SIKA BUSINESS YEAR 2020

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BUILDING TRUST

SUSTAINABILITY REPORT

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

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

SIKA'S SUSTAINABILITY STRATEGY

The Sika Growth Strategy 2023 ensures long-term success and profitable growth. The company's innovative drive combined with sustainability is a key component. The Sustainability Strategy "More Value – Less Impact" refers to Sika's ambition to maximize the value of its solutions and contributions for all stakeholder groups, while simultaneously minimizing the risks and resource consumption associated with value generation. There is a close alignment between the growth strategy and the sustainability strategy. Sustainability is the overarching principle with the overall goal to reduce the CO_2 emissions per ton sold by 12% until 2023. With the Sustainability Strategy "More Value – Less Impact", Sika pursues six strategic target areas, focusing on sustainable solutions, climate performance, community engagement, energy, waste/water, and occupational safety.

With the adoption of the Paris agreement, governments worldwide agreed to limit global warming to well below 2°C and to pursue efforts to limit it to 1.5°C. Global GHG emissions must peak and be subsequently reduced by the middle of the century in order to deliver on these goals. Consequently, in a first step Sika has been focusing on reducing its scope 1 and scope 2 GHG emissions by investing in high-impact efficiency improvements of production processes. It is the ambition of Sika to increase the coverage of scope 3 GHG emission data collection and reporting. At the end of the reporting year, the company started to prepare a road map to define and process science-based targets covering the entire value chain. Furthermore, within the framework of reporting according to the TCFD recommendations the company identified climate-relevant risks at operation level and is considering transition and physical risks along its value chain.

In 2021, the company will conduct a GHG scope 3 baseline assessment. This includes a materiality assessment of the relevant carbon-related scope 3 activities and will enable the identification of the material scope 3 categories as defined in the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. Based on this analysis, Sika will quantify the GHG emissions per material scope 3 category and define a carbon reduction pathway to reach net zero in the long-term.

CIRCULAR ECONOMY

The business case for adopting circularity principles is becoming more and more compelling due to higher awareness and shifting demand towards more sustainable solutions among customers in construction and transportation markets. Sika's initiatives to impact the development towards a circular economy in its industry, range from the alignment with the UN Sustainable Development Goals (SDGs) 11, 12, and 13 in particular, to the partnering with downstream clients, universities and startups to co-design and implement products. Collaboration projects are essential because the deployment of deep circularity interventions relies on access to cost-effective sustainable energy and renewable/recyclable feedstock with appropriate specifications.

Sika has actively started a few years ago to seek performance enhancements by using recycled materials and sustainable raw materials, for example in the field of mortars formulated with the addition of recycled aggregates or residues that come from other industries. In addition, projects about the use of post-consumer recycled plastics in membranes packaging and adhesive cartridges have been successfully developed in 2020 together with qualified partners who bring their expertise in material selection, manufacturing process, and packaging designing.

MANAGEMENT AND ORGANIZATION

The further development and the implementation of the Sustainability Strategy in 2020 has been assigned to the department "Sustainability and Operations Technology" (S&OT). This department encompasses Manufacturing and Product Sustainability, Environment, Health and Safety (EHS), as well as Factory KPI Reporting. Other areas of S&OT are Quality Assurance, Risk Management, and Operations Technology. The Sustainability Strategy is implemented and anchored locally by the line organization. A particular degree of responsibility lies with the General Managers, Target Market Managers, R&D Managers, and Operations Managers, who drive the development and implementation of local action plans. The existing network of local and regional EHS and sustainability resources supports Sika companies in ideation, planning, and implementation of higher-level regional measures. In 2019, a world-wide EHS network was established, including regional and area representatives. In 2020, a network of four Regional Sustainability Managers, coordinated by the Global Sustainability team, has been set up with the objective to strengthen the rollout of the Sustainability Strategy at regional and local levels.

In addition, Sika established a Sustainability Advisory Board (SAB) in 2016. An independent expert opinion aimed to provide Sika management additional guidance regarding the direction and implementation of Sika's Sustainability Strategy. In 2020, the SAB met twice, in July and in November. The focus topics concentrated on the target areas "climate change" and "product sustainability". Further focus topics were encompassing the new initiative "Together for Sustainability" (TfS) that Sika joined in 2020 and a status report on the implementation of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

SUSTAINABLE DEVELOPMENT GOALS

Sika committed to contribute to the UN 2030 Agenda for Sustainable Development, focusing on eight of the 17 goals. Sika's contribution to both construction and vehicle industry can highly influence these goals: 3 (good health and well-being), 4 (quality education and lifelong learning), 6 (clean water and sanitation), 8 (decent work and economic growth), 9 (industry, innovation and infrastructure), 11 (sustainable cities and communities), 12 (responsible consumption and production), 13 (climate action). More detailed information about the integration of the UN Sustainable Development Goals can be found at www.sika.com/sustainability.

SUSTAINABLE TARGETS – SUCCESSFUL IMPLEMENTATION

In 2020, Sika continued to pursue its sustainability strategy "More Value – Less Impact". With the help of this framework, the company is seeking to deliver on its promise to create lasting value in a sustainable, environmentally-friendly, and resource-sparing way. In the year under review, Sika developed positively in all areas of its sustainability strategy.

