasis on product-related topics. The automotive industry in particular, tends to prioritize environmental issues. Megatrends in vehicle manufacturing and environmental regulations demand to reduce emissions, lead to a requirement 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 been shaping the strategic target areas for the sustainability strategy beyond 2018. The revised strategy will deliver the reference values for sustainability related action in the period 2019 to 2024.

Regular engagement with Sika stakeholders helps us to identify, understand, prioritize and communicate how we are addressing the most material areas in our business.

MATERIALITY COMPLETENESS

The report takes into account all significant impacts of Sika along its value chain. The reporting processes ensure that the data collected includes the results from all entities with significant impacts regarding 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 to define the content of the report identified the following topics as most material for Sika and 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 aspect	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	Building systems such as: owners, architects, designers, specifiers, contractors cement and concrete customers; automotive customers
Customer Relations & Satisfaction		Globally	Building systems like: 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	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 like: 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	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

No restatement of the 2017 report was made.

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 reconfigure their reporting, data collection, and submission practices to the Sika data system until the end of the second full year after completion of the transaction.

In 2018, 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 fifth report and covers the 2018 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 2018 has not been externally assured.

MANAGEMENT COMPETENCE

The eight members of Sika's Group Management. In the background is "The Circle" – currently Switzerland's largest construction project and a commercial extension of Zurich Airport. Sika has been helping make the architecturally challenging, 180,000 m² building complex a reality by contributing comprehensive expertise as well as system solutions and products right from the start of planning. The company's waterproofing systems, concrete admixtures, mortars, corrosion protection systems, and coatings are being used in the project. "The Circle" is due to open in fall 2020.



GRI 200: ECONOMIC

GRI 201: ECONOMIC PERFORMANCE

- Growth in all regions
- Sales reach CHF 7,085.4 million (+13.6% in local currencies)
- Operating profit (EBIT) increased to CHF 945.9 million (+5.5%)
- Net profit up 5.9% to CHF 687.1 million
- 11 factories opened, 1 national subsidiary established, 4 acquisitions

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 to maintain 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. Further, economic health enables Sika to share value created with its various stakeholders, be a reliable employer, an attractive long-term investment opportunity, a responsible taxpayer, and a good corporate citizen, helping communities to flourish. Eventually, economic value creation simultaneously helps improve the economic, environmental, and social conditions of Sika and its stakeholders, and is therefore an aspect of high importance.

DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS

The Sika growth model is synonymous with long-term success and profitable growth. By focusing on market penetration, innovation, expanding emerging markets, and acquisitions – and driven by its strong corporate values – Sika is growing successfully. With the positive development of business, the establishment of one further national subsidiary, and the commissioning of eleven new factories and four acquisitions, Sika took a further major step forward in the implementation of its strategic targets for 2020.

Along with its annual growth target of 6–8%, Sika is seeking to achieve an EBIT margin of 14–16% and operating free cash flow of more than 10% of net sales by 2020. At the same time, the return on capital employed (ROCE) should amount to more than 25%. The Group's international expansion is to be further driven forward over the same period by 30 additional factories and five new national subsidiaries. The unknown outcome of Saint-Gobain's hostile takeover attempt remains an element of uncertainty for the future.

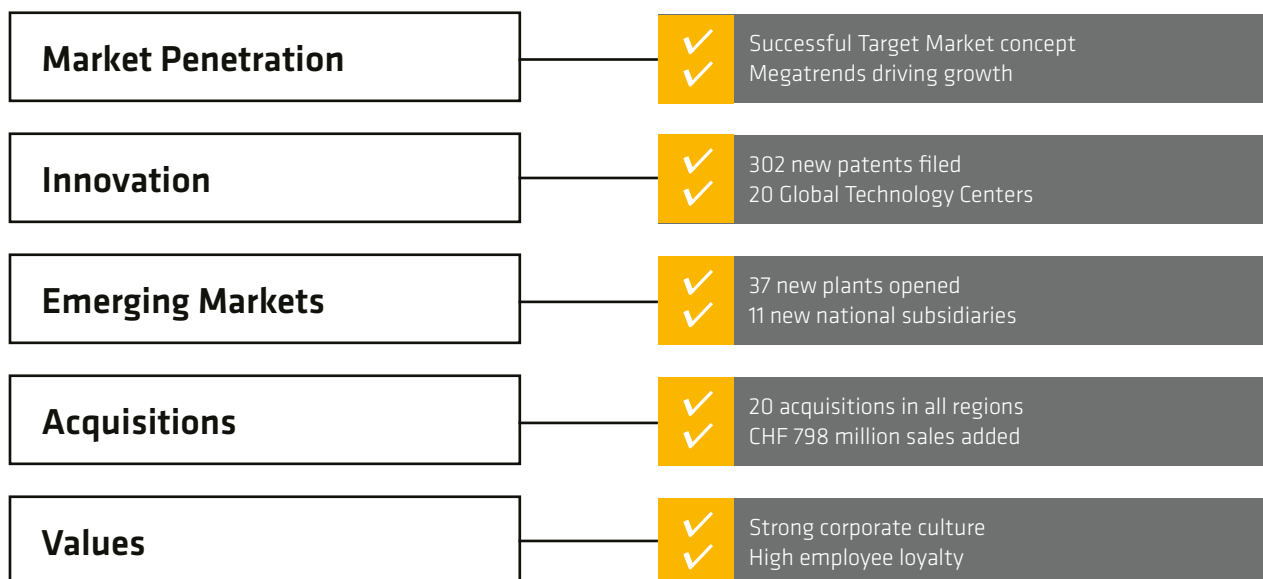
The management approach for economic performance within Sika includes the following components:

- Commitment: Sika's success directly benefits all stakeholders.
- Building Trust: The Sika Growth Model ensures the long-term success and the profitable growth of our company.

GOALS AND TARGETS

Sika has defined financial targets that are tailored to the Group's strategy of growth. These targets include net sales growth, profit, cash flow, and return on capital employed. With regard to the More Value – Less Impact campaign, Sika's 5-year target plan for 2014–2018 has been defined in 2013. At group level it includes the following target for profitability, which enables the company to distribute economic value: Sales Growth > 6–8%.

The five strategic pillars, market penetration, innovation, emerging markets, acquisitions, and values, are not only the foundation for growth, but they also drive improvements in margins, cash flow, and return on capital. Within the framework of the growth model, various initiatives contribute to the achievement of the strategic targets.



- Key investments in the accelerated expansion of the supply chain in growth markets, new national subsidiaries and acquisitions drive growth and margins. Since 2015, Sika has invested in 37 new plants, 11 new national subsidiaries and 20 acquisitions.
- Investments in R&D lead to the launch of a large number of new products in all target markets every year. Sika spends approximately 3% of sales on R&D annually.
- Globally organized procurement coordinates purchasing in all regions, resulting in more price efficient sourcing.
- Focus on pricing with global pricing tools and monthly pricing reporting.
- 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.

RESPONSIBILITIES

Overall responsibility with regards to financial performance at group level, remains with the Group CFO, CEO, and the Board of Directors. Since the Sika 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 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. 148)

Item	mn CHF	%
Total sales	7,085	100.0
To suppliers	4,622	65.24
Net value added	2,261	31.91

TABLE 2

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

Item	mn CHF	%
To employees	1,348	59.54
To Sika	404	17.84
To shareholders	283	12.50
To governments	206	9.10
To lenders	23	1.02
Total	2,264	100.00

Sika donated and supported local communities in the amount of CHF 3.4 million which accounts for 0.15% of the net value added. (GRI 413.1)

GRI 205: ANTI-CORRUPTION

- Code of conduct implemented, local versions in 36 languages
- Responsibilities for compliance on corporate, regional and local level
- Compliance confirmation by all subsidiaries
- Training and reporting through e-learning and 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 in particular the economic development of developing countries.

