

SIKA
BUSINESS YEAR

2021

SUSTAINABILITY REPORT

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STRATEGIC FOUNDATION

The world is changing. Economic challenges resulting from the pandemic persist, societies are growing dependent on digital systems, and greenhouse gas (GHG) emissions are rising. The performance of a company is no longer solely measured based on financial metrics, but ESG (Environmental, Social, and Governance) metrics are becoming equally important. This is a major opportunity for Sika, as it has the ability to drive the change towards a more sustainable society.

Sustainability is at the center of everything Sika does. As a technology leader with a global presence, Sika focuses on creating value for all stakeholders across the entire value chain – always considering economic, environmental, and social aspects in all its activities.

Sika can make the largest positive impact by developing and offering innovative technologies which allow the construction and transportation industry to be more sustainable – helping customers to construct healthier and safer buildings and vehicles with a lower carbon footprint. With its products and solutions and clearly defined strategic targets, Sika actively contributes to the United Nations Sustainable Development Goals (UN SDGs).

The outstanding engagement of its employees and their strong identification with the company are a key contributor to Sika's success. Its strong corporate culture promotes an inclusive work environment where everyone is treated fairly and has access to equal opportunities. Since the foundation of the company more than 100 years ago, social responsibility has been an integral part of the culture, with a long-standing commitment to community engagement in all the countries where Sika is active.

The progress made on strategic targets is closely monitored and measured. To make sure immediate action is taken and to increase engagement in the organization, there is a clear structure of accountability in place, whereby economic and ESG performance are transparently integrated into incentive programs for senior management.

The Sika Sustainability Report provides a comprehensive overview of the company's sustainability performance in 2021 across its six target areas. Simultaneously, it highlights the performance of the identified material topics, reflecting the sustainability impacts of Sika's operations, products and solutions, on employees, suppliers, customers, communities, and on the planet.

SIKA SUSTAINABILITY STRATEGY 2019–2023

The strong performance of Sika is founded on the company's entrepreneurial philosophy and the Sika Spirit, which is a synonym for the 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.

The Sika Growth and Sustainability Strategies were aligned in 2019 and are closely linked to each other:

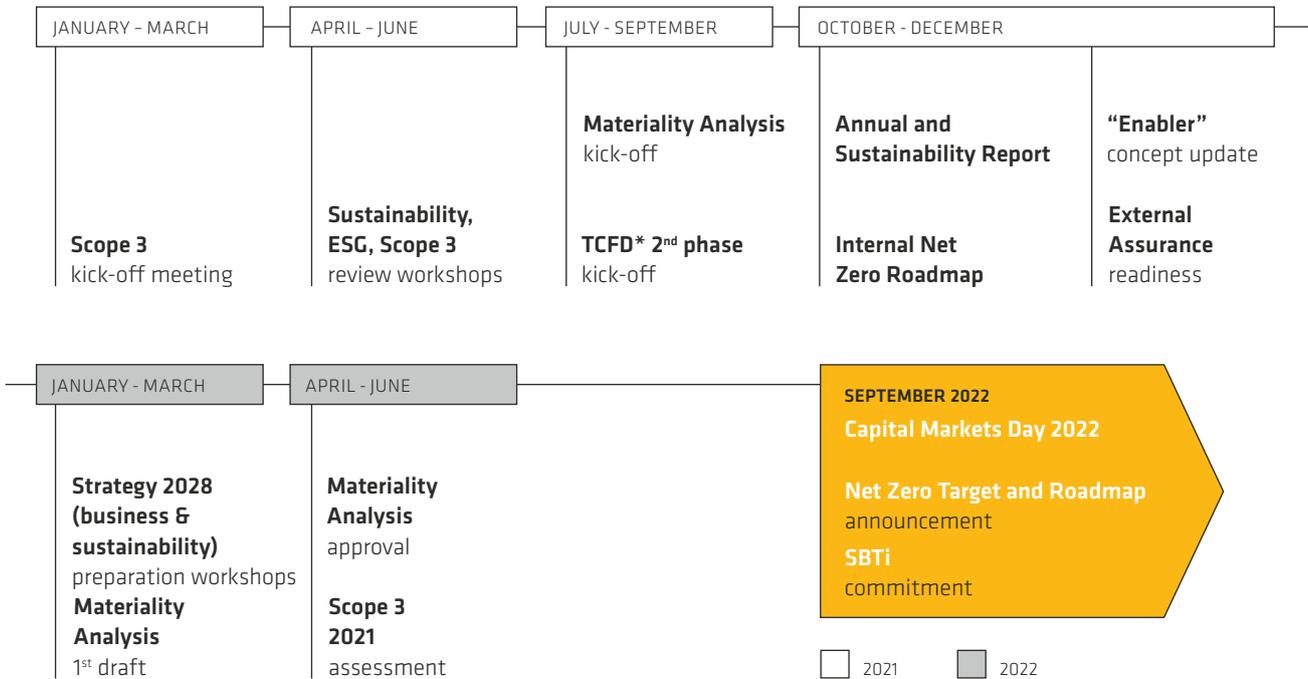
- The Sika Growth Strategy 2023 ensures long-term success and profitable growth. The company's innovative drive combined with sustainability is a key component. Sustainability is the overarching principle with the overall goal to reduce the CO₂eq emissions (scope 1 and 2) per ton sold by 12% until 2023.
- The Sustainability Strategy "More Value – Less Impact" 2023 integrates the results of the materiality analysis conducted in 2018 and the development of the Sika Growth Strategy. It 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. With the "More Value – Less Impact" Strategy, Sika pursues six strategic target areas, focusing on Climate Performance, Energy, Waste/Water, Community Engagement, Occupational Safety, and Sustainable Solutions.

At the Sika Capital Markets Day 2021 (available at <https://www.sika.com/en/investors/events/2021-capital-markets-day.html>), CEO Thomas Hasler presented the Sika Sustainability Roadmap which includes the milestones below that will be performed between 2021 and the second half of 2022:

- Scope 3 assessment: Sika initiated a company-wide initiative in 2020/2021 to assess and calculate the CO₂eq emissions from its material scope 3 GHG categories in accordance with the requirements of the Greenhouse Gas Protocol (GHGP). A second phase of this project started in 2021, and is currently ongoing, to consolidate the methodological approach and assess the scope 3 emissions for 2021. Based on this analysis, Sika will define its carbon reduction pathway which will contribute to reaching net zero by 2050.
- Sustainability, Scope 3, ESG workshops: three internal workshops have been organized for the Group management by internal and external experts to trigger a discussion on sustainability-related topics for the upcoming strategy review process.
- Materiality analysis: to align the sustainability strategy with stakeholder expectations, Sika regularly processes a materiality analysis. This analysis allows the company to identify the most important ESG/sustainability topics, opportunities, and risks for the business from two perspectives: their importance to Sika stakeholders and their impact on Sika's business. In 2021, the company has started to work on the Sika Materiality Analysis 2022 as an important basis for the imminent strategy review. The new materiality matrix will be reviewed by the Group Management in February 2022 and approved by the Board of Directors in the second half of 2022.
- TCFD: Sika is an official supporter of the TCFD recommendations. Since 2020, the company has started assessing climate-related risks and opportunities and their impacts on Sika's strategic resilience. In 2021, Sika has further advanced its analysis which has been included in the "Risk Management and TCFD Recommendations" chapter of the Strategic Report (p.23)
- Net zero roadmap: to address the global environmental challenge, Sika is tackling climate change comprehensively in its strategic development. Several activities were performed in the last years to foster the basis of Sika forthcoming net zero roadmap and commitment to the latest Net Zero Science-Based-Target initiative (SBTi) criteria.
- "Sika as Enabler": with clear commitment to sustainability, Sika is not only focusing on reducing its own CO₂eq emissions, but also emissions along its value chain. Sika has a strong focus on helping customers to reduce their CO₂eq footprint by providing innovative solutions and products. In many respects, Sika's technologies make the company an "enabler" that strongly contributes to the climate neutrality journey of the construction and automotive industries.
- External assurance: in 2021, Sika selected an external auditor that will perform a limited assurance of 2022 non-financial data and information.
- Strategy 2028: in February 2022, Sika will hold the first workshops to prepare the review process of the Corporate Strategy, further integrating sustainability with business growth.

In 2022, Sika will continue its sustainability journey as presented in the roadmap below, maintaining a focus on net zero with a Science Based Target initiative (SBTi) commitment in the second half of 2022.

Sika Roadmap



* Task Force on Climate-Related Financial Disclosures

In 2021, Sika nominated Patricia Heidtman as the new Chief Innovation and Sustainability Officer and member of Group Management. Combining leadership for Innovation and Sustainability will allow Sika to accelerate the integration of sustainability within the organization at all levels, and to become a leader within its industry. Please see the chapter “Products”, section “Products, Innovation and Sustainability” on p.127 for more information on how Sika combines innovation and sustainability with examples of sustainable solutions developed by the company.

Since 2020, a network of four Regional Sustainability Managers, coordinated by the Innovation and Sustainability team, has the objective to strengthen the rollout of the Sustainability Strategy at regional and local levels. The existing network of regional EHS managers, operations managers and sustainability experts supports local Sika companies in the identification, planning, and implementation of higher-level regional measures. Local operations managers are responsible for implementing initiatives helping Sika’s targets to be met and for setting and achieving local targets.

Until 2021, the sustainability activities across the Group were coordinated by the Communications & Investor Relations department. To facilitate the interaction and align the various initiatives, an internal Sika Sustainability Committee was established. This committee steers and coordinates all sustainability-related projects aimed at achieving sustainability targets and monitoring proper implementation of the Sustainability Strategy throughout the Group. It also prepares the decision-making of Group Management on such topics. The Committee is now chaired by the Chief Innovation and Sustainability Officer and meets monthly. It includes the following corporate functions: Innovation and Sustainability, Operations, Quality & EHS, Communications & Investor Relations, Controlling, Mergers & Acquisitions, Human Resources and Compliance, Procurement, Marketing and Target Markets.

Moreover, in 2021, Sika has allocated the responsibility for the ESG controlling to the corporate finance function which is led by the Chief Financial Officer (CFO) to further strengthen the collection process of non-financial data and information for the Sika Group. The holistic controlling system enables Sika to track finance, operations, quality, and sustainability performance in a coordinated way, thus improving the quality of non-financial data and information. Furthermore, the controlling activities are strengthened and management at all levels is supported in their short, mid, and long-term decisional process.

The implementation of the Sustainability Strategy across the Group is moving ahead and performance for year 2021 shows that Sika has improved in all six target areas – Climate Performance, Energy¹, Water/Waste, Community Engagement, Occupational Safety, and Sustainable Solutions. Please see the infographic “Identification of Strategic Targets” for more details on Sika’s strategic targets and related performance on p.59-60 of the Sustainability Report.

¹ Excluding the impact of leased vehicle fuel, see details in the “Energy Management” section on p.118

“Sustainability drives innovation and permeates our entire organization. It is both a mindset guiding us to be more respectful and resourceful in all our endeavors and a prerequisite for us to move towards the world of tomorrow. We aim to create added value for all stakeholders – with our sustainable solutions, close collaboration along the entire value chain, active community engagement, and our highly motivated and dedicated employees.”

Patricia Heidtman
Chief Innovation and Sustainability Officer



IDENTIFICATION OF STRATEGIC TARGETS

At Sika, sustainability has long been a core element of its strategy, business operations and corporate culture. Sika's Sustainability Strategy is therefore linked to its corporate strategy and encompasses six targets that cover the environmental, social, governance/economic dimensions. These targets were identified through the Materiality Analysis conducted in 2018 and contribute to eight of the 17 goals of the UN 2030 Agenda for Sustainable Development (UN SDGs).

MATERIAL TOPICS	ENVIRONMENTAL		
	– Water Management	– Materials	– Environmental Compliance
	– Waste Management	– Energy Management	– Supplier Compliance
	– Circular Economy	– GHG Emissions	
STRATEGIC TARGETS	TARGET 2023 (BASELINE: 2019)	PERFORMANCE 2021	UN SDGs
	Climate Performance We run our business in a responsible way and mitigate climate change and its impacts.	-10.1% reduction of CO₂eq emissions per ton sold (scope 1 and 2)¹. The emission of greenhouse gases was reduced significantly to 17.6kg per ton sold, a reduction of 2.0 kg compared to 2020. Compared to baseline 2019: -34.6%	 
	-12% reduction of CO₂eq emissions per ton sold (scope 1 and 2)		
	Energy We manage resources and costs carefully.	+7.7% increase in the energy consumption per ton sold. Energy consumption per ton sold increased by 22 MJ to 308.1 MJ, due to the inclusion of leased vehicle fuel. Compared to baseline 2019: -15.1% 52.3% of purchased electricity was derived from renewable sources. This was a significant rise compared to the prior-year figure (+28.2% points)	 
-15% less energy consumption per ton sold  Increase share of electricity from renewable energy sources			
Waste /Water We increase material and water efficiency.	-9.6% less waste per ton sold. The volume of waste was reduced to 11.2kg per ton sold. Compared to baseline 2019: -20.5% 33.9% of the waste generated was recycled, a stable figure compared to 2020 (35.3%). Compared to baseline 2019: +/-0% -9.7% reduction in water consumed per ton sold. The amount of water used per ton sold declined to 0.20 m ³ . Compared to baseline 2019: -42.6%	 	
-15% less waste generation per ton sold +25% higher recycling rate of total waste -15% less water consumption per ton sold			

¹ Based on market-based GHG emissions.

SOCIAL

- Diversity
- Employee Education and Training
- Occupational Health and Safety
- Customer Health and Safety
- Human Rights and Labor Standards
- Supplier Compliance
- Local Community Engagement

TARGET 2023 (BASELINE: 2019)

PERFORMANCE 2021

UN SDGs

Community Engagement

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

10,000 working days of volunteering work

+50% more projects

+50% more direct beneficiaries

1,392 working days of employees were dedicated to volunteering work, an increase of +24.4% compared to prior year.

242 projects were carried out in and for local communities, +32.2% more projects than in the prior year. Compared to baseline 2019: +63.5%

44,188 direct beneficiaries of the Community Engagement Program. Compared to baseline 2019: +469.1%



Occupational Safety

Sika employees leave the workplace healthy.

-50% Lost Time Accidents

0 fatalities

256 Lost Time Accidents, a +11.3% increase compared to prior year. Compared to baseline 2019: -1.9%

Zero fatalities among Sika employees and contractors.



GOVERNANCE/ECONOMIC

- Business Integrity
- Customer Relationship and Satisfaction
- Sustainable Solutions and Innovation
- Product Quality and Reliability
- Economic Performance

TARGET 2023 (BASELINE: 2019)

PERFORMANCE 2021

UN SDGs

Sustainable Solutions

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



All new product developments with "Sustainable Solutions"

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



For more information, please visit www.un.org/sustainabledevelopment

SIKA AND THE UN SUSTAINABLE DEVELOPMENT GOALS (UN SDGs)

The ambitious UN SDGs are expected to be achieved by 2030 through concerted and immediate action taken by the public and private sector, all around the world. The table below summarizes how Sika has positively contributed to eight of the 17 goals through its 2021 activities.



SDG3 – GOOD HEALTH AND WELL-BEING

Ensure healthy lives and promote well-being for everyone at all ages

- The Group monitors environmental and safety aspects during development, production, and product-handling stages.
- The EHS minimum requirements are a set of 12 specific operational requirements which have been implemented between 2020 and 2021 in each Sika company in relation to workplace safety.
- Sika Life Saving Rules are in place to keep all Sika employees, contractors, and visitors safe from harm while at work. They apply to all Sika sites and to Sika employees when visiting clients or suppliers.
- Sika aims to eliminate substances hazardous to health or the environment from products and production processes wherever possible. An internal control system is in place to monitor the progress and complement local legal requirements. Sika constantly improves formulations and presents compliant solutions well ahead of legislation.
- Sika's offering includes a wide range of low-emission, water-based construction materials which contribute to health and well-being in work and living spaces.
- In 2021, Sika supported 242 Community Engagement Projects. One of the goals of these projects is to improve the quality of life of children, adults, and families in the communities in which the company is active.



SDG4 – QUALITY EDUCATION

Ensure inclusive and equitable quality education, and promote lifelong learning opportunities for all

- In 2021, 301,346 hours were dedicated to Sika employees' training on various topics such as compliance, professional skill building, and leadership development.
- To contribute to the qualification level of people in the construction trade, Sika holds a large number of customer trainings worldwide annually.
- In 2021, Sika supported 242 Community Engagement Projects. One of the three core areas of "Sika Cares" is education and vocational trainings.



SDG6 – CLEAN WATER AND SANITATION

Ensure availability and sustainable management of water and sanitation for all

- A global water efficiency program including local road maps is in place to reduce water consumption, wastewater, and promote recycling of water resources with set targets until 2023.
- Identification of Sika countries at risk of water scarcity and floods through the Water Risk Atlas database. Measures to reduce water consumption or to reuse water are in place, particularly in water-stressed regions.
- Sika offers a whole range of innovative solutions to protect and save water used in newbuild and refurbishment of drinking water and wastewater facilities.
- In 2021, Sika supported 242 Community Engagement Projects. One of the three core areas of "Sika Cares" is water and climate protection.



SDG8 – DECENT WORK AND ECONOMIC GROWTH

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

- 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.
- By signing Sika's Supplier Code of Conduct, suppliers undertake to respect the provisions of the UN's Universal Declaration of Human Rights and the core Conventions of the International Labor Organization.
- In 2021, Sika supported 242 Community Engagement Projects. One of the goals of these projects is to improve the quality of life of children, adults, and families in the communities in which the company is active.



SDG9 – INDUSTRY, INNOVATION AND INFRASTRUCTURE

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

- With the use of Sika solutions, infrastructures are built in an efficient and sustainable way and contribute to the development of emerging and developing countries.
- Product innovations in construction and industrial production with improved resource-use efficiency. Systematic development of more sustainable and performing solutions.
- In 2021, Sika supported 242 Community Engagement projects. One of the three core areas of “Sika Cares” is buildings and infrastructure.



SDG11 – SUSTAINABLE CITIES AND COMMUNITIES

Make cities and human settlements inclusive, safe, resilient, and sustainable

- Sika solutions contribute to sustainable construction and new forms of mobility.
- Sika offers high-performance and low-cement mortars; root-resistant polymeric roof membranes and systems that allow the installation of green roofs to improve the urban climate; special concrete repair mortars and resins extend the service life of bridges and concrete structures.
- In 2021, Sika supported 242 Community Engagement projects. One of the three core areas of “Sika Cares” is buildings and infrastructure.



SDG12 – RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensure sustainable consumption and production patterns

- Replacement of technical equipment always focuses on new energy efficient installations, such as motors, air conditioning, heating/cooling, and pressurized air systems.
- Reduced 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.
- Reuse of wastewater and water from cleaning processes, reduced consumption, or use of lower-grade water qualities.
- Sika offers its customers solutions that improve performance and durability. These products make it possible to achieve quality installations with fewer resources.



SDG13 – CLIMATE ACTION

Take urgent action to combat climate change and its impacts

- Sika’s sustainable innovations enable the expansion of clean energy infrastructure as well as the reduction of the carbon footprint and enhancement of longevity in the construction and transportation industries.
- Sika products enable customers to improve the energy efficiency of their manufacturing processes and their end products. Sika’s solutions reduce customers’ carbon emissions through longer lasting products or for example by replacement of carbon intensive raw materials, the introduction of quick-curing products or water-based solutions.
- Sika actively seeks performance enhancements by using recycled materials and sustainable chemicals.
- In 2021, Sika supported 242 Community Engagement projects. One of the three core areas is water and climate protection.

STAKEHOLDER ENGAGEMENT

GRI 102-21

GRI 102-40

GRI 102-42

GRI 102-43

GRI 102-44

Stakeholders are defined as groups or individuals that are significantly affected by the organization's activities, products, and/or services, or whose actions can be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives. During the last materiality assessment conducted in 2018, Sika has identified the most relevant internal and external Stakeholder groups for the company. Regular stakeholder engagement is an essential part of responsible business practice and is key to capturing opinions and insights from across the business by ensuring inclusiveness. The table below provides a summary of the engagement activities conducted in 2021 and the key topics and concerns raised.

Stakeholder groups	Why we engage	2021 Engagement activities	Key topics & concerns raised
Board of Directors & Group Management	An open dialogue with the Board of Directors and the Group Management allows Sika to maintain the alignment between top management's expectations and the running of daily business at local and regional level.	<ul style="list-style-type: none"> – Meetings – Surveys – Internal workshops and trainings 	<ul style="list-style-type: none"> – All ESG-related topics – Economic performance
Employees	Sika keeps an open dialogue with its people on all levels to capitalize on the full potential of its diverse workforce.	<ul style="list-style-type: none"> – Company intranet – Surveys – Training programs – Learning and development opportunities – Talent management – Audits 	<ul style="list-style-type: none"> – Health and safety – Human rights and labor standards – Diversity – Women's empowerment – IT and digitalization – Career development
Customers	Engaging with customers enables Sika to understand their needs, anticipate market trends, and develop corresponding solutions.	<ul style="list-style-type: none"> – Audits – Training programs – Claims management – Surveys – Key Account Managers relationships – Conferences and events 	<ul style="list-style-type: none"> – Customer relationship and satisfaction – GHG emissions – Health and safety – Human rights and labor standards – Sustainable Solutions and innovation – Product quality and reliability – Responsible procurement – Traceability
Suppliers	An open dialogue with suppliers enables innovation. Supplier engagement and collaboration ensure Sika's suppliers have high standards in business ethics and respect for people and the environment.	<ul style="list-style-type: none"> – Together for Sustainability – Audits and assessments – Training programs – Conferences and events 	<ul style="list-style-type: none"> – Responsible procurement – Traceability – Health and safety – Human rights and labor standards
Financial analysts and investors	An active dialogue with the capital market ensures transparency and helps Sika improve reporting practices. The relationship with its financial community ensures access to the capital market and funding for investment opportunities.	<ul style="list-style-type: none"> – Roadshows – Capital Markets Day – Annual General Meeting – Conferences and events – Meetings and calls with analysts and investors – Corporate website – Media releases – Interim financial reports 	<ul style="list-style-type: none"> – All ESG-related topics – Economic performance

Stakeholders groups	Why we engage	2021 Engagement activities	Key topics & concerns raised
Academia	Sika engages with academia to complement its internal research efforts by working with major universities and scientific institutes on fundamental technologies	<ul style="list-style-type: none"> – Partnerships – Working groups – Conferences and events 	<ul style="list-style-type: none"> – Sustainable Solutions and Innovation – Trainings and education
Competitors	Engagement with competitors allows Sika to identify strengths and areas of improvement regarding its strategy and products.	<ul style="list-style-type: none"> – Meetings – Conferences and events 	<ul style="list-style-type: none"> – Sustainable Solutions and Innovation – Climate change – Transparency and reporting – ESG assessments
Regulators	To understand regulatory changes and regulators' concerns, Sika engages with local governments and regulators.	<ul style="list-style-type: none"> – Meetings – Conferences and events 	<ul style="list-style-type: none"> – All ESG-related topics, mostly Climate Change, Biodiversity, Human Rights, Health and Safety, Reporting Standards
Sponsorship partners	To inspire and lead by example as a responsible business, Sika engages with external partners.	<ul style="list-style-type: none"> – Meetings – Projects – Partnerships 	<ul style="list-style-type: none"> – Sustainable Solutions and Innovation – Community engagement
Local communities	Working together with communities on projects allows Sika to help protect local ecosystems and support livelihoods.	<ul style="list-style-type: none"> – “Sika Cares” projects – Dialogue with local authorities and community organizations – Employees engaged in volunteering days – Partnerships 	<ul style="list-style-type: none"> – Community engagement – Education and vocational trainings – Buildings and infrastructure – Water and climate protection

MATERIALITY ASSESSMENT AND REPORT CONTENT

GRI 102-46

A materiality assessment is a process to identify the most important sustainability topics, opportunities, and risks for Sika's business from two perspectives: their importance to stakeholders and their importance to Sika. The outcome is a materiality matrix, showing all topics which are identified and prioritized to focus on the ones that matter the most to Sika's business and stakeholders. The information gained through this process can support decisions about the direction of the business, it allows the integration of sustainability topics into the core business strategy, and the selection of relevant topics for sustainability reporting.

In 2018, Sika conducted a materiality analysis, focusing on potential material topics, reflecting the sustainability impacts of Sika's operations, products, and services, along the entire value chain. During this process, Sika considered the sustainability context in which the company operates at global and regional level to determine the long list of potential material topics and their relevance.

The relative importance of the topics was 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 analysis captured responses from relevant internal and external stakeholder groups across the value chain via an online survey, to prioritize the importance of each topic on a scale from low to high. The online survey was sent to more than 1,000 stakeholders, of which 249 responded (102 employees, 85 customers, 27 suppliers, 7 financial analysts/investors, 5 academic partners, 5 community/society partners and 18 in the “other” category). Moreover, five 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. The materiality matrix 2018 outlines the key topics identified and prioritized that matter the most for Sika and its stakeholders.

Sika Materiality Matrix

Importance to Stakeholders	HIGH	<ul style="list-style-type: none"> – Waste Water – Air Emissions 	<ul style="list-style-type: none"> – Energy and Water Management – Circular Economy and Materials – Greenhouse Gas Emissions – Environmental Compliance – Supplier Social and Environmental Compliance – Employee Education and Training – Health and Safety – Human Rights and Labor Standards – Local Community Engagement – Business Integrity – Customer Relations and Satisfaction – Sustainable Solutions and Innovation – Product Quality and Reliability – Economic Performance 	
	MEDIUM	<ul style="list-style-type: none"> – Biodiversity and Ecosystems Management 	<ul style="list-style-type: none"> – Product Packaging – Equal Remuneration – Diversity – Employee Work-Life-Balance – Employee and Management Relation 	<ul style="list-style-type: none"> – Corporate Governance – Shareholder Value – Emerging Markets – Market Share – Talent Attraction and Retention – Transport and Logistics
	LOW		<ul style="list-style-type: none"> – Employee Fluctuation 	
		LOW	MEDIUM	HIGH
		Importance to Sika		

The materiality assessment conducted in 2018 contributed to the definition of the strategic target areas for the Sika Sustainability Strategy 2019–2023 and the selection of topics for the Sustainability Report. In 2021, Sika conducted a new materiality assessment which will provide the basis for the definition of Strategy 2028 and future reporting. The Board of Directors will officially approve the new Materiality Matrix 2022 during the second half of 2022.