SUSTAINABLE SOLUTIONS

2020

- **When it comes to product development, Sika combines higher performance with additional sustainability benefits**

CLIMATE PERFORMANCE

2020

- **-26% CO_2 decline in CO_2 emissions per ton sold. The emission of greenhouse gases was reduced significantly to 20kg per ton sold, a reduction of 7kg compared 2019.**

COMMUNITY ENGAGEMENT

2020

- **1,119 working days were dedicated to volunteering work, an increase of 178%.**
- **183 projects were carried out in and for local communities, 23% more projects than the prior year.**
- **268,581 direct beneficiaries of the Community Engagement Program, 656% more than the year before.**

ENERGY

2020

- **-21% lower energy consumption per ton sold. Consumption per ton decreased by 77 MJ to 286 MJ.**
- **24% of procured electricity was derived from renewable sources. This was a significant rise on the prior-year figure (15%).**

WASTE / WATER

2020

- **-12% less waste per ton sold. The volume of waste was reduced to 12.4kg per ton sold.**
- **35% of all waste was recycled. This was an improvement on the 2019 figure (34%).**
- **-35% reduction in water consumed per ton sold. The required amount of water per ton declined to 0.22 m^2.**

OCCUPATIONAL SAFETY

2020

- **8.4 occupational accidents per 1,000 employees, 12% fewer accidents than in the prior year.**
- **One fatal accident involving a Sika employee, unchanged compared to 2019.**

TCFD – SIKA'S DISCLOSURE ABOUT CLIMATE RISKS, SCENARIO ANALYSIS AND RESPONSES

Sika recognizes that climate change will have an impact on the world it is operating in and it therefore needs to be addressed in the strategic planning and the risk management process. Evaluating climate-related risks and opportunities related to its business and developing appropriate response measures are of vital importance to ensure a sustainable development and the business continuity of Sika. As a framework to disclose the impacts of climate change on Sika's business and to increase the understanding of the related risks and opportunities, the Group has endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Sika has started a process for identifying and assessing the potential implications of plausible future scenarios. Those scenarios allow Sika to explore and develop an understanding of how various combinations of climate-related risks, both transition and physical risks, may affect its businesses, strategies, and financial performance over time. In 2020, Sika started to apply a basic level of scenario analysis in its strategic planning and risk management processes. Going forward, Sika will expand the scope of its scenario analysis to include more details on geographical and technology-related risks and opportunities.

GOVERNANCE

The highest governance level of climate-related risks and opportunities is the Board of Directors. The Board's responsibility is to review and endorse the development and implementation of sustainability policies and strategies. It is one of the main tasks of the Chair of the Board to steer and oversee climate-related topics. The Board of Directors has approved the Group's long-term climate ambition to achieve net-zero greenhouse gas emissions by 2050.

Group Management is responsible for the development and implementation of initiatives and actions addressing climate change, in line with the defined sustainability strategy and targets.

The external Sustainability Advisory Board and the internal Sika Sustainability Committee ensure that climate-related aspects are adequately considered in the Group's strategy and operations. The external Sustainability Advisory Board gives recommendations for the agenda setting on global level. The task of the internal Sika Sustainability Committee is to prepare the decision-making of the Group Management.

Identification, assessment, and management of climate-related risks are integrated into multi-disciplinary company-wide risk identification, assessment, and management processes.

Information on specific climate-related risks is collected on regional level and consolidated on corporate level aligned with the overall strategy. Sika's global management set-up drives and steers effective risk management. Unexpected environmental, climate-related disasters and economy fluctuation might have an impact on global and local markets. The governance structure fosters the build-up of expertise to catch and evaluate the impact of unexpected risks.

STRATEGY

To evaluate the potential risks and opportunities of climate change impact including its upstream and downstream value chain, Sika has performed a high-level assessment of physical and transitional exposures.

Two scenario narratives have been considered in terms of global temperature rise by 2100:

- 2°C aligned with the Paris Agreement,
- 4°C corresponding to a "business as usual" scheme.

These scenarios are the most commonly used by the companies to describe the potential impacts of climate change. One of the scenarios illustrates fully executed climate-change mitigation, the other an environment with no mitigating measures or regulations. In line with the work of the Intergovernmental Panel on Climate Change (IPCC), they take into consideration different possible development scenarios for future greenhouse gas emissions.

There are several uncertainties in future climate predictions which includes unknown future emissions of greenhouse gases. The Group has chosen a projection horizon to 2030 which is aligned with its objective to reduce CO_2 emissions by 50% until this year and represents a realistic view on this intermediate goal. The period 2021 to 2030 refers to the near future.

To complete this task, an internal cross-functional team has been set up which also relied on the advice of an external expert consultant in this field.

Both scenario narratives present strategic risks and opportunities based upon assumptions which consider research done by organizations such as International Energy Agency (IEA), Intergovernmental Panel on Climate Change, or World Business Council for Sustainable Development (WBCSD).

MANAGEMENT OF CLIMATE-RELATED RISKS

PHYSICAL RISKS

Sika assumes that business impacts due to physical risks are similar for both scenarios until 2030. Physical risks have a higher probability to impact global water situation, raw materials, and energy supply. This may lead to an increase in raw material and manufacturing costs. Increased frequency of extreme weather event would cause increased incidence of disruption in the manufacturing and distribution networks. Acute water stress would affect the water supply and limit production capacity in water-stressed areas.

The Group has set up action plans to mitigate the climate-related physical impacts. These include extended cooperation with suppliers to validate alternative raw materials and work on improved product formulations. A global energy efficiency program including local road maps is in place to reduce energy intensity and decrease greenhouse gas emissions in the operating units by 50% until 2030. The identification of Sika's countries at risk of water scarcity and the related action plan will be done in 2021.

TRANSITIONAL RISKS

The analysis shows that there likely will be differences in transitional risks in the two scenarios. Under the Paris Agreement scenario narrative (2°C), macro shifts will be required to move to a low-carbon economy such as policy and regulatory changes (adoption of local carbon pricing, incentives for renewable energy use, etc.) which will lead to raw material and manufacturing cost increases.

Global construction growth is expected to continue with more stringent standards for construction processes and product certifications.

The construction sector will be impacted by increased stakeholder and customer concerns with increased priority on sustainable products and solutions.

This will impact revenue and growth projections, as well as indirectly influence business in many other areas, such as community engagement and employee attraction.