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. Sika's Values and Principles reflect the Group's management style and culture, which is built on trust, personal responsibility and full transparency at all levels.

DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS

Sika's management approach for anti-corruption is intended to avoid negative impacts.

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 gift, 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, like trips or gifts of any kind, which is intended to influence the receiving person's decision to obtain an improper advantage for the person or entity offering the favor. Except for ordinary gifts and entertainment which do not aim at an improper advantage, it does not matter how big or small the favor or the advantage is, it is still considered bribery or corruption and 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, reasonable gifts and entertainment (meals, sports, 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 Sika companies have implemented 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 the Code of Conduct. The rules must also provide for authorization from management 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 concerning bribery and corruption within its own operations and with its suppliers.

GOALS AND TARGETS

Sika does not tolerate any incident of corruption.

RESPONSIBILITIES

Compliance is considered mainly a line management responsibility, in particular 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 to ensure 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 to raise 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 elements of Sika's CM are the Compliance Organization, the digital learning on the Code of Conduct and the Sika Trust Line, the web-based reporting platform where employees may report serious misconduct or breaches of Sika's Code of Conduct in a confidential environment, whenever reporting to other more immediate existing resources, like line management or other specialists, is not feasible or adequate. In this way, the compliance function contributes to the Group's performance by providing a framework to preserve and strengthen Sika's corporate 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 36 languages, please consult:
www.sika.com/content/dam/Corporate/01_General/publications/Policies/sika_code_of_conduct_final_en_20131018.pdf
- Localized Gift & Entertainment Policies
- Supplier Code of Conduct, please consult:
www.sika.com/en/group/Aboutus/SikaProfile/suppliers/sourcing_governance/code_of_conduct.html
- Procurement Manual (Ethics Reports)

SPECIFIC ACTIONS

Compliance Confirmation: As part of their duties and responsibilities, General Managers at Sika ensure that their companies operate in compliance with applicable laws and Sika's internal regulations. In 2018, all General managers renewed their commitment to lead with Integrity by signing a "Compliance Commitment/pledge", which explains and details what this implies in their daily business.

No corruption cases have been reported in any of the more than 100 Confirmations submitted which comprise all of Sika's legal entities.

- **Compliance Commitment 2018–2019:** General Managers of all Sika companies confirm for each fiscal year compliance of the corresponding Sika Company with the Code of Conduct principles, including information to and training of all staff. This annual confirmation allows Sika to receive assurance that the business had been conducted throughout the organization in compliance with the Code of Conduct principles, with particular focus on the following specific topics: Environment, Anti-corruption, Anti-trust and Human Rights Assessments. New General Managers and new Sika Senior Managers have confirmed their pledge to lead with integrity by signing the "Compliance Commitment 2019". All GMs and Sika Senior Managers are required to renew their Compliance Commitment every two years.
- **Strengthening of the Sika Compliance Organization:** During 2018, Sika further strengthened their Compliance Organization. The Compliance Officer held the annual Compliance Circle at Sika's headquarter, in August. The purpose of this meeting was to align the team, exchange experiences and develop shared knowledge with the aim to implement a consistent program throughout the Group. As of January 1, 2019 a new Head of Legal & Compliance for the Global Business was appointed and joined the Compliance team. Complementary to the Regional and Area level, Local Compliance Officers support compliance initiatives and give guidance to business in compliance-related matters on local level. The Compliance Team provides guidance to the Group on compliance matters, develops new tools and procedures, addresses compliance cases with the support of other corporate functions having compliance responsibilities (HR, Controlling, EHS, Quality, Procurement, etc) and always in close cooperation with line management. Regional Compliance Officers and Local Compliance Ambassadors operate in close cooperation with the Regional Managers, Area Managers and GMs.
- **Compliance Checklist 2018:** The Compliance Checklist (2019) to support GMs to accomplish their compliance duties and guide them on Sika's Compliance Program, its minimum requirements and best practices of implementation – in different areas – to minimize compliance risks (i.e. Procurement, Controlling, HR, etc.) is under review and will be released in Q1/2019.

- Group Audits: Compliance with Sika's Code of Conduct and other Corporate Policies and Manuals is monitored through regular Group audits (117 in 2017) and legal supervision of the local companies and General Managers.
- **Supplier Management:** Sika's Supplier Code of Conduct requests suppliers to respect Sika's zero-tolerance policy concerning bribery and corruption and 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 sub-contractors 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 Code of Conduct.
- **Training/new e-learning:** Anti-corruption is part of the Code of Conduct training for all employees and General Manager briefings. Employees are regularly reminded, at least once a year, of these rules. Corporate functions regularly conduct training sessions and audits. 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 in addition to regular class training events. The program includes a specific section on Gifts & Entertainment and bribery risk. In 2018, the e-learning program on the Code of Conduct earned the "Silver" Brandon Hall Award in the "Best Compliance Training" category. More than 300 managers have been trained by the Group Compliance Officer. With regard to compliance training, Sika continues to align the content of the Sika Business School to enhance ethical leadership. In 2018, several cross-functional trainings initiatives at regional and local level informed about the importance of the Code of Conduct, an introduction on the new compliance organization, and the main tools available to support management in mitigating risks. To enhance the post-acquisition integration on Compliance of 2 big acquisitions closed in 2018, around 1,000 employees of the FAIST Group and Index in Italy were aligned with Sika's compliance policy framework and trained on compliance risk and available tools.
- **Internal Reporting Tool:** To preserve and foster Sika's strong culture of trust, integrity and transparency, Sika has developed a new web-based reporting platform, the Sika TrustLine (available in more than 20 languages). It has been rolled-out throughout the organization as part of an Awareness Raising Campaign on Compliance, together with the new e-learning program. The Sika TrustLine is an externally hosted reporting channel where Sika's employees may raise legitimate complaints regarding serious misconduct, such as corruption incidents, and/or breaches of Sika's Code of Conduct, in a safe and confidential environment, whenever reporting to other most immediate existing resources, like line management or other superiors, is not feasible or adequate.
- **Anti-fraud:** Thanks to the cross-functional Fraud Awareness Initiative launched in 2017 by the Controlling function, Sika was able to mitigate cases of attempted external fraud, such as Social Engineering (CEO-fraud or "President" Fraud) and the receipt of Fraudulent Invoices. Though the overall risk is growing due to an improved level of sophistication and an increased number of external cyber-attacks, Sika's employees have been trained with ad hoc sessions and provided with material to help them identify and report at Regional and Corporate level fraud attempts at an early stage. With regard to internal fraud, the above training initiative has 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, through checklists, which list typical red flags to support the monitoring and auditing activities in identifying fraud schemes. In 2017, the Regional Controller/Compliance Officers have cascaded within the organization to all Area and Local Controllers their first training.
- **Awareness Campaign on Compliance:** In 2018, as part of the internal Global Awareness Raising Campaign on Compliance, Sika progressed in the roll-out internal Global Awareness Raising Campaign on Compliance, covering additional 24 countries and training more than 7,000 employees in the different regions. The global awareness campaign focusses on an e-learning program on the code of conduct, and the Sika Trust Line, an internal web-based platform for reporting serious misconducts.
- **A defined procedure on reporting** and an aligned communication campaign throughout the organization about the Sika Trust-Line support a speak-up culture and deter misconduct.
- **Compliance Audit Program:** A proposal to introduce a Compliance Audit Program covering anti-corruption, antitrust, third parties screening and ethical leadership is under review. During 2019, the Compliance function will define the most effective plan, tailored to the organization's needs, in close cooperation with Group Management and subject to the approval of the Audit Committee.
- Support of Transparency International: Sika financially supports Transparency International in its global fight against corruption
- **EU General Data Protection Regulation (GDPR):** Privacy regulation is becoming more complex with the proliferation of new technologies, in an increasingly data-driven world. On May 25, 2018 the EU General Data Protection Regulation (GDPR), which qualifies as the most important change in the last 20 years, became enforceable. To comply with the GDPR requirements, Sika has performed a risk-assessment and implemented a program covering in 2018 25 European countries (EU/EEA) and 47 Sika companies. During Phase 2, the organization will be extended globally, so as to include also other countries and Regions in the future (CH, APAC and the Americas). A general e-learning for all EU employees on the main principles of the GDPR has been developed internally and will become available in 2019 in 22 local languages.
- **Sanctions/Embargos:** Sika is operating as a global company and committed to meeting economic sanctions and export control obligations, as they relate to movement of products/services across borders, including payments/financial flows. Based on a renewed global sanction risk assessment, Sika identified some critical countries, which require a targeted program for managing and monitoring sanctions risk. Sika also defined actions to mitigate risks and closely monitors developments.