MATERIAL TOPIC BOUNDARIES

GRI 102-47

GRI 103-1

Material topic	Why the topic is material	Topic boundary							Reference page to management approach	
		○	□	△	▭	⬡	◇	▽		
Water Management	Water is a crucial material/input factor for Sika's production, and water quality and scarcity are critical issues for Sika, particularly in water-stressed regions. Wastewater management is also a topic of great importance for stakeholders and communities as they may be impacted through potential water contamination.	Direct impact						Indirect impact	Indirect impact	p.107-108
Waste Management	Stakeholders and communities close to Sika's production sites have a great interest in how Sika manages waste discharge from production as they may be directly impacted through improper waste disposal.	Direct impact						Indirect impact	Indirect impact	p. 107-108
Circular Economy	Adopting circularity principles is becoming increasingly compelling due to higher awareness and shifting demand towards more sustainable solutions among customers in construction and transportation markets.	Direct impact	Direct impact	Direct impact				Indirect impact	Indirect impact	p.115
Materials	Sika's business relies on the availability of materials to convert them to value-added finished products and solutions.	Direct impact	Direct impact					Indirect impact		p.107-108
Energy Management	Efficient energy management is a major driver to implement Sika's Sustainability Strategy.	Direct impact	Direct impact					Indirect impact		p.107-108
Greenhouse Gas Emissions	Sika monitors its carbon emissions as part of the environmental responsibility the company has for climate. The company aims to become net zero by 2050.	Direct impact	Direct impact	Indirect impact				Indirect impact	Direct impact	p.107-108
Environmental Compliance	Sika strives for full legal and regulatory compliance, which is the foundation of its business.	Direct impact						Indirect impact	Direct impact	p.107-108, 125
Employee Education and Training	As a multinational, Sika is still able to act as rapidly as a medium-sized enterprise and respond to business opportunities with high implementation speeds. To ensure that this remains the case, employee know-how must be kept in sync with current trends and market demands.	Direct impact		Indirect impact	Indirect impact					p.83
Health and Safety (employees, suppliers, and customers)	Providing a healthy and safe work environment for employees, monitoring health and safety standards, ensuring the application of such standards by suppliers, and ensuring safe use of products by customers are key elements in Sika's worldwide success.	Direct impact	Direct impact	Direct impact				Indirect impact		p.86-88

- **Group:** Board of Directors, Group Management, employees, operating assets, Group entities.
 - **Supply Chain**
 - △ **Customers:** from the industry, automotive, and construction sector.
 - ▭ **Business Partners:** academia, sponsorship partners.
 - ⬡ **Financial Community:** Investors, financial analysts.
 - ◇ **Regulators**
 - ▽ **Communities**
- Direct impact
■ Indirect impact

Material topic	Why the topic is material	Topic boundary							Reference page to management approach
		○	□	△	▭	⬡	◇	▽	
Human Rights and Labor Standards	Sika promotes the protection of universally acknowledged human and labor rights. Sika assesses its own operations in relation to potential human rights violations and implements adequate measures to prevent any violation.	■	■				■	■	p.94
Supplier Social and Environmental Compliance	Sika's values are centered around respecting universal human and workers' rights, acting in accordance with fundamental environmental, health and safety standards and investing efforts into sustainable development and corporate responsibility. Sika's entire supplier network is expected to embrace the same set of values and enforce them in their own supply chain network.	■	■				■		p.97-98
Local Community Engagement	As a socially responsible company, Sika supports local communities. Sika is committed to promoting on-the-ground self-help.	■				■		■	p.104-105
Business Integrity	Business integrity has been at the core of Sika's corporate culture for decades. Accordingly, Sika enjoys an excellent reputation in the market. Stakeholders all around the globe know Sika as a reliable, and highly ethical partner.	■	■	■	■		■		p.68-69
Customer Relationship and Satisfaction	Customer First/Customer Satisfaction is one of Sika's core values.	■		■					p.102
Sustainable Solutions and Innovation	Sika's objective is to meet the challenges faced by customers today, by launching new products in response to tighter regulations, developing new solutions to meet the ever-greater demands in terms of easy and efficient application and environmental compatibility.	■	■	■	■		■	■	p.129
Product Quality and Reliability	The Sika triangle, the 100 years old visual symbol, is synonymous with performance, quality, reliability, and service worldwide. This attitude is emphasized by the corporate claim: Building Trust.	■	■	■		■	■		p.139
Economic Performance	Financial solidity and long-term profitability ensure that Sika remains a reliable and value-adding partner for all its stakeholders now and in the future, and they represent important cornerstones in maintaining global technology leadership and market penetration, from design and construction to refurbishment.	■			■		■		p.141-142

- **Group:** Board of Directors, Group Management, employees, operating assets, Group entities.
- **Supply Chain**
- △ **Customers:** from the industry, automotive, and construction sector.
- ▭ **Business Partners:** academia, sponsorship partners.
- ⬡ **Financial Community:** investors, financial analysts.
- ◇ **Regulators**
- ▽ **Communities**

- **Direct impact**
- **Indirect impact**

OUR PEOPLE

CORPORATE CULTURE AND BUSINESS INTEGRITY

GRI 102-16

GRI 102-17

GRI 102-33

GRI 102-34

GRI 103-2

GRI 103-3

GRI 205-1

GRI 205-2

GRI 205-3

GRI 206-1

GRI 412-2

Sika is committed to creating an attractive and inclusive work environment where people can grow and unlock their full potential. A place where everyone is treated fairly and has equal opportunities. A place where you can be your true self and develop a strong sense of belonging. It's about empowering people at all levels to actively contribute to building a sustainable future and be truly passionate about daily challenges.

STRONG VALUES AS A SHARED BASIS

Customer First, Courage for Innovation, Sustainability & Integrity, Empowerment & Respect, Manage for Results are the five core values and principles that are the defining elements of Sika's corporate culture. These values and principles serve as a compass in all countries where Sika operates and are adhered to by all employees around the globe. Thus, the Group's culture of trust, transparency, and openness has a firm global foundation that is lived by each employee every day.

Customer First

Sika is dedicated to provide and maintain highest quality standards with its products and services.

Courage for Innovation

Sika's success and reputation is based on its long-standing tradition of innovation.

Sustainability & 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.

Empowerment & Respect

Sika believes in the competence and the entrepreneurial spirit of its employees.

Manage for Results

Sika aims for success and takes pride in continuously achieving outstanding results and outperforming its markets.

In addition to these core values, Sika has introduced a "Leadership Commitment" framework, designed to inspire the whole organization and guide the future generation of leaders. It reflects a close connection between values and principles and consists of the following pillars: Drive change, Unlock Potential, Win Together, Inspire. An in-depth description of each of the pillars has been provided to Sika employees stressing the underlying behaviors. The 2021 Leadership Commitment rollout campaign included the "Sika Day" with all entities worldwide celebrating the Sika culture. Going forward, the "Sika Day" will be held as an annual event to promote and strengthen the corporate culture. The anchoring phase of the campaign focuses on supporting managers and their teams to embed the Leadership Commitment message in all processes. An employee lifecycle has been created to harmonize people's processes and enhance the embedding of Leadership Commitment pillars.

In a fast-changing world and growing organization, this framework helps preserve Sika's corporate culture and inspire employees. Together with the Values and Principles and the Code of Conduct, Sika provides managers and employees with clear and tangible guidelines.

CORE POLICIES AND GUIDELINES

Sika's approach to ethical behavior, compliance and organizational integrity is reflected in the following core policies and guidelines:

- The Sika Code of Conduct (CoC) (available at <https://www.sika.com/en/about-us/who-we-are/values-principles/sika-code-of-conduct.html>) is revised periodically to assure compliance with newly emerging regulatory frameworks. The most recent revision took place in 2019. At the writing of this report, another round of revisions is taking place, re-emphasizing and strengthening Sika's commitment to human rights, labor rights (including the prohibition of child labor, forced labor or modern slavery), equality, diversity, inclusion, speak-up culture, anti-corruption, environmental protection, and overall sustainability. The CoC is available in 46 languages. All employees joining Sika receives a hard copy in the local language and are required to confirm their commitment to the CoC by signing it. An e-learning about the CoC is made available in more than a dozen languages, and will be revised and re-launched globally in 2022, with all employees working digitally being asked to complete it. All other employees will receive classroom training about the revised CoC.
- The Sika Supplier Code of Conduct (SCoC) (available at <https://www.sika.com/en/about-us/who-we-are/procurement/sourcing-governance.html>), with its most recent revision in 2021, seeks the explicit buy-in of all suppliers around the world to Sika's values and principles. Sika's suppliers thus commit to Sika's zero-tolerance policy regarding child or forced labor, modern slavery, bribery, and corruption. Suppliers further promise to assure fair wages and working hours, the freedom of association, the right to collective bargaining, as well as equality, diversity, and inclusion, to the extent possible under applicable local law. They are required to have systems in place that ensure the proper implementation, training and monitoring of these fundamental human and labor rights among their own personnel as well as the employees of their subcontractors and suppliers. Sika regularly performs supplier audits and assessments to monitor compliance with the SCoC's requirements. Suppliers are obliged to immediately inform Sika of any known violations of the SCoC.
- Sika's Values & Principles is an internal guideline reflecting Sika's overall management principles and the Group's commitment to integrity, responsibility, and transparency. All employees have pledged with their signature to uphold these values. General Managers (GMs) and Sika Senior Managers (SSMs) bi-annually need to enforce the values and principles in their organizations and to act as role models. The Sika Trust Policy promotes a "speak up" culture within Sika and encourages all employees to report fraud, corruption, unfair competition and any other violation or serious misconduct in the context of business activities, either to their superior, HR, senior management, or – if these channels do not seem appropriate – directly to Corporate Compliance. For employees preferring to report anonymously, Sika maintains an online whistleblowing platform called "Sika Trust Line". The Sika Trust Line as of 2022 will be made gradually accessible to the public on a country-by-country basis, depending on regulation and technical feasibility.
- The Gift & Entertainment Policy (GEP) spells out in detail Sika's anti-corruption commitment. It defines specific requirements regarding the granting and accepting of gifts, entertainment, donations or sponsoring. Each Sika entity has adopted a localized version of the GEP, thus implementing not only the overall corporate guidelines but also – to the extent necessary – national anti-corruption requirements. Corporate functions have adopted specific manuals (i.e., Manual of Authority, Procurement Manual) mirroring the GEP requirements.
- The internal Legal and Insurance Manual contains a section on "compliance", which reaffirms line management's primary responsibility to assure compliance with all applicable local laws and internal guidelines (first line of defense). In addition, the Manual delegates the responsibilities of the second line of defense to the corporate assurance functions (Compliance, Legal, Finance, Tax, Operations, Quality & EHS, etc.) and a third line of defense responsibilities to Internal Audit.

COMMUNICATING CRITICAL CONCERNS, THEIR NATURE AND TOTAL NUMBER

Addressing critical cases helps Sika not only detect risk areas, but also solve them right away with targeted measures. Sika identifies critical concerns based on internal audits as well as internal and external complaints that are escalated to Corporate HR & Compliance via several channels, including Sika's whistleblower platform ("Sika Trust Line").

	2019	2020	2021
Investigated compliance complaints (No.)	37	44	50
Substantiated compliance violations (No.)	24	23	30
Of which leading to disciplinary measures ¹ (No.)	24	21	23
Thereof cases with dismissals/voluntary resignations (No.)	20	15	14
Thereof cases with only warning letters (No.)	4	6	9

¹ Not all identified violations lead to disciplinary measures (for instance, in some cases, the employee responsible for the violation may already have left the company).

Flat hierarchies, a value-based corporate culture and internal audits are catalyzing the communication of critical concerns to the highest governance body. On a regular basis, or, if urgent, on an ad hoc basis, critical audit findings and substantiated complaints concerning serious compliance violations are reported to the Audit Committee, which consists of three out of eight members of the Board of Directors. Concerns are defined as "critical" based on their severity. Sika uses an escalation table to classify reported concerns, distinguishing three priority levels. Reports concerning the most severe violations or misconduct (i.e., priority 1 issues) are addressed and managed under the lead of Corporate Compliance, while priority 2 concerns may be handled regionally or even locally, with the agreement of Corporate Compliance. Priority 3 concerns may be handled locally, without involvement by Corporate Compliance. To be considered critical, violations or misconduct must fall into at least one of the following categories: corruption/bribery; unfair competition; fraud (including theft, embezzlement, conflict of interests, etc.); environment, health and safety, quality or trade law violations; abusive labor or employment practices (including violations of human and labor rights, discrimination, harassment, retaliation, etc.); or breach/misuse of confidential information (including violation of privacy protection laws).

Sika promotes transparency and a speak-up culture around the globe. Employees and external stakeholders are encouraged to report perceived violations or misconduct, either through the commonly used communication channels (phone, email, mail) or via a special grievance mechanism, the "Sika Trust Line", available online, which also allows anonymous reporting directly to the attention of Corporate Compliance. In accordance with its motto "Building Trust", however, Sika invites everyone to speak up openly rather than anonymously and grants all those who do so in good faith a far-reaching protection against retaliation.

Specific actions 2021

In 2021, Corporate HR & Compliance received 63 complaints. The complaints triggered 50 internal compliance investigations:

- 30 cases of allegations of misconduct could be substantiated.
- 15 cases could not be substantiated.
- Five cases still are under investigation at the publication of this report.

The analysis of the 2021 compliance investigations allows for the following conclusions:

- Sika's number of reported (63) and confirmed/substantiated (30) compliance cases is very low, considering the size of the company.
- Most investigations (34 equivalent to 68%) centered on either interpersonal tension (20 equivalent to 40%) or fraudulent behavior (14 equivalent to 28%).
- Of 20 reports submitted anonymously, only three could be substantiated.

- There were no government investigations nor any penalties against Sika entities or employees anywhere in the world concerning alleged corruption or bribery. Eight internal investigations focused on potential cases of passive bribery. In three cases, the allegations could be confirmed. The involved employees were dismissed with immediate effect. In addition, anti-corruption training efforts were intensified for the concerned entities
- Sika employees (including former employees) remain the main channel to report misconduct (57 of 63 reports). Of the 39 reports they submitted with open identity, 26 (67%) could be substantiated.
- 25 of the 63 reports were reported by business line employees or management (1st line), eight were reported by assurance functions (2nd line) and one by Internal Audit (3rd line).

The initial responsibility for managing reported incidents of unethical or unlawful behavior lies with those Sika employees/managers who receive the initial report. Based on the escalation table mentioned above, the initial recipients of complaints are required to either handle them locally or escalate them to the Corporate Compliance team, which upon receipt decides a) whether to launch an investigation, and b) who should take the lead. In recent years, Sika's Corporate Compliance team has received roughly 30 incident reports per year via the Sika Trust Line. Another roughly 30 reports per year were submitted via internal escalation channels. Annually, around 50-70% of the reported incidents are investigated. Of the investigated incidents, roughly 50-70% are being substantiated, meaning that in a final investigation report Corporate Compliance confirms the unethical or illegal behavior. If a report is being substantiated, Corporate Compliance mandates the supervisory management team concerned to implement adequate disciplinary and organizational measures, to prevent the re-occurrence of similar violations.

ANTI-CORRUPTION AND ANTI-COMPETITIVE BEHAVIOR

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. This is also why Sika financially supports "Transparency International" in its global fight against corruption.

Business integrity is at the core of Sika's corporate culture. Accordingly, Sika enjoys an excellent reputation in the market. Stakeholders all around the globe know Sika as a reliable and highly ethical partner. Sika believes that sustainable and successful business depends heavily on operating in compliance with laws and regulations. Sika operates a Group-wide, culturally well-established, and integrated Compliance Management System, which evolves and improves year by year. The Group pursues a comprehensive approach to compliance and engages the whole organization through all hierarchies, functions, and geographical areas.

Corporate Compliance on an annual basis assesses all operations regarding potential and actual corruption risks. It does so based on "Transparency International's" corruption index, combined with internal reports it has received about incidents of bribery. As in previous years, the General Managers (GMs) of all Sika entities in the context of Sika's annual "Compliance Confirmation" questionnaire confirmed that no corruption investigations were launched against Sika in their respective countries. GMs are required to immediately escalate suspicion or allegations of bribery to Corporate Compliance, which will launch an internal investigation and ask for the dismissal of any employee who demonstrably engaged in corrupt practices.

Even though Sika operates in countries that are highly ranked on “Transparency International’s” corruption index, its exposure to corruption risks is moderate to low, for two main reasons. First, Sika’s business partners are mostly private sector companies. Interaction with the public sector, which is particularly susceptible to corruption, is limited. Second, Sika is a chemicals company, and as such less exposed to corruption risks than companies belonging to the extractive, construction, transportation, sports, or financial industries. Nonetheless, Sika employees in countries where corruption is widespread are exposed to the private sector risk of offering or accepting kickbacks, inappropriate gifts or entertainment. Sika is addressing the identified risks with targeted measures such as firm zero-tolerance position against corruption anchored in its Code of Conduct, clearly formulated local Gift & Entertainment Policies, frequent anti-corruption trainings for all risk-exposed employees, and regular reviews and audits of local practices related to third party engagements and expenses.

As far as anti-competitive behavior is concerned, Sika not only prohibits such behavior in its internal policies (see above, “Core Policies and Guidelines”), but also runs regular trainings with risk-exposed employees, reminding them not to share sensitive market information with competitors. The risk of abusing a market dominant position is negligible because Sika in its markets does not hold such dominant position. On an annual basis, GMs are asked to confirm that no government action was taken against their entities for anti-competitive behavior. As in previous years, all GMs in their Compliance Confirmation for the calendar year 2021 issued such confirmation

POLICIES AND GUIDELINES

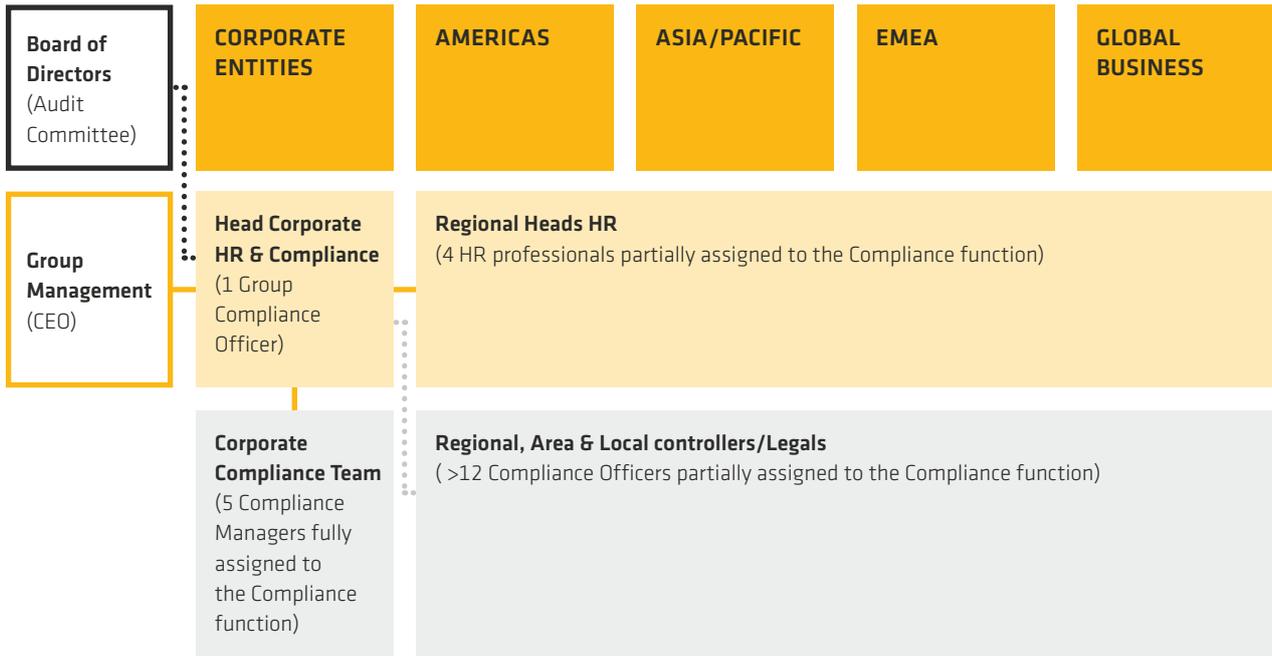
Please see the section “Core Policies and Guidelines” in this chapter at p.69 for more information. In addition to the strong internal regulatory framework mentioned above, Sika relies on the following components in its anti-corruption and anti-competitive management approach:

ETHICAL LEADERSHIP VOWS

The “tone from the top” and leadership by example are of vital importance in Sika’s anti-corruption and fair competition efforts. By means of a bi-annual “Compliance Commitment”, all General Managers (GMs) commit to escalate serious violations or well-founded concerns related to bribery or unfair competition to their superior and/or the Area Manager, the Regional Manager or Corporate Compliance, to make sure that suspected misconduct receives proper and timely follow-up and those employees who report suspected misconduct in good faith are not subject to retaliation. In addition, they also undertake to provide local staff with adequate anti-corruption and fair competition trainings. General Managers are encouraged to seek the same kind of “Compliance Commitment” from each member of their local management team.

GLOBAL COMPLIANCE ORGANIZATION

At Sika, a matrix organization is administering Sika's Compliance Management System. The Head Corporate HR and Compliance leads both the HR as well as the Compliance function. Five full-time Compliance Managers help to coordinate the group-wide compliance initiatives. Depending on the compliance topic concerned, the Corporate Compliance Team is supported by the Regional HR Heads, or by more than a dozen Legal or Controlling employees who act as part-time Compliance Officers. Together they represent Sika's cross-functional Global Compliance Organization, which aims inter alia at preventing incidents of bribery and unfair competition by means of policy making, relevant trainings, periodic audits, ad hoc investigations, as well as targeted disciplinary and improvement measures.



CORPORATE COMPLIANCE, INTERNAL AUDIT AND AUDIT COMMITTEE

Corporate Compliance and Internal Audit collaborate closely in their effort to detect bribery, unfair competition, or fraud. Corporate Compliance usually coordinates investigations concerning these matters. All bribery, unfair competition or fraud reports must be escalated to the Group Compliance Officer, irrespective of who reports them or where they occurred. In addition, Internal Audit may identify fraudulent or corrupt practices while conducting a regular audit. If this is the case, Internal Audit also informs Corporate Compliance and the Group Compliance Officer, who in turn records IA-detected corruption, unfair competition or fraud incidents in the Group's case recording system and issues sanctioning and improvement recommendations to the concerned line management.

Corporate Compliance, and more particularly the Group Compliance Officer, regularly reports substantiated corruption, unfair competition and fraud cases to the Audit Committee of the Board of Directors, the Group Management, and the external auditors, also informing them about identified root causes and the corrective measures that the concerned line management has implemented.

COMPLIANCE AUDIT PROGRAM

Sika's Compliance Management System 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 has 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, Operations, Quality, Environment, Health & Safety (O, Q&EHS), Procurement and Research & Development (R&D), Corporate HR & Compliance designed and launched a "Compliance Self-Assessment" questionnaire for General Managers (GMs). The questionnaire aimed at identifying "high risks" and "focus entities" for targeted compliance audits; monitoring the local implementation of compliance requirements at all Sika entities; and aligning closely with the above-mentioned assurance functions and their audit activities.

To reduce complexity, it was split into two parts. Part one was rolled out and completed in the fourth quarter of 2020, with a 100% response rate. 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 “substantial risk” areas nor “focus entities” with an urgent need for intervention or follow-up regarding these five topics could be identified. Part two was 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 finalized both the scope and contents of its Compliance Audit Program and created a detailed Compliance Audit Plan, to be implemented in 2022.

SPEAK-UP CULTURE AND REPORTING SYSTEM

Sika’s Code of Conduct encourages every employee to speak up and report observed misconduct, including any act potentially representing bribery or unfair competition. The same reporting requirement is anchored in Sika’s contracts with third parties and its Supplier Code of Conduct. Employees and third parties may report potential violations of Sika’s anti-corruption and fair competition guidelines either via line management or via Global Compliance Organization. Furthermore, employees have at their disposal an online whistleblowing channel called “Sika Trust Line”, which also allows for anonymous reporting.

To support GMs in fulfilling their compliance duties, they receive towards the end of each year a digitalized questionnaire called “Compliance Confirmation”, which must be signed and submitted to Corporate Compliance. In early 2022, Corporate Compliance again obtained assurance from all GMs that during the calendar year 2021, Sika’s core compliance policies and manuals regarding fundamental environmental, anti-corruption, fair competition and labor laws were implemented at each entity, and that all GMs provided adequate information and training concerning these topics to their staff.

TARGETED TRAINING INITIATIVES

Members of the Global Compliance Organization conduct regular compliance trainings with specific risk groups. In the context of anti-corruption and fair competition, Sika’s Senior and General Managers, together with sales, procurement, finance, and R&D employees, are invited regularly to participate in such trainings. Targeted trainings are delivered either face-to-face or online (via virtual workshops or focused e-learning). In 2021, roughly two dozen of such training courses took place online, with hundreds of documented participants. In addition, the Corporate Compliance team has successfully launched a global anti-bribery & corruption e-learning, targeted to 15,000 employees most exposed to corruption risks (i.e., sales, procurement, finance, Sika Senior Managers and General Managers), which achieved an exceptionally high accomplishment rate within a short time line.

STRINGENT COST CODING AND CONTROLLING

Internal regulations including the Gift & Entertainment Policy and the Controller Manual require all Sika entities and functions to record transparently in the respective financial records any gift, entertainment, donation, and sponsoring expense made in favor of a third party. Third party expenses are thus monitored very closely. The Corporate Compliance Team, in close cooperation with Corporate Controlling and Internal Audit, discuss identified unusual or noticeable expense patterns quarterly. Where deemed necessary, they follow up with targeted audits.

THIRD PARTY DUE DILIGENCE AND MONITORING

In 2021, Sika tightened its Third-Party Due Diligence and Monitoring on a global level with the rollout of a revised Supplier Code of Conduct. Sika implements its strong anti-corruption stance across the entire supply chain. The Supplier Code of Conduct prohibits any act of bribery or corruption, while stating that such acts, if identified, will lead to the immediate termination of cooperation. Every supplier is required to commit to Sika’s Supplier Code of Conduct or to demonstrate that it has implemented similar internal rules, reflecting a zero-tolerance policy regarding bribery or corruption. Suppliers are required to have systems in place that assure the proper instruction, training and auditing of their personnel and subcontractors to ensure compliance with Sika’s anti-corruption requirements across the entire supply chain. Corporate Procurement on a regular basis reviews supplier performance, thus monitoring whether Sika’s business partners indeed comply with the Group’s strict anti-corruption requirements. Further, suppliers are obliged to immediately inform Sika of any known violation of its Supplier Code of Conduct. Business contracts with suppliers accused of engaging in bribery or corruption are terminated with immediate effect, unless the supplier can demonstrate that it has in place a compliance management system that aims at effectively preventing acts of bribery or corruption. Sika investigates reported cases of corruption based on a defined incident response process. Confirmed cases usually lead to sanctions against involved employees and other corrective measures as deemed necessary and suitable to strengthen Sika’s Compliance Management System. Corporate Compliance keeps track of all investigated cases and reports substantiated cases to Group Management, the Audit Committee of the Board of Directors and to the external auditors.

EMPLOYEE MANAGEMENT

GRI 102-8

GRI 102-40

GRI 102-41

GRI 103-1

GRI 103-2

GRI 103-3

GRI 401-1

GRI 401-2

GRI 401-3

Sika's success is only possible with committed employees who have the necessary specialist knowledge and share a common purpose. Each day, more than 27,000 employees worldwide are highly dedicated to work for the company. Sika's commitments reflect the following priorities and goals: Empowerment & Respect; Sustainability & Integrity; Development & Training.

Since the beginning of the COVID-19 pandemic, Sika has focused successfully on three goals: protecting its employees, ensuring business continuity, and adapting to customers' needs. The whole organization implemented adequate safety measures including social distancing, remote work, and hygiene measures, including wearing masks. To reconnect Sika's people globally and counterbalance the negative impact of the pandemic on its togetherness culture, in 2021 Sika celebrated the first Sika Day. Sika will continue to encourage collaboration, connection, and communication across countries and regions, both among employees and with customers, via digital tools when meeting in person and travelling is restricted.