Under the "business as usual" scenario narrative (4°C), the above assumptions and impacts will be less pronounced such as no harmonized carbon taxes implementation, less decarbonizing trends, lower awareness of severe consequences of climate change, and less priority on purchasing sustainably grown products and solutions.

METRICS AND TARGETS

RISK DESCRIPTION	RISK MITIGATION	PERFORMANCE INDICATOR
Transitional risk: more stringent regulations enforced on CO_2 emissions	– Build-up of global expertise to catch and evaluate potential impact of carbon regulation and regulatory changes – Analyze applicable regulatory restrictions and their financial impact on products (raw materials) and production (energy) – Sustainability Portfolio Management (SPM) development, implementation, and rollout – As part of the capital investment process, specific focus set on energy and CO_2 efficiency (production processes, equipment, facilities/buildings) – Efficient production means reducing and reusing production scrap and packaging materials as well as improving packaging design, resulting in higher productivity and lower material use	**In place** – % of CO_2 / ton sold reduction – % of energy consumption / ton sold reduction – recycling rate of waste **Planned** – Number of products with improved SPM profiles (climate category) – % of virgin raw materials saved
Transitional risk: changing customer preferences	– Focus on business intelligence to better understand how consumers' lives and decisions may be affected by environmental changes and to anticipate new needs – Align R&D resources and develop formulations, products, and solutions to adapt to environmental developments and changed customer requirements – Development of new solutions together with customers and business partners	**Planned** – Number of R&D projects with a focus on climate-related changes of customer preferences – Number of collaboration projects with business partners in this area
Transitional risk: electricity supply disruption and price increase	– Global energy efficiency initiatives at manufacturing sites (operational efficiency), reduction of energy consumption and investments in low energy equipment – Purchasing of electricity from renewable sources – Production of renewable energy	**In place** – % of energy consumption / ton sold reduction – % of renewable electricity use
Physical risk: depletion of raw materials	– Extend cooperation with suppliers to improve factory resource efficiency and alternative sources – New product formulations considering alternative raw materials, for example as a substitute for high quality sand from river and sea – As raw material alternatives might become scarce, new product formulations are continuously challenged	**Planned** – Number of formulations considering alternative raw materials
Physical risk: global water situation	– Identification of Sika's countries at risk versus water scarcity and floods through the Water Risk Atlas data base – Set up action plan to mitigate impact in formulation and operations – As part of the capital investment process, focus on lowering water demand (specifically in critical countries)	**In place** – % water consumption / ton sold reduction **Planned** – % of water consumption in countries of risk

CONCLUSIONS

Sika is accelerating its efforts to drive the transition to a low-carbon economy. The Group continues to increase the use of renewable energy sources in its own operations and enables, through its SPM based "More Performant More Sustainable" driven products and solutions, customers to improve their own environmental footprint. Sika will continuously launch products with sustainability benefits combined with enhanced performance, including product (re-)formulations with less emitting materials and contributions to a circular economy, amongst others. Financial planning on group and local level is more intensively pointing towards mitigating climate-related risks and towards continuously enabling sustainable construction and transportation.

The work started in 2020 confirms the importance of further understanding critical dependencies and externalities of climate change on the Group strategy. Climate-change time horizons are challenging, as they are significantly longer than political terms, investor outlooks, and planning cycles.

This analysis demonstrates that both scenario narratives present financial risks and market opportunities and that actions taken by Sika to mitigate risks and capture opportunities will contribute to the resilience of the organization's long-term performance. In this regard, strategic climate-related risk management for Sika is always linked to business opportunities from a market perspective.

The company will continue to develop the climate scenarios narrative assessment next year and onwards by for example, giving more details on impacts related to geography and core technology.

Sika will also pursue its collaboration with the World Business Council for Sustainable Development (WBCSD) which gathers experiences from several leading companies on climate-related risks and opportunities.

PROCUREMENT

Sustainable procurement ensures that sustainability as a core element of Sika's growth strategy is integrated throughout the supply chain. Procurement plays a key role guaranteeing to select and cooperate with vendors according to the highest ESG standards. With a strong focus on sustainable supply, cost, and efficiency improvement, Sika ensures responsible sourcing and compliance with sustainability and quality standards within procurement and supply chains. In the year under review, Sika joined the "Together for Sustainability" (TfS) initiative as a new member. The organization, founded in 2011, aims to improve sustainability practice within the supply chain of the chemicals industry. The TfS program is based on the UN Global Compact and Responsible Care® principles and allows Sika to assess and evaluate the performance of its suppliers in various aspects. This includes environmental, labor and human rights, ethical and sustainable procurement performance. The participation at the TfS initiative enables Sika to learn from and have an exchange with its members on best practices in sustainable procurement principles, and to actively participate in the improvement of sustainability practices within the chemical industry supply chains. More information about Sika's commitment in sustainable procurement in the chapter "Risk Management", page 40.

STANDARDS AND COMPLIANCE

Sika has a Group-wide, culturally well-established and integrated Compliance Management System (CMS). The Group pursues a holistic approach to compliance. It thus has put the compliance and HR functions under the joint leadership of a "Corporate Head Human Resources & Compliance". The resulting symbiosis of HR and Compliance greatly facilitates the infusion of compliance initiatives in the whole organization, throughout hierarchies, functions, and geographical areas. Five core activities contributed to a further strengthening of Sika's CMS in 2020.

DESIGN OF COMPLIANCE AUDIT PROGRAM

Sika's CMS rests on a life cycle of three closely interrelated core activities: Prevent – Detect – Respond & Adjust. In the context of detecting compliance violations, Corporate HR & Compliance in 2020 developed the necessary cornerstones to build up a compliance audit program. In close cooperation with other assurance functions at Group level, including Internal Audit, Legal, Finance, EHSSQ (Environment-Health-Safety-Sustainability-Quality), Procurement and R&D, Corporate HR & Compliance designed a "Compliance Self-Assessment" questionnaire for General Managers (GMs).