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 monitor improvements.
- **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 applicable laws. A standard incident reporting and response process has been developed to provide guidance to Sika's management on the procedures to be followed in case a criminal act or a material misconduct is suspected or detected. 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 TrustLine are automatically forwarded to the Group Compliance Officer who shall conduct 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 Directors about known compliance cases and corrective action taken.
- **General Managers' briefings:** General Managers 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

Those who wish to lead must set an example. Sika both supports and challenges its managers at all levels. In 2018, more than 300 managers have been trained by the Group Compliance Officer.



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 to commit to respect Sika's zero-tolerance policy concerning bribery and corruption. Suppliers must 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 approach to anti-corruption is based on the Code of Conduct, which clearly prohibits bribery and corruption. Compliance with the Code of Conduct as an integral part of the employment contract and the onboarding program is the personal responsibility of each Sika employee. In addition, they are trained at least once a year. Corporate Legal, Internal Audit and Corporate Compliance team functions regularly conduct training sessions and audits. General Managers are responsible for the compliance of their companies with applicable laws, internal regulation, including the Code of Conduct, and for the information and training of their staff.

DISCLOSURE 205-3: CONFIRMED INCIDENTS OF CORRUPTION AND ACTIONS TAKEN

Please consult: www.sika.com/en/group/sustainability/StrategyandManagement/transparency.html

Adoption of and compliance with the Code of Conduct by the General Managers and their management teams was reviewed again in 2018, and conformity confirmed in a reporting system, the "Compliance Confirmation". The 100% response rate and completeness of the details provided suggest absolute compliance. For the first time, Sika has consolidated an overview of all compliance cases addressed in 2018, at any level, throughout the organization.

The total number of compliance cases in 2018 totals 30, which is a very low number considering the size of the Group. Our employees are the most effective channel to detect violation, which proves that transparency is a key value at Sika and needs to be preserved. 90% of dismissals (+ 2 resignations) confirm a zero tolerance culture and consistency in remediation.

Conflict of Interest and Internal Fraud are most recurrent types of corruption and (local) management being the most exposed Group. In 2018, out of 5 alleged cases for misconduct submitted through the Sika Trust Line, 2 were not substantiated. There has been no case of abuse or misuse of the new reporting platform.

GRI 206: ANTI-COMPETITIVE BEHAVIOR

- Anti-competitive behavior prohibited by the Code of Conduct
- Compliance assurance by all General Managers
- Auditing and briefings 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 applicable cartel and antitrust laws.

"Fair Competition" in the Code of Conduct, 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 antitrust laws. This particularly relates to 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

In order to support General Managers to fulfill their compliance duties, a "Compliance Checklist 2019" has been developed and distributed. The checklist contains minimum requirements and best practices to minimize compliance risks. It is a tool for General Managers to measure compliance of their companies with Sika's Code of Conduct, monitor identified risks, prevent and detect misconduct, and plan corrective actions. The checklist will be regularly reviewed and improved to make it as effective as possible.

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 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 applicable laws. A standard incident reporting and response process has been developed to provide guidance to Sika's management on the procedures to be followed in case a criminal act or a material misconduct is suspected or detected. 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. Corruption reports generated via the Sika TrustLine are automatically forwarded to the Group Compliance Officer who shall conduct 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 corrective action taken.
- **General Managers' briefings:** General Managers are regularly instructed and briefed about anti-competitive behavior requirements in the companies. To support the preparation on the roll-out of the Awareness Campaign on Compliance, the Compliance Manager has trained in 2018 more than 300 managers.

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 fourth year, and as part of his/her duties and responsibilities, each General Manager at Sika has signed and submitted the annual "Compliance Confirmation" to Group Compliance, which allows Sika to monitor and get assurance that business throughout the organization has been conducted in compliance with applicable laws and the Code of Conduct, including anti-trust regulations.

In 2018, there have been no cases, fines or legal actions for anti-competitive behavior, anti-trust or monopoly practices.

ETHICAL CONDUCT

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



GRI 300: ENVIRONMENTAL

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 resins products, polymeric roofing and waterproofing membranes, cementitious mortars, polymer concrete admixtures or parts products 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, like chalk, titan 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 and price volatilities, as well as 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, management and efficient use of input materials have become very important focus points for Sika.

Materials are not only an important aspect with regards 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, like 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 from supply chain disruptions and price volatility on its production and financial performance and secondly, providing sustainable, value-added solutions to its customers.

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

COMMITMENT

Sika strives for an efficient use of input materials, 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 internal 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, transforming also Sika's own manufacturing-processes, supporting greater efficiency of Sika's operations and reducing dependency on raw materials. On the other hand, Sika manages the waste streams.

RESPONSIBILITIES

The responsibility with regards 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 is responsible for the worldwide, reliable, and on-time supply of raw materials. 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, following 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 has various waste reduction programs, e.g. avoiding waste through internal recycling of adhesives, reducing 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 4.0 million tons, excluding trading goods and water (previous year: 4.1 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 like castor oil or alcohols. This fact is mainly due to unavailability, economic viability, or ineffective application of formulation as compared to non-renewable feedstock. However, the company constantly explores 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 originates due to cleaning, trials, color changes, repair and maintenance, and other non-continuous operations as reported in the section on waste.

Sika strives for an efficient use of input materials. 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 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 of the downstream industries, like in 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 2018 materials used is around 1.6% (previous year: 1.2%), regained from used products. This figure is reported through operational reporting. For many other secondary materials, such as packaging or solvents, local Sika companies use circular systems or rely on the recycling systems in place in many countries today.

SIKA PERU – TEAM OPERATIONS

In 2018, Sika opened a new plant for the production of concrete admixtures, mortar products, and acrylic liquid applied membranes in Peru.



GRI 302: ENERGY

- Acquisitions of factories with very energy intensive production processes
- Reduction of energy consumption per ton sold of 4.4% p.a. during the last 5 years

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 industry, specifically the chemical industry, Sika sees it as its responsibility to minimize its impact with regard to climate change by reducing its energy consumption. Sika believes that energy efficiency and mitigation of emissions are major drivers of its overall efficiency effort and 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 large role in production processes.