POLICIES AND GUIDELINES

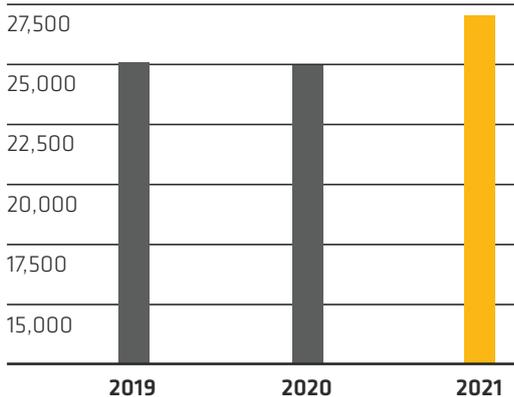
The policies and guidelines on which Sika relies on are listed in this chapter on p.69.

EMPLOYEES THE KEY TO SUCCESS

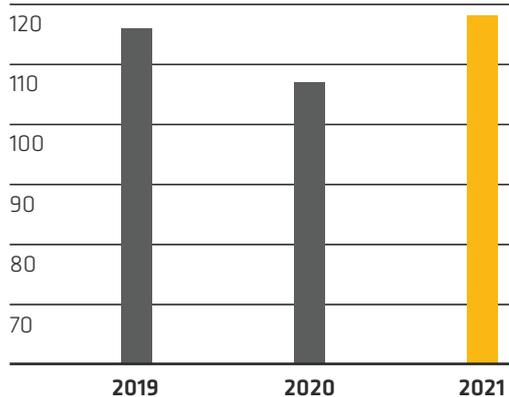
The outstanding engagement of Sika's employees and their strong identification with the company are key to success. Their great dedication and customer-focused work significantly contribute to the achievement of Sika's strategic targets.

The number of employees increased by 8.9% during the year under review to 27,059 (previous year: 24,848). Female employees in the Group account for 23.2% of the total workforce (previous year: 22.8%). Together, the workforce generated a net added value of CHF 3,072 million in 2021 (previous year: CHF 2,666 million). This corresponds to a net added value per employee of CHF 118,000 (previous year: CHF 107,000)².

EMPLOYEES in numbers



NET ADDED VALUE PER EMPLOYEE in CHF thousands



In 2021 the highest growth of employees was recorded in the region Americas with an increase of 15.5% compared to 2020 as a result of acquisitions (+639 employees) and of a rebound after the pandemic impact in 2020 where the headcount decreased by 5.9%.

² This indicator is calculated based on the average number of employees throughout the year.

BREAKDOWN OF EMPLOYEES PER REGION

	2019	2020	2021
EMEA (No.)	10,445	10,811	11,243
Americas (No.)	5,520	5,195	6,002
Asia/Pacific (No.)	6,384	6,163	6,976
Global Business (No.)	2,110	2,035	2,157
Corporate Services (No.)	682	644	681
Group (No.)	25,141	24,848	27,059

The age structure at Sika is broadly balanced: 13.5% of employees are under 30 years old and 25.2% are over 50 years old. The workforce under 30 years old grew in the year under review by 378 employees which increases the percentage of the workforce under 30 from 13.2% to 13.5%. One of the aims of Sika's employer branding strategy is to be an attractive employer for the next generations and to counterbalance the impact of the ageing population trend. As a project sponsor of several universities, Sika engages in a lively dialog with young talents and offers a wide range of internship and traineeship opportunities for a variety of different academic backgrounds including chemistry, business studies, industrial engineering, chemical engineering, civil engineering, architecture, and material sciences.

BREAKDOWN OF EMPLOYEES PER AGE

	2019	2020	2021
<30 years (No.)	3,789	3,285	3,663
30-50 years (No.)	15,150	15,410	16,572
>50 years (No.)	6,202	6,153	6,824

Sika is committed to offering its employees long-term prospects with the company and supports internal promotions. 87.4% of employees have permanent employment contracts. The percentage of the three contract types (permanent, temporary and apprenticeship/internship) normalized during 2021 to a similar level as before the COVID-19 pandemic.

BREAKDOWN OF EMPLOYEES PER CONTRACT

	2019	2020	2021
Permanent (%)	88.0	95.6	87.4
Temporary (%)	11.0	3.6	11.9
Apprenticeship/internship (%)	1.0	0.8	0.7

Due to the COVID-19 pandemic the number of temporary workers significantly decreased in 2020 throughout all regions except the region Americas in which there was already a low number of temporary working contracts in 2019. Especially in the region in Asia/Pacific where temporary workers play a key role to handle high growth rates, the share of temporary workforce compared to Group dropped from 7.6% in 2019 to 1.2% in 2020. In 2021 the number of temporary workers normalized and represented at the end of the year 8.4% of Group employees.

GROUP DISTRIBUTION OF EMPLOYEES PER CONTRACT AND PER REGION

	2019			2020			2021		
	Permanent	Temporary	Apprentices/ interns	Permanent	Temporary	Apprentices/ interns	Permanent	Temporary	Apprentices/ interns
EMEA (%)	38.8	2.0	0.7	41.4	1.5	0.6	39.5	1.6	0.5
Americas (%)	21.3	0.6	0.1	20.3	0.6	0.0	21.1	1.0	0.0
Asia/Pacific (%)	17.9	7.5	0.0	23.6	1.2	0.0	17.3	8.4	0.0
Global Business (%)	7.5	0.8	0.1	7.9	0.2	0.1	7.1	0.8	0.1
Corporate Services (%)	2.5	0.1	0.1	2.4	0.1	0.1	2.4	0.1	0.1
Group (%)	88	11.0	1.0	95.6	3.6	0.8	87.4	11.9	0.7

NON-REGULAR EMPLOYEES

Sika is committed to limiting the use of non-regular employment (e.g., using temporary workers only for specialized, non-core activities, during peak times, or to an acceptable maximum percentage only, in accordance with applicable national labor laws). Where non-regular employment takes place, Sika takes adequate measures to reduce possible negative effects of such employment arrangements (e.g., i. Sika assures instruction of temporary workers about Sika's Code of Conduct and speak-up culture, ii. implementation of the "equal pay for equal work" principle, iii. offering equal benefits and access to health checks, iv. right to permanent employment after a certain period, or v. priority right in times of permanent hiring).

Workers employed through employment agencies and service providers accounted for approximately 10% of Sika's total workforce by the end of the year, mostly unchanged compared to 2019 (pre COVID-19). These workers are not on Sika's payroll, but under contract with employment agencies. The number of temporary workers varies depending on the seasonality of the business in the individual Sika companies. The work performed by this part of the workforce is mainly manufacturing, warehousing and logistics. Due to the ongoing COVID-19 pandemic the number of outside workers fluctuated between 9.9% and 11.3% throughout 2021.

COLLECTIVE BARGAINING AGREEMENTS AND TRADE UNIONS

Sika is present in 101 countries with both small and large subsidiaries. In many of the smaller companies, the number of employees is low and no collective bargaining agreements exist. However, in many big countries, e.g., USA, Germany, France etc., collective bargaining agreements for workers are the rule, and most workers at these locations are covered. In 2021, almost 47% of the total workforce is covered either by trade unions or work councils, while roughly 30% of the total workforce is bound by collective bargaining agreements.

INTERESTING PERSPECTIVES ALL AROUND THE WORLD

Sika is growing fast and can offer employees adaptable career paths as opposed to rigid development plans. With its culture of flexibility and trust in talents, Sika creates and nurtures individual career opportunities. Internal candidates are given preference. Sika is proud to have employees who remain with the company for a long time and contribute with their knowledge and experience over a lengthy period. By building an employer brand and introducing related measures focusing on digital communication, Sika is further enhancing its reputation as an employer of choice. The external recruitment strategy is aimed at hiring and developing young talents, improving gender balance, and attracting more candidates from emerging economies.

SIKA DAY

In 2021, Sika launched three global campaigns on Leadership, Diversity, and Integrity to mutually reinforce Sika's values and roll out the new Leadership Commitment framework across the organization. These campaigns culminated in the first global Sika Day celebration and will continue with anchoring activities in 2022. The Sika Day on June 11 will be a recurring

global event, a day of celebration of Sika's culture, with focus topics and a variety of activities that can be adapted locally. The 2021 joint motto, that perfectly mirrors the loyalty and passion that connects Sika and its employees was "We love Sika. This is why we care for our culture. Together we are committed to leadership, diversity and integrity."

NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER

Sika monitors its performance regarding new employee hires and employee turnover in regular reporting cycles. Corporate and Local HR analyze reports based on different dimensions such as “Gender” or “Age” to ensure a balanced workforce.

Sika hired 3,597 new employees in 2021 (1,979 in 2020). 26.5% of new employees are female, which is higher than in 2020 (25.4%). The recruitment rate³ for both genders significantly rose in 2021, the female ratio went up to 16.0% (8.8% in 2020) and the male ratio went up to 13.2% (7.7% in 2020). In the year under review, 1,482 new employees joined Sika through the acquisitions that took place during 2021. If employees who joined through acquisitions are not considered, the headcount increased organically by 729 employees (2.9% compared to previous year).

BREAKDOWN OF RECRUITMENTS PER REGION

	Recruitments 2019				Recruitments 2020				Recruitments 2021			
	(No.)		Rate (%)		(No.)		Rate (%)		(No.)		Rate (%)	
	F	M	F	M	F	M	F	M	F	M	F	M
EMEA	295	790	13.9	10.6	230	613	9.8	7.4	330	903	13.5	10.5
Americas	150	318	14.7	8.3	58	216	5.1	5.1	247	682	20.2	15.6
Asia/Pacific	143	514	11.5	13.1	117	423	7.4	9.0	257	815	15.6	16.5
Global Business	51	220	9.6	12.1	77	192	17.1	11.8	92	206	19.8	12.6
Corporate Services	25	40	11.9	8.8	20	33	9.7	7.2	29	36	13.9	7.9
Group	664	1,882	13.0	10.8	502	1,477	8.8	7.7	955	2,642	16.0	13.2

Sika invests in the development of its current and future managers who demonstrate the leadership skills and competencies to drive superior performance in support of Sika’s culture. In 2021, Sika promoted 446 employees into a higher management position.

INTERNAL PROMOTIONS

	2019	2020	2021
Internal promotions into a higher management position (No.)	263	218	446
Internal promotions into a higher management position (%)	1.2	0.9	1.6

The employee’s strong identification with the company helped Sika to maintain a low employee turnover rate despite the global trend of higher resignation rates, also known as “The Great Resignation”. While the voluntary fluctuation rate slightly increased to 7.4% (6.4% in 2020), the overall fluctuation slightly decreased to 11.1% (11.2% in 2020). The overall fluctuation for women was 10.6% (11.6% in 2020) and the overall fluctuation for men was at 11.3% (11.1% in 2020). Considering only the voluntary fluctuation rate, both genders were at 7.4%.

³ The recruitment rate is calculated as follows: number of recruitments/((headcount at the beginning of the year + headcount at the end of the year)/2).

BREAKDOWN OF TURNOVER PER REGION

	2019				2020				2021			
	Leavers (No.)		Turnover (%)		Leavers (No.)		Turnover (%)		Leavers (No.)		Turnover (%)	
	F	M	F	M	F	M	F	M	F	M	F	M
EMEA	267	752	12.4	9.9	275	826	11.7	10.0	245	761	10.1	8.9
Americas	108	335	10.4	8.7	140	443	12.2	10.5	106	649	8.7	14.8
Asia/Pacific	118	438	9.5	11.1	142	590	9.0	12.6	218	636	13.3	12.9
Global Business	106	202	22.1	12.3	79	249	17.6	15.3	54	178	11.6	10.9
Corporate Services	18	33	8.6	7.3	27	29	13.1	6.3	10	28	4.8	6.2
Group	617	1,760	12.0	10.1	663	2,137	11.6	11.1	633	2,252	10.6	11.3

GROUP TURNOVER

	2019	2020	2021
Employee voluntary turnover rate (%)	6.0	6.4	7.4
Employee turnover rate ¹ (%)	10.5	11.2	11.1

1 The employee turnover rate considers all departures: natural fluctuations, voluntary leavers and involuntary leavers. It is calculated as follows: all departures / ((headcount at the beginning of the year + headcount at the end of the year)/2). Natural fluctuations refer to retirement or death for example.

Regarding employment type (full-time and part-time), Sika does not collect data for gender distribution, because the number of part-time employees is considered insignificant. In 2021, the percentage of part-time employees was stable at 2.9%.

BREAKDOWN OF EMPLOYEES PER EMPLOYMENT TYPE (FULL-TIME, PART-TIME)

	2019	2020	2021
Full-time (No.)	24,435	24,136	26,272
Part-time (No.)	706	712	787
Group (No.)	25,141	24,848	27,059

BENEFITS PROVIDED TO FULL-TIME EMPLOYEES THAT ARE NOT PROVIDED TO TEMPORARY OR PART-TIME EMPLOYEES

There are no intended differences between benefits provided to full-time employees and to temporary or part-time employees, although differences in individual cases cannot be excluded.

FLEXIBLE WORKING HOURS AND HOME OFFICE

Sika believes in the competence and the entrepreneurial spirit of its employees and is therefore allowing a high majority of employees in almost all countries flexible working hours. Also in consideration of the positive experience with home office during the COVID-19 pandemic, Sika continues to allow home office for a part of the working time.

PARENTAL LEAVE

Local management teams in all countries worldwide enable Sika to act with flexibility and agility. The local legislation and cultural background on parental leave vary across the organization. Sika promotes a family friendly job environment and is extending parental leave beyond local laws in many countries including Switzerland, United States, Russia, Japan, India, and Peru.



For more information,
please visit www.sika.com

DIVERSITY

GRI 103-1

GRI 103-2

GRI 103-3

GRI 405-1

SIKA'S FIRM COMMITMENT TO DIVERSITY AND AN IMPROVED GENDER MIX

Sika's global presence and associated proximity to customers makes it extremely important to integrate diverse cultures and share experience and knowledge across national boundaries. A diverse and inclusive workforce enables a wider talent pool, drives innovation, and enhances profitability and competitiveness. At courses and seminars, Sika managers are encouraged to give high priority to diversity in team and project planning. More specifically, Sika is committed to:

- Fight against discrimination based on race, religion, sex, nationality, disability, age, or any other discriminatory characteristic which of high importance due to its global presence. This is also reflected in a diverse senior management team.
- Provide equal opportunities for all its employees.
- Integrate people with disabilities through improving working conditions. Sika supports non-discriminatory practices in terms of employment, and practices equal opportunities in the recruitment process and in the professional development of its employees.
- Increase the percentage of women, particularly in Sales and Management positions.

In 2021, to support this commitment, Sika established a Global Diversity Steering Committee that will preside over Diversity and Inclusion initiatives, set global targets, and have regular meetings to measure the effectiveness of the Diversity strategy and propose adjustments if needed. Similar focus groups will operate at regional and local level – supported for specific initiatives by a Global working team.



For more information,
please visit www.sika.com

POLICIES AND GUIDELINES

The policies and guidelines on which Sika relies on are listed in this chapter at p.69.

Sika is constantly working to increase the percentage of women in all regions and conducted many initiatives during the period under review to improve the quota of female employees in the company from 22.8% in 2020 to 23.2% in 2021. The region with the highest ratio of female employees is Corporate Services with 32.3% women in 2021 (30.6% in 2020).

BREAKDOWN OF EMPLOYEES PER GENDER AND PER REGION

	2019		2020		2021	
	F	M	F	M	F	M
EMEA (No.)	2,337	8,108	2,363	8,448	2,509	8,734
Americas (No.)	1,181	4,339	1,108	4,087	1,338	4,664
Asia/Pacific (No.)	1,592	4,792	1,557	4,606	1,728	5,248
Global Business (No.)	457	1,653	441	1,594	489	1,668
Corporate Services (No.)	214	468	197	447	220	461
Group (No.)	5,781	19,360	5,666	19,182	6,284	20,775

In 2021 the ratio of women in Staff level increased by 0.4% to 23.7%, the percentage of women in Middle Management also grew by 1% to 21.9% in 2021. Although the number of women in Company Management was stable in 2021, the ratio slightly decreased by 0.5% to 19.6%

BREAKDOWN OF EMPLOYEES PER GENDER AND PER CATEGORY¹

	2019		2020		2021	
	F	M	F	M	F	M
Staff (No.)	4,588	15,037	4,632	15,224	5,183	16,730
Middle Management (No.)	972	3,379	803	3,041	870	3,099
Company Management (No.) ²	221	945	231	917	231	946
Thereof Group Management (No.)	0	8	1	8	2	6

¹ The breakdown per management category has been updated to better reflect Sika management structure. 2019 and 2020 figures have been adjusted accordingly.

² Senior Managers and local Company Management teams are included in this category.

“WOMEN OF SIKA” CAMPAIGN

A clear focus of Sika's strategy is to recruit and promote more women, particularly in sales. Recruitment campaigns in various channels are increasingly targeting women. As part of the “Women of Sika” campaign, started in 2019, an action plan with toolkits was developed that focuses on the following three pillars: increased attraction, engagement, and promotion of women at Sika. The “Women of Sika” campaign is embedded in a broader initiative aimed at fostering the Sika culture, ethical behavior, and promoting an integrated value set across the whole organization which in 2021 culminated in the Sika Day celebration.

The “Women of Sika” campaign contributes to building an inclusive and attractive working environment, with a strong sense of belonging and providing equal opportunities and fair treatment for everyone. The campaign progresses as planned with anchoring activities which include workshops for the local management teams to analyze the local status quo and trends over the past years of defined KPIs (Key Performance Indicators) and identify the most effective mea-

asures to improve where needed. Sika focuses also on internal and external Employer Branding activities, giving women a platform to share their Sika story and inspire others.

Improvements are measured through yearly Corporate HR reporting which is executed to monitor data not only on gender but also on age and nationality. As an example, to improve the gender mix in the sales department, Sika has established a Trainee Program in Latin America “Women in Sales” where participants can gain experience on the job and via specific sales trainings that focus on: Excellence in Pricing and Negotiation; Excellence in Key Account Management; Key Project Management RACE; Sales Performance Program; Essential Sales Skills.



For more information, please visit www.sika.com

DIVERSITY OF BOARD OF DIRECTORS

At the end of the year under review, the Board of Directors consisted of eight members. Seven were male and one was female. Regarding age distribution, all eight members were over 50 years old. Two additional female candidates will be proposed for election at the Annual General Meeting on April 12, 2022. Upon election, the Board will be composed by five male and three female members. All eight members will be above 50 years old.

BOARD OF DIRECTORS – BREAKDOWN PER GENDER

	2019	2020	2021
Male (No.)	7	7	7
Female (No.)	1	1	1

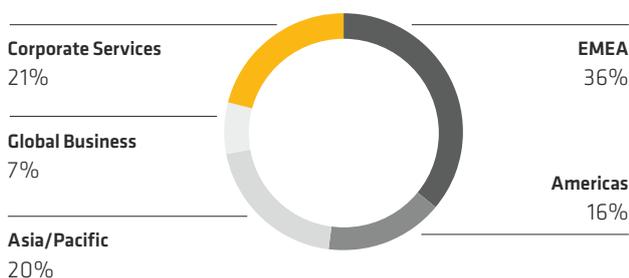
BOARD OF DIRECTORS – BREAKDOWN BY AGE

	2019	2020	2021
30-50 (No.)	1	1	0
>50 years (No.)	7	7	8

NATIONALITIES REPRESENTED IN SIKA SENIOR MANAGEMENT

The company believes that the diversity experienced by employees daily is one of the factors to 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 45 nationalities among its senior managers.

% OF SENIOR MANAGERS



36% of Sika senior managers are located in countries that belong to the EMEA region. 21% belong to the Corporate Organization, 20% to Asia/Pacific, 16% to Americas and 7% to the region Global Business. The regional split of Sika senior managers remained stable the last three years.

BREAKDOWN OF SENIOR MANAGERS PER REGION

	2019	2020	2021
EMEA (No.)	73	72	63
Americas (No.)	36	32	28
Asia/Pacific (No.)	31	31	34
Global Business (No.)	13	12	13
Corporate Services (No.) ¹	41	37	36

¹ Including Group Management members.

EMPLOYEE EDUCATION AND TRAINING

GRI 103-2

GRI 103-3

GRI 404-1

GRI 404-2

GRI 404-3

Even as a multinational company, Sika is as agile as a medium-sized enterprise which allows the company to implement business opportunities quickly. To ensure that this remains the case, employee expertise must be kept in alignment with current trends and market demands.

Sika's Learning and Development (L&D) team organizes a broad range of internal and external training programs based on the Group's Management's strategic initiatives and works closely with General Managers, Regional HR Managers, Area HR Managers, Country HR Managers, and other key business leaders. Sika focuses on four training pillars: Talent development (leadership); Sales training pillar; Management; Professional skills trainings and academies (procurement, operations, sustainability).

POLICIES AND GUIDELINES

The policies and guidelines on which Sika relies on are listed in this chapter on p.69.

TRAINING OFFERED TO EMPLOYEES

Sika's performance and talent management system has been the core 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 identifying new talent.

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 HR to identify training and development needs.

Future managers are developed at various levels, either through continuous training initiated by the respective national organization or provided by the Sika Business School, the Sika Operations and/or Procurement Academies, and external education partners. In 2021, Sika continued to cooperate with various business schools and universities, where Sika provided training for talented employees with the potential to assume Senior Management positions.

SIKA BUSINESS SCHOOL

65% of all Sika Business School courses are sales oriented. To promote the development of sales skills within the company, sales and marketing training was expanded to include these new courses: Foundation for Sales, Making the Sale, Pricing for Sales, Coaching Sales Teams, and Key Account Sales. Many training courses on Sika products and their applications have been moved to a virtual or digital learning format. The company's expertise in advising customers both remotely and in person has been further developed. Each Sika Business School program has its own goals, targets, and specific attendees nominated by local management/HR and regional HR managers.

Name of the program	Description	Scope
Executive Development Program (EDP)	Strengthen leadership alignment and vision of the future.	Sika Senior Management
Global Leadership Program	Enhance team and business management competencies.	Global talents
Regional Leadership Programs	Establish strategic views and develop competencies.	Regional talents
New Leaders Programs	Equip young employees for future leadership roles.	New leaders & young leaders
Management Training Classic – Original	Offer eleven distinct modules to help participants develop their management and leadership skills.	Front line and middle management with leadership functions
Management Training Classic – Simulated	This program duplicates the reality of an annual performance cycle where manager intervention is required (e.g., coaching, delegation, situational leadership, etc.).	First line and middle managers with leadership functions
Delivering Effective Presentation	Designed to help managers, sales professionals, and any employee who delivers virtual presentations to do it more effectively.	Managers and employees
Negotiating Profitable Business	Designed to help managers and employees involved in internal and/or external negotiations strengthen their negotiating power.	Managers and employees
Foundation for Sales	The Sika sales learning journey starts here. Sika's foundational/core sales training program.	Junior sales professionals, and potential sales representatives
Preparing the Sale	Focus on the Buying Center, Product Qualification Process (PQP), and selling in multi-Target Market teams.	Sales Managers/Professionals, Key Project Managers, Key Account Managers
Key Account Sales	Complements Sika Business School's "Preparing the Sale" program. Focus on developing new businesses with existing key accounts.	Key Account Managers (with existing key accounts), Target Market Managers, Sales Managers, General Managers
Making the Sale	Developing the ability to value sell.	Target Market Managers, Sales Managers/Professionals, Key Account Managers, Key Project Managers
Pricing for Sales	The core focus is on pricing leadership, volumes and margins, reduction of cost leakage, and pricing negotiation skills.	General Managers, Target Market Managers, Key Project Managers, Key Account Managers, Sales Managers
Coaching Sales Team	Helps attendees deliver consistent performance through strategic coaching and leadership.	Sales Managers, Target Market Managers, General Managers, Area or Regional Managers, Key Account Managers
Operations Academy	Provide training for managers in Operations to develop and increase their knowledge with a short-, medium- and long-term approach.	Operations Managers, Plant Managers, Production Managers, Supply Chain Managers

SIKA SUSTAINABILITY ACADEMY

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 2021, the annual Sika Sustainability Academy was planned to be held in Preston (UK), but it has been postponed until autumn 2022 due to the COVID-19 pandemic.

Name of the program	Description	Scope
Sustainability Academy	<ul style="list-style-type: none"> – Drive the sustainability agenda (commercial, non-commercial) in a local organization. – Develop capabilities to support the local management and teams in analyzing and prioritizing sustainability activities. – Know how to build up a local sustainability network and how to engage employees on all levels and across functions to facilitate actions. – Know how to build up and implement a local 360° Sustainability Roadmap for "More Value – Less Impact". – Learn from shared experiences and good practices within Sika; build networks. 	<p>The participant is personally dedicated to sustainability and has the commitment from the local management team to lead and drive the development and implementation of the "More Value – Less Impact" program.</p> <p>The participant should hold a management function either in the "More Value" part (Target Market, Sales, Marketing/Communications) and/or "Less Impact" part (Operations, EHS) or as Sustainability Manager.</p>

AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE

With more than 27,000 employees globally, Sika considers training and education to be an important instrument in retaining and developing its workforce. The company is proud of its large share of long-serving employees and recognizes the need to keep employees up to date in terms of their knowledge and abilities.

Sika aims to provide at least ten hours of training per year for each employee. In 2021, each employee received on average 11.1 hours of training, an increase of 10.7% compared to 2020 due to the further strengthening of digital learning and more in-class training held due to less Covid restrictions in several countries.

The digital learning trend is rapidly accelerating with the pandemic and the implementation of Sika's global Learning Management System, called "SikaLearn", which is live in all Sika countries. Effectively, digitalization has been a major transformation driver, enhancing collaboration, innovation, and learning across the organization.

In 2021, Sika expanded the online portfolio with 112 new courses and conducted 190 virtual classroom trainings. A total number of 470 online programs was offered, reaching 17,741 Sika learners. This represents approximately 31,107 hours dedicated to compliance training, technical skill building, and leadership development for employees.

The 190 virtual classroom trainings, representing 40.3% of the total learning programs on SikaLearn in 2021, were attended by 2,269 participants.

Sika's learning and development landscape in 2021 is marked by two major data migrations and change management initiatives proceeding in 2022. The goal of such migrations is to capture all classroom trainings taking place globally in a physical or virtual form on SikaLearn and to further expand Sika's online portfolio, enriching and structuring the content to help employees develop professionally and personally.

AVERAGE TRAINING HOURS PER EMPLOYEE

	2019	2020	2021
Hours of training per employee (No.)	11.4	10.1	11.1

In the year under review, Sika spent a total of CHF 8.8 million (previous year: CHF 6.4 million) on employee development.

SPENDING ON EMPLOYEE DEVELOPMENT

	2019	2020	2021
Spending on employee development (in CHF mn)	12.3	6.4	8.8

All Sika entities have a local performance evaluation system in place which includes a Management By Objectives (MBO) and Employee Development discussion. In January 2022, a pilot of a new global and unified system will be introduced to 1,412 employees. The countries that participate in the pilot are Canada, USA, Chile, Mexico, and Colombia (Regional Roles, Area Roles). Around 50% of Sika employees receive regular performance reviews.

EMPLOYEE PERFORMANCE REVIEWS¹

	2019	2020	2021
Employees with performance reviews (%)	>20	>20	50

¹ 2019 and 2020 figures only covered employees with management functions. The 2021 figure covers all employees who have a performance review process regardless of their staff level. 2019 and 2020 figures have not been restated.