The questionnaire aims at three goals: to identify "high risks" and "focus entities" for targeted compliance audits; to monitor the local implementation of compliance requirements at all Sika entities; and to align closely with the above-mentioned assurance functions and their audit activities.

To reduce complexity, it was split into two parts. Part 1 was rolled out and completed in the fourth quarter of 2020, with a 100% response rate (123 out of 123 GMs). It focused on five compliance risk areas: (i) integrity/speak-up culture, (ii) anti-corruption, (iii) antitrust, (iv) third-party risks, and (v) EHSSQ. Based on the feedback received, neither "high risk" areas nor "focus entities" with an urgent need for intervention or follow-up regarding these five topics could be identified. Part two will be rolled out in the second half of 2021, focusing on compliance requirements related to Procurement, R&D, Finance and HR.

Based on its results, Corporate HR & Compliance will finalize both the scope and contents of its Compliance Audit Program and create a detailed Compliance Audit Plan, to be implemented in 2022.

DEVELOPMENT OF FOCUSED TRAINING INITIATIVES

Throughout 2020 and due to COVID-19, travel restrictions reduced drastically the possibility to deliver on-site compliance trainings. Therefore, Corporate HR & Compliance decided to focus on the development of online trainings.

Sika's internal risk analysis in 2019 had shown that fostering awareness among Sika employees about anti-corruption and conflict of interest was likely to help prevent future compliance cases. With the support of Sika's top management, therefore, Corporate HR & Compliance designed a new ABC e-learning, which it embedded in a broader campaign about values and leadership. This campaign will be launched in the first quarter of 2021, on a Group-wide level. Campaign materials, including the new anti-corruption e-learning, will be translated into a dozen languages. While the campaign aims at reaching all of Sika's nearly 25,000 employees, the anti-corruption and conflict of interest e-learning is targeting only the group of Sika employees chiefly exposed to those risks, including Sika Senior Managers, GMs, and the members of the Sales, Procurement and R&D functions.

A second training initiative in 2020 focused on the revision of Sika's existing anti-fraud online training, in close collaboration with Corporate Finance. This e-learning aims to raise the awareness about cyberfraud, again primarily among those employees most exposed to cyberrisks. It is expected to be launched in the second half of 2021.

IMPLEMENTATION OF AN AUTOMATED SANCTIONS SCREENING TOOL

Trading globally, Sika is required to comply with a broad range of trade sanctions. In 2020, Sika initiated the Group-wide implementation of SAP-GTS (Global Trade Services). SAP-GTS allows for a largely automated, digitalized screening of select "sanctioned parties lists" (SPL). Sika's IT team, in close cooperation with the SAP Business Team and Corporate HR & Compliance, currently is developing the project design for a progressive global rollout of automated SPL checks to all Sika entities, including those not yet using SAP. Project implementation is expected to start in the second quarter of 2021.

COLLECTION OF ANNUAL GRI CONFIRMATIONS
Each fiscal year, General Managers are required to fill in and sign the "GRI Compliance Confirmation". Via a digitalized questionnaire, Corporate Compliance in 2020 again obtained assurance from all General Managers that core compliance policies and manuals regarding fundamental environmental, anti-corruption, antitrust, and labor laws were implemented at each entity, and that GMs provided adequate information and training to their staff.

EFFECTIVE CASE MANAGEMENT
Addressing compliance cases helps Sika not only to detect possible risk areas, but also to address them right away with targeted measures. Sika identifies compliance cases based on internal and external complaints. Complaints are escalated to Corporate HR & Compliance via several channels, including Sika's whistleblower platform ("Sika Trust Line") permitting anonymous reporting. In 2020, Corporate HR & Compliance received 60 complaints. The complaints triggered 44 internal compliance investigations. In 23 cases, allegations of misconduct could be substantiated. 17 cases could not be substantiated. Four cases still are under investigation.

The analysis of the 2020 compliance investigations allows for the following conclusions:
- Sika's number of reported (60) and confirmed/substantiated (23) compliance cases is very low, considering the size of the company.
- Most investigations (80%) centered on either interpersonal tension (17) or fraudulent behavior (18).
- Of 23 reports submitted anonymously, only one (4%) could be substantiated.
- Sika employees remain the main channel to openly report misconduct. Of the 18 incidents they have escalated, 12 (66%) could be substantiated. While eleven of the 18 cases were reported by business employees (first line), five were reported by assurance functions (2nd line) and two by Internal Audit (3rd line).
- External partners were a second important source of reports. Out of the 13 external complaints brought to our attention, ten (77%) could be substantiated.
- In 19 out of the 23 substantiated cases, sanctions were imposed (seven warning letters, 15 dismissals). The consequent imposition of serious sanctions confirms Sika's zero tolerance for compliance violations and an overall consistency in punishment.

SIKA SUSTAINABILITY ACADEMY

In alignment with Sika's global growth strategy and focus on continuous improvement, the company encourages employees at all levels to work on their career development. Sustainability is an important business pillar, a competitive advantage and a key component of the company's innovation drive and Growth Strategy 2023. The Sustainability Academy is Sika's flagship global sustainability education program, providing the necessary skills, methods, and practical examples to the participants in the countries to develop, coordinate, and implement local activities and projects to achieve the set sustainability targets.

In 2020, the annual Sika Sustainability Academy was planned to be held in Preston (UK) but is has been postponed to autumn 2021 due to the COVID-19 pandemic. As a consequence, several webinar were offered in the second half of year with the aim to provide training opportunities within the relevant subject areas of product sustainability, to increase awareness of product sustainability themes within Sika, to help Sika colleagues build knowledge on a variety of topics related to product sustainability and to connect with colleagues and start new dialogues. The 11 live-webinar sessions with Q&A options were attended by over 900 colleagues from all regions, with technical, marketing, sales and sustainability roles in their respective organizations.