Sika products, like grinding aides 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 aiming at reducing energy consumption and resulting CO₂ emissions 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 CO₂ 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

Sika's 5-year target plan for 2014-2018 includes the following target for energy consumption:

- 3% less energy consumption per ton and year.

RESPONSIBILITIES

Energy efficiency of Sika's operations is the responsibility of line management reporting to the CEO. At local level, operations are responsible for helping to reach Sika's targets with regard to energy efficiency, and for setting and achieving local targets accordingly.

SPECIFIC ACTIONS

- **Life Cycle Assessment (LCA):** Sika sets out to carry out 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 building energy management systems according to ISO 50001, which allow 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 according to ISO 50001, allowing for continuous efficiency improvement by evaluating and acting upon 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 third 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, given 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 based on hydropower contracts resulting in a much lower carbon footprint compared to national mean values. The renewable portions are deducted before calculating the scope of the CO₂ footprint from purchased electricity.

2. TOPIC SPECIFIC DISCLOSURES

DISCLOSURE 302-1: ENERGY CONSUMPTION WITHIN THE ORGANIZATION

Sika used 1,971 terajoule (TJ) of energy (previous year: 1,961 TJ), 44% directly from non-renewable primary energy conversion and 56% from purchased electricity. The fuel types used for direct energy (875 TJ) are light liquid fuels (38%) and natural gas (62%).

Total Energy Consumption	1,971 TJ	
Non-renewable	875 TJ	Light liquid fuels, coal (in China), natural gas
Electricity	1,096 TJ	From renewable and non-renewable sources, depending on local power generation
Renewable Electricity	13 %	Green electricity (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, Sika uses around 44% of total energy consumption from its own energy conversion, 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 believes that energy efficiency and mitigation of emissions are major drivers of its overall efficiency effort. Energy is further a relevant cost factor for Sika.

Therefore, the company has set a target at Group level for energy consumption to achieve efficiency gains of 3% each year in relation to production volumes. Some of our subsidiaries have started energy efficiency programs according to ISO 50001.

ADDITIONAL INFORMATION ON LEASED VEHICLES AND TRAVEL

In addition, the leased car fleet consumed 288 TJ (317 TJ in 2017) of energy and business travel amounted again to 204 TJ (234 TJ in 2017). 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/

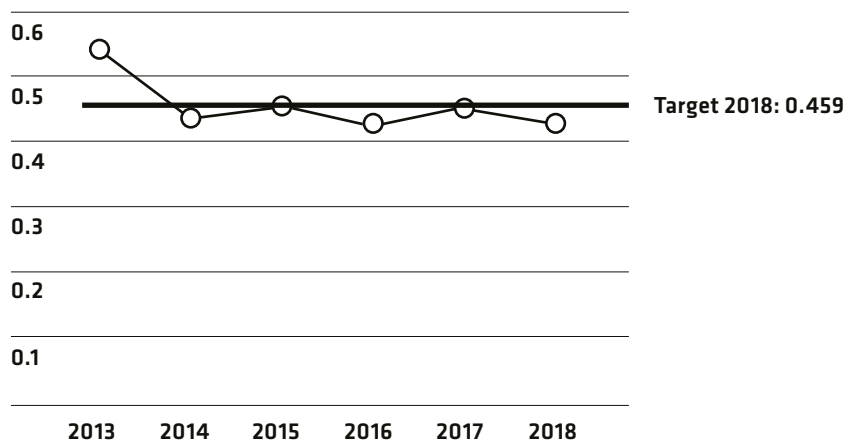
DISCLOSURE 302-3: ENERGY INTENSITY

Energy intensity is the ratio between the total energy consumed by the company and total tons sold. Energy consumption per ton sold added up to 424 megajoules (previous year: 450 megajoules). The decrease in energy consumption is a consequence of a global strategy: 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 on 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 in 2018 also resulted in fuel reduction. Energy audits and participation at energy networks promoted energy awareness throughout the company.

DISCLOSURE 302-4: REDUCTION OF ENERGY CONSUMPTION

Over the past 5 years Sika has reduced the per ton energy consumption by 22% (target 15%), which is an average of 4.4% per year.

Energy (GJ) / ton sold



GRI 303: WATER

- Reduction of water consumption per ton sold of 42% over the past 5 years
- Sika 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 is the case for production facilities in certain areas of the Middle East, Latin America, South East 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. Particularly in regions where freshwater is scarce, businesses may be exposed to water shortages, decline in 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 attribute of many products of Sika's is waterproofing. Through the application of its products, Sika has an impact on reducing water loss and increasing water quality, for example in drinking water reservoirs. Additionally, Sika offers its customers solutions which reduce water input in concrete production by up to 15%, applying 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 by its own operations and to contributing through its products to the reduction of water use and the increase of water quality.

GOALS AND TARGETS

Sika's 5-year target plan for 2014-2018 includes the following target for water:

- 3% less water consumption per ton and year

RESPONSIBILITIES

Water efficiency in Sika's operations is the responsibility of regional management reporting to the CEO. At the local level, the operations manager is responsible in helping to reach Sika's targets with regard to the reduction of water use and for setting and achieving local targets accordingly.

SPECIFIC ACTIONS

- **Life Cycle Assessment (LCA):** Sika carries out 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 and 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 allows 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 started to compare water consumption per product unit internally through factory reporting and to benchmark with other similar companies.

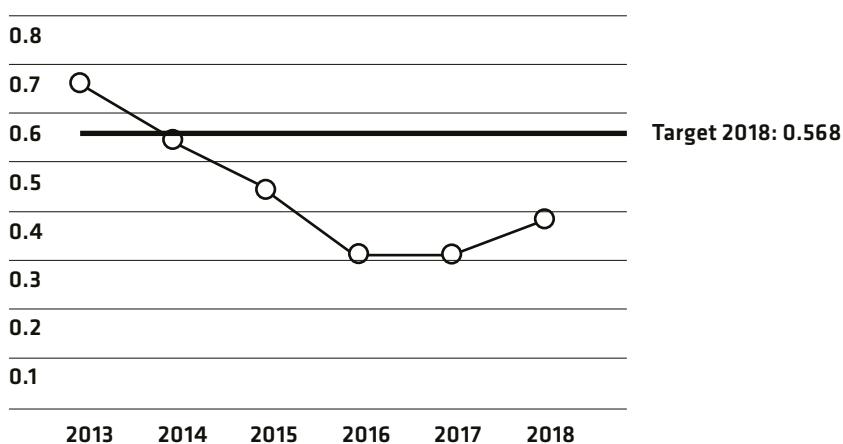
Furthermore, Sika monitors and evaluates the effectiveness of its management approach according to target achievement.

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 like sanitary facilities. Sika uses around 2.6 million m³ (previous year: 2.1 million m³) both from public supply (59%) and groundwater wells (41%). In water-rich areas, like Switzerland, the UK, and Eastern USA, cooling water is mainly obtained from ground water wells in line with local permits. Cooling and process water makes up 39% of Sika's water use. The company strives to increase water efficiency and has set the target to reduce water consumption by 3% per ton of product sold and year. This target has been achieved over the past 5 years with a total reduction of water consumption of 42%.