HEALTH AND SAFETY

GRI 103-2	GRI 103-3	GRI 403-1	GRI 403-2	GRI 403-3	GRI 403-4
GRI 403-5	GRI 403-7	GRI 403-8	GRI 403-9	GRI 403-10	GRI 416-1

STRONG COMMITMENT TO HEALTH AND SAFETY

Sika continued to make the health and safety of employees a top priority during the ongoing COVID-19 pandemic. The three principles defined at the onset of the pandemic, ensure employee safety, prevent the spread of the virus, and ensure business continuity, continued to guide the actions of the Group in 2021. Sika continued to act in accordance with all local government requirements and public health measures, as well as implementing voluntary travel, safety, and hygiene measures. Task force teams were maintained to closely follow the situation and local regulations, and to inform employees. Operational business activities, including production, were able to be maintained at a high level to continue supplying customers. This was supported by extensive protection concepts introduced at production sites and labs worldwide. Support functions and sales teams switched to work from home whenever the epidemiological situation required. Sika continued to provide support and best practices for people working at home.

POLICIES AND GUIDELINES

Sika puts safety first. Working safely is not only a program but a way of getting things done. Providing a healthy and safe work environment for employees, monitoring health and safety standards of suppliers, and ensuring safe use of products by customers are key elements in Sika's worldwide success. This relies on several core policies and guidelines:

- The Sika Code of Conduct (CoC) (available at <https://www.sika.com/en/about-us/who-we-are/values-principles/sika-code-of-conduct.html>) defines the standards and rules of behavior for the company and all its employees. The section dedicated to “Health and Safety, Environment”, stresses that Sika has the responsibility to fully comply with health and safety as well as environmental laws and internal guidelines in the interest of employees, customers, the public and the environment in general.
- The Sika Supplier Code of Conduct (SCoC) (available at <https://www.sika.com/en/about-us/who-we-are/procurement/sourcing-governance.html>) sets clear rules and guidelines regarding the environmental, health and safety standards that have to be implemented by Sika suppliers. The section “Protection of environment and health, commitment to sustainable development” of the document highlights how suppliers must implement all applicable environmental, health, safety, and transportation standards, and maintain a recognized management system identical or like ISO 14000 and ISO 45001, ensuring a continuous monitoring and improvement of its operational impacts on environment, health, and safety.
- The internal Safety and Sustainability Manual is valid for all Sika entities, globally. The principles of this manual must be reflected in both local and regional management processes. Since this manual is an integral part of the Corporate Management System, the corresponding local procedures need to be embedded into the local ISO-processes. All new hires at Sika must attend a mandatory induction session on these processes as part of their introductory program. Local management must provide regular training to employees to ensure that the safety principles are known to everyone and followed. The implementation of this manual at local and regional level is subject to audits and inspections. This manual will be updated during 2022 and will include a dedicated EHS policy.
- The internal Sika Life Saving Rules consist of ten rules – Fit for Work, Work Authorization, Confined Space, Energy Isolation, Work at Height, Safety Controls, Driver Safety, Protect Against Explosion, Hot Work, Beware of Hazards – that have been defined and deployed to help keep everybody safe on Sika sites. They address and raise awareness around key risks regarding health and safety of employees, contractors, and visitors, and apply to Sika employees when visiting customers or suppliers. All employees and third parties working on-site must adhere to these rules and are empowered to stop their work if they find it unsafe. Local EHS managers have the responsibility to communicate and distribute these rules and to organize dedicated trainings on site.
- The internal EHS Minimum Requirements consist of a set of 12 specific operational requirements related to specific hazardous activities (general sites rules, battery charging stations, confined spaces, explosion protection, hot work safety, lockout – tagout, personal protective equipment (PPE), rules for contractors, rules for visitors, safe driving, use of forklifts, work at heights) which have been implemented in the last two years in each Sika company. Each country has set up its own program to roll out and train employees to these standards.
- The internal Sika Banned Substance Policy regulates the use of defined hazardous substances in Sika operations and in products. Depending on the category, Sika prohibits or restricts the use of these substances in products above a defined concentration limit. Use in production is subject to specific permits.
- The internal Hazard Analysis and Risk Management Policy refers to the mandatory EHS and Risk Management procedures for every Sika company depending on their range of activities.
- The internal Regulatory and Product Compliance guidelines are used to ensure that raw materials, products, and services are assessed according to chemical regulations to assure compliance for the marketability of Sika products. Sika identifies and classifies all chemical substances, raw materials, and finished products according to their hazard potential in compliance with chemical regulations for registration, classification, labeling, packaging, transport, and restrictions. Sika products have to be accompanied by a Safety Data Sheet (SDS) in accordance with the legal requirements of the country and in the required language(s). Packaging and labeling are controlled and managed for local compliance and the Sika branding and labeling rules. Safety Data Sheets (SDS) are created using the Product Compliance Software and are reviewed and maintained to ensure that the SDS is not older than two years.
- The internal Labeling Guideline includes roles and responsibilities of regional and local organizations for all the applicable labeling requirements. It emphasizes that all packaging and labeling must be compliant with the laws and regulatory requirements in the markets in which the products are sold. To assist local companies, Corporate Labeling Rules have been defined. The guideline further strengthens the Sika brand and Corporate Identity (CI) on a global level, giving customers and users of Sika products confidence in their safety and quality.

- The internal Product Creation Process (PCP) Manual defines the authority, responsibilities, and procedures for creating, modifying, and offering new products and solutions to the market. The PCP supports Sika's vision, policies, and goals for long-term profitability and customer satisfaction. Reducing risks related to new product and system introduction, safeguarding EHS and considering product sustainability aspects along the entire value chain from research to the satisfied customer are elements of the PCP.

Specific actions 2021

In 2021, Sika has started to update the Safety and Sustainability Manual, with a strong emphasis on the following pillars:

- Management commitment to continuous improvement: each manager needs to demonstrate leadership, responsibility, and exemplary behavior.
- Employee involvement: Sika considers that everyone has a role to play in making sure workplaces are healthy and safe. That is why the Group actively encourages the effective and proportionate consultation and participation of workers and other stakeholders on all relevant health and safety matters.
- Compliance with rules: Minimum Requirements have been defined and implemented for each Sika company in relation to workplace safety. In addition, Sika Life Saving Rules have been set up to address key risks. Together with the Minimum Requirements and local regulations, these Saving Rules are mandatory for all Sika companies.
- Training and education: job safety performance is required from everyone working at Sika. Managers must ensure that employees know about the materials and the equipment they use, known hazards and how to reduce risks. Dedicated trainings are also organized on a regular basis, not only for new employees but also existing staff.
- Hazard recognition and resolution: risk assessments help to define what is needed to keep people safe. They are regularly organized and executed by local and corporate teams or external insurance companies.
- Incident reporting and investigation: it is mandatory that each incident is systematically reported, investigated, and gives rise to implementation of relevant actions. In addition, Sika strives to identify and analyze all minor events to prevent more serious ones. Results of incident investigations and the follow-up actions are shared across the company to facilitate improvement.

EMPLOYEE AND CONTRACTOR HEALTH AND SAFETY

The health, safety, and wellbeing of all Sika employees, suppliers and contractors is of paramount importance for Sika. In 2021, 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. Sika will continue to develop and improve its occupational health and safety programs with further attention given to safe conduct, employee participation in safety programs, and a focus on prevention.

COMMITMENT

Sika strives to protect employees at work and ensure they leave the workplace in the same state of health as when they arrived. Sika is committed to driving continuous improvement in EHS performance.

GOALS AND TARGETS

Sika employees leave the workplace healthy. The target 2023 is to reduce the rate of lost time accidents by at least 50% (baseline 2019) and to have no fatalities. Sika monitors and evaluates the effectiveness of its management approach according to target achievement.

RESPONSIBILITIES

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

POLICIES AND GUIDELINES

Sika's management approach to health and safety of employees is reflected in various internal policies and guidelines. For more information, please see the section "Policies and Guidelines" in this chapter on p.87.

VISION ZERO PROGRAM

In 2020, Sika has established the Sika Vision Zero Program including seven golden rules which have an initial focus on leadership commitment and employee participation. One of the first measures of this program has been the definition and implementation of Minimum Requirements for each Sika entity in relation to workplace safety, and Sika Life Saving Rules have been defined to raise awareness of key risks and to help keep all Sika employees safe.

In 2021, Sika has done the following:

- Organized regional Safety Summits involving Regional, General and EHS Managers to raise awareness and generate specific country level action plan for improvement.
- Developed and distributed “Safety Moments” awareness-raising materials (videos and presentations) that

can be used as introductory safety-focused tools to open operational meetings.

- Started rolling out Behavior Based Safety (BBS) programs in each region to further develop safety awareness at the workplace.
- Reinforced the reporting system and monitoring of health and safety incidents monthly with coordinated reviews among Global EHS, Regional EHS Leaders and ESG Controlling.
- Reinforced the focus on the root cause analysis of serious incidents.



For more information, please visit www.visionzero.global

OCCUPATIONAL HEALTH AND SAFETY AND QUALITY MANAGEMENT SYSTEM

Sika maintains and implements a Corporate EHS Management System which applies to all Sika locations and employees and fulfils the requirements of the ISO 45001:2018 “Occupational Health and Safety Management System” and of the ISO 9001: 2015 “Quality Management System”.

Local Sika companies implement their local Sika Management Systems based on the Corporate Management System and local regulatory and legal requirements. Newly acquired companies are integrated under the Corporate Management System as part of the integration approach.

The Corporate Management System is maintained by the corporate Quality & EHS function and deployed through a network of Quality and EHS professionals throughout the regional and country organizations.

Both the Corporate Management System and local Sika Management Systems are audited by external parties as part of the ongoing ISO certification efforts. Internal audits and regular reviews of EHS performance support the continuous improvement of the management system and its implementation.

In 2021, among 569 Sika sites under ISO scope⁴, 26% are certified according to ISO 45001:2018. The percentage of certified Sika sites is stagnating due to acquisitions and new small sites in emerging countries.

ISO 45001:2018 – OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM CERTIFICATION

	2019	2020	2021
Sites certified ISO 45001:2018 (No.)	84	114	147
Coverage of sites under ISO scope (%)	27	22	26

In 2021, among 569 Sika sites under ISO scope⁴, 61% are certified according to ISO 9001:2015. The percentage of certified Sika sites is stagnating due to acquisitions and new small sites in emerging countries.

ISO 9001:2015 – QUALITY MANAGEMENT SYSTEM CERTIFICATION

	2019	2020	2021
Sites certified ISO 9001:2015 (No.)	209	315	345
Coverage of sites under ISO scope (%)	67	61	61

⁴ Considered under ISO scope are: headquarters, plants, warehouses and technology centers. Sales offices, administrative offices, training centers are excluded as these activities do not fall under the scope of the respective ISO standards.

HAZARD IDENTIFICATION, RISK ASSESSMENT, AND INCIDENT INVESTIGATION

Sika considers the principle of hazard identification to be the basis of safe work and therefore applies the STOP principle (Substitution, Technical measures, Organizational measures, Personal protective measures) on all risk and incident investigations. Sika companies are required to regularly assess hazards and analyze risks within their premises and operations, and to define and implement corrective and mitigating measures accordingly. Each Sika site carries out adequate periodic risk assessment within the workplace. These are led by EHS professionals and serve to give a comprehensive and valid judgment regarding the protection level of occupational health and safety. Risk analyses are reviewed when new information becomes available, e.g., new legal requirements, changes to systems, equipment, or raw material etc., incidents/accidents/near misses.

It is the responsibility of all employees to ensure that all accidents or incidents, as well as near misses, are promptly reported to line management to ensure timely investigation and corrective action. All incidents that happen within Sika entities and premises and that involve Sika employees as well as contractors and visitors are included in the scope. To ensure prompt awareness of management, incidents with high or potentially high severity (including all accidents resulting in lost time) are reported immediately through a central notification system. Investigation and root cause analysis are significant drivers of continuous improvement in Sika health and safety performance. It is ensured that each incident is investigated, that a root causes analysis is performed, and that lessons learned are shared across the business for assessment and implementation of risk mitigation measures.

Local companies report on health and safety Indicators monthly to the Group Management. Monthly review meetings are organized at regional level with Global EHS to follow-up on the safety results and adjust the management approach accordingly. In addition, safety performance is reviewed at each Group Management meeting.

IMPLEMENTATION OF A GLOBAL INCIDENT MANAGEMENT TOOL

In 2021, a project was initiated to implement a global Incident Management system to further strengthen the reporting, investigation, and follow-up of incidents, accidents, and hazardous situations. The roll out of the tool is scheduled through 2022. This core digital platform will support the EHS Strategy at Group level through the following benefits:

- Increase safety awareness and behavior, reinforcing the safety culture and the ability to recognize safety hazards in the daily operations.
- Standardize the incident management process across the Group, bring consistency and transparency to safety performance, and enable the real-time sharing of risk mitigation actions.
- Support improved EHS performance by managing risks in real time and maintaining high standards of EHS compliance.

EMPLOYEES AND CONTRACTORS' TRAININGS ON OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety trainings are organized at various levels within the company for Sika employees and external workers:

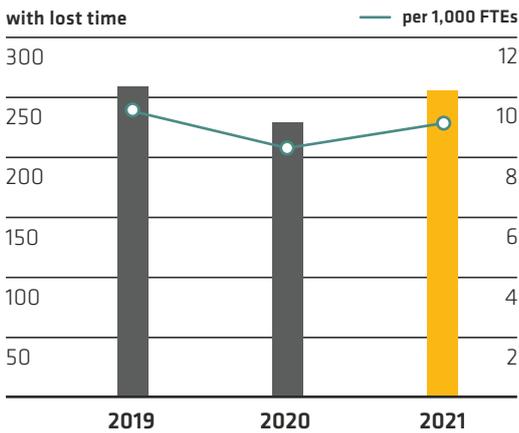
- All new employees receive an induction safety training that is embedded in Sika introductory program, focusing on safety policies, guidelines, and procedures. Regular refresher training sessions on health and safety are also performed.
- For contract workers, both the contracted party and Sika must be fully aware of and prepared for potential hazards. Contractors need to demonstrate a clear understanding of the task being performed and have a system to understand and control the risks in place. Training needs assessment, content and effectiveness are completed at local level under EHS manager, HR, and General Manager responsibilities. The same safety rules and trainings apply to contractors as for employees.

Apart from the mandatory health and safety induction training sessions, local management teams are responsible for setting up and deploying specific additional health and safety trainings.

EMPLOYEES' WORK-RELATED INCIDENTS

In 2021, no work-related fatalities of Sika employees occurred. In 2021, the number of lost time accidents increased compared to 2020 (+11.3%), leading to a higher Lost Time Accident (LTA) rate per 1,000 FTEs (+9.5%). This increase was related to the inclusion of newly acquired companies and a stronger monthly monitoring of health and safety indicators which created more awareness and transparency, and more robust reporting. Sika will continue to further focus on initiatives to strengthen the health and safety culture to improve the performance.

ACCIDENTS



WORK-RELATED INCIDENTS OF SIKA EMPLOYEES¹

	2019	2020	2021
Fatalities (No.)	1	1	0
Lost Time Accidents (No.)	261	230	256
Days Lost due to Lost Time Accidents (No.)	5,617	4,650	4,919
Average days lost per Lost Time Accident (No.)	21.5	20.2	19.2
LTA/1,000 FTEs (Rate)	9.6	8.4	9.2
LTIFR ² per 200,000 hours (Rate)	0.95	0.84	0.92
Occupational illnesses (No.)	5	16	10
OIFR ³ per 200,000 hours (Rate)	0.018	0.059	0.036

¹ Apprentices and interns are excluded from FTEs and worked hours used for the calculation of LTA/1,000 FTEs, LTIFR and OIFR.

² Lost Time Injury Frequency Rate.

³ Occupational Illness Frequency Rate.

In 2021, ten occupational illnesses have occurred for Sika employees, a decrease compared to 2020, as reflected in the OIFR development (-39.2%). The most common causes were related to skin, respiratory diseases, and to musculoskeletal disorders. In all cases, the employees have been supported by local Human Resources and Health & Safety functions.

In 2021, no work-related fatalities of Sika contractors occurred. The number of contractors lost time accidents increased compared to 2020 due to the implementation of enhanced reporting requirements and a stronger emphasis on health and safety which led to more robust incident reporting.

WORK-RELATED INCIDENTS OF SIKA CONTRACTORS

	2019	2020	2021
Fatalities (No.)	0	1	0
Lost Time Accidents (No.)	14	11	30

CUSTOMERS' HEALTH AND SAFETY

As a supplier of building materials and specialty chemicals, Sika manufactures products that can pose health and safety risks for its customers if they are not handled properly, and the necessary safety measures are not taken. Over the last decades, regulations and regulatory approaches such as REACH and other relevant chemical registration requirements have aimed at reducing the negative impacts of chemicals on health and safety.

Customer health and safety is crucial for Sika and is factored into development work (formulation work, system design etc.) where product characteristics are determined. Moreover, Sika ensures that its customers are fully aware of handling requirements so that they can work safely. For this reason, customers and product users can attend application training sessions to learn the proper use of the products. All product information, specifically Safety Data Sheets and Product Data Sheets, are reviewed regularly and kept up to date.

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

Sika's management approach for customer health and safety sets out to avoid negative impacts through its products. The management approach includes the following components:

COMMITMENTS

Sika's commitment is to manage the chemical product compliance within its business in a careful and diligent way, as highlighted through its 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

To assure the compliance and the marketability of products, Sika's overall goal is that all raw materials used as product components and that all chemical products are assessed for health and safety impacts according to chemical regulations.

POLICIES AND GUIDELINES

Sika's management approach to health and safety of customers is reflected in various internal policies and guidelines. For more information, please see the section "Policies and Guidelines" in this chapter on p.87

RESPONSIBILITIES

The responsibility for the products sold in the individual Sika countries lies with the local organizations, and finally with the General Managers. The responsibility for product data relating to health and safety lies with the Global Regulatory & Product Compliance (RPC). When being distributed and sold, Sika products must be accompanied by a Safety Data Sheet (SDS) in accordance with the legal requirements of the country concerned and in the required local language(s). Packaging and labeling must be controlled and managed for local compliance and the Sika branding and labeling rules.

Local line management has the overall responsibility to assure that all products placed on the market follow local legislation, substance/product registrations or notifications, and customers' requirements. They also ensure that all products follow the Sika Global Regulatory Product Compliance (RPC) rules and define a dedicated local RPC role that holds the responsibility for managing raw material and finished goods data, customer safety information and labeling.

The Regulatory & Product Compliance team, which reports to Head Global Quality & EHS, acts as one global coordinating organization, using a harmonized global system (SAP-Product Compliance). It coordinates the classification of products according to regional and international regulations and the monitoring of new hazards of raw materials. Representatives in regional and local organizations from 116 Sika companies use SAP-Product Compliance. Reporting is conducted through the global Sika Product Stewardship Network (Regulatory & Product Compliance Organization). Regular training programs and workshops are held for the local Product Stewards and Regulatory Affairs Managers in all regions and areas, at least every two years.

ASSESSMENT OF THE HEALTH AND SAFETY IMPACTS OF SIKA PRODUCTS

Sika is committed to continuously improving the safety and environmental sustainability of its products and operations, by working internally on procedures, informing and educating product users through safety data and worker protection requirements, reducing hazardous chemicals, solvents, volatiles, reactive components wherever possible, and using devices for safe, contact-free application. In 2021, all entities of Sika Group were compliant with applicable regulations and did not report any significant incident concerning the health and safety impact of products.

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 labeling. Sika therefore considers all its significant product categories to be assessed for health and safety impacts and for improvements. This results in a steady improvement in products, e.g., through reduction of solvent content across Sika’s flooring product lines, elimination of critical chemicals from sealants and adhesives, and development of less critical hardeners for adhesives. Sika limits and strictly regulates the use of raw materials with critical toxicological properties through an expert team.

Sika aims to eliminate substances hazardous to health or the environment from products and production processes wherever possible. For this purpose, the company has established the “Sika Banned Substances” system for assessing and treating substances with an elevated hazard potential. This internal system is complementary to local legal requirements, emphasizing Sika’s uncompromising commitment to quality and sustainability. Substances falling under the “Sika Banned Substance” definition are prohibited or restricted from use in Sika products and manufacturing processes above a defined concentration limit. Sika limits the use of harmful substances in production and supply chain and in the sales products, for health and safety reasons. Harmful substances are divided into:

- Category 1: substances by classifications which are banned for procurement, use and sales in the company.
- Category 2: substances by classifications and concentration limits in sales products. These substances may be used in controlled manufacturing processes as long as the defined concentration limits are not exceeded in the final product.

PRODUCTS ASSESSED FOR HEALTH AND SAFETY IMPACTS

	2019	2020	2021
Chemical products in assessment or assessed for health and safety impacts (%)	100	100	100

REACH, GHS, AND CLP REGULATIONS

In 2003, already four years before the European Chemical law on Registration, Evaluation and Authorization of Chemicals (REACH) came into force, Sika intensively addressed the topic with a project group. In 2004, the Group Management set up a central corporate REACH and Chemical Regulatory Department (the Regulatory & Product Compliance Department)

to coordinate all corporate activities. This also covers the requirements of the Globally Harmonized System (GHS), Classification, Labeling and Packaging (CLP), as well as other relevant chemical legislation to improve the protection of human health and the environment from the risks that can arise from chemicals.

Sika complies with legal requirements for construction chemicals suppliers. These prescribe that health and safety impacts are managed along the entire value chain. It starts with raw materials supply to the factory, and then moves to 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), and finally end of life (customer safety).

HUMAN RIGHTS AND LABOR STANDARDS

GRI 103-2

GRI 103-3

GRI 412-1

LABOR AND SOCIAL STANDARDS

As a signatory of the UN Global Compact, Sika promotes the protection of universally acknowledged human and labor rights. In its Code of Conduct, Supplier Code of Conduct and the annual Compliance Confirmation, Sika has defined minimum human and labor rights standards to be implemented globally, including the prohibition of forced, slave, compulsory or child labor, the freedom of association, the prohibition of any form of discrimination, and the guarantee of fair compensation and equal opportunities for all employees. With operations that expand worldwide, Sika is active in many regions ranking high on human rights risk indices. Sika takes seriously its responsibility to assess its own operations in relation to potential human rights violations, and to implement adequate measures to prevent any violation.

POLICIES AND GUIDELINES

Sika's management approach to the protection of fundamental human and labor rights is reflected in several internal policies and processes, as described below:

- The Sika Code of Conduct (CoC) (available at <https://www.sika.com/en/about-us/who-we-are/values-principles/sika-code-of-conduct.html>) requires all employees to comply with applicable laws and regulations. At all locations where Sika operates, forced, slave, compulsory or child labor are prohibited. For the reporting year, Sika has received no indication nor any report of human rights violations concerning its own entities.
- The Sika Supplier Code of Conduct (SCoC) (available at <https://www.sika.com/en/about-us/who-we-are/procurement/sourcing-governance.html>) promotes the respect of human and labor rights, together with supplier audits and reviews. It appears in fact that Sika has a broad supplier base in many countries with high human rights violation risks and the sourcing from industries where labor rights potentially are at risk. By signing Sika's Supplier Code of Conduct, suppliers undertake to respect the provisions of the UN's Universal Declaration of Human Rights (UDHR) and the core Conventions of the International Labor Organization (ILO) regarding:
 - Prohibition and elimination of child labor and forced labor
 - Freedom of association and collective bargaining
 - Promotion of equal opportunity and fair treatment in employment and occupation
 - Safe and healthy working conditions
 - Payment of living wages and regular employment entitlements
 - Non-excessive working hoursSuppliers further undertake to put systems in place for the proper information, training, and auditing of their personnel and subcontractors to ensure compliance with these principles. To the extent that Sika is directly concerned, suppliers are required to inform Sika immediately of any identified violation of Sika's Supplier Code of Conduct.
- As stated in its HR policies and employment contracts, Sika is an equal opportunities employer. It thus is committed to treating all staff equally, refraining from any discrimination based on race, color, gender, age, national origin, religion, sexual orientation, gender identity or expression, marital status, citizenship, disability, or any other legally protected factor

COMPLIANCE CONFIRMATION

General Managers and their local management team are obliged to ensure, supervise, and monitor the protection of human and labor rights at their entities and within their areas of responsibility. The Compliance Confirmation asks all General Managers on an annual basis to confirm that they have implemented and communicated the following to their staff: the prohibition of forced, slave, compulsory, or child labor; the freedom of association; the right to fair working hours and fair compensation, and the non-discrimination and equal opportunity principle.

The Compliance Confirmation further affirms that Sika promotes equal opportunities and fair treatment in employment and occupation and prohibits any form of discrimination, as discrimination "is the act and result of treating people unequally by imposing unequal burdens or denying benefits rather than treating each person fairly based on individual merit"; and ensures the right of workers and employees to establish and join organizations of their own choosing without the need for prior authorization.

INTERNAL AUDITS AND INSPECTIONS

Through mechanisms such as audits and inspections, Sika ensures and monitors the protection of human and labor rights among its Group companies. Corporate Compliance, in close cooperation with Corporate Legal and Internal Audit, runs periodic checks and audits to monitor implementation of Sika's human and labor rights standards and to implement improvement measures if deemed necessary.

OPERATIONS THAT HAVE BEEN SUBJECT TO HUMAN RIGHTS REVIEWS OR IMPACT ASSESSMENTS

General Managers are obliged to strictly adhere to internal guidelines and applicable local laws, and to supervise their entities accordingly. They are also responsible for taking preventive action and providing adequate training for their staff. Assuring adherence to human and labor rights is part of the annual Compliance Confirmation every General Manager must sign. Internal and legal audits are performed regularly at all Sika entities. Roughly 30 audits (including internal and legal audits) are performed annually, covering about 20% of Sika's subsidiaries each year. These audits aim at reviewing the implementation of the following human and labor rights principles: non-discrimination (including the prohibition of harassment and sexual harassment); fair compensation; prohibition of forced, slave, compulsory, or child labor; freedom of association (without need of prior approval) – unless prohibited by local laws.

In 2021, 100% of Sika's General Managers have confirmed – by means of the annual Compliance Confirmation – that no violations of fundamental human or labor rights have been identified.

SUPPLIER AUDITS AND ASSESSMENTS

For more information on this topic, please see the chapter "Suppliers", section "Supplier Social and Environmental Compliance" available in the Sustainability Report 2021 on p.100.

SUPPLIERS

THE SUPPLY CHAIN

GRI 102-9

GRI 102-10

Sika's supply chain varies depending on the business segment. Sika companies source direct materials and trading goods packaging both locally and internationally. Some materials are only available from international suppliers and must be imported into the country of production. Due to Sika's diverse purchasing portfolio, with more than 50,000 materials from more than 14,000 suppliers⁴, there are no primary brands. Sika strives to work with local suppliers wherever possible, to reduce lead time, risk, and transport, and to increase availability and control quality.

In 2021, the amount of direct material expenditures was CHF 4.5 billion, which corresponded to 48.2% of Group total net sales. Material expenses increased as a percentage of net sales by three percentage points. This increase was driven by increased raw material costs due supply chain constraints.

DIRECT MATERIAL EXPENDITURES¹

	2019	2020	2021
Direct materials and trading goods spend (MCHF)	3,765.2	3,562.7	4,461.0
Direct materials and trading goods spend (% of total net sales)	46.4	45.2	48.2

¹ This indicator is extracted from the consolidated income statement. Material expenses include the value adjustment expenses for unsaleable goods and depreciation and amortization due to inventory differences. Figures published in 2019 and 2020 have been restated to ensure alignment of the calculation and reporting with the income statements. 2021 figures include the two acquired companies Hamatite and Landun.