In the year under review, Sika organized international and local events where employees had the opportunity to participate in pitches to present ideas, get feedback, and bring innovative projects forward. Pitches about innovation and sustainability, so-called "Shark Tank" events, were organized online, a diverse audience gave their vote. The winners of an European contest in the Automotive sector for example produced ideas on a new sustainable foaming agent and a new adhesive application technique.

INSPECTIONS AND AUDITS

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

Audits are performed by various assurance functions across the Group covering quality, environment, safety, health, risk, technology, application, legal and compliance, branding, IT security, suppliers, and products. The results and subsequent corrective actions of these audits are regularly presented to Group Management. Besides those assurance functions, an independent Corporate Internal Audit function, reporting to the Audit Committee of the Board of Directors, validates the effectiveness of internal controls in both legal entity audits and reviews of Group processes and functions.

In total, Sika conducted 135 audits in 2020 which included 44 supplier audits. The past audit year was dominated by the impact of the COVID-19 pandemic. Global restrictions on travel required Sika to introduce a revised audit concept which included desktop and online assessments, virtual site visits, and the on-site use of local experts where possible. This approach will continue until the global travel situation starts to normalize. It allows the audit team to continue to cover business-critical areas and to mitigate immediate business risks. Overall, travel and on-site visit restrictions led to a reduction of on-site audits in all areas (previous year: 181 audits). Associated improvements were implemented wherever necessary. To ensure that suppliers also meet the official requirements and labor standards, they are asked to perform self-assessments. In the year under review, all

new suppliers were assessed according to the vendor evaluation process. Most of these audits are reviewed by safety, quality, or technology experts. This enhances continuous improvement in collaboration with suppliers, including sustainability aspects. Being a key supplier in the automotive and industrial sectors, Sika is regularly subjected to external audits. These audits are designed to ensure compliance with international labor standards, and quality, environment, safety, and health requirements.

TAX APPROACH

SIKA'S TAX VALUES

Through its tax principles, internal policies, and actions, Sika is committed to be a socially responsible corporate fiscal citizen. Sika pursues a long-term sustainable tax strategy with focus on compliance with national and international tax laws and regulations.

A reasonable tax strategy with active management of tax matters ensures that Sika pays a fair share of tax in each of the more than 100 countries where Sika operates. This section outlines the most important aspects of the Sika Group's tax strategy in relation to compliance and corporate sustainability.

TAX GOVERNANCE

Sika's tax approach is in line with OECD/G20 guidelines and their general objectives. By following a business-oriented approach based on functions, assets, and operating risks when determining processes and transactions, Sika has a market-based outcome. Therefore, a fair amount of taxes is paid in each jurisdiction where the company operates. The outcome of the business-oriented approach is always checked for its compliance with all applicable laws. Furthermore, potential impacts on stakeholders and Sika's reputation are taken into account. In line with Sika's corporate values, the objective of Sika's tax policy is to comply in good faith with the letter and the spirit of all applicable tax laws and obligations in all countries where the company operates, across all direct and indirect taxes, as a company and employer, as well as with international treaties and guidelines. Such approach results in an effective Group tax rate that reflects Sika's global footprint, the decentralized nature of the business, and the Group's successful local operations.

TAX RISK MANAGEMENT

Based on genuine business rationale and with a long-term view of sustainability and predictability, Sika proactively manages, monitors and controls the tax aspects of its business operations and transactions. The company manages its total tax costs for doing business within clear risk parameters in line with the Sika Group business operations and responsible strategies. Sika adheres to the arm's length principles and complies with local laws and regulations for pricing of intercompany transactions. Sika companies maintain contemporaneous transfer pricing documentation in compliance with local legislation.

FULL DISCLOSURE OF TAX RISK AND TAX PLANNING

Sika does not engage in aggressive tax planning and does not use complex structures or offshore havens to minimize its tax liabilities. Sika does not adopt tax schemes based on form without commercial substance. Sika does not use offshore entities that lack business purpose and substance. Sika does not use hybrid instruments and/or entities in structures that result in tax avoidance, double deduction, or no taxation. Sika engages external advisors when appropriate to manage tax risks.

INTERACTIONS WITH TAX AUTHORITIES

Sika promotes open and transparent working relationships with tax authorities. When applicable, Sika uses appropriate mechanisms to clear the tax impact of major transactions with relevant tax authorities in advance. Tax audits are conducted in a supportive and collaborative way and requested information is provided in a timely manner. On certain occasions, Sika may provide technical input to the relevant authorities with respect to proposed tax legislations using the appropriate channels, in an effort to constructively improve the competitiveness of a tax system.

COUNTRY-BY-COUNTRY REPORTING

Starting in 2016, Sika was one of the first companies to submit an annual Country-by-country Report (CbCR) to the Swiss Federal Tax Administration (SFTA) on a voluntary basis. This OECD/G20 standard includes pertinent information such as profit and taxes paid per country where the company is active. In line with the OECD's intention, the SFTA passes this report on to the tax authorities in other countries where Sika is subject to taxation (SFTA currently has activated more than 60 CbCR exchange relationships and is one of the most active in promoting transparency). The result of the CbCR demonstrates that Sika is duly complying with its tax obligations and paying its fair share of tax.

THE OUTCOME

The tax strategy based on sustainable practices, business reality and adhering to national and international tax regulations has ensured Sika a very stable and fair effective tax rate year after year. The application of this strategy has been tested during tax audits where tax authorities typically have accepted our approach. As a result, the total prior tax expense adjustments based on tax audits or changed tax accounting assessments has typically been less than 1% point for the last ten years. The success of this tax strategy relies mainly on Sika's commitment to be a socially responsible fiscal citizen, paying our fair share, and protecting our shareholders' interest.