Water (m³) / ton sold



Water sources:

- Surface water: 33,000 m³ (previous year: 27,000 m³)
- Ground water: 1,050,000 m³ (previous year: 629,000 m³)
- Public supply: 1,524,000 m³ (previous year: 1,444,000 m³)
- Rain water: A few factories have started to use rain water as 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 waste water 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: 825,000 m³ (previous year: 877,000 m³)
- Sanitary water: 492,000 m³ (previous year: 461,000 m³)
- Water in products: 800,000 m³ (previous year: 722,000 m³)

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

SIKA CAMBODIA - TEAM SALES

Quality Control, and Concrete Laboratory. As a pioneer in the Cambodian market, Sika supplies the full range of products to meet the requirements posed by urbanization. With the expansion of our production capacity, we intend to meet the increasing demand of more than 3,000 ongoing projects.



GRI 305: EMISSIONS

- GHG-rate reduction of 7%
- Sika reduces GHG emissions by managing energy consumption and avoids GHG emissions by promoting renewable energy sources

1. MANAGEMENT APPROACH DISCLOSURES

Emissions are a material topic for the company. All non greenhouse gas emissions are managed and controlled locally in the operating facilities. Greenhouse gas emissions (GHG) are a result of combustion processes to generate heat and power for production processes and facilities, transportation, and travel. Therefore, Sika manages GHG emissions through managing energy consumption. Please refer to GRI 302.

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 CO₂). Sika uses various fuels for its own energy conversion. Around 44% of the energy is converted in Sika sites amounting to CO₂ emissions of around 48,000 tons (previous year: 53,000 tons).

DISCLOSURE 305-2: ENERGY INDIRECT (SCOPE 2) GHG EMISSIONS

Indirect energy conversion results in greenhouse gas emissions (CO₂) depending on the primary energy used in the country's electric power generation mix. Therefore, a shift from the company's own power generation to purchasing electrical power may positively or negatively impact Sika's total carbon footprint.

To obtain an informed estimate, we use the Greenhouse Gas Protocol calculator to quantify the scope 2 emissions. However, in some cases, e.g. Germany and the USA, Sika has contractual agreements with power suppliers to procure "green" power, e.g. from hydro-electrical conversion or solar suppliers, which have a smaller carbon footprint than the average footprint of energy generation in the country. In these cases, Sika deducts the renewable amount from total consumption, before converting into CO₂. For the year under review, calculated CO₂ emissions from third party power supply amounted to around 109,000 tons for the Group (previous year: 102,000 tons). All values reported are location based as an aggregate of all indirect energy consumption.

DISCLOSURE 305-3: OTHER INDIRECT (SCOPE 3) GHG EMISSIONS

The company also evaluates the carbon emissions from travel and leased vehicles. Extrapolations of available data show a footprint of 20,000 tons of CO₂ for the leasing fleet and 14,000 tons of CO₂ for business travel for the entire Group in 2018 (previous year: 22,000 and 16,000 tons respectively). Both figures are derived from samples of approximately 72% of total leasing car energy consumption and approximately 48% of total travel contracts both extrapolated to 100% of the fleet and travel, respectively. The company uses conversion factors as published by the IEA, International Energy Agency.

DISCLOSURE 305-4: GHG EMISSION INTENSITY

The company generates 41 kg CO₂ per ton sold from direct and indirect energy used for the conversion of raw materials into finished goods, including travel and own transportation.

DISCLOSURE 305-5: REDUCTION OF GHG EMISSION

The company has set an energy efficiency target of 3% less energy consumed per ton sold and year. Cumulatively, the target has been achieved in the five past years. As Sika is not engaged in other CO₂ generation through, e.g. land use or conversions like cement production, we do not set separate CO₂ targets. The energy reduction efforts have resulted in a GHG-rate reduction of 7.2% from 44.3 kg in 2017 to 41.1 kg CO₂ per ton sold in 2018.

GRI 306: EFFLUENTS AND WASTE

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

1. MANAGEMENT APPROACH DISCLOSURES

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

Since Sika is a chemical company, stakeholders and communities close to Sika's production sites in particular, 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 disposal of waste.

Waste resulting from Sika's production amounted to 85,000 tons in 2018, which represents around 2.1% of the material volume. Efficient use of input materials for production and recycling of materials resulting in a reduction of waste, is one of the key priorities for Sika. Water discharge is strongly 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 it as its responsibility to contribute to reducing waste of its customers through better product durability, application methods, and optimization of packaging material like foil packs, mini-packs, plastic pails instead of metal, applicator tools, et.al.

DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS

Through its management approach, Sika seeks to reduce waste resulting from production, as well as products and packaging. With regards to water discharge, Sika complies with national requirements. Sika manages the disposal of waste through management systems according 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, and improving the packaging design, resulting in less 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

Sika's 5-year target plan for 2014-2018 includes the following target for waste:

- 3% less waste per ton and year

RESPONSIBILITIES

Effluents and waste efficiency of Sika's operations are the responsibility of regional management reporting to the CEO. At local level, the operations manager is responsible for helping to reach Sika's targets with regard to waste reduction, 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 and 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 allows 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 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 1.2 million m³ of water (previous year: 1.2 million m³) in conformity with local legislation and permits. In many Sika factories, process water is collected in tanks, and cleaned in own or external treatment facilities. If collected and treated on site, water is tested as per 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, like quantity and chemical limit values, which the companies are bound to. 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: 0.67 million m³ (previous year: 0.55 million m³)
- Water to surface water bodies: 0.56 million m³ (previous year: 0.64 million m³)

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 are packaging materials, cleaning materials, out of shelf life finished goods, and maintenance goods like oils and other utilities.

In total, Sika generated around 85,000 tons of waste (previous year: 80,000 tons), which accounts for around 2.1% of total volume handled by Sika (previous year: 2.0%).

Approximately three quarters of the waste is non-hazardous. The category of reuse describes waste which finds a secondary use at lower value or a way into reprocessing, like metal recycling. Sika manages the disposal of waste through management systems according to ISO 14001 regulating the flow of materials and local documentation. ISO 14001 is in place at all production sites.

Total weight of non-hazardous waste:

- Non-hazardous: 66,000 tons (previous year: 63,000 tons)

Disposal method:

- Landfill: 29,000 tons (previous year: 27,000 tons)
- Incineration: 8,000 tons (previous year: 7,000 tons)
- Reuse/Recycle: 29,000 tons (previous year: 25,000 tons)
- Others: 0 tons (previous year: 4,000 tons)

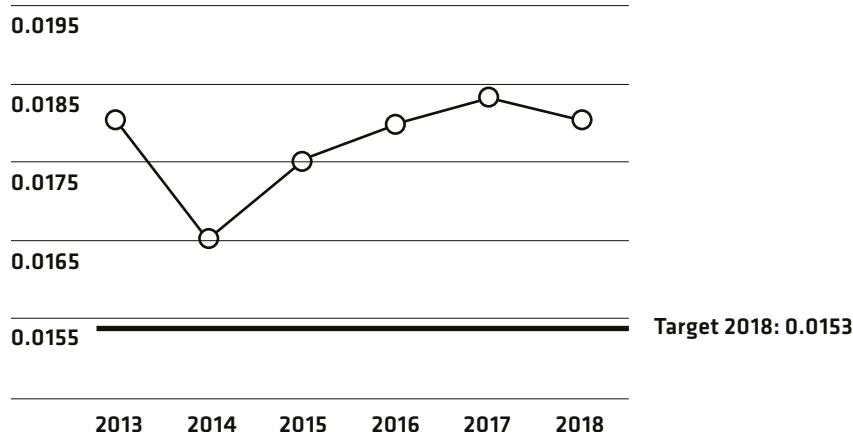
Total weight of hazardous waste:

- Hazardous: 19,000 tons (previous year: 17,000 tons)

Disposal method:

- Incineration: 19,000 tons (previous year: 17,000 tons)

Waste (ton) / ton sold



The company strives to increase material efficiency and has set a reduction target of 3% waste per ton of product sold and year. This goal was neither achieved in the current year nor cumulatively over the past 5 years.