Sourced raw materials include, among others, bulk chemicals, minerals, proprietary admixture ingredients, admixture, and polymeric plastic. Main materials based on quantity from the different material categories include sand, grey cement, carbonate fillers, polyols, polyethylene glycol, epoxy resins, lignosulphonates, PVC, and bitumen.

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 more than 14,000 direct material suppliers, for both local and global sourcing. Sika's supply chain includes goods purchased locally and across regions, in alignment with Sika's global reach and presence.

Sika employs a risk management approach for suppliers and the raw material supply chain. This approach is described in the Annual Report 2021, chapter "Risk Management and TCFD Recommendations" on p.23.

SIGNIFICANT CHANGES TO THE ORGANIZATION AND ITS SUPPLY CHAIN

Due to the acquisitions that took place throughout the year, the network of Sika's suppliers enlarged. For more information, please see the chapter "Methodological note", on p.145 of the Sustainability Report 2021.

⁴ Tier 1 only

SUPPLIER SOCIAL AND ENVIRONMENTAL COMPLIANCE

GRI 103-2

GRI 103-3

GRI 308-1

GRI 414-1

GOALS AND TARGETS

Sika's values are very much centered around respecting universal human and workers' rights, acting in accordance with fundamental environmental, health and safety standards and investing efforts into sustainable development and corporate responsibility. The entire Sika's supplier network is expected to embrace the same set of values and enforce them in their own supply chain. The same standards and expectations will apply to any acquisitions Sika onboards and integrates as well. Sika's goal is that 100% of all new suppliers must have signed the Sika Supplier Code of Conduct or provided a Code of Conduct which is then approved by Sika. In addition, all existing suppliers have been asked to sign the Supplier Code of Conduct updated in 2021.

COMMITMENTS

Within the Sustainability Strategy "More Value – Less Impact" procurement plays a key role in making sure Sika drives forward the sustainability commitments and activities upstream of the supply chain; making sure Sika selects vendors according to the highest standards related to environmental, social, and corporate governance, whilst also ensuring that customer demands are met to provide innovative sustainable solutions.

RESPONSIBILITIES

Sika's procurement organization is well aligned with the business to allow close collaboration with internal and external key stakeholders. This translates into a matrix organization with Material Category and Geographical responsibilities:

- Material Category Roles: All materials for Sika's Core Technologies are structured around material categories. Each material category is coordinated globally by a Global Category Manager. Depending on the size and complexity of spending in the respective categories, some material groups might be further managed by Global Material Group Managers. Global Category Managers and Material Group Managers will be supported in the regions by Regional Category Managers to ensure better target achievement and coordination.
- Geographic Roles: All procurement activities within each region in Sika are coordinated by a Regional Procurement Head. Regional responsibilities can be delegated to areas which are coordinated by an Area Procurement Head. Likewise, all country level procurement activities are coordinated by a Country Procurement Head.

Depending on the size of the company, the procurement organization in any country may comprise additional subordinate roles.

POLICIES AND GUIDELINES

- The Sika Supplier Code of Conduct (available at <https://www.sika.com/en/about-us/who-we-are/procurement/sourcing-governance.html>) sets out expectations for the supplier network and reflects the ten principles of the United Nations Global Compact initiative, the United Nations' Guiding Principles on Business and Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the global chemical industry's Responsible Care® program and the Conflict Minerals Regulations.
- The internal Procurement Manual, updated in 2020, describes the principles, rules and authorities that have been defined for the procurement of direct goods (raw materials, packaging, traded goods) and indirect goods and services. It is addressed to all local, regional, and global procurement personnel as well as any other functions or Sika employees actively involved in any procurement activity. The manual provides the guidelines that form the basis of regional and local procurement policy for all Sika organizations.
- The internal Sustainable Procurement Guidelines have been finalized in 2021 and will be implemented in 2022 as part of the Procurement Manual. This document contains specific targets related to responsible procurement practices to ensure Sika integrates sustainability requirements in the supply chain.

SUPPLIER MANAGEMENT AND RAW MATERIAL PROCUREMENT

The purchased raw materials are the Group's biggest cost factor. Approximately two-thirds (in terms of spend) 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. For more information see the chapter "Planet", section "Circular Economy" on p.115 and "Materials" on p.116 of the Sustainability Report 2021.

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 to all the materials used, compliance with the relevant statutory registration requirements (e.g., Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) or Toxic Substances Control Act (TSCA)) is monitored and ensured by a network of global and local Sika's 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. Additionally, potential suppliers are closely screened by Sika and must demonstrate compliance with all laws, regulations, and international standards set out through Sika's qualifying and selection process.

RISK MANAGEMENT - EARLY IDENTIFICATION OF POSSIBLE RISKS

All purchased materials are regularly evaluated through Sika's Supply Risk Management Process to ensure continuous, uninterrupted material availability. Based on the findings, Sika can identify potential risks and determine relevant measures, such as maintaining safety stocks, and/or securing long-term supply contracts. Sika continues to use this risk management process stringently to ensure any potential impact on the company and its customers is mitigated. The results of Sika's risk management process are often supplemented by an evaluation of a suppliers' ESG standards and internal processes.

Documentation generated during supplier qualification, such as audit and visit reports, supply agreements and specifications, is transparently monitored on several dedicated platforms, including the Supplier Relationship Management Platform (SRM) and the Risk Management platform. The system enables buyers to inspect suppliers' qualifications and, if necessary, support the suppliers to improve their ESG performance.

Despite the unusual circumstances because of COVID-19, 2021 again saw a successful execution of Sika's risk management process, allowing the company to better identify potential risks and secure well-structured mitigation practices. Within the last year, adaptability, flexibility, and strong supplier relationships have been key to overcome difficult market environments.

TOGETHER FOR SUSTAINABILITY (TfS)

Since February 2020, Sika has been an active member of Together for Sustainability (TfS), a global, industry-driven initiative including major chemicals companies. Founded in 2011, TfS drives a global assessment and audit program to assess and improve the sustainability performance of the supply chains of its members, with a particular focus on the implementation of human rights and environmental standards.

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: environmental, labor and human rights, ethical and sustainable procurement performance. Sika closely cooperates with the other members of the initiative, and the initiative enables Sika to ensure that global sustainability standards are met by suppliers through the following activities:

- As a TfS member, Sika requires all potential suppliers in a qualification process to complete an EcoVadis Sustainability Assessment. In addition, Sika has access to all EcoVadis assessments of its suppliers which have been required by other TfS members. By using the EcoVadis framework, suppliers are assessed and/or audited on their sustainability performance. This provides transparency on sustainability activities and contributions within the supply chain, allowing Sika to initiate and achieve measurable improvements.
- To drive this TfS commitment internally, Global Procurement has implemented a monthly status and update report to share how the different TfS projects are progressing

and where Sika stands with regard to its targets related to assessments and audits through the regions.

- In addition, TfS Coordinators have been set up for all four regions (EMEA, Americas, Asia/Pacific, and Global Business). This coordination network provides useful inputs from local and regional procurement teams to steer the initiatives internally and to share best practices.
- In line with Sika's Procurement strategy and on the approval of the TfS network, Sika commits to conduct a self-defined target of EcoVadis Assessments and TfS Audits on a yearly basis.
- Sika additionally participates in two workstreams: Governance & Partnerships (WS1) and Greenhouse Gas (GHG) Scope 3 Emissions (WS5). The first one focuses efforts on the overall expansion of the TfS initiative, promotes cooperation with other chemical associations and sustainability organizations, updates the TfS KPIs and Governance, and initiates best practice sharing. The other workstream allows Sika to work on a solution to create a standard for the scope 3 GHG emissions Product Carbon Footprint calculation in the chemical industry. This will create improved transparency in the industry and enable effective reduction management. Please see the "Planet" chapter, section "Emissions" on p. 121 of the Sustainability Report 2021 for more information.

SCREENING OF SUPPLIERS THROUGH ENVIRONMENTAL AND SOCIAL CRITERIA

Sika's values are centered around respecting universal human and workers' rights, acting in accordance with fundamental environmental, health and safety standards and investing efforts into sustainable development and corporate responsibility. Sika takes responsibility for the supply chain and applies the highest ethical standards for suppliers. It is expected that the entire Sika's supplier network embraces the set of values defined in the Supplier Code of Conduct. 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 Sika's sustainability criteria.

COVERAGE OF SIKA SUPPLIER CODE OF CONDUCT

In 2021, with the implementation of the updated Sika Supplier Code of Conduct, the endorsement process has been digitalized on a dedicated platform starting from the second half of the year. As of end of 2021, 9,527 suppliers (tier 1) signed the previous Supplier Code of Conduct⁵. Starting from 2022 Sika will disclose the number of suppliers who signed the updated Supplier Code of Conduct. The goal is to reach a 100% coverage of all suppliers, including both existing and new ones, in the upcoming years.

SUPPLIER QUALIFICATION PROCESS

Through 2021, Sika continued to adopt a stringent multistage supplier qualification and evaluation process, mapping out the main sustainability principles (environmental, social, and economic) both for potential suppliers and all current suppliers. This process is structured around four phases:

- Phase 1: the supplier commits to comply with Sika's Supplier Code of Conduct which includes the Sustainability, Ethics, and Fair Competition principles.
- Phase 2: the supplier signs Sika's raw material specifications.
- Phase 3: the supplier completes a self-assessment for being qualified according to the Sika requirements which is part of the supplier onboarding process. The Sika self-assessment, amongst other topics, covers the necessary qualifying criteria of a supplier management and reporting systems, specific and relevant ESG criteria and quality assurance of the materials provided.
- Phase 4: depending on the outcome of risk assessment activities (phase 1-3), the supplier might also be assessed based on TFS evaluations as a further requirement to the supplier qualification and evaluation process.



In unclear cases, where suppliers present ESG-related issues, the purchasing department will follow up with external and/or internal sustainability audits.

The documentation generated during supplier qualification is transparently recorded and stored on the SRM platform. Sika Procurement employees are constantly trained using a systematic supplier audit method. These procedures are designed to ensure compliance with international labor standards and prescribed quality, environment, health and safety criteria.

SUPPLIER AUDITS AND ASSESSMENTS

In 2021, the TFS initiative enabled Sika to have access to more than 10,000 supplier EcoVadis assessments and audits. On a yearly basis, each TFS member must execute a predefined number of suppliers EcoVadis Sustainability Assessments and TFS Audits according to a target approved by the TFS organization. In exchange, Sika and the other members have access to the self-assessment and audit reports submitted by all other members. Through this shared approach, TFS increases Sika's ability to ensure compliance by its suppliers with accepted Corporate Social Responsibility (CSR) and ESG norms, including fundamental human and labor rights.

EcoVadis sustainability assessments and Sika's suppliers' self-assessment support Sika Procurement to identify suppliers representing a potential CSR and ESG risk; and suppliers presenting such risks are screened by the Procurement team, using desktop research, and performing targeted supplier audits. Sika regards the management approach as effective, given the absence of social and environmental claims or legal action involving suppliers.

⁵ This figure excludes both Hamatite and Landun.

TRAININGS FOR EMPLOYEES AND SUPPLIERS

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, health and safety criteria.

In 2021, internal trainings were provided to around 80 Sika employees working in the procurement function to improve their skills in fostering suppliers' engagement and implementing supplier sustainability assessments within the framework of the TFS initiative.

Since 2011, Sika carries out the "Supplier auditor training program", an internal initiative conducted over two days of training for procurement, technical, and quality responsible experts on a yearly basis. It is part of the Sika Audit Charter and covers the following: scope, procurement process, supplier audit process, audit technique, audit checklist, reporting, and a personalized workshop on audit planning. In 2021, four online training courses have been executed covering all regions and business units. A total of over 300 Sika employees have successfully concluded this training.

Moreover, Sika continuously leverages both internally developed and externally provided sustainability-driven supplier trainings and webinars. By identifying the key concerns and findings per region and/or supplier groups and streamlining exercises and improvement guidance, Sika can ensure that its supplier network are provided the necessary support to enable them to reach the required standards and expectations.

In March 2022, the TFS initiative will launch the TFS Academy. This new solution will enable all TFS members, and their supplier network, to learn about a range of sustainability and responsible sourcing topics. It operates with the aim to boost sustainability skills, build on unique areas of expertise, and integrate learning into daily work. Sika plans to fully leverage the TFS Academy both internally and with its supplier network, to promote learning and initiate improvement on standards and practices within the supply chain.

CUSTOMERS

CUSTOMER RELATIONSHIP AND SATISFACTION

GRI 103-2

GRI 103-3

GOALS AND TARGETS

Customer relationships and satisfaction are of major importance and Sika aspires to have a 100% customer satisfaction rate.

COMMITMENT

Sika's commitment towards customers is strongly embedded in the values and principles of the company. As a foundation of future success, "Customer First" is the first principle of Sika's corporate culture. It states Sika's dedication to provide and maintain highest quality standards with its products and services. All Sika solutions are designed in a customer-centric approach with the aim to ensure long-lasting success of customers and mutually beneficial relationships.

RESPONSIBILITIES

Please see the chapter "Products", section "Product Quality and Reliability" on p.139 of the Sustainability Report 2021 for more information.

POLICIES AND GUIDELINES

Please see the chapter "Our People", section "Health and Safety" on p.86 of the Sustainability Report 2021 for more information.

CUSTOMER SATISFACTION

Customer First is one of Sika's five values. By having a decentralized business model, customer satisfaction has been measured in different ways by Sika's local entities. The Group is however investigating ways to implement global standards and best practices while still allowing for local adaptations according to the specific needs and priorities of local entities. Local line management has the responsibility for customer relationships, and it provides customers with products and services that address their needs. Local line management is also responsible for collecting customer feedback, managing enquiries, and assuring best-in-class customer service. Sika supports an omnichannel approach and aims to create a consistent customer experience throughout the various touchpoints with high levels of satisfaction. Please find below some examples of how customer satisfaction is handled in three Sika countries: Sweden, Tunisia, and the United Kingdom.

CUSTOMER SATISFACTION IN SIKA COUNTRIES



In Sika Sweden, there are three main channels to collect data and information regarding customer satisfaction. The first one is a survey sent out by the company at the end of the year to selected customers based on their size and sales. The survey covers several areas regarding customer service, sales, deliveries, communication, and marketing. Through this survey, the company identifies future areas of improvement. The second channel is a yearly survey sent out by one of the largest Sika Sweden's customers to rate its suppliers. Through this process, Sika Sweden receives feedback on their satisfaction with products and services provided by Sika. The third one is based on monitoring and assessing customer satisfaction KPIs, such as cost of claims, credit notes vs orders, delivery on time or free of charge. Based on the KPIs results, the Management team can decide to act on specific topics.



Sika Tunisia conducts a yearly online feedback survey which is sent out to all customers. It covers topics such as sales services, technical support, quote, order, delivery processes, and claims processing. The results are reviewed and discussed with sales, financial, and technical departments and are used as a basis for defining and implementing action plans through the different departments.



Sika UK engages with customers to collect their feedback, so that their expectations and concerns are embedded into day-to-day decision making. Customer satisfaction is measured on an annual basis via an online survey sent out to customers. The survey covers key areas of interaction such as quality of products, orders and deliveries, query resolution, technical support, customer services and sales departments. The results are shared with all relevant departments responsible to ensure that staff understand the current benchmarks on which to base future actions for improvements, and define any issues that can be immediately resolved. The results are also shared and analyzed by the Quality Team in an annual management review and contribute toward compliance with British Standards.

TRAININGS FOR CUSTOMERS

Sika is not only selling products but integrated solutions, providing training to customers on how to best handle and apply Sika products, and how to choose the best and most suitable solution based on their needs. Due to COVID-19, most trainings have been moved to a virtual or digital learning environment, where Sika has benefitted from its digital platform ensuring training and presentations of innovative technologies and products.

Customer trainings can be assigned to three main categories: generic, to transfer knowledge; specific, to explain a product and/or its application; and introductions to the application of new technical developments at congresses. These trainings are usually carried out in collaboration with regional and local Sika's organizations, enabling the company to customize them based on local markets and customers' needs.

Trainings can be held at the customer site, hosted within a Sika facility, or online. The way customers' feedback is considered is dependent on if it is a theoretical training or rather a hands-on application training. In every training, Sika aims to motivate a high engagement and ensure the collection of valuable feedback. At the end of each training, customers are usually asked to answer a questionnaire, which aims to uncover feedback and impressions regarding quality of training content, quality of training tools, and about frequency and content of future trainings.

COMMUNITIES

LOCAL COMMUNITY ENGAGEMENT

GRI 103-2

GRI 103-3

GRI 413-1

As a socially responsible company, Sika supports local communities. Community engagement for Sika is the process of working collaboratively with neighborhoods to address issues affecting the well-being of its residents. This engagement is the driver to bring social, environmental, and behavioral changes that will improve the lives of the communities and its members. This involves partnerships with NGOs and associations that help mobilize resources and influence the prospects of those neighborhoods in a positive way. Sika defines “communities” as non-commercial stakeholder groups of local companies, neighborhoods, educational institutions bringing forward social activities and projects, environmental programs, and the development of recover programs. Community engagement is important to Sika and its communities for the following reasons:

Sika	Communities/local citizens
<ul style="list-style-type: none"> – Increased trust: working together improves communication and understanding of mutual points of view. – “Good Corporate Citizenship”: commitment to social issues demonstrates Sika’s responsibility to society. – Awareness and mutual understanding: increase awareness and understanding of Sika’s values and expertise locally. – Broaden local networks: shared projects help to support collaborative efforts and to envisage further social and business-related projects. 	<ul style="list-style-type: none"> – Empowerment and integration: underprivileged stakeholders can gain greater control over their lives and improve their situation on a sustained basis. – Providing more effective local solutions: drawing on Sika knowledge leads to practical and effective solutions. – Improved knowledge and skills in problem solving: individuals learn about issues in-depth through practical experience. – Access to valuable services and activities: community members can develop capabilities that enable them to be an active part of society and to contribute to the community itself.

COMMUNITY ENGAGEMENT PROJECTS AT SIKA DURING ONGOING PANDEMIC

COVID-19’s global presence and social transmission pathways require shared responses. In the reporting year, Sika continued to support communities and social institutions in coping with the pandemic through the production and the distribution of sanitizers and masks and in the construction of urgently needed pandemic-related infrastructure, such as youth shelters and prefabricated panel structures for COVID-19 prevention and control measures. As in the previous year, the implementation of community engagement projects was restricted in many countries, especially when volunteering work was planned. At the same time, Sika companies around the world implemented projects to support social institutions in improving the quality of life of children, adults and families. The focus has been set on three areas: education and vocational training, buildings and infrastructure, and waste and climate protection.

“SIKA CARES” ENGAGEMENT PROGRAM

The “Sika Cares” community engagement program, which was started in 2019, focuses on improving the quality of life of children, adults, and families in the local communities in which Sika operates worldwide. Sika staff enjoys the intangible benefit of giving a feeling of connectedness and the satisfaction of trying to make the world a better place. The company aims to support local third parties to help people to develop themselves. With this program, Sika companies ensure that local community members have access to valued social settings and activities, that Sika staff can contribute meaningfully to those activities through volunteering work, and that functional capabilities are provided to enable individuals to participate in their communities. To achieve this goal, cooperation with and support for existing and professional charity organizations is given priority. In the year under review, Sika started to develop a guideline on how to select, plan, and run social community engagements projects. The content of this guideline has been developed in cooperation with a set of pilot countries and an external expert who is part of the Sika Sustainability Advisory Board.

“Sika Cares” is focusing on the following three areas:

- Education and vocational training: investment in good education gives young and underprivileged 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. Sika provides support on training and capacity building in terms of refurbishment and construction projects, promotes quality education for orphans and vulnerable children or neighborhood-focused employability approaches, for example. In this way, Sika increases employment opportunities of socially disadvantaged people.
- 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, providing housing and accommodation for social NGOs, enabling and optimizing health and safety infrastructures, or traffic/transport services and facilities for the local communities.
- Water and climate protection: Sika employees support projects which link social causes with ecological interest: projects raising awareness on climate change, community health and safety, initiatives promoting the provision of drinking water in dry areas or technological development to stimulate the economic growth of local communities. Sika also seeks to promote on-the-ground self-help. Supporting self-management involves enabling and instructing people about their condition and care and motivating them to care for themselves and to expand their quality of life by capacity-building. Promoting self-help can encompass a portfolio of information, techniques, and tools that help individuals access new know-how and improve their situation in a sustainable way. One 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.

For each community engagement project, local Sika companies are required to put forward specific aid applications and, together with local partners, supervise the projects on site until completion. 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.

SIKA CANADA – YOUTH SHELTER

In summer 2021, Sika Canada was proud to help improve the living environment of a youth shelter in Montreal during the pandemic. With the help of Sika staff, the right tools, the gracious collaboration of Sika business partners and the desire to make a difference in the community, the building's exterior courtyard and various concrete structural elements were renovated in two days. With this project, Sika Canada demonstrated both community engagement and team involvement. The goal of the Sika team in Canada was to rise

the quality of life and to provide, to the kids and the educators that are living in the shelter, a safe and fun outdoor environment for them to enjoy the summer. 25 Sika employees spent in total 400 hours processing construction works.



For more information, please visit www.sika.com

GOALS AND TARGETS

The targets for 2023 are to achieve 10,000 working days of volunteering work, to run 50% more projects, and to get 50% more direct beneficiaries deriving from the projects compared to 2019. To work towards these ambitious goals, for 2021 Sika envisaged 2,000 volunteering days across all regions⁶. Due to the pandemic and restrictions in social contacts, the total number of volunteering days amounted to 1,392 days.

COMMITMENTS

Sika is committed to building trust and creating value with its customers, communities, and society. As a socially responsible company, supporting local communities is completely embedded in Sika's DNA.

⁶ Across Sika's four regions EMEA, Americas, Asia/Pacific, Global Business, including Corporate Services.

RESPONSIBILITIES

The corporate teams of Corporate Communications and Innovation and Sustainability, with the strategic involvement of the Global HR organization, are responsible for planning and further developing the community engagement scheme and for monitoring and evaluating its implementation. The regional and local line management is responsible for implementing the scheme locally. The patron of the “Sika Cares” program is the CEO, however, operational responsibility is carried out by Sika subsidiaries on a local level and projects are managed on team level.

POLICIES AND GUIDELINES

Sika has developed internal community engagement guidelines on how to plan, select, run, and monitor projects in the domain of community engagement to ensure a common and consistent approach for all local Sika subsidiaries. For each new local community engagement initiative above CHF 10,000, the procedure is as follows:

- General Managers of Sika subsidiaries submit a request for a project in their country with a project description, including cost/resources, impact, and duration, to the Regional/Area Manager.
- Projects are evaluated by the corporate teams of Corporate Communications and Innovation and Sustainability in cooperation with the Regional/Area Manager.
- Project approval is given by the Regional Manager.

The Sika Community Engagement Guideline assigns the responsibility for monitoring, reviewing, and evaluating processes to the teams of Corporate Communication and Innovation and Sustainability. Local companies have to disclose information on current projects at least quarterly through the sustainability reporting system. A summary of the community engagement activities is provided annually on the corporate website.

OPERATIONS WITH LOCAL COMMUNITY ENGAGEMENT, IMPACT ASSESSMENTS, AND DEVELOPMENT PROGRAMS

In 2021, Sika sponsored 242 projects (previous year: 183 projects). This equates to a year-on-year strong increase of 32.2%. In total, Sika employees spent 1,392 days of volunteering work (previous year: 1,119 days, +24.4%). 44,188 individuals were benefitting of the community engagement projects directly (previous year: 268,581). In the year under review, new projects in the three areas of Education and Vocational Training, Buildings and Infrastructure, and Climate and Water Protection were initialized. The key element has been to increase the scope for autonomy and self-determination in the lives of individuals rather than to mitigate COVID-19 transmission in densely populated areas.

COMMUNITY ENGAGEMENT INDICATORS

	2019	2020	2021
Community engagement projects (No.)	148	183	242
Direct beneficiaries (No.) ¹	7,765	268,581	44,188
Volunteering days of employees (Days) ²	401	1,119	1,392

1 The decrease in the number of direct beneficiaries from 2020 to 2021 derives from the fact that in 2020, Sika supported a COVID-19 related project bringing benefits to the population of a suburb of Moscow by distributing hand sanitizers.

2 Some of the projects do not require any volunteering work from Sika employees and therefore not all projects led to volunteering days.

PLANET

ENVIRONMENTAL SUSTAINABILITY

GRI 103-2

GRI 103-3

Global trends, such as climate change and raw materials scarcity, increasing urbanization, and population growth, confront companies and communities with major economic, social, and environmental challenges. Sika takes on these challenges and contributes to a sustainable development by offering sustainable solutions in construction and transportation, efficient use of energy and all resources, as well as minimizing the amount of waste. Sika believes that global sustainability trends also generate opportunities to develop its business and help customers meet the challenges.

As reflected in the Sika growth strategy, environmental sustainability is an overarching principle and a strategic pillar for future growth and innovation. Sika actively implements the “environmental sustainability” roadmaps, projects, and initiatives at various levels within the company:

- The Global Innovation and Sustainability team defines targets and supports the regions in setting up regional environmental sustainability roadmaps.
- Regional Sustainability Managers facilitate the rollout at regional level and support countries in setting and targeting environmental sustainability roadmaps.
- Local Sustainability Managers are responsible for planning sustainability initiatives and developing an environmental sustainability roadmap at country level, with the support of local Operations Managers and Regional Sustainability Managers. Both local Sustainability and Operation Managers are responsible for running projects at country level and sharing lessons learned across regional networks.

GOALS AND TARGETS¹

Water management	15% less water consumption per ton sold.
Waste management	25% higher recycling rate of total waste. 15% less waste generation per ton sold.
Energy management	15% less energy consumption per ton sold. Maximize share of renewable electricity.
GHG Emissions	12% reduction of CO ₂ eq emissions (scope 1+2) per ton sold.

¹ All targets have been set based on the year 2019, results to be achieved by 2023.

COMMITMENTS

Water management	To achieve 2023 targets, “environmental sustainability” roadmaps have been developed and implemented since 2020 in all relevant local countries/plants. These roadmaps include the planned initiatives to reduce CO ₂ eq emissions, energy/water consumption, waste generation, and increase the share of renewable energy for the period 2020-2023. The roadmaps are being updated on a yearly basis.
Waste management	
Energy management	
GHG Emissions	

METHODOLOGICAL CONSIDERATIONS

Acquisitions and scope changes that occurred in 2019, 2020 and 2021 did not lead to a restatement of the environmental indicators disclosed in this section. Many of the strategic KPIs are measured by using tons sold as a denominator. Tons sold include all Sika manufactured and third-party traded products⁷. The development of the third-party traded tons sold in the past three years has been stable and therefore does not impact the overall performance.

RESPONSIBILITIES

The Sustainability Strategy, and the related environmental sustainability targets, are implemented and executed:

- Regionally, through the network of Regional Sustainability Managers and Regional Operations Managers that coordinate all actions at regional level and support the local management in implementing and monitoring local environmental sustainability roadmaps and initiatives and associated target achievements, as well as support the implementation of efficiency projects, which are defined at global level.

⁷ Finished good materials purchased from third parties for resale.

- Locally by the line organization: the line management of Sika's operations is responsible for the target achievements; while, at local level, the Operations Manager is responsible for helping Sika's targets to be met and for setting and achieving local targets accordingly. A particular degree of responsibility lies with the General Managers, Target Market Managers, R&D Managers, and local Operations Managers along with local Sustainability Managers, who drive the development and implementation of local sustainability environmental action plans.