MORE VALUE – LESS IMPACT RESULTS 2020 (OVERVIEW)

Sika takes a long-term perspective on the development of its business. The company seeks to generate benefits for stakeholders that outweigh the potential environmental impacts of the production process and resources consumption. The Sika journey to global leadership is founded on the company's entrepreneurial philosophy and the Sika Spirit, which is a synonym for the strong set of five values and principles that make up the DNA and culture of the company: customer first, courage for innovation, sustainability & integrity, empowerment & respect, and manage for results. In this respect, 2020 has been the year of implementation of the new Sustainability Strategy across the Group. The 2020 figures include the acquired company activities on a full year basis, including Parex, whose integration had a substantial impact on the monitored KPI's. The following details relate to all business operations of the Sika Group focusing on the core themes of sustainable solutions, community engagement, energy, water/waste, occupational health and safety, and CO_2 emissions at the more than 300 Sika production sites.

In 2020, two out of the six targeted strategic pillars, namely Operational Efficiency and Sustainability, has driven most of the initiatives at Sika's production sites. Therefore, to monitor the performance and supporting management decisions, Sika has implemented additional sustainability indicators within the factory KPI's reporting system. This reporting finally enables Sika to track the finance, operations, quality and sustainability performance at once, thus supporting managers at all levels in their short, mid, and long-term decisional process.

SUSTAINABLE SOLUTIONS

Innovation in "Sustainable Solutions" is a key objective in the Sika Strategy 2023, to create value-added products – combining performance and sustainability into one integral concept. Managing innovation and sustainability together, minimizing the risks and maximizing the opportunities and creating positive business impact: this is the purpose of the new Sustainability Portfolio Management (SPM)-based concept.

The main focus in 2020 was the further development of the SPM methodology which will be fully implemented by end of 2021. This methodology represents the core mechanism used by Sika to evaluate, classify, and position products in defined market segments in terms of Performance and Sustainability-related criteria. The Sika SPM methodology provides guidance on how a "Sustainable product" is defined and ensures that sustainability is measured and communicated in a systematic and comprehensive way in the market. It is built on the World Business Council for Sustainable Development (WBCSD) chemical industry framework, which is a best practice approach to guide companies from the chemical industry in developing and applying consistent, high quality SPM approaches that will result in more sustainable product portfolios and proactively steering their overall product portfolios towards improved sustainability results. The aim of Sika's SPM based concept is to build a portfolio of Sustainable Solutions as part of the Sika innovation strategy. Long-term, this approach will support Sika in steering its product portfolio towards proven sustainability benefits aligned with key sustainability megatrends. It is a strong management tool to integrate sustainability into strategic and operational processes.

"MORE PERFORMANT MORE SUSTAINABLE" PRODUCTS

The new Sika SPM methodology will form part of the Sika product development process. This will lead to a deeper understanding of the performance and sustainability profiles of Sika's newly developed products and solutions. Over the coming years, Sika plans to apply the concept across its product portfolio, to systematically evaluate not only new products but also identify mitigation actions for existing products.

Sika innovates along the entire value chain to respond to the market demand for sustainable solutions. 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. Sika products offer manifold sustainable benefits and have a positive effect on the clients' entire value chain, from material sourcing, product formulation, and manufacturing to the recycling of used materials. Sika offers solutions which enable the reduction of energy and resource consumption during application and use, reduce embodied carbon footprint or CO_2 emissions at customer sites, improve air quality during application and use, health and safety for the applicators, or contribute to green building programs.

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

CLIMATE PERFORMANCE

Sika aims to run business in a responsible way to mitigate climate change and its impacts. CO_2 emissions are a consequence of energy consumption and can be limited by increasing energy efficiency and improving energy mix.

Total CO_2 emissions (scope 1, 2, and partially 3) in 2020 summed up to 239,228 tons (previous year: 243,000 tons). On relative terms, the CO_2 emissions have decreased from 27 kg per ton sold in 2019 to 20 kg per ton sold in 2020. This significant decrease is due to acquisitions and scope impact for 3 kg per ton sold and several initiatives implementation as Renewable Energy purchase and Energy management improvement for 4 kg per ton.

Direct CO_2 emissions (scope 1): CO_2 emissions from burning fossil fuels by all Sika companies and by its own vehicles are calculated based on the reported fuel quantities. In 2020, CO_2 emissions from the use of primary energy sources amounted to 102,528 tons (previous year: 88,000 tons).

Indirect CO_2 emissions (scope 2): CO_2 emissions from electricity consumption are derived from the reported energy quantities. In 2020, CO_2 emissions caused by electricity consumption amounted to 121,700 tons (previous year: 124,000 tons).

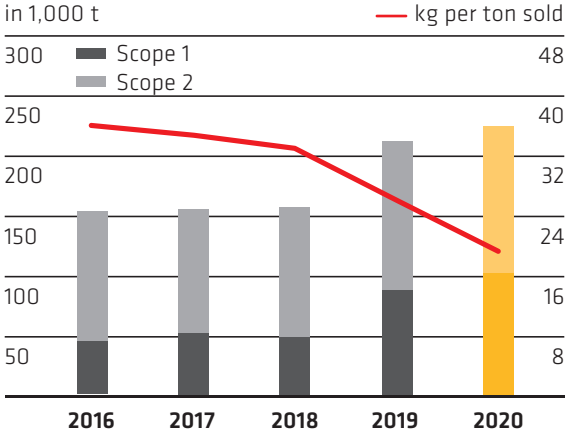
Leased vehicles and business travels (part of scope 3) caused additional CO_2 emissions of 11,000 tons and 4,000 tons.

Several countries, among them for example China, UK, United States, Brazil, Canada, Chile, and Paraguay have decided to either switch to 100% renewable electricity contracts or commit to purchase Renewable Electricity Certificates (REC) which led to a 10% CO_2 scope 2 reduction in 2020.