However, overall, Sika could reduce 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. In addition, water from cleaning processes (tanks, bulk delivery trucks and gas scrubbers) was re-used. 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 amount of expired products.

In conclusion, taking into account all acquisitions since 2013, Sika was able to keep the waste rate per ton sold at the same level.

Large amounts of waste are minerals or sand from sand drying, oversized or undersized sieve residues or dust from air-filters and cleaning of mortar facilities. Amounts vary widely over the years 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 to take these inert materials 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 products. For example, the company has established a recycling regime for used roofing membranes in the USA, and the recycled material is used in the manufacture of new membranes. Within their ISO 14001 management systems, the local companies are bound to find a compliant, cost-effective, and efficient method of disposal and to keep the necessary documentation for the transfer of waste to the disposal endpoint.

DISCLOSURE 306-3: SIGNIFICANT SPILLS

Sika recorded 8 significant spills contained locally without environmental damage.

GRI 307: ENVIRONMENTAL COMPLIANCE

- Sika's major subsidiaries are certified according to ISO 9001 and 14001 as well as OHSAS 18001
- No deviation from the compliance standard in 2018

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 widely between regions and countries.

DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENT

Sika delegates the responsibility for environmental compliance to the operating subsidiaries. Each subsidiary has to sustain management system according 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 assure that no compliance failures have occurred or fines have been incurred, and verify this to the Group Compliance Office annually.

DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH

Sika perceives 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

In 2018, Sika incurred no significant fines for non-compliance with environmental laws and regulations. Sika strives for full legal and regulatory compliance, which are the foundation of its business. Therefore, all ISO-certified subsidiaries have a process in place to help them understand regulatory requirements and changes. They maintain certified management systems according to ISO 9001 (Quality), ISO 14001 (Environment), and in some cases OHSAS 18000 (Health & Safety) and ISO 50001 (Energy Efficiency). Most of Sika's subsidiaries work with external advisors to stay informed about regulatory changes.

The management system according to ISO 14001 require 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 applicable legislation and to supervise the subsidiary accordingly. Each year they have to verify the level of compliance in their company together with their management teams, and confirm it through a global reporting system (the Compliance Confirmation).

In 2018, the reporting has not shown any deviation from compliance standards. Sika implements an Internal Control System according to 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 6,936 suppliers
- No deviation from the compliance standard in 2018

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 2018, the agreement was endorsed by a total of 6,936 suppliers (+34% vs. 2017) and covers 81% 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 assesses the management approach as effective in view of 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
- Further safety programs to be established in some countries
- Greater emphasis on employee participation

1. MANAGEMENT APPROACH DISCLOSURES

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

The 20'060 Sika employees, and the leased labor worldwide, stand at the center of 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 10.4 accidents (previous year: 8.7) per 1,000 employees, the number of occupational accidents (lost working days >1) showed an increase of 19.5% versus 2017. In 2018, injuries caused absences of an average of around 18.4 days (previous year: 22). Due to this unexpected result, Sika will process safety programs in 2019 covering all regions and countries. Here the objective is to place greater emphasis on employee participation and to avoid small accidents due to a lack of attention.

Occupational health and safety is also considered as a material issue with 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 intends to avoid negative impacts through the following processes:

COMMITMENT

Sika strives to protect fellow colleagues with the aim that they leave the workplace in the same condition as when they had started work.

GOALS AND TARGETS

Sika's 5-year target plan for 2014-2018 includes the following target for occupational health & safety:

- 5% less accidents per year (Baseline 2013)

RESPONSIBILITIES

Labor practices and safe work conditions of Sika's operations are the responsibility of regional management reporting to the CEO. At local level, the general manager, the operations manager, and the line organization, are responsible for helping to reach Sika's targets regarding occupational health and safety, 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:** 41 legal entities, including their headquarters, are certified according to OHSAS 18001. In some countries several locations of the same legal entity are certified according to OHSAS 18001, in total 76 locations.
- **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 a Sika company must have in place. The local companies are in the process of implementing this program, and the audit scheme will follow up on the degree of implementation in the coming years.
- **Supplier audits:** Occupational health and safety is covered through Sika's Supplier Code of Conduct. Suppliers are audited regarding compliance with the Supplier Code of Conduct, which includes Environment, Health and Safety requirements, and corrective actions if necessary.

DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH

Sika evaluates its management approach through:

- **Monitoring:** Sika monitors its performance regarding occupational health and safety 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: 10.4
- EMEA: 13.6, Americas: 8.3, Asia/Pacific: 4.9, Global Business: 14.8

Lost days rate per 1 million working hours

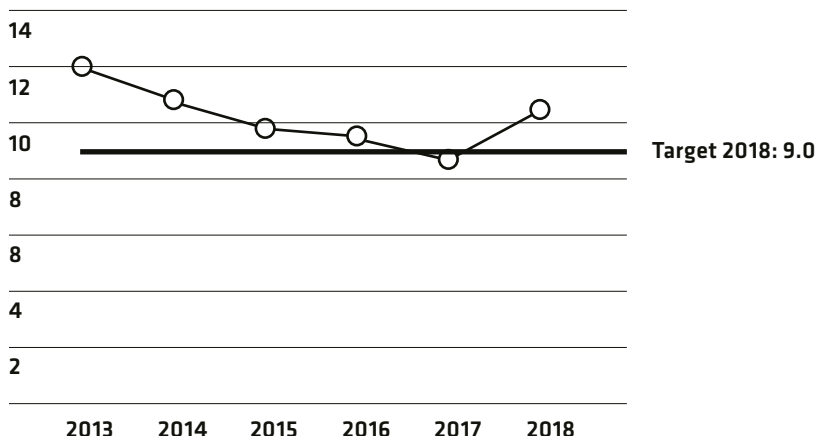
- GROUP: 95
- EMEA: 136, Americas: 70, Asia/Pacific: 38, Global Business: 82

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

In 2018, Sika had a lost time rate of 10.4 accidents / 1,000 employees (previous year: 8.7). The companies reported 209 accidents (> 1 day of absence from work, excluding the day of the incident) compared to 169 in the previous year. The EMEA region accounted for 122 accidents, Americas for 37, APAC for 22, and Global Business 28. The rate includes leased labor (2,043 heads) not on Sika's payroll. 17 contractor accidents occurred on Sika premises (previous year: 11). Sika excludes construction and project activities from the accident reporting. No fatality has been recorded in the year under review.

Due to this unexpected result, Sika will process safety programs in 2019, covering all regions and countries, with the objective being to place greater emphasis on employee participation, and to avoid small accidents due to lack of attention.

Accidents / 1,000 employees



GRI 404: TRAINING AND EDUCATION

- Performance and talent management system
- Training offered by Sika Business School, and job specific training
- Sika is expanding the e-learning platform, with now more than 320 internal trainings available

1. MANAGEMENT APPROACH DISCLOSURES

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

With more than 20,000 employees worldwide, Sika sees training and education as crucial for qualifying, retaining, and nurturing the capabilities of its workforce. The company has a large proportion of longtime associates, and is aware that it needs to keep these colleagues in particular up-to-date regarding their relevant 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 development and continued training activities, Sika promotes the individual skills and initiative of its employees and encourages their entrepreneurial engagement, to keep up with the company's dynamic development. Sika recognizes, monitors, and continuously improves the performance ability of its employees.