A network of four Regional Sustainability Managers, coordinated by the Global Sustainability team, has the objective to strengthen the rollout of the Sustainability Strategy at regional and local levels. The existing network of Operations Managers and Local Sustainability Managers support Sika companies in identification, planning, and implementation of higher-level regional measures.

POLICIES AND GUIDELINES

- The Sika Code of Conduct (CoC) (available at <https://www.sika.com/en/about-us/who-we-are/values-principles/sika-code-of-conduct.html>) states Sika's commitment to environmental protection and overall sustainability. The section is dedicated to "Health and Safety, Environment" and stresses that Sika has the responsibility to fully comply with environmental laws and internal guidelines in the interest of employees, customers, the public and the environment in general.
- The Sika Supplier Code of Conduct (SCoC) (available at <https://www.sika.com/en/about-us/who-we-are/procurement/sourcing-governance.html>), with its most recent revision in 2021, sets clear rules and guidelines regarding the environmental standards that have to be implemented by Sika suppliers in the section "Protection of environment and health, commitment to sustainable development".
- The internal Sustainability Guidelines were developed in 2020 to facilitate the implementation of the Sika Sustainability Strategy 2023. More specifically, to achieve objectives in the Water, Waste, Energy and Climate Performance target areas. The guidelines provide recommendations on how to initiate projects, structure their implementation, and the related communication process as well as examples of best demonstrated practices.

WATER MANAGEMENT

GRI 303-1

GRI 303-2

GRI 303-3

GRI 303-4

GRI 304-5

GRI 306-1

Although Sika's production itself is less water-intensive than other industrial companies within the chemical sector, Sika sees itself as responsible for minimizing its impact on water resources by reducing its water consumption and enhancing the quality of discharge water. For this reason, to reduce water consumption and improve Sika's companies' water discharge, the water guideline implemented in 2020 focuses on four main elements:

- Water consumption: measure and monitor water usage with meters and check leakages through regular inspections.
- Optimization of equipment processes: ensure equipment using water (heat exchangers, cooling towers, boiler houses, etc.) is well dimensioned and state-of-the-art. Set up closed cooling systems.
- Optimization of cleaning processes: set up weekly / bi-weekly production planning to reduce the number of cleaning shifts. Optimize cleaning agent use (vacuum vs water, etc.).
- Reuse-recycle water: study opportunities to use rainwater as fresh water, separate wash water per product to reuse it in several batches, recycle wash water in other products (after R&D validation) or other processes (fire protection, etc.).

Water is an important input material for Sika's production. The increasing water scarcity in many regions of the world may be a potential threat to business growth and expansion. Especially in regions where freshwater is scarce, businesses may be exposed to water shortages, lower water quality, water price volatility, and reputational issues. Efficient production projects have been implemented using closed-loop cooling, cooling towers, and switching from public to groundwater to reduce the amount of processed drinking water used in production. With these measures coupled with the reuse of treated wastewater, and the collection of rainwater at various production sites, Sika has reduced its water consumption on a large scale over the past years.

SIKA COLOMBIA – HOLISTIC WATER MANAGEMENT

Sika Colombia is an example of a Sika subsidiary which follows a circular economy development model that generates profitability through the efficient management of natural resources. The circular economy approach of Sika Colombia has been optimized for many years with a focus on comprehensive water management as one of its main pillars.

trial water. On average, 40% of the water consumption is derived from rainwater, e.g. for the production process and other applications. The target for 2025 is to achieve 80% of the total consumption.

As a result of a water saving initiative, Sika Colombia has managed to reduce the water consumption by the treatment of rainwater, water service from sanitary and residual indus-



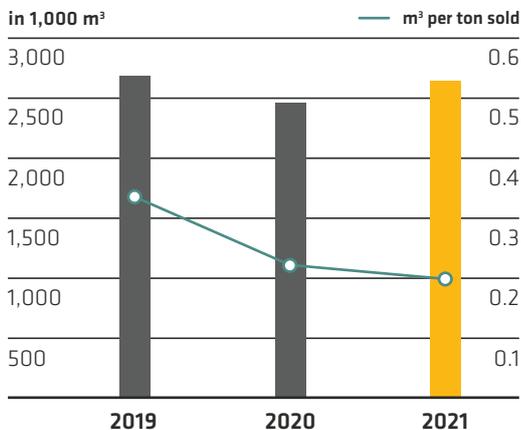
For more information, please visit www.sika.com

WATER WITHDRAWAL AND WATER CONSUMPTION

Water is withdrawn across the operations mainly from surface water, groundwater, and public supply. A few factories have started using rainwater to cover part of their freshwater demand, specifically when public water supply is limited. Good quality freshwater is an important factor for Sika, as water is needed for the following uses:

- As an input material: some Sika products are water-based, mainly in the product ranges of concrete admixtures, coatings, and adhesives solutions, among others.
- In direct operations: water is used directly in Sika's operation, for process and cooling purposes but also for cleaning purposes.
- In indirect operations: water is not only used by suppliers in their operations but also by customers when using or applying some of Sika's products, either as a mixing component or, for instance, for cleaning their tools once the product has been applied.⁸

WATER CONSUMPTION



In 2021, the water consumption per ton sold was 0.20 m³, a decrease of -9.7% compared to 2020. This improvement was partially supported by the rollout of various water initiatives across the Group and thanks to the increased sales of products that overall consume less water in Sika operations.

	2019	2020	2021
Water consumption per ton sold (m ³) ¹	0.34	0.22	0.20

¹ The water intensity ratio is only based on process and cooling water and sanitary water. Water in products is excluded from this indicator.

⁸ The water indicators detailed in this chapter only refer to water used as an input material and in Sika's direct operations..

Sika withdraws water mainly from public supply (53.3%) but also from surface water (45.3%) and to a small degree from groundwater wells (1.4%). In line with water usage, the volume of water withdrawal increased by 7.2% compared to 2020.

BREAKDOWN OF WATER WITHDRAWAL PER SOURCE

	2019	2020	2021
Surface water (m ³)	82,000	37,655	50,682
Ground water (m ³)	1,835,000	1,516,054	1,632,849
Public supply (m ³)	1,692,000	1,811,707	1,922,637
Total water withdrawal¹ (m³)	3,609,000	3,365,416	3,606,168

1 Including the volume of water considered as an input material.

In its direct operations, Sika consumed around 2.6 million m³ of water (+6.8% compared to 2020). Water is mainly used for processing and cooling (54.3%) but also for sanitary purposes (18.7%). Almost one-third of the water used at Sika is utilized as an input material for products (27.0%).

BREAKDOWN OF WATER USAGE PER TYPE

	2019	2020	2021
Water in products (m ³)	891,000	880,707	978,081
Process and cooling water (m ³)	2,065,000	1,805,445	1,964,077
Sanitary water (m ³)	620,000	664,543	674,658
Total water use¹ (m³)	3,576,000	3,350,695	3,616,816

1 The difference between water withdrawal and water use is related to water storage and rainwater. Rainwater is not considered under water withdrawal.

In Sika countries, several initiatives have been implemented to limit the volume of water withdrawal and water consumption of Sika operations. Some examples are:

- Mexico, Kenya, and Italy have started to use rainwater to cover part of their freshwater demand, especially in locations in which the public water supply is limited.
- Some facilities have their own wastewater treatment facilities and can therefore reuse the wastewater in production, cooling or cleaning processes through water sedimentation, distillation, or filtration. At Sika Egypt's Cairo plant, a new wastewater treatment plant based on evaporation and distillation was installed in 2021. This updated installation will allow for the reuse of nearly all treated wastewater within the production process of the site.
- Different closed-loop systems have been implemented for many years, as for example in Egypt, Spain and Japan.

WATER DISCHARGE

Sika discharges water in conformity with local legislation and permits, either to sewers or sewage plants or directly to surface water bodies. In many Sika factories, the water used for processing and cooling is collected in tanks and cleaned in Sika's own treatment plants or through third party treatment facilities. If treated directly on site, the water is tested to ensure compliance with local standards before discharging it.

In 2021, Sika discharged 2.5 million m³ of water, an increase of 7.6% compared to 2020. 63.3% of water used is discharged directly into surface water bodies, whereas 36.7% goes to sewers or sewage plants. The difference between the water discharge and the water use is mainly coming from the evaporation that takes place during the cooling process of some production technologies.

BREAKDOWN OF WATER DISCHARGE PER DESTINATION

	2019	2020	2021
Water to sewer, sewage plant (m ³)	770,000	906,667	913,590
Water to surface water bodies (m ³)	1,770,000	1,409,322	1,577,601
Total water discharge (m³)¹	2,540,000	2,315,989	2,491,191

1 Depending on local regulations, wastewater can be disposed separately and is therefore not included in water discharge but included in waste.

SIKA CHINA - INITIATIVES FOCUSED ON REUSED WASTEWATER

Water is an important raw material in Sika's concrete admixture product ranges. One key ongoing activity to reduce the amount of water withdrawal at Sika's production sites is to collect cleaning and rinsing water from the concrete admixture production process and reuse it as a raw material input. By applying this approach in its admixture production sites, Sika China was able to successfully reduce water withdrawal by 15% m³ for 2021. Other Sika countries, such as Poland,

Senegal, and Germany, also started using similar approaches in reusing rinsing water in their concrete admixture production processes during 2021.



For more information, please visit www.sika.com

WATER DISCHARGE QUALITY - CHEMICAL OXYGEN DEMAND (COD)

All local companies must comply with applicable laws and regulations related to water discharge. COD is already monitored through discharge analysis measurements at site level depending on local regulations. This indicator was not reported at Group level in the past. The reporting of COD has been progressively implemented throughout all Sika operations from early 2021 onwards to facilitate the monitoring and the improvement of water discharge quality at Group level. Even if no figure is disclosed for the year under review, the focus on water discharge quality has been reinforced in the past few years and Sika will continue to work on improving such measures in its relevant activities.

WATER-RELATED RISKS AND IMPACTS

Water availability is a prerequisite for the production process, as it is used for cooling, cleaning, in products, and for general purposes. Moreover, water scarcity and water-related extreme weather events might also impact Sika's business through increased water supply costs and associated manufacturing costs, increased incidence of disruption in the manufacturing and distribution networks in case of water shortage, assets damaged by extreme weather events which result in economic losses or increasing local laws and regulations.

On the other hand, the increasing scarcity of water could represent an opportunity for Sika to reinforce its market share and its sales, especially in high water-stressed areas. As an example, the application of Sika's waterproofing products helps to reduce water loss and the use of Sika's concrete admixtures enables water usage reduction in the production of concrete. For more information, please see the chapter "Products" on p.130, 132-136, of the Sustainability Report 2021.

In 2021, Sika has identified the countries at risk of water scarcity and floods based on the World Resource Institute (WRI) Aqueduct tool⁹. According to this database, some countries in which Sika operates are considered as extremely high water-stressed countries: Qatar, Lebanon, Kuwait, Saudi Arabia, United Arab Emirates, Bahrain, India, Pakistan, Oman. In 2021, total water withdrawal in these countries was 160,279 m³ (4.4% of the total Group); water usage was 160,173 m³ (6.1% of the total Group) among which 63.5% was used as an input material into Sika products; and water discharge was 55,283 m³ (2.2% of the total Group). In these extremely high water-stressed areas, as a starting point to mitigate the risk of water scarcity, several mitigation activities to reduce water consumption and improve water efficiency have been initiated.

Country of operations	Type of site	Mitigation activities 2021
Qatar	□ △	<ul style="list-style-type: none"> – Installed water saver filter taps for optimized water discharges in washrooms. – Use of air conditioning drain water for domestic use.
Lebanon	□ △	<ul style="list-style-type: none"> – Treatment and reuse of wastewater in the blending process of admixture production. – Use of air conditioning drain water and rainwater collection for domestic use.
Kuwait	△	<ul style="list-style-type: none"> – No production facility, therefore low water consumption and absence of specific mitigation activities.
Saudi Arabia	□ △	<ul style="list-style-type: none"> – Treatment and reuse of cleaning water in the admixture production.
United Arab Emirates	□ △	<ul style="list-style-type: none"> – Use of air conditioning drain water for domestic use. – Reuse of cleaning water in the concrete admixtures production.
Bahrain	□ △	<ul style="list-style-type: none"> – Treatment and reuse of cleaning water in the concrete admixtures production. – Installation of a water tank on the roof of the building to collect rainwater, that falls by gravity and it is then used for domestic uses.
India	□ △	<ul style="list-style-type: none"> – For the factories in which a Sewage Treatment Plant (STP) is in place, the water treated through the STP is used for flushing activities. – Treatment and reuse of wastewater in the blending process of admixture production. – Scheduling and optimization of production sequence in the admixture line, reducing the water consumption.
Pakistan	□ △	<ul style="list-style-type: none"> – Treatment and reuse of cleaning water in the admixtures production.
Oman	△	<ul style="list-style-type: none"> – No production facility, therefore low water consumption and absence of specific mitigation activities.

□ Factories △ Offices & Warehouses

According to the same database, Sika operates in 15 high water-stressed countries: Chile, Morocco, Belgium, Mexico, Greece, Spain, Algeria, Tunisia, Turkey, Albania, Djibouti, Portugal, Iraq, Egypt, and Italy. Sika's goal is to mitigate risks in water-stressed countries and to achieve its local and corporate water reduction targets. As a result, examples of mitigation activities can be found in all Sika's countries, no matter whether extremely water-stressed, high water-stressed or low.

⁹ The Aqueduct Projected Water Stress Country Rankings data include countries' projected exposure to baseline water stress. Projected scores are included for 167 countries under the business-as-usual, pessimistic, and optimistic scenarios for the years 2020, 2030, and 2040. Scores are available for overall stress levels as well as stress levels for industrial, agricultural, and domestic users. By using the WRI Aqueduct tool, (a credible, publicly available tool to identify areas with water stress), extremely water-stressed countries were identified by applying the indicator "bsw" (Baseline Water Stress).

HOW SIKA WORKS WITH STAKEHOLDERS TO STEWARD WATER AS A SHARED RESOURCE

Through the “Sika Cares” community engagement program, Sika focuses on improving the quality of life of children, adults, and families in the communities in which the company is active. Water is one action field of this program, and as an example, Sika is part of the international network “Living Lakes”, whose mission is to enhance the protection, restoration and rehabilitation of lakes, wetlands, and other freshwater bodies of the world. Please see the chapter “Communities”, section “Local Community Engagement” on p.104 of the Sustainability Report 2021 for more information on “Sika Cares” Community Engagement Program and associated projects in this area.

HOW SIKA ENGAGES CUSTOMERS WITH SIGNIFICANT WATER-RELATED IMPACTS

Water consumption is a major issue for Sika’s customers and a target area of the Sika Sustainability Strategy. Sika solutions for the construction sector help to reduce water consumption, for example:

- Sika solutions for wastewater purification: Sika offers innovative solutions to protect water quality in wastewater treatment facilities for new construction and maintenance. In this way, Sika is contributing to mastering the challenge of providing a growing global population with access to clean drinking water.
- Sika solutions in the construction sector: through concrete admixtures such as Sika® ViscoCrete®, the amount of water required in the manufacture of concrete is reduced by up to 40%. The concrete remains flowable, achieves a higher strength when cured, and valuable resources are saved. For more information on Sika sustainable products, please see the chapter “Products” on p.130, 132-136.



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HOW SIKA ENGAGES WITH SUPPLIERS WITH SIGNIFICANT WATER-RELATED IMPACTS

It is important that the chosen suppliers align their commitments towards sustainability to the same level and standards as Sika. In addition to qualifying according to the supplier selection process and fully complying with the contractually agreed terms, suppliers must operate in full compliance with all laws, regulations and international standards - including health, safety and environmental laws and regulations - applicable both to their operations and products. A core pillar of Sika’s supplier qualification process is the “Sika Supplier Code of Conduct”, which sets out Sika’s expectations for the supplier network, as well as clear rules and guidelines regarding the environmental standards that must be implemented by Sika suppliers.

WASTE MANAGEMENT

GRI 306-2

The efficient use of input materials for production and the recycling of materials to reduce waste are key priorities for Sika. The company reduces the amount of waste per ton sold by putting in place activities such as optimization of the production planning, streamlining the production process layout, and the reuse of production waste. Sika has actively started to seek performance enhancements by using increasingly recycled materials.

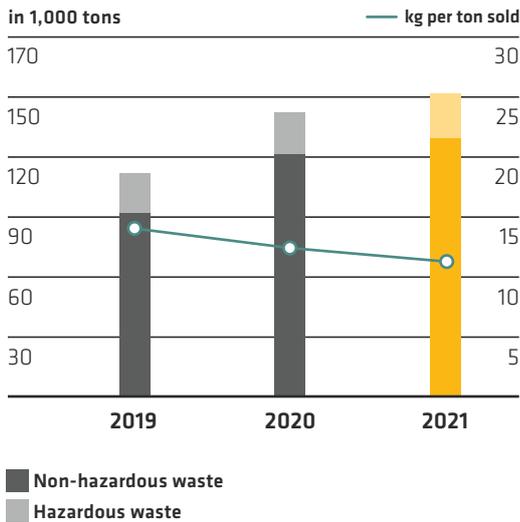
The waste guideline implemented in 2020 focuses on four main elements:

- Sourcing optimization: seeking bigger supply units (bulk, tank truck and big bags vs. small packaging units), development of proper weekly materials supply program and optimization of raw materials specifications tolerances.
- Production planning and process optimization: set up of weekly/bi-weekly production planning to reduce cleaning shifts, definition of color change routine and optimization of mode and amount of cleaning agent. The implementation of innovative warehouse management helps to reduce slow-moving products and the quantity of expired products.
- Streamlined production process layout to standardize process and production equipment.
- Reuse-recycle production waste: separation of water from cleaning processes for tanks, bulk delivery trucks, gas scrubbers, and production equipment and filter dust from dosing and bagging stations per product to reuse in next production batch or in similar products (after R&D validation). The reuse of raw materials’ pallets and bulk containers for transportation of finished products reduces the amount of virgin packaging.

WASTE BY TYPE AND DISPOSAL METHOD

In 2021, the quantity of waste generated per ton sold was 11.2 kg, a decrease of 9.6% compared to 2020. This was mainly driven by the implementation of various waste management initiatives as for example a higher focus on reuse of materials in mortar and admixtures. Additionally, the waste intensity reduction was driven by less waste generated in production processes. The waste intensity compared to total input materials decreased from 1.6% to 1.3%. However, in absolute numbers, waste increased (+7.0% compared to 2020) due to several one-off activities on specif sites and increase in sales volumes.

WASTE GENERATION



WASTE INTENSITY

	2019	2020	2021
Waste intensity (kg per ton sold)	14.1	12.4	11.2
Waste intensity compared to total input materials (%)	1.6	1.6	1.3

Sika generates mainly non-hazardous waste: 85.7% in 2021 compared to 85.1% in 2020. In 2021, around half of the volume of waste produced went into landfill (44.6%), 33.9% was recycled and 21.5% went into incineration with or without energy recovery. In the coming years, Sika will keep working on diverting waste from disposal and reducing waste to landfill where possible.

BREAKDOWN OF WASTE GENERATED BY TYPE

	2019	2020	2021
Non-hazardous waste (tons)	92,000	120,633	129,884
Hazardous waste (tons)	20,000	21,042	21,676
Total waste generated (tons)	112,000	141,675	151,560

BREAKDOWN OF WASTE GENERATED BY TYPE OF DISPOSAL

	2019	2020	2021
Landfill (tons)	45,000	60,794	67,509
Incineration (tons)	29,000	30,862	32,603
Recycled (tons)	38,000	50,019	51,448
Total waste disposed (tons)	112,000	141,675	151,560

The recycling rate of waste remained quite stable in 2021, at 33.9% (-1.4%-points compared to 2020). The slight decrease is mainly due to several one-off activities on specific sites.

RECYCLING RATE

	2019	2020	2021
Recycling rate (%)	34.0	35.3	33.9

SIKA SAUDI ARABIA - WASTE REDUCTION INITIATIVES

Overall, Sika reduces the amount of waste generated through several initiatives such as the optimization of the production planning, streamlining of the production process layout and the reuse of production waste.

In Saudi Arabia, one key raw material in Sika's Rabigh mortar plant is graded aggregate from crushed stone (quarry waste) as an alternative to silica sand. Until recently, this material could not be used in its entirety, and materials which were either too fine or too coarse to be used as raw materials in production were stockpiled and subsequently discarded as waste to landfill. Successful collaboration between local R&D

and Operations teams has allowed for a change in formulation, enabling the use of the entirety of the material (all aggregate sizes) with minimum adaptation of the production plant. This modification results in waste savings of approximately 4,000 tons/year, plus a one-time reuse of the accumulated waste stockpile of 6,000 tons in 2021.



For more information, please visit www.sika.com

CIRCULAR ECONOMY

GRI 103-2

GRI 103-3

Adopting circularity principles is becoming increasingly compelling due to higher awareness and shifting demand towards more sustainable solutions among customers in construction and transportation markets. Sika's initiatives impact the development towards a circular economy in its industry, ranging from alignment with the UN Sustainable Development Goals (SDGs) 11, 12, and 13, to the partnering with downstream customers, 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 alternative non-fossil based raw materials, for example in the field of mortars which are formulated with the addition of recycled aggregates or residues that come from other industries. In addition, projects to use post-consumer recycled plastics in membrane packaging and adhesive cartridges have been successfully developed and introduced together with qualified partners who bring their expertise in material selection, manufacturing process, and packaging designing.

Moreover, Sustainability Portfolio Management (SPM) is the backbone of the "Sustainable Solutions" strategy and how Sika structures the innovation of cutting-edge products which combine performance and sustainability benefits. The Sustainability evaluation carried out in accordance with SPM is a comprehensive evaluation of the product profile along the 12 most relevant Sustainability Categories for Sika and its stakeholders, following a 360° perspective beyond current regulations. "Resources/Circular Economy" is one of the 12 Sustainability categories, against which new product developments will be systematically evaluated. For more information on Sika's SPM concept, please see the chapter "Products" on p.128-129 of the Sustainability Report 2021.

Specific actions 2021

reCO₂ver® – CONCRETE RECYCLING WITH A GROUND-BREAKING NEW PROCESS

Sika has succeeded in developing a highly efficient process to separate and reuse components of demolished concrete and increase the recycled aggregates' quality. The old concrete is broken down into individual parts – aggregate, sand, and cement-like powder – in a simple process which also binds close to 60 kg of CO₂ per ton of crushed concrete demolition waste. Comparative testing of the Sika reCO₂ver® process has demonstrated that new concrete containing recycled content performs similarly to an all-new product. Thanks to additionally developed chemical admixtures, further process optimizations can be achieved, such as the flexibility to tailor specific concrete functionalities. With this innovation Sika will make a significant contribution to reduce the environmental and embodied carbon footprint of the construction industry.

WBCSD – CIRCULAR TRANSITION INDICATORS

In 2020, Sika worked with the World Business Council for Sustainable Development (WBCSD) to test the Circular Transition Indicators (CTI) Framework and Tool as part of the Chemical Sector Working Group. Sika published a case study (available at https://docs.wbcd.org/2021/01/Sika_CTI_Case_Study.pdf) highlighting its experience in using the framework and presented in a workshop co-hosted by CEFIC (European Chemical Industry Council) and the WBCSD along-

side the companies Sabic and Dow. In 2021, Sika continued its participation in developing the framework with a focus on the concept of “enabling solutions”, which helps downstream customers improve their circularity. Sika intends to continue its participation in CTI-related workstreams with the WBCSD in 2022 (Built Environment Circularity work stream) and will also further trial the CTI tool and framework within Sika (focus on product-related R&D activities).

Sarnafil® AT – GREEN BUSINESS AWARDS NOMINATION

The first Sika product and the first thermoplastic roofing membrane in the market to be Cradle to Cradle Certified® in 2019. The product was nominated for a Swiss Green Business Award (available at <https://greenbusinessaward.ch/en/nominierte/sarnafil-at/>), where solutions with a focus on circularity were showcased. In the year under review, Sika was engaged in the Circular Economy Entrepreneurs Conference (CE2) in Switzerland. The same year, Sika has initiated a project to transition to the latest and more stringent version of the Cradle-to-Cradle Product Standard (v4, launched in summer 2021) as part of its work to re-certify Sarnafil® AT.

More information on Sika's products can be found in the chapter “Products”, section “Sustainable Solutions” on p. 130–137, of the Sustainability Report 2021.

MATERIALS

GRI 301-1

GRI 301-2

MATERIALS USED BY WEIGHT OR VOLUME

Input materials are converted to products which generate added value for customers. Sika strives to use input materials efficiently. Research and development are governed by the principles of sustainable development and enhanced customer utility, such as the demand for resource-saving construction methods, energy-efficient construction materials, or lighter and safer vehicles.

Sika's goal is to assess all new product developments in respect of their sustainability profile, using the comprehensive internally standardized new SPM Methodology (see the section “Circular Economy” on p.115 and chapter “Products”, section “Product, Innovation and Sustainability” on p.128–129 of the Sustainability Report 2021). As a result, these projects are also geared towards a higher inherent sustainability profile in raw material sourcing, consumption, production, marketing, use phase, and end-of-life treatment. Through its sustainable solutions, Sika strives to reduce the resource consumption in downstream industries, such as the construction, automotive, or cement industry, where Sika solutions enable customers to increase the use of recycled input materials.

Around two thirds of all materials used in production – e.g., for polyurethane adhesives, epoxy-resin products, polymeric roofing and waterproofing membranes, cementitious mortars, polymer concrete admixtures or parts for the automotive industry – are based on crude oil or crude oil derivatives (downstream products) or require fossil fuels for conversion. Other large contributors are sand, minerals, cement, and water.

The company uses a small amount of renewable raw materials from plant-based sources, such as castor oil or alcohol. The speed of the increased use of renewable raw materials going forward depends on availability, economic viability, and limitations in the use in formulations compared to non-renewable feedstock. However, the company is constantly exploring ways in its R&D of using non-petroleum-derived materials for Sika products.

For more information on Sika's raw material procurement, please see the chapter "Suppliers", section "Supplier Social and Environmental Compliance" on p.97 of the Sustainability Report 2021.

In 2021, Sika used 11.6 million tons of input materials, an increase of 32.2% compared to 2020. This was mainly driven by above average increase in sales of products with heavier input materials. For the year under review, 3.7% of total input materials used in production were recycled materials, an increase by one percentage point compared to 2020. A part of this improvement is driven by Sika mortar technologies using more recycled input materials such as fly ash or slag. In the automotive business, Sika also used more recycled grade materials for acoustic solutions where possible.

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 their respective countries.

INPUT MATERIALS USED

	2019	2020	2021
Volume of input materials used (millions of tons) ¹	7.0	8.8	11.6
Thereof recycled input materials (%)	1.3	2.7	3.7

¹ Excluding water, packaging, and semi-finished products.

PACKAGING RECYCLING

Sika has actively started to seek sustainability performance enhancements by using increasingly recycled materials. For example, a project about the use of recycled plastics in packaging has been successfully launched in 2021 together with several qualified partners, able to bring their expertise in material selection, manufacturing process and packaging designing.

Sika is committed to reducing the carbon footprint throughout the value chain. That is why the company is excited to expand its range of sustainable and high-performance packaging options that have a reduced impact on the planet. For

this reason, Sika is cooperating with suppliers, distributors, and customers worldwide to develop and introduce packaging solutions made of post-consumer recycled material (PCR) in the domains of cartridges, application nozzles, buckets, wrap foil, as well as valve sacks for mortars with reduced grammage. By using PCR cartridges for example, Sika will save 1,100 tons of CO₂ annually.