In Italy, process optimization in bituminous production has led to a 4% decrease in CO_2 scope 1 emissions with an estimated reduction of 20% by 2022. In China, United States, and Mexico, the replacement of 30 diesel forklifts by electrical ones and LED lighting implementation will also contribute to lower CO_2 scope 1 emissions.

In 2021, the company will conduct a deeper GHG scope 3 baseline assessment. This includes a materiality assessment of the relevant carbon-related scope 3 activities and will enable the identification of the material scope 3 categories as defined in the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. Based on this analysis, Sika will quantify the GHG emissions per material scope 3 category and define a carbon reduction pathway to reach net zero in the long-term.

CO_2 EMISSIONS SCOPE 1+2



ENERGY

Apart from raw materials, energy is the main resource input for Sika's operations and thus a relevant cost factor. Therefore, the efficient use of energy is highly important for the company to develop sustainably.

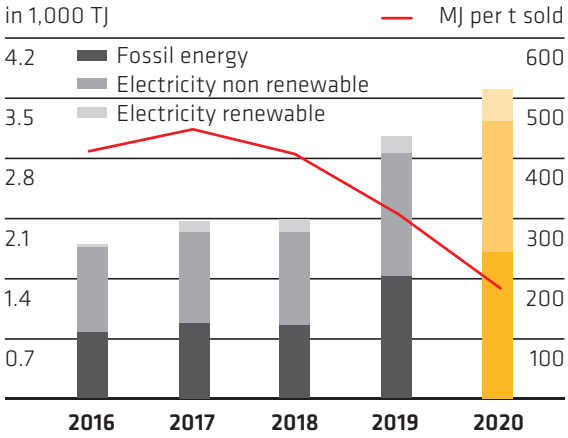
Due to the lower energy intensity of the acquired Parex company and the initiatives put in place, energy consumption per ton sold has further decreased in the year under review. Energy consumption in 2020 was 286 megajoules per ton sold (previous year: 363 megajoules per ton sold) which leads to a reduction of 21% compared to the previous year.

Reduction of fossil fuel consumption by upgrading sand drying equipment in mortar production, decrease of electricity usage by more efficient processes in membrane production and higher efficiency of compressed air equipment are some of the key measures set up to reduce energy consumption.

In Serbia for example, sand drying optimization through the installation of two online moisture sensors will reduce gas consumption by 30%. The same scheme has been installed in Chile.

In Singapore and Malaysia, the replacement of older sand dryers by state-of-the-art technology will significantly contribute to the reduction of energy consumption. In Germany, the switch to liquid instead of flakes production contributed to reduce energy costs by CHF 200,000 on a yearly basis.

ENERGIE CONSUMPTION



WATER

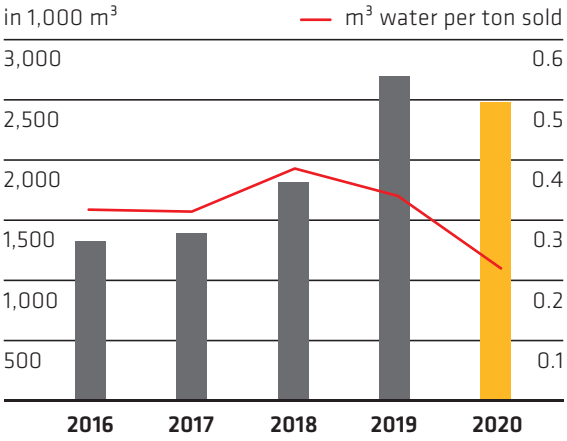
Sika takes measures to use water economically by reducing consumption, treating water or using lower-grade water qualities when possible, especially in geographies with water scarcity.

In 2020, Sika used approximately 2.5 million cubic meters of water (previous year: 2.7 million cubic meters). The water consumption per ton sold was around 0.22 cubic meters (previous year: 0.34 cubic meters). This decrease is mainly due the acquisitions completed since 2019 and the initiatives implemented by the countries.

Efficient production projects have been implemented using closed-loop cooling, cooling towers, and switching from public to groundwater.

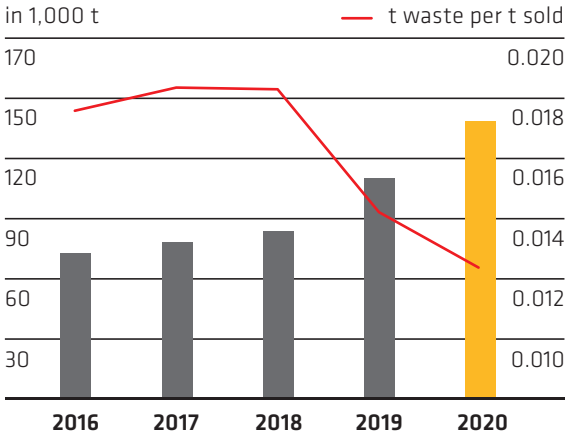
In Spain for example, production process optimization allowed to reduce water consumption by 7,000 cubic meters.

WATER CONSUMPTION



WASTE GENERATION

WASTE INTENSITY



WASTE

Efficient use of input materials is key for all Sika companies. Sika's production facilities use resources such as sand, cement, fillers, organic raw materials, packaging, and transportation materials. The impact of input materials makes their efficient use and reuse a mandatory element. Efficient production means reducing waste at source, reusing production scrap and packaging materials as well as improving packaging design.

With an increased production volume, the company generated 141,675 tons of waste (previous year: 112,000 tons). This corresponds to 12.4 kilograms of waste per ton sold (previous year: 14.1 kilograms per ton sold) or a decrease of 12% compared to 2019.

Overall, Sika reduces the amount of waste by putting in place activities such as recycling scrap membranes, as for example in Russia, where quantities to be discarded have been reduced by 200 tons. The recycling rate of the total waste volume was 35% in 2020. This was an improvement on the 2019 figure (34%).