GOALS AND TARGETS

Sika has no explicit target 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, following 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 have the objective to train employees from local subsidiaries to become sustainability experts, therefore enabling them to drive and accelerate the implementation of the "More Value – Less Impact" strategy at a regional and local level. In the year under review, Sika organisations in the regions were initiating, managing and coordinating local sustainability activities and projects which were planned in the Regional Sustainability Academy Programs 2017 and 2018. 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.
- **Curricula** includes 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 based on 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 for training and development needs

DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH

Sika evaluates its management approach through:

- **Monitoring:** Sika monitors its performance regarding occupational health and safety 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 20,000 employees globally, Sika regards training and education as an important instrument in retaining and nurturing its workforce. The company is proud to have many long-time associates, and recognizes the need to keep these valued associates up-to-date regarding their relevant knowledge and abilities.

Sika therefore maintains 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 gain access to up-to-date knowledge. In 2018, we continued our cooperation with different business schools and universities where we trained our talents with potential to take over Senior Management positions.

Sika has no explicit Group target 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.

The total number of training hours reported by the local companies amounted to 16.8 hours per employee on average (2017: 12.9 hours). In addition, through the launch of a global e-learning platform, we have increased the possibility to launch 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

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

GRI 405: DIVERSITY AND EQUAL OPPORTUNITY

- Sika is an equal opportunity employer
- Sika Senior Managers from 49 nations

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 by employees on a daily basis 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	17
Americas	15	18
Global Business	6	9
Corporate Organization	13	19

DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS

Until now, diversity has not been actively measured and managed. Based on the outcomes of the measurements in 2015, Sika will introduce relevant management processes. Sika strives in particular to increase the proportion of women in managerial and commercial positions. Women account for 22.3% of total headcount (2017: 22.6%) and 19.4% of managers (2017: 18.4%). Sika is committed to provide equal opportunities for all our 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 company focuses consistently on 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.

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 7 members, 1 is female (14%). Regarding the age group, 6 members are over 50 years old, and 1 member is between 40 and 50 years old.

DIVERSITY

Sika's global presence, and associated proximity to customers, make it extremely important to integrate different cultures and share experience and know-how across national boundaries. The company firmly believes that the diversity experienced by employees on a daily basis is one of the factors of its success, especially at senior management level. At courses and seminars, Sika managers are encouraged to give high priority to diversity in team and project planning. Sika counts 49 nationalities among its senior managers.

Women account for 22.3% of the total headcount (previous year: 22.6%) and 19.4% of managers (previous year: 18.4%). Sika is constantly working to increase these figures.

DIVERSITY AT SIKA

People of different origins bring new perspectives. At Sika, the assimilation of different ways of thinking and living serves to unlock new potential.



GRI 412: HUMAN RIGHTS ASSESSMENT

- Code of Conduct refers to Human Rights Assessment
- Supplier management considers Human Rights Assessment
- Compliance confirmation signed 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 Risks Indices, and therefore sees it as its responsibility to assess its own operations with regards 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 requirements pursuant to Sika compliance system. Human rights and with that prohibition of child labor, freedom of association, prohibition of forced labor and equal opportunities for all employees are part of the Code of Conduct. This document gives a clear statement in favor of integrity and ethical conduct. General Managers of Sika subsidiaries hand in "Compliance Confirmation" that the Code of Conduct is put in place. And thirdly, a compliance check is processed annually via a "compliance checklist", see disclosure 103-2.

DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS

Sika's Code of Conduct requires all employees to comply with applicable laws and regulations. At any location where Sika has operations, this clearly excludes child labor and forced labor. For the reporting year, Sika has had no indication or reports regarding human rights violations within its own entities. This has been confirmed by the General Managers in a reporting system, the "Compliance Confirmation". This confirmation has to be submitted each year by all General Managers. The 100% response rate and completeness of the details provided, suggest there are no human rights violations to be reported. The Compliance Checklist distributed to General Managers specifies the requirements pursuant to the Sika compliance system, including training and information to staff regarding 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 operations of all functional units in the Sika companies in all Regions.

With a broad supplier base in many high-risk countries with regards to human rights violations, as well as 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, in particular, on human rights and labor laws. Sika regards protection of human rights as foundations of the business wherever it operates.

Through mechanisms like audits and inspections, Sika assures and monitors that Group companies protect human rights. A cross-functional team, lead by Corporate Compliance and supported by Internal Audit and external experts, has developed a proposal (scope, focus, timing and resources) for a Compliance Audit.

General Managers and the local management team have an obligation to ensure, supervise, and monitor the protection of human rights for their area of responsibility in their companies. In the signed Compliance Confirmation, General Managers are asked to report yearly on human rights and confirm the following:

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

As clearly stated in the Compliance Confirmation, which is signed and acknowledged by each General Manager 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 on the basis of 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 works and services which are 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 on the basis of 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 processes.

RESPONSIBILITIES

The regional and local line management are 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. General Managers have given account of the local human rights situation, and their observations in this regard, through the Compliance Confirmation 2018. (See also chapter compliance).

Sika's suppliers

Sika's management approach to Supplier Human Rights Assessments is intended 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. Therefore, Sika expects suppliers to observe equal standards of professional conduct and integrity in particular in their relationship with Sika, their employees, and their sub-contractors. Suppliers recognize that their compliance with this code of conduct is an essential element of Sika's vendor qualification. Suppliers' conduct is governed by high ethical, safety & environment, and sustainability standards. The supplier has taken note of Sika's Code of Conduct will, in its dealing with Sika, not any conduct which constitutes a violation of that Code.

In particular, on social and working conditions, suppliers commit to respect the provisions of the UN Universal Declaration of Human Rights and the Conventions of the International Labor Organization in regards to:

- 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 commit to have systems in place to ensure the proper instruction, training, and auditing of their personnel and subcontractors to ensure compliance with these principles. To the extent Sika is directly concerned, suppliers will immediately inform Sika of any violations of Sika's Supplier's Code of Conduct detected.

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 that show a high risk of human rights violations are screened using desktop research and supplier audits through Sika personnel.
- Compliance with the set of human rights included in the Supplier Code of Conduct will be part of the contracts requirements.
- In case human rights violations are found, termination of the relationship with supplier is the only option.
- In addition to covering new suppliers, Sika also intends to monitor 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

General Managers are obligated 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 Confirmation letters filled in and signed by the General Managers, the internal audit program and the legal audits which are performed regularly in subsidiaries. An approximate total of (internal and legal audits) are performed annually, corresponding to around 20% of Sika's subsidiaries.