For more information, please visit www.sika.com

ENERGY MANAGEMENT

GRI 302-1

GRI 302-3

GRI 302-4

Even if Sika's production itself is not energy-intensive, Sika sees itself as responsible for minimizing its impact regarding climate change by reducing its energy consumption and improving the energy efficiency throughout its production processes. The energy guideline implemented in 2020 focuses on five main elements:

- Energy consumption: measure and monitor energy usage with meters, set up energy audits to focus on key consumptions, manage base and peak energy load and check leakages through regular inspections.
- Equipment optimization: ensure energy-intensive equipment is well dimensioned and state of art. The replacement of technical equipment focuses on new energy-efficient installations, such as motors, air-conditioning, heating/cooling, and pressurized air systems. Further measures include energy-efficient operation of electric motors with frequency converters, leakage detection and elimination of air losses in pressurized air systems, and energy-efficient cooling of process water using cooling towers.
- Production process optimization: increase energy efficiency via cogeneration, waste-to-energy plant, sand dryers' optimization, compressed air control (pressure, leakages), heating/cooling cycles, frequency air conditioning systems, and shorter batch times in production with higher output from existing production lines. A process optimization guideline was framed for global use starting in 2020, which will help to achieve up to 30% energy savings.
- Energy-efficient lighting: replace existing lighting solutions in production, warehouses and office buildings with the latest LED technology leads to substantial energy savings of up to 70% of total lighting electricity consumption at those locations where the technology is implemented.
- Energy-efficient buildings: integrate energy efficiency into the planning and building of new premises. For example, by using adequate insulation, transparent roof to reduce lightning, cool roofs in warm climates, and LED.

To improve the energy efficiency of Sika operations, a Global Energy Efficiency Monitoring Program, supported by both the Global Sustainability and the Global Operations Departments, has started in 2020. It covers five main categories of energy savings:

- Manufacturing process optimization through the investment into higher efficiency devices, chillers, exhaust air treatment, replacement, energy recovery processes and process optimization in membrane manufacturing.
- Sand dryer process optimization through the installation of moisture sensors, the installation of active drainage systems in sand storage areas or a switch to alternative energy sources for burning systems. 17 initiatives have been ongoing on Sika sites in 2021 in this category.
- Renewable electricity purchase, with the switch to green contracts, the implementation of Power Purchase Agreements and the purchase of renewable Energy Attribute Certificates (EAC).
- Self-produced renewable energy, with the implementation of solar panels projects in several regions.
- Energy management through the optimization of compressed air system, the improvement of the heating and cooling system, investments in lighting, better insulation of facilities. 75 initiatives across Sika operations have been ongoing in 2021 for optimizing compressed air systems in factories.

Every quarter, a regional reporting on this program, its initiatives, and their associated impacts on energy and CO₂e savings is submitted by Regional Sustainability Managers to Global Innovation and Sustainability to ensure consistent monitoring at Group level and ensure the sharing of best practices.

ENERGY INTENSITY

The company strives to improve the energy intensity per ton sold and has set itself the target of reducing it by 3.0% per ton of product sold per year.

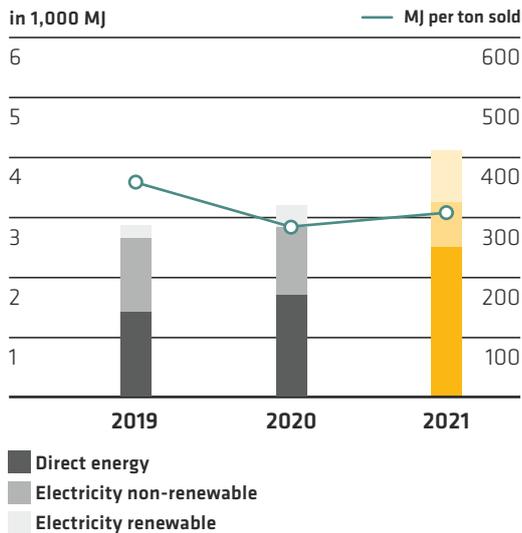
In 2021, the energy intensity of Sika operations per ton sold was 308.1 MJ, an increase of 7.7% compared to 2020. The main reason behind this increase is the inclusion of leased vehicle fuel from 2021 onwards, which represented 11% of the total energy consumption for the year under review.

Excluding leased vehicle fuel from 2021 energy consumption, the energy intensity per ton sold would drop to 274.7 MJ and would have led to a decrease of 4.0% compared to 2020. This improvement was driven by the implementation of several energy saving initiatives and increased tons sold from technologies that are less energy intensive.

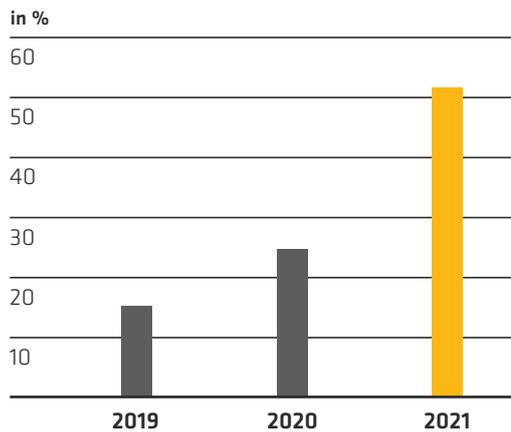
ENERGY INTENSITY

	2019	2020	2021
Energy intensity per ton sold (MJ per ton sold)	363	286	308

ENERGY CONSUMPTION



PURCHASED RENEWABLE ELECTRICITY RATE



ENERGY CONSUMPTION WITHIN SIKA OPERATIONS

Sika is relying in its production on several energy types for: steam generation, drying, stirring, mixing, melting, cooling, ventilation, and pumping, as well as buildings heating or air conditioning and transportation.

For 2021, Sika used 4,163 terajoule (TJ) of energy, an increase of 27.4% compared to 2020. More than half of the energy used in Sika direct operations (61.2%) is coming from the conversion of primary energy, such as heavy liquid fuel (0.1%), Liquefied Petroleum Gas (2.2%), light liquid fuel (4.3%), vehicle fuel (15.2%) and natural gas (39.2%). The electricity purchased represented 38.8% of the energy used in Sika sites.

BREAKDOWN OF ENERGY CONSUMPTION PER SOURCE

	2019	2020	2021
Direct Energy (TJ)	1,451	1,729	2,546
Heavy liquid fuel (TJ)	1	3	3
Light liquid fuel (TJ)	194	154	179
Natural gas (TJ)	1,002	1,296	1,633
Liquified Petroleum Gas (LPG) (TJ)	66	82	93
Vehicle fuel ¹ (TJ)	185	192	635
Self-produced electricity from renewable sources (TJ)	3	2	3
Purchased electricity (TJ)	1,439	1,540	1,617
Total energy consumption (TJ)	2,890	3,269	4,163

1 The definition of this indicator has been reviewed and adjusted. From 2021 onwards, the fuel consumption of leased vehicles has been included in this indicator, leading to an increase from 2020 to 2021. This category was considered under scope 3 up to 2020.

BREAKDOWN OF DIRECT ENERGY CONSUMPTION PER REGION

	2019	2020	2021
EMEA (TJ)	632	882	1,348
Americas (TJ)	505	569	754
Asia/Pacific (TJ)	163	146	237
Global Business (TJ)	151	132	207
Group (TJ)	1,451	1,729	2,546

SIKA SERBIA – SAND DRYING OPTIMIZATION

Sika continues to implement energy efficiency projects worldwide. One key initiative is the optimization of sand drying processes across Sika's sites.

At Sika Serbia's Šimanovci mortar plant, sand of different grades is used as a raw material for mortars. To optimize sand drying in the production process, two online moisture sensors (inlet and outlet) were installed in February 2021.

This upgrade allows for the automatic adjustment of the burner capacity based on fluctuating wet sand moisture content. In 2021, a natural gas consumption reduction of approximately 56,000 m³ was achieved compared to 2020, corresponding to approximately 107 tons CO₂ (or 25%) saved.

BREAKDOWN OF PURCHASED ELECTRICITY CONSUMPTION PER REGION

	2019	2020	2021
EMEA (TJ)	589	659	691
Americas (TJ)	386	385	398
Asia/Pacific (TJ)	200	239	274
Global Business (TJ)	264	257	254
Group (TJ)	1,439	1,540	1,617

In 2021, Sika focused on maximizing the share of renewable electricity supply in its operations, either through switching to renewable electricity contracts or Energy Attribute Certificates (EAC). As a result, Sika renewable electricity rate increased to 52.3% at the end of 2021, an improvement by 28.2 percentage points compared to 2020.

PURCHASED RENEWABLE ELECTRICITY RATE

	2019	2020	2021
Purchased electricity (TJ)	1,439	1,540	1,617
Thereof – Purchased renewable electricity ¹ (TJ)	214	371	845
Renewable electricity rate ² (%)	15.0	24.1	52.3

1 This indicator is based on 100% green contracts, Energy Attribute Certificates (EAC) such as Guarantees of Origins (GO), Renewable Energy Certificates (RECs) or International Renewable Energy Certificates (I-RECs).

2 This renewable rate does not consider self-produced renewable electricity. It also excludes renewable shares from local electricity grid mix.

RENEWABLE ENERGY AT SIKA SITES

Sika continues to increase the use of renewable energy sources in its own operations. In 2021, the main related activities were focused on optimizing renewable electricity sourcing, with the aim of significantly reducing scope 2 emissions, and meeting the renewable energy target in a cost-effective manner. Thus, switching to renewable electricity contracts, Guarantees of Origins (GOs) or Power Purchase Agreements (PPA) represent the preferred options where available (European countries or USA for example). Additionally, the purchase of other Energy Attribute Certificates (EAC) such as RECs (Renewable Energy Certificates), or I-RECs (International Renewable Energy Certificates), has been also carried out by several countries where green contracts availability was limited (i.e., China, Egypt, Romania, Argentina).

Finally, the investment in on-site renewable electricity self-production, through the installation of solar panels on Sika buildings, is a relevant initiative.

Starting from 2021, an internal carbon pricing has been implemented to favor solar panels investments, and to move towards an increase in self-produced renewable energy.

In 2021, Sika-owned solar panels were installed in Morocco, Agadir and Mexico, Queretaro. More installations are planned for 2022. The Sika Queretaro plant completed a solar project, in which the solar system and the associated produced renewable electricity are fully owned and utilized by Sika. It is estimated that the plant will self-produce approximately 25% of the total electricity consumption, with a total yearly reduction of approximately 380 tons of CO₂. The solar panels project of the Agadir plant, completed in January 2021, increased the capacity of self-produced renewable electricity of Sika Morocco. In 2021, the three solar panel installations of Agadir, Bouskoura and Had Soualem produced 31% of the total electricity required for Sika Morocco sites and helped reduce the CO₂eq emissions by 86 tons.

EMISSIONS

GRI 305-1

GRI 305-2

GRI 305-3

GRI 305-4

GRI 305-5

GRI 305-7

GHG EMISSIONS

Sika monitors its greenhouse gas (GHG) emissions as part of the environmental responsibility the company has for climate. Since 2019, Sika has defined a strategic target for reducing scope 1 & 2 CO₂eq emissions per ton sold by 12% until 2023. Moreover, the compensation scheme of Group Management and Sika Senior Managers is linked to the GHG emissions performance of the company (scope 1&2). In 2021, Sika performed its first scope 3 GHG emissions assessment based on 2020 data, which clearly demonstrated that scope 3 GHG emissions are of great relevance for Sika. The company will keep analyzing and reporting on GHG emissions with the aim to develop a net zero roadmap aligned with the objective of the Paris Agreement to limit the increase of global temperature to 1.5°C above pre-industrial levels.

The climate performance guideline implemented in 2020 focuses on Sika's scope 1 and 2 GHG emissions. The guideline includes:

- Information on Sika's scope 1 and 2 climate performance targets, in line with Sika's Sustainability Strategy 2023.
- Definitions of the GHG scopes in line with the Greenhouse Gas Protocol (GHGP).
- Guidance on how to calculate scope 1 and 2 GHG emissions through specific calculation tools.
- Overview and monitoring of Sika's scope 1 and 2 climate performance and projections, globally and by Sika regions.
- Guidance and recommendation on key actions to reach Sika's scope 1 and 2 climate performance targets, including short term actions (e.g., sourcing renewable electricity) and long-term actions (e.g., considering climate performance for new premises and process optimization).

GHG EMISSIONS INTENSITY - SCOPE 1 & 2

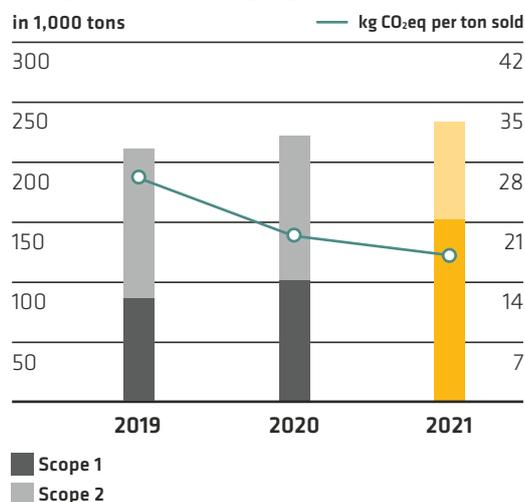
In 2021, the GHG emissions intensity per ton sold (scope 1 and 2) was reduced from 19.6 kg CO₂eq per ton sold to 17.6 kg CO₂eq per ton sold, a reduction of -10.1%. Excluding acquisitions, the organic reduction was at -10.7%.

The GHG emissions intensity was negatively impacted by the inclusion of leased vehicle fuel (2.6 kg per ton sold), previously considered under scope 3 emissions, and 2021 acquisitions (0.1 kg per ton sold).

However, the strong focus on maximizing renewable electricity sources in Sika operations (-3.0 kg per ton sold) and the rollout of various energy saving initiatives (-0.9 kg per ton sold) represented the most important levers to improve the GHG emissions intensity per ton sold for the year under review. Increased tons sold from technologies that are less carbon intensive also positively impacted this development (-0.4 kg per ton sold), along with emission factor changes (-0.4 kg per ton sold).

In absolute figures, scope 1 emissions increased to 156,419 tons of CO₂eq (+52.6% compared to 2020), mainly impacted by the inclusion of leased vehicle fuel. Market based scope 2 emissions decreased significantly to 82,089 tons of CO₂eq (-32.5% compared to 2020) thanks to the switch to renewable electricity contracts and purchase of EAC.

GHG EMISSIONS SCOPE 1+2



GHG EMISSION INTENSITY¹

	2019	2020	2021
GHG emission intensity per ton sold (scope 1 & 2) (kg CO ₂ eq per ton sold)	27.0	19.6	17.6

¹ Based on GHG emissions - market-based.

GHG EMISSIONS – LOCATION-BASED

	2019	2020	2021
Scope 1 ¹ (tons of CO ₂ eq)	88,000	102,528	156,419
Scope 2 – Location – based ² (tons of CO ₂ eq)	155,307	157,873	159,157
Total GHG emissions (tons of CO₂eq)	243,307	260,401	315,576

1 The scope 1 emissions are calculated based on the BAFU (Swiss Federal Office of Environment) emission factors database.

2 Scope 2 location-based emissions are calculated based on the emission factors database from the International Energy Agency (IEA) from 2020.

GHG EMISSIONS – MARKET-BASED

	2019	2020	2021
Scope 1 (tons of CO ₂ eq)	88,000	102,528	156,419
Scope 2 – Market – based ¹ (tons of CO ₂ eq)	124,000	121,700	82,089
Total GHG emissions (tons of CO₂eq)	212,000	224,227	238,508

1 Under the market-based approach, electricity volumes covered by RECs purchases and 100% renewable electricity contracts are considered with an emission factor of 0. The mixed contracts are not considered in this calculation yet. The remaining electricity not covered by RECs or 100% renewable contracts is converted into GHG emissions considering the location-based emission factors.

The region that impacted scope 1 emissions the most in absolute terms was EMEA due to the impact on direct energy from the acquisitions of Adeplast S.R.L, Romania in 2020 and Kreps LLC, Russia in 2021. Further, all regions were impacted by the inclusion of leased vehicle fuel and the increased production along the business growth.

EMEA contributed mainly to the reduction of market-based scope 2 emissions by strongly increasing the purchase of EAC. All other regions also improved their sourcing of renewable electricity, mainly through EAC.

BREAKDOWN OF SCOPE 1 GHG EMISSIONS PER REGION

	2019	2020	2021
EMEA (tons of CO ₂ eq)	39,000	51,706	81,755
Americas (tons of CO ₂ eq)	29,000	33,682	46,937
Asia/Pacific (tons of CO ₂ eq)	11,000	9,670	16,004
Global Business (tons of CO ₂ eq)	9,000	7,469	11,723
Group (tons of CO₂eq)	88,000	102,528	156,419

BREAKDOWN OF SCOPE 2 GHG EMISSIONS – LOCATION-BASED PER REGION

	2019	2020	2021
EMEA (tons of CO ₂ eq)	47,430	49,664	48,895
Americas (tons of CO ₂ eq)	41,148	38,112	36,349
Asia/Pacific (tons of CO ₂ eq)	35,297	40,057	45,472
Global Business (tons of CO ₂ eq)	31,432	30,040	28,351
Group (tons of CO₂eq)	155,307	157,873	159,157

BREAKDOWN OF SCOPE 2 GHG EMISSIONS – MARKET-BASED PER REGION

	2019	2020	2021
EMEA (tons of CO ₂ eq)	28,000	34,062	9,849
Americas (tons of CO ₂ eq)	32,000	31,926	25,377
Asia/Pacific (tons of CO ₂ eq)	33,000	34,417	33,060
Global Business (tons of CO ₂ eq)	31,000	21,295	13,804
Group (tons of CO₂eq)	124,000	121,700	82,089

SCOPE 3 GHG EMISSIONS

For several years, Sika has reported on scope 3 GHG emissions related to business travels and leased vehicles. Through the first complete scope 3 GHG emissions assessment performed in 2021, it has been decided to include the CO₂eq emission related to leased vehicles under scope 1 GHG emissions since Sika has operational control and a direct impact on.

The pandemic has led to drastic reductions of business travels in 2020, which started to resume in 2021. Therefore, scope 3 GHG emissions related to air business travels increased by 62% compared to 2020. However, digital capabilities have become an important element to interact among Sika employees globally, which in future will support the optimization of Sika's global GHG footprint related to business travels.

GHG EMISSIONS RELATED TO BUSINESS TRAVELS

	2019	2020	2021
GHG emissions – Business travels ²⁵ (tons of CO ₂ eq)	15,000	4,000	6,463

¹ This calculation considers approximately 42% of business travels expenditures at Group level for 2021. The remaining part is extrapolated. Data is based on travel agencies' GHG emissions reports. This figure only covers air travels..

SCOPE 3 ASSESSMENT AND NET ZERO TARGET

Sika is tackling climate change comprehensively in its strategic development. To do so, several projects and initiatives were kicked off in the last years as a basis for developing Sika net zero roadmap. All these ongoing projects and activities will allow Sika to define a comprehensive climate strategy with concrete long-term plans to decarbonize its business.

Sika initiated a company-wide initiative in 2020/2021 to systematically identify and calculate emissions from its material scope 3 GHG categories in accordance with the requirements of the Greenhouse Gas Protocol (GHGP). A first review of the company's approach for calculating scope 3 GHG emissions was completed in July 2021 based on 2020 data. Following a materiality assessment of the GHGP scope 3 categories, the following categories were identified as most relevant for Sika:

- Category 1: Purchased goods and services
- Category 2: Capital goods
- Category 4: Upstream transportation and distribution
- Category 5: Waste generated in operations
- Category 6: Business travel
- Category 9: Downstream transportation and distribution
- Category 11: Use of sold products
- Category 12: End-of-life treatment of sold products

The second phase of this initiative, which has been initiated in the second half of 2021 and is currently ongoing, aims at consolidating the methodological approach and assessing the scope 3 emissions for 2021. Based on this analysis, Sika will define its climate strategy and carbon reduction pathway to reach net zero by 2050.

In 2020, Sika joined the "Together for Sustainability" (TfS) initiative and became one of its 33 member companies. Through this initiative, Sika is contributing to the development of a sectorial standardized methodology regarding Product Carbon Footprint (PCF) calculation, including scope 3 reporting processes. This will create transparency in the

chemical industry to enable effective reduction management. To best monitor reduction efforts for such "purchased emissions", GHG emission data at product- and supplier-level, PCF data for purchased goods and services would be required. There is currently no harmonized and specific approach amongst companies on how to calculate PCF, and the limited available data shared is often not directly comparable. Many industries are facing the same challenges and have founded several initiatives to develop applicable solutions. TFS takes the lead for the chemical industry and aims at establishing a drop-in solution for chemicals. Moreover, Sika is contributing to another TfS initiative that aims at designing a data collection & sharing approach regarding GHG emissions, engaging with suppliers to improve and cooperate with external stakeholders on such data.

Furthermore, since 2020, the Group has endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to address climate change in the strategic planning and 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 business continuity of the company. Sika is identifying and assessing the potential implications of plausible future scenarios. These scenarios allow Sika to develop an understanding of how various combinations of climate-related risks, both transition and physical risks, may affect the business, strategy and financial performance over time. Please see the chapter "Risk Management and TCFD Recommendations" on p.23 of the Annual Report 2021 for more information on the analysis conducted in 2021.



For more information, please visit www.sika.com

OTHER AIR EMISSIONS

All local companies must comply with applicable laws and regulations related to air emissions parameters. Air emissions is carefully monitored by Sika as part of its legal obligations. This topic is managed and controlled directly by local operation facilities in accordance with local regulations and internal guidelines. In 2020, Sika started to calculate and report on air emission parameters at Group level based on the combustion of fuel and gas. Sika will continue to review this topic to further evaluate the materiality of these indicators by site. 2021 increase was purely related to the increase in energy consumption and inclusion of leased vehicles fuel.

NITROUS OXIDES (NO_x)

	2020	2021
NO _x ¹ (tons)	268.0	482.1

1 Calculated based on the emission factor related to the combustion process of Sika fuel and gas consumption.

SULFUR OXIDES (SO_x)

	2020	2021
SO _x ¹ (tons)	3.0	3.6

1 Calculated based on the emission factor related to the combustion process of Sika fuel and gas consumption.

VOLATILE ORGANIC COMPOUNDS (VOC)

	2020	2021
VOC ¹ (tons)	23.5	69.5

1 Calculated based on and limited to the emission factor related to the combustion process of Sika fuel and gas consumption.

DUST

	2020	2021
Dust (tons) ¹	12.3	31.9

1 Calculated based on and limited to the emission factor related to the combustion process of Sika fuel and gas consumption.

ENVIRONMENTAL COMPLIANCE

GRI 306-3

GRI 307-1

Environmental compliance is a material topic for Sika operations across all regions. However, regulations related to environmental topics vary widely between regions and countries. Sika therefore delegates the responsibility for environmental compliance to the operating subsidiaries. Each General Manager is requested to submit, on an annual basis, a "Compliance Confirmation", which reaffirms that throughout the year there were no violations¹⁰ of environmental laws and regulations. On each site, a strict adherence to the applicable legislation on environmental matters is respected.

ENVIRONMENTAL AND ENERGY MANAGEMENT SYSTEMS

Sika maintains an ISO 14001 certification in almost half of the 569 sites under ISO scope¹¹, with 48% of certified sites in 2021. The percentage of certified Sika sites is stagnating due to acquisitions and new small sites in emerging countries.

10 A violation is considered significant when reported to authorities, having media coverage, or leading to associated penalties or fines equal to or above CHF 2,000.

11 Are considered under ISO scope: headquarters, plants, warehouses and technology centers. Sales offices, administrative offices, training centers and subsidiaries are excluded as these activities do not fall under the scope of the respective ISO standards.

ISO 14001:2015 – ENVIRONMENTAL MANAGEMENT SYSTEM CERTIFICATION

	2019	2020	2021
Sites certified ISO 14001:2015 (No.)	172	242	275
Coverage of sites under ISO scope (%)	55	47	48

The percentage of certified Sika sites is stagnating due to acquisitions and new small sites in emerging countries.

ISO 50001:2018 – ENERGY MANAGEMENT SYSTEM CERTIFICATION

	2019	2020	2021
Sites certified ISO 50001:2018 (No.)	16	16	17
Coverage of sites under ISO scope ¹² (%)	3	3	3

NON-COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS

Sika strives for full legal and regulatory compliance, which is a prerequisite and the foundation of its business. Sika maintains and implements a Corporate EHS Management System which applies to all Sika locations and employees and fulfils the requirements of ISO 14001 (Environment), and ISO 50001 (Energy Efficiency). Local Sika companies implement their local Sika Management Systems based on the Corporate Management System and local regulatory and legal requirements. Newly acquired companies are integrated under the Corporate Management System as part of the integration approach.

The Corporate Management System is maintained by the corporate Quality & EHS function and deployed through a network of Quality and EHS professionals throughout the regional and country organizations.

Both the Corporate Management System and local Sika Management Systems are audited by external parties as part of the ongoing ISO certification efforts. Internal audits and regular reviews of EHS performance support the continuous improvement of the management system and its implementation.

All General Managers stated in their 2021 Compliance Confirmation that there were no significant violations of environmental laws and regulations occurred in their entities

In 2021, Sika recorded no tier 1 process safety events. Two significant spills¹³ were recorded, which were contained locally without causing any environmental damage.

SIGNIFICANT SPILLS

	2019	2020	2021
Significant spills (No.)	5	3	2

12 Are considered under ISO scope: headquarters, plants, warehouses and technology centers. Sales offices, administrative offices, training centers and subsidiaries are excluded as these activities do not fall under the scope of the respective ISO standards.

13 A spill is considered significant when reported to authorities, having media coverage, or creating a significant cost (>CHF 10,000).

PRODUCTS

PRODUCTS, INNOVATION AND SUSTAINABILITY

COURAGE FOR INNOVATION

Sika's long history of innovation has led to unparalleled success in becoming a recognized global technology leader in many markets by creating value for customers throughout the world. While constantly investing in Sika Technology Centers around the world, the company also nurtures and develops an international network of scientists, partners, suppliers, and customers.

SUSTAINABILITY AS INNOVATION DRIVER

Sustainability is an essential driver in developing competitive solutions for demanding markets and emerging customer needs. Sika focuses its Research & Development (R&D) activities on generating long-term customer benefits in line with sustainability principles. It is the strategic target of Sika to innovate with developments that enable sustainable construction and transportation solutions that directly contribute to lowering the environmental footprint along the value chain. Sustainability has become the key driver for R&D projects at Sika. It encompasses the quest for alternative, renewable materials, low carbon solutions, new recycling concepts, more efficient production methods like modular building, resource efficiency, health and safety at the workplace and in living spaces, enhanced flexibility in product application and production, and digitally enhanced product solutions and applications.

In the year under review, Sika's Board of Directors has approved the reinforcement of Sika's strategic pillars Innovation, Sustainability, and Operational Efficiency, by separating Innovation and Sustainability from Operational Efficiency, Quality and EHS. Innovation and Sustainability are now managed by the newly created position of the Chief Innovation and Sustainability Officer. Combining Innovation and Sustainability allows Sika to strengthen and accelerate its concept for enabling sustainable construction and transportation by placing sustainability aspects at the core of strategic and operational innovation processes, while simultaneously driving operational efficiency and excellence across the organization.