In South Africa, cement and sand waste from mortar production is being valorized to a dedicated program (Reconstruction and Development Program) in charge of building houses for disadvantaged people, lowering the waste sent to landfill by 70%. In Singapore, a sand crusher has been set up in 2020. This initiative will contribute to reduce the reject of oversized sand going to the sand dryer.

In Paraguay, the new water treatment plant set up end 2020 will reduce the wastewater generation by 50% and operating costs by 75%. In addition, the final effluent will have the required quality to be reused in the production processes reducing also the water withdrawal of the plant.

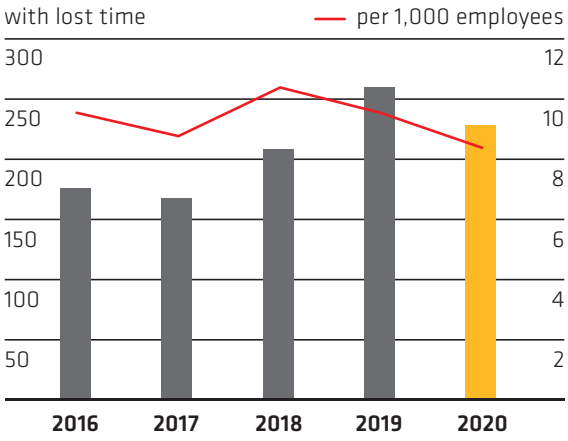
OCCUPATIONAL HEALTH AND SAFETY

The number of occupational accidents with one or more lost working days decreased by 11.9% in 2020 compared to 2019. In the year under review, 8.4 occupational accidents per 1,000 employees were recorded (previous year: 9.6). In 2020, injuries caused absences, on average, of 20.2 days (previous year: 21.5 days). There has been one fatality of a Sika employee due to a road traffic accident. In 2020, Sika has further strengthened the global, regional and area EHS structure by taking an integrated approach to Quality and EHS, the supporting management systems, and through building a stronger network of global, regional, and local EHS professionals.

The health, safety, and wellbeing of all Sika employees, contractors and visitors is of paramount importance for Sika. The company is committed to improving its safety performance as part of the Sika Strategy 2023. In order to achieve the targets of a 50% reduction in accidents and zero fatalities by 2023, Sika has established the Sika Vision Zero Program. One of the first measures of this program has been the definition and implementation of Minimum Requirements for each Sika company in relation to workplace safety. In addition, Sika Life Saving Rules have also been defined to raise awareness of key risks and to help keep all Sika employees safe. Together with the Minimum Requirements, these Life Saving Rules are mandatory for all Sika companies.

With regards to the Minimum Requirements, the first four instructions approved by Group Management encompass General Site Rules for all employees, further instructions dedicated to contractors and their employees, and for visitors. These are supplemented by an instruction on Personal Protective Equipment (PPE) to protect employees, contractors, and visitors from hazards. The implementation of this first set of instructions and the Life Saving Rules has been completed in 2020 supported by EHS professionals and signed off by management. Key areas of focus in 2021 will be leadership commitment to safety and employee participation on safety topics.

ACCIDENTS



COMMUNITY ENGAGEMENT

In 2020, Sika sponsored 183 projects (previous year: 149 projects). This equates to a year-on-year increase of 22.8%. In total, Sika employees spent 1,119 man-days of volunteering work (2019: 401 man-days, +178%). 268,581 individuals were benefitting of the community engagement projects directly (previous year: 35,539).

In 2020, fewer social projects could be carried out in many countries due to COVID-19 restrictions, especially in combination with volunteering schemes. At the same time, Sika companies carried out projects all over the world to support social institutions in coping with the pandemic, through the production and distribution of disinfectants and masks as well as in the construction of urgently needed pandemic-related infrastructure. The strong increase of the number of direct beneficiaries derives from projects which supported neighborhoods to cope with COVID-19. A high number of individuals benefitted from these activities.

The "Sika Cares" community engagement program focuses on improving the quality of life of children, adults, and families in the communities in which the company is active. There are three focus areas: education and vocational training, buildings and infrastructure as well as waste and climate protection. The company 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.

EDUCATION AND VOCATIONAL TRAINING

Investment in good education gives young people the most important tool they need to lead an independent life. Sika works to ensure that disadvantaged children and young people get a genuine chance in life. Projects sponsored by Sika in the year under review include initiatives such as the support of children's homes throughout the world. In China, Sika supports the Library Project, a nationwide initiative to sponsor libraries in public schools. Between 2015 and 2020 the Sika team helped to create reading rooms and corners in 99 schools, donating more than 94,000 books and providing comfortable, well-equipped learning environments for more than 24,000 children. Alone in 2020, direct beneficiaries of this project amounted to 4,082 children and 233 teachers.

BUILDINGS AND INFRASTRUCTURE

The health and dynamism of communities also depends on the infrastructure in place for people and the environment. This is where Sika comes in with its expertise and product solutions. Sika Chile for example has joined the "Zona Cero" project of the University of Chile. Due to the COVID-19 pandemic, hospitals in the country were facing an increase of inpatients. The Faculty of Architecture and Urbanism, University of Chile, developed auxiliary building modules that could be easily located outside hospital facilities. The implementation of this modular building design has been made possible due to the expertise of Sika and its technologies.

WATER AND CLIMATE

Sika employees support projects which link social causes with ecological interest. Sika also seeks to promote on-the-ground self-help. The main sponsorship partner in this field is the Global Nature Fund (GNF). Sika has supported the GNF and its international Living Lakes environmental program since 2004. Made up of over 100 partner organizations from various lake regions across the globe, the Living Lakes network aims to promote sustainable development and the protection of drinking water, lakes, and wetlands. In 2020, Sika sponsored projects to ensure drinking water in Angola and Botswana. Furthermore, community development projects were planned and implemented in Mexico and India.

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