As part of the new Compliance Checklist 2018, General Managers are asked to implement and communicate in their companies the following Human Rights principles:

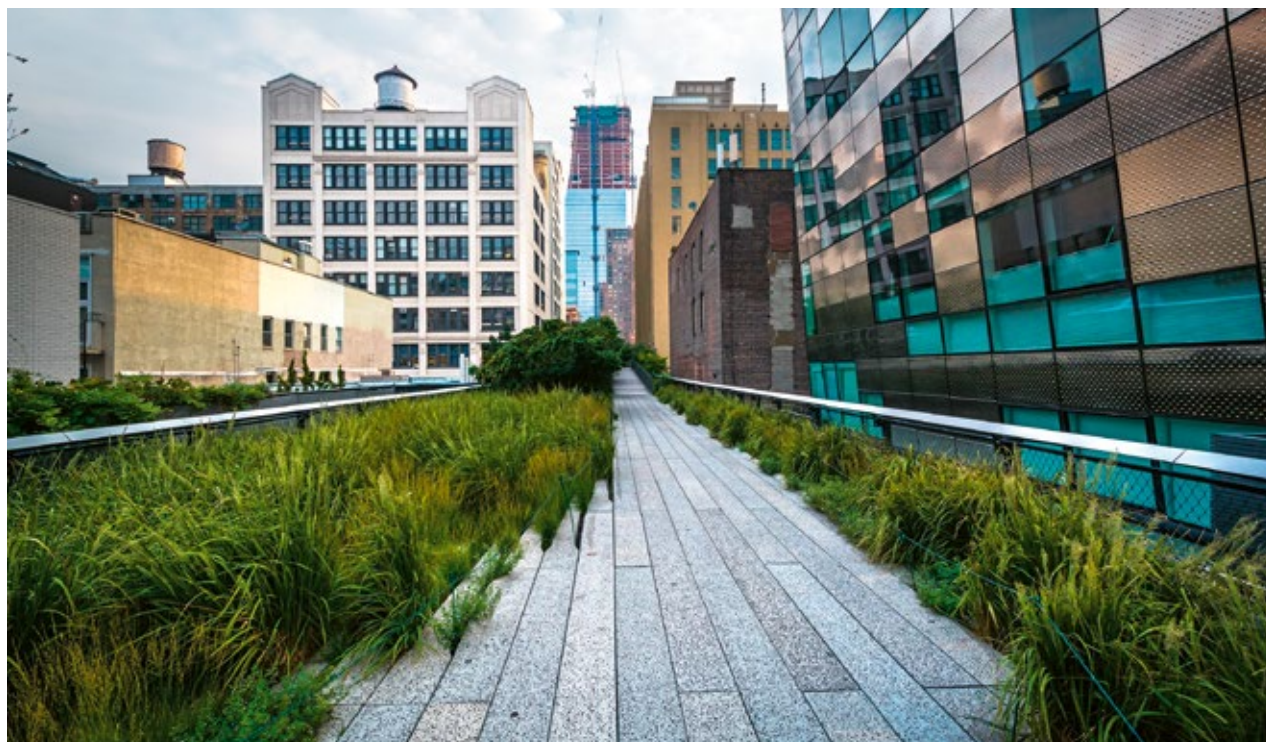
- non-discrimination (including sexual harassment)
- child labor is strictly prohibited
- freedom of association (without need of prior approval) – unless prohibited by local laws
- forced labor

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 on the basis of 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 has gained confidence through the verification by the management teams and the Compliance Confirmation letters that all companies adhere to the human rights charter as set out in the Code of Conduct and no violations or incidents have been reported.

Sika's future will be secured through sustainable, profitable growth.



GRI 413: LOCAL COMMUNITIES

- Target for community projects achieved
- Community engagement projects in all regions
- Collaboration with NGO's

1. MANAGEMENT APPROACH DISCLOSURES

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

Through its local activities, Sika contributes directly to the economic and social development of the local communities by providing secure and safe workplaces, transferring knowledge through ongoing training activities to its local employees, and by introducing new technologies in the building sector improving the quality of local housing and infrastructure. Sika's economic impact on local communities is multiplied through its local sourcing structures.

Sika builds trust and creates value with customers, communities, and society. Sika believes that immersion in the social networks of countries, societies, and communities will also generate great benefit for its business.

Sika is contributing with targeted project sponsorship to enhancing the social development of the local communities where it operates.

DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS

COMMITMENT

Sika is committed to building trust and creating value with its customers, communities, and society. Local Sika companies are required to put forward specific aid applications, and together with local partners, to supervise the projects on site until completion.

GOALS AND TARGETS

Sika's 5-year target plan for 2014-2018 includes the following target for local communities:

- 5% more projects per year (Baseline 2013)

RESPONSIBILITIES

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

POLICIES

Sika has developed a sponsorship concept with criteria for sponsorship.

Sponsoring activities

- communicate Sika's brand personality and articulate Sika's Brand promise "Building Trust" (Brand Affinity);
- have a link to Sika's business and its target markets (Business Affinity);
- transmit core values to the public: courage for innovation, strength to persist, pleasure of working together (Sika Values);
- demonstrate good corporate citizenship; offer involvement for Sika stakeholders, for customers through special services, but also for employees, e.g. via participation (Involvement).

DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH

Sika evaluates its management approach:

- Internal auditors visit up to 20 Sika subsidiaries per year. On that occasion, the effectiveness of activities directed toward 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: Documentation and summary of sponsoring activities annually (2nd quarter of each calendar year to the CEO). This documentation is distributed to all countries ("best cases").

The planning and implementation of social sponsoring/donation projects must consider the following procedure:

- General Managers: Project request with project description, including costs and duration to Corporate Communications.
- Corporate Communications: Evaluates and recommends projects; approval from CEO for projects up to CHF 1.0 m, by the Chairman for projects above CHF 1.0 m.
- Board of Directors: Receives report / summary from the CEO (status of all approved projects).

Sika monitors and evaluates the effectiveness of its management approach according to target achievement. The General Manager of each Sika subsidiary has to inform annually about 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 2018 Sika supported 128 projects (previous year: 118 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."

COMMUNITY ENGAGEMENT
Activities with students and children in Tanzania.



GRI 414: SUPPLIER SOCIAL ASSESSMENT

- Supplier Code of Conduct, supplier qualification and evaluation process established
- 6,936 suppliers signed Supplier Code of Conduct, all new suppliers screened

1. MANAGEMENT APPROACH DISCLOSURES

Regarding 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. 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 2018, the agreement was endorsed by a total of 6,936 suppliers (+34% vs. 2017) and covers 81% 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 is 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 implementation with one common database
- Product stewards for all finished goods categories
- Trainings 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's products can involve 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, regulation 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.

The reduction of health and safety impacts of Sika's products, and ensuring that Sika's customers are fully aware of handling requirements and can work safely, are highly important topics for Sika.

Sika's performance, with regards to assessment and improvement of the health and safety impacts of its products, is considered state-of-the-art after completion of a global EHS software implementation, 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 & safety is intended 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 organization lies with the local organizations, and finally with the General Manager. The responsibility for product data regarding Health & Safety lies with Corporate Product Stewardship.

POLICIES

- Supplier Code of Conduct
- Product Stewardship Guidelines of the Group
- Banned substances 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 labeling 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 stipulates 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 & safety is therefore crucial for Sika and is considered in 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 is not allowing 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 steady product improvement, 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 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 promoting the product. In addition, labeling provides the information about the product. Labeling helps to differentiate the product from other products 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 on health and safety impacts. Therefore, we classify all pure substances, raw materials, intermediates, and finished goods for their hazard potential, and comply with chemical regulations for registration, labelling, packaging, and transport.

Local line management has the overall responsibility to assure that all products placed on the market are in compliance with the requirements of the local legislation and customers, and to assign 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 the local organization in all product safety related matters
- support customers in their requests on product safety
- implement and enforce the banned substance program

All products (except articles) have to be accompanied by a Safety Data Sheet in accordance with the legal requirements of the country and in the required language(s). Packaging and labelling has to be controlled and managed for local compliance, and 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.

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