CUSTOMER CENTRICITY: THE CORE OF THE SIKA RESEARCH STRATEGY

Sika's research and development activities are carried out by 1,240 employees (previous year: 1,085) across 21 global Technology Centers as well as 55 local and 20 regional research and development facilities. The research program targets the development of proprietary technology that provides both performance and sustainability benefits and thus allows Sika's product platforms to respond to global trends such as resource-saving building methods, energy-efficient and low-emission construction materials, high-speed manufacturing processes, modular construction, and lighter and safer vehicles. Key projects focus on high-performance molecules with tailored features, smart refining techniques for polymers and surfaces, renewable and bio-based materials including recycling processes and sustainable construction methods, and digitalized manufacturing technologies such as 3D printing, allowing not only high-precision automation but also individualized production of complex components and structures, both in the laboratory and in full-size production.

Sika's objective is to help customers meet the challenges they face today by launching new products in response to tighter climate-related and chemical regulations, increased sustainability awareness among their customers, and shortage of skilled labor. Sika is doing this by developing new solutions that are easy and efficient to apply and have an optimized environmental footprint.

INCREASED PERFORMANCE AND SUSTAINABILITY BENEFITS

Today, Sika already offers its customers a wide range of sustainable product technologies, including solutions for energy-efficient construction and environment-friendly vehicles. Sika has a strategic target in place to generate 25% of sales with products released in the past five years by 2023. In 2021, excellent progress was made and the innovation rate reached 23.8% (previous year: 20.6%). Every new Sika solution must add value for customers with improved sustainability benefits.

As an enabler of sustainable construction and transportation by innovative and cutting-edge technologies and solutions, Sika accelerates the ongoing transformation towards lower carbon-intensive, resource-efficient, and low-emitting construction and mobility. The company regards sustainability as a business enabler and as an innovation driver.

Innovation is a key objective to create added value products by combining performance and sustainability into one integral concept. The Sustainability Portfolio Management (SPM) concept is the backbone of the “Sustainable Solutions” strategy and how the company makes sure that its cutting-edge products always combine performance and sustainability benefits. SPM links Sika’s strengths and innovation-driven product strategy with sustainability and with that facilitates strategic alignment. SPM provides guidance and definitions for a shared understanding of a “Sustainable Solution” and of how it is measured and communicated in a reliable and fact-based way in the markets.

In the year under review, Sika finalized the development of its Sustainability Portfolio Management (SPM) methodology. The methodology will be used to assess both performance and sustainability-related risks and opportunities of product-technology combinations in defined segments in which Sika is active, with a focus on the long term. This will lead to a deeper understanding of the sustainability performance of Sika products and solutions portfolios, focusing on new developments and identifying mitigation actions for existing products by reference to innovation priorities, and portfolio actions, and to disclose the progress qualitatively.

The new methodology has been externally reviewed by a third-party specialist and is built on the World Business Council for Sustainable Development (WBCSD) chemical industry framework. This framework is a best practice approach to guide companies from the chemical industry in developing and applying consistent, high-quality SPM approaches that proactively steer their overall product portfolios towards improved sustainability results. In 2021, Sika also started to apply the concept and launched products under the new “More Performance More Sustainable” ribbon of excellence. More detailed information on Sika’s SPM concept and examples of sustainable solutions launched in 2021 can be found on: [://www.sika.com/en/about-us/sustainability/sustainable-solutions.html](https://www.sika.com/en/about-us/sustainability/sustainable-solutions.html)

SUSTAINABLE SOLUTIONS

GRI 103-2

GRI 103-3

GOALS AND TARGETS

All new product developments with “Sustainable Solutions”.

COMMITMENT

Sika is leading the industry by pioneering a comprehensive portfolio of customer-focused solutions, combining both higher performance and improved sustainability. Since the early days of Sika, continuous innovation has been the key driver of the company’s successful growth strategy. Sika innovates to reduce the environmental footprint, to increase the efficiency of products and solutions along the entire value chain, and thus responds to the market demand for sustainable solutions.

The contribution of Sika’s solutions with regards to sustainability megatrends is evaluated from a life-cycle perspective along the value chain. The sustainability profile of products, systems, and services is closely linked to their performance. Sika stands for products which are technically superior, user-friendly, and sustainable during their life span, from application to deconstruction.

RESPONSIBILITIES

Sustainability permeates the entire company and requires the cooperation of multiple functions. The team of Innovation and Sustainability is responsible for the strategic framework in terms of 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, maximizing the opportunities and creating positive business impact: this is the purpose of the new Sustainability Portfolio Management (SPM)-based concept.

CORE POLICIES AND GUIDELINES

The internal Sustainability Guidelines were developed to facilitate the implementation of the Sika Sustainability Strategy 2023. The guidelines provide recommendations and best practice on how to initiate and run projects to achieve objectives in the six target areas of the Sika Sustainability Strategy. Such guidelines have been created for each strategic target area. One focuses on Sustainable Solutions. The guideline introduces the SPM concept, the different guidance documents and tools, as well as related communication process, and outlines the implementation steps towards the strategic target.

SUSTAINABLE SOLUTIONS LAUNCHED IN 2021

Sika developed and launched several innovative new sustainable solutions in 2021, including the following:

ENGINEERED REFURBISHMENT: NEW WATER-BASED PROTECTIVE COATINGS CONTAINING ALTERNATIVE RAW MATERIALS DERIVING FROM RENEWABLE RESOURCES – FOR REDUCED EMBODIED CARBON FOOTPRINT.

With rising environmental concerns and increasing customer demand for high-performance, more sustainable products, materials derived from renewable resources are believed to play a more significant role going forward. Sika develops water-based protective coatings by using alternative raw materials derived from renewable resources to reduce the product's embodied carbon footprint. In the year under review a new water-based platform for concrete protection coatings has been developed.

The first product of this new range, Sikagard®-5500, is developed for use on reinforced concrete. The product reduces the use of fossil-based raw materials and moves the formulation towards raw materials derived from renewable resources via the biomass balance approach. This entails the use of biogas or biophtha in the early stages of the raw material manufacturing stage, thereby introducing renewable feedstock into the production process. Ultimately this new development reduces the product's embodied carbon footprint by approx. 30% compared to traditionally formulated water-based concrete protection and coatings and has an improved performance at the same time by meeting the most stringent crack bridging parameters at temperatures down to -20°C.

ROOFING: NEW BITUMINOUS MEMBRANE THAT HELPS TO KEEP THE AIR CLEAN

Among the components of air pollution, nitrous oxides, commonly referred to as NOx, is a group of highly reactive gases which are emitted in the air from fuel engines, power plants, and off-road equipment. With SikaShield® Pure-Air, Sika has introduced a new bituminous cap-sheet membrane which can be easily integrated into any Sika roofing system, either for new constructions or renovation. Its advanced bituminous technology allows to trap and remove nitrous oxides released by the exhaust gases of the vehicles or industries, reducing smog, thus helping to improve the air quality of cities or industrial areas. The slates on the surface are coated with titanium dioxide, which acts as a catalyst and is activated when UV radiation from the sun hits the particles. The NOx compounds are removed from the atmosphere by reacting with the surface and the water vapor in the air, resulting in nitric acid (HNO3) which is removed from the membrane surface by rain. The wash-out regenerates the catalyst function of the membrane for a new cycle and lasts for the entire life of the roof. External studies carried out by specialized laboratories to measure the photocatalytic performance prove its high degradation efficiency.

WATER-BASED SEALANTS AND ADHESIVES WITH A MILD AND LONG-LASTING MICROBIOLOGICAL STABILIZATION

Sika's construction adhesives and sealants typically do not contain solvents and feature very low VOC emissions. Furthermore, they do not require surface pre-treatment with activators or primers, which are usually solvent-based technologies. A major part of Sika's water-based adhesives and sealants product portfolio does not contain reactive monomers or hazardous substances in relevant concentrations and is therefore not classified and labelled as hazardous. Protection against microorganisms to prevent growth of bacteria, mold, and algae is essential to ensure a long service life of buildings. The typically used preservatives have a skin sensitizing potential. Substitution and avoidance of these types of preservatives is therefore a key focus at Sika.

One of Sika's latest innovations is the SikaSeal®-106 Construction, a permanently elastic construction sealant. Its good adhesion to most construction materials makes it especially suitable for a variety of interior and exterior sealing applications. It contains a modern, both mild and efficient stabilization system with microencapsulation technology, that keeps the active concentrations extremely low, prevents wash-out and thus provides a long-term efficiency at low biocide exposure to the users. Another example is CascoProff DC, a high-strength reinforced floor adhesive, which has been developed and successfully introduced in the Nordics. It is completely isothiazolinone free – a widely used class of biocides in floor adhesives to ensure protection against microorganisms. Isothiazolinone containing building products are excluded from the well-renowned Scandinavian building product certification system "Byggvarubedomningen", whereas CascoProff DC is the first product in the Nordic market that is rated "recommended". The product's formulation contains a high amount of natural and renewable raw materials and biomass balanced polymers, which lead to approximately 40% lower embodied carbon footprint than traditionally formulated water-based floor adhesives.

ADHESIVE SYSTEMS: NEW Purform® TECHNOLOGY WITH VERY LOW MONOMERIC ISOCYANATE CONTENT AND ULTRA-LOW VOC EMISSIONS

Sika has successfully started the rollout of a new polyurethane technology, which is launched under the Purform® brand. The Purform® technology enables the development of sealants and adhesives with a unique combination of high performance, sustainability, and safety safeguards for users. New properties, as for example adhesion on plastics without any pre-treatment, allow customers to simplify their processes and reduce the material consumption. The high durability of Purform® sealants and adhesives also makes them last longer. With a total monomeric isocyanate content below 0.1% and ultra-low VOC emissions, Purform® products already now comply with the upcoming REACH regulations for monomeric isocyanates and set a new standard in terms of users' and consumers' safety. In 2021, Sikaflex®-11 FC Purform®, a general all-purpose sealant, and Sikaflex® Pro 3 Purform®, a floor joint sealant for professional users, have been introduced to the market.

E-MOBILITY: NEW SILICON-FREE GAP FILLER SOLUTION FOR EFFICIENT HEAT TRANSFER

The automotive and transportation industry undergoes a fundamental change from conventional fuel engines towards more sustainable alternative drive technologies. The accelerated shift to electric motors comes with a need for new product technologies for battery assembly. Gap fillers or thermal conductive adhesives enable efficient heat transfer from the battery modules to the cooling circuit, making sure that overheating of the battery cells is prevented and the longevity and performance of battery cells can be improved. In addition, a new type of semi-structural adhesives for bonding of the battery frame structures will be required to allow efficient and less costly production processes.

With SikaBiresin®-TC 465, a two-component liquid resin based on silane-functionalized polymers, Sika has developed a new silicon-free gap filler that allows the combination of efficient heat transfer and excellent application properties. It allows fast positioning and installation of the cell modules using low forces, preventing warpage and damage of the battery box during assembly. With its low tackiness, the material allows removal and repair of the cell modules in case of damage. The new product has been implemented in 2021 in the pre-series production of a major OEM brand.

REDUCING CARBON FOOTPRINT

Sika is dedicated to reducing the impact of global warming via its products, solutions, and services, especially since climate change and the growing population require cleaner and better-functioning cities. The megatrends climate change and urbanization drive the demand for intelligent construction materials and intelligent mobility systems to ease congestion and reduce greenhouse gas emissions. Sika supports its customers to reduce their carbon footprint, for example by offering technology platforms that allow them to reduce the use of Ordinary Portland Cement (OPC). The reduction is realized most efficiently by highly specific admixtures that ease processing and application of low-OPC products. Other examples are concrete and mortar systems containing an increased ratio of recycled binders with Supplementary Cementitious Material (SCM), such as slags, and/or lower quality aggregates such as alternative quartz-based sands and gravels. In addition, Sika's polymer fibers as internal reinforcement of concrete enable the realization of slimmer structures with comparable strength, thus reducing the overall OPC consumption. A further major target is to introduce digital intelligence to construction sites for increasing safety and efficiency in building operations. Sika leads the way when it comes to 3D concrete printing technology by mastering all the process steps needed to print concrete on an industrial scale. A complete printing solution has been developed, field-tested, and successfully launched in the market.

The new patented Sarnafil® AT technology, developed for easy-to-apply and sustainably designed roofs, has been established internationally. It is the first and only thermoplastic roofing membrane to be Cradle to Cradle Certified™. Sika was successful in achieving an overall certification level of Silver for the product. Sarnafil® AT received Gold score for the Material Reutilization and Social Fairness categories.

OVERCOMING MATERIAL SHORTAGE

The global materials markets have been in an unstable situation throughout the reporting year, both related to prices and delivery times. This situation together with the need to save finite, high-quality materials has challenged R&D with qualification testing of numerous alternative and second-sourced materials and fueled the development of product formulations relying on recycled or bio-sourced materials.

With a focus on circular economy and finding ways of mitigating the effects of climate change, projects that involve the use of recycled or bio-sourced materials were given priority. New solutions like PARNATUR®, the first "easy-to-spray" thermal and phonic insulation hemp-based mortar, contribute to a growing use of bio-sources aggregates in the building industry.

Since the beginning of 2021, Sika has been cooperating with ADEME, the French Governmental Agency in charge of environment & energy, to replace traditional silica sand in mortar production. Together with ADEME, Sika has been conducting a research project, called "Sand", to investigate how recycling concrete waste on an industrial scale might deliver a solution not only for concrete but for dry-mix and universal mortars too. The aim is to reduce the extraction of natural silica sand and to later replicate the recycling process in mortar production facilities in geographic areas with limited sand access. Furthermore, Sika has been developing new formulation routes for dry-mix mortars and directs the production process towards managing recycled and locally processed aggregates in the Sika product range.

Another example of Sika's competence in creating formulations based on alternative materials are bio-based coatings. With rising environmental concerns and increasing customer demand for sustainable products, bio-based systems are believed to play a more significant role in the future. Sika is therefore strengthening the development of water-based protective coatings based on alternative, bio-based materials. Following the Sika Growth Strategy and the Sustainability Strategy "More Value – Less Impact," the company has developed a new water-based platform for concrete protection coatings and processed the further development of water-borne coatings for reinforced concrete by reducing the use of fossil-based materials and moving the formulation towards bio-based materials like sugars, ethanol, or plant oils, and toward using biogas or bio-naphtha from renewable feedstocks.

DIGITALIZATION OF CONSTRUCTION AND INDUSTRY

In digital construction, a range of exciting challenges across a broad spectrum of fields are evolving: economical, environmental, technical, and architectural. To master the combination of these domains is a prerequisite to be able to successfully make the digital transition in the construction industry. Sika covers all activities required for the complete digitalization of the construction: design, processes and operations, additive materials, and connected devices. The new Sika 3D concrete printing system, combined with Sikacrete®-7100 3D, allows a productivity five times higher than other 3D printing systems on the market, requiring only one operator, improving the productivity of a fully automatized production 4.0. Sika has teamed up with partners in the USA and in Europe to commercialize 3D concrete printing technology in the construction industry and to capture its vast potential. In 2021, a new Digital Technology Center and a 3D Technical Center was set up and an easy-to-use one-component 3D mortar was developed. This infrastructure provides additional resources to serve the rising customer demand and to set the pace in terms of efficiency, freedom of design, and flexibility at the construction site.

In the year under review, Sika further developed its cooperation with CiDRA Concrete Systems Inc. in the USA. CiDRA specializes in IoT-based digital systems to monitor concrete properties during transport. Sika and CiDRA already offer this service to customers in the USA, Canada, Australia, and in the UK. CiDRA Concrete Systems is a market leader in digital monitoring and information systems for concrete loads in trucks. High-precision on-board systems measure the quality of the concrete during its transport from the batching plants to the job sites. Customers benefit from this offer through a data subscription service, enabling concrete producers to access real-time concrete quality data such as workability and air content through a cloud-based data portal for every truck operating in their fleet.

Sand has become a scarce resource and good sand analytics are therefore becoming increasingly important. In 2021, Sika developed and implemented the Sika Sand App, a highly innovative digital solution for fast and efficient sand analysis. The Sika Sand App is an analytical device and provides information about sand particle size distribution, particle shape parameter, distribution of particle shape parameter per sieve opening as well as fineness modulus. The new Sika Sand App is a step towards optimized identification of available sand quality and towards finding alternatives to overcome shortage of high-quality sand without performance loss.

MODULAR BUILDING

In off-site construction – or modular building – typically more than 80% of the construction is completed before it arrives at the construction site. Modules are transported to the site for assembly. Modular construction is growing in popularity due to its many benefits, such as less time on the construction site, cost-effectiveness, flexibility, improved quality control, efficient use of materials, reduced waste, and less transportation. It can also help address local construction challenges, such as skilled labor shortages or meeting local regulations. It is the objective of Sika's product development teams to support off-site manufacturers with the development of solutions that meet the most demanding specifications of the building industry and improve manufacturing efficiency and quality. With extensive technical expertise and solid practical experience on every continent in all climates and environments, Sika has been developing a full range of modular construction solutions in the following areas: passive fire systems, joint sealing for interior and exterior applications, roofing membranes and systems, floor adhesives, concrete admixtures, bathroom pod waterproofing and tiling systems, process optimization, and technical support off and on site.

DEVELOPMENT FOCUS IN INDIVIDUAL TARGET MARKETS

CONCRETE

In the year under review, research especially focused on the development of admixtures for sustainable binders and on a new concrete recycling process (reCO₂ver®). In 2021, Sika installed a pilot plant for the reCO₂ver® process. The target of this process is to enable the production of new, high-quality concrete with the use of 100% aggregates coming from recycled concrete demolition waste. With the new process, old concrete can be completely recycled and saved from landfills. So far, attempts in the construction market to recycle old concrete have led to low recycling rates as these recycled materials could only substitute 30% of primary material in structural concrete. The target of the reCO₂ver®-process is to increase this substitution rate up to 100%. The Sika innovation will enable customers to produce high-performance concrete while sequestering a significant amount of CO₂. The old concrete is broken down into aggregate, sand, and carbonated powder in an efficient and straightforward process, which binds up to 60 kg of CO₂ per ton of crushed concrete demolition waste. reCO₂ver® will make a significant contribution to promoting the circular economy and reducing the environmental footprint of the construction industry.

In cooperation with leading key players, Sika has developed concrete and cement admixtures specifically adapted to the LC³ technology that significantly lowers the CO₂ footprint of cement. LC³ is developed by the Swiss Federal Institute of Technology Lausanne (EPFL) and is a new type of cement that is based on a blend of limestone and calcinated clay. Sika admixtures enable customers to replace clinker with LC³ binders and still achieve the same performance for strength development and workability retention. The use of Sika solutions widens the potential application field of LC³ type binders significantly. The LC³ project aims to reduce the CO₂ footprint of cement by replacing up to 50% of clinker in cement. Sika enables the construction sector to adopt this technology rapidly and effectively. Furthermore, Sika introduced new PCE polymers which further enhance its competence in terms of locally adapted formulations and therefore strengthen the ability to efficiently serve specific customer needs.

WATERPROOFING

In the year under review, Sika further expanded the use of the SikaProof® A+ technology, a patented technology that provides a unique, mechanical bond between the polymeric membrane and the concrete structure and prevents any lateral water underflow between the membrane and the concrete. SikaProof®-808 was developed as a waterproofing product to be launched in Asia/Pacific, Africa, and Eastern Europe and will be applied in combination with Sika's bituminous membranes for waterproofing basement and below-ground structures. In 2021, Sika introduced a newly developed flexible bonded waterstop Sika Waterbar® FB into selected European markets – an innovative solution for construction joint waterproofing for watertight concrete basements.

ROOFING

To address the lack of skilled labor, Sika creates systems that are easier to apply. The new product range Sarnafil® AT ensures a great flexibility and safe application in roofing – both for full flat roof areas as well as for details like skylights and corners. In addition, the product line has been extended with a self-adhering version, where the bonding competence and membrane competence were ideally combined. The Sarnafil® AT technology clearly meets the company's significant efforts towards sustainability. Sarnafil® AT is the first thermoplastic roofing membrane in the market to be Cradle to Cradle Certified™. In this way, Sika contributes further to the circular economy, just like with the PVC recycling program in the USA, where old products are fed back into the raw material feed stream.

With Sikashield® Pure-Air, Sika processed a new, advanced bituminous cap-sheet membrane which can be easily integrated into any Sika roofing system, either for new constructions or renovation. Its advanced bituminous technology allows to trap and remove nitrous oxides (NOx) released by the exhaust gases of the vehicles or industries, reducing smog, thus helping to improve the air quality of cities or industrial areas.

With the new Purform® technology, the focus for liquid applied membranes continued to be on emission reduction. Developments in two-component products continued with the launch of Sikalastic®-702, a hand-applied, general-purpose roof waterproofing solution, along with Sikalastic®-701, a high-performance topcoat to give enhanced durability. Sikalastic®-701 can be used to recover old roofs to prolong the roof's lifetime or to upgrade to a cool roof. The focus continues to be on low-odor, sustainable products with excellent durability.

FLOORING

The focus of new product developments has been on the development of sustainable solutions, particularly reducing volatile organic compounds content, emissions, and odor in flooring solutions and using raw materials from renewable resources. The Curing-by-Design technology was transferred to flooring applications. With Sikafloor®-3000 Snapbooster, curing time is significantly reduced and the whole application process takes one day instead of three, as normally is the case with conventional systems. The innovation reduces business interruptions and allows a fast return to service, offering savings to the contractor and business owner. The transfer of the Curing-by-Design technology to new areas of application allows increased process flexibility and offers higher efficiencies.

The market launch of the Hybrid Active Dry Technology of the Schönox HS range for self-leveling underlayment has been successful. In these products, a pre-consumer recycled material partly replaces cement and reduces the product's embodied CO₂ footprint by up to 40% in comparison with similar products.

SEALING & BONDING

Sika has successfully started the rollout of a new polyurethane technology, which is launched under the Purform® brand. In 2021, the products Sikaflex®-11 FC Purform® and Sikaflex® PRO-3 Purform® have been introduced into the market. Thanks to this new technology, Sika is supplying customers with products satisfying the highest standards in terms of performance and sustainability – already fulfilling the upcoming stricter REACH regulations for enhanced health and safety safeguards for users. Purform® products offer significant performance advantages, for example by enabling curing at low temperatures or good compatibility with sensitive surfaces such as natural stone, or improved weather resistance withstanding outdoor exposure for longer.

One focus of Sika is the development of new solutions for hybrid construction, which means for applications where different kinds of materials are connected. A new structural bonding product range has been developed with a focus on metal and composite bonding.

Sika is introducing novel high-strength toughened adhesives for structural bonding and strengthening in construction and civil engineering, e.g. steel bridge repair, seismic guarding, or construction with more sustainable materials. High-strength bonding of non-rigid materials, such as metal or composite structures, opens up a new field for structural bonding applications in construction. For that reason, Sika transferred its SmartCore® toughening technology to the needs of the strengthening market in a first product under the name Sikadur®-370. Sikadur®-370 is a two-component epoxy adhesive that unites highest mechanical properties with toughness and allows long-lasting and durable connections.

ENGINEERED REFURBISHMENT AND BUILDING FINISHING

In 2021, a key initiative has been the development and introduction of a complete range of sustainable cementitious mortars for repairing, waterproofing, leveling, 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 (SCM), which may otherwise be disposed to a landfill. In 2021, Sika was able to replace 160 k tons of cement with SCM, leading to a significant reduction of the products' carbon footprint. This substitution has been implemented in 144 existing products encompassing tile adhesives, wall levelers, waterproofing mortars, non-shrink grouts and repair mortars in twelve major countries. The newly developed mortars achieve unprecedented performance: One example is Sika Monotop®-4200 Multiflow, a multi-purpose cementitious repair mortar. The texture of this product can be adapted to fit the applicator's need by simple adjustment of the water mixing ratio. It is fast setting and allows a return to service after only two hours and is characterized by an enhanced resistance to abrasion and sulphate salts.

The launch and local domestication of the new Sika MonoTop® “More Performance – More Sustainable” product range in Europe started. The Sika MonoTop®-4012, Sika MonoTop®-3020, and MonoTop®-1010 are the new sustainable, high-performing smoothing and leveling ready-to-mix mortars for concrete repair and protection. They have been formulated with SCM and help achieve better workability and application, less shrinkage, and an improved finishing of the surface aspect.

Identifying reliable sources of alternative sands and binders is a significant focus for Sika: These can be materials from recycling, industrial by-products, or waste from any industries, including Sika’s production facilities. A dedicated team develops ways to make their use technically feasible. For example, Sika is working on re-using and valorizing production tails or dust collector fines from Sika plants. When integrated into formulated products, alternative raw materials are linked to additional functionalities, such as weight reduction, deformability, and other outstanding functionalities like abrasion resistance. They have a reduced embodied carbon footprint, stand out with reduced dust formation during application and meet LEED (Leadership in Energy and Environmental Design) v4 requirements.

In the year under review, Sika launched a one-component, pre-batched cementitious bedding and fixing mortar, Sika® FastFix®-138 TT. The cement-free formulation has a significantly reduced carbon footprint, improved shrinkage control, rapid setting and strength. Another example for a mortar with reduced cement content is SikaTop®-209, a flexible waterproofing mortar with a low elastic modulus to reduce cracking tendency, high capacity of crack bridging, water- and vapor-impermeable.

In Europe, SikaCeram®-690 Elite was launched to offer a fast, durable, and aesthetic tile grout solution for marbles and other natural stones sensitive to discoloration. In the Americas, Sika launched SikaTile® Ultima, introducing a superior abrasion/water resistance for a long-lasting ready-to-use acrylic tile grout. In the region Asia/Pacific, Sika teams introduced an easy-to-use new tile grout in cartridge with a great resistance to UV exposure.

INDUSTRY

In industrial manufacturing sealing and bonding further replaces traditional joining technologies like welding or screws and enables joining of new and different materials, opening new design options. With Sika’s innovative structural bonding solutions SmartCore® or Sika Powerflex®, customers can achieve highest performance and durability levels for their products. With the Curing-by-Design technology, a high process efficiency is offered to customers reducing process time up to 70%.

Sika’s adhesives strongly support the global trend of automatization in the building construction sector. Pre-fabricated houses or modules are increasingly being produced in an industrial environment and assembled at the construction site. As a leader in elastic bonding and the world’s biggest manufacturer of polyurethane adhesives and sealants, Sika has developed the Purform® technology with outstanding performance and sustainability benefits for customers. While Sika’s Purform® products already today fulfil upcoming stricter REACH regulations, the technology allows to formulate the first truly designed adhesive for plastic bonding without compromising on stress cracking, mechanical properties, plasticizer migration or adhesion strength.

AUTOMOTIVE

The automotive industry is currently undergoing structural transformation, with production and distribution functions being altered by new propulsion systems, digital technologies, and materials. Thanks to its decade-long expertise in automotive adhesives and sealants, Sika is well prepared for this change. Electro-mobility and lightweight chassis construction increase the importance of superior auxiliary materials capable of making vehicles more efficient, safer, and quieter. Sika's heat-conductive materials contribute to the dramatic reduction of battery charging times, something that will be crucial for the market penetration of electric vehicles. Sika supplies adhesives and sealants for battery systems that meet high technical requirements for high-temperature resistance and high thermal conductivity. SikaBiresin® TC-465, a new silicon-free gap filler solution, was chosen by customers for thermal heat transfer in battery boxes.

In the year under review, Sikaflex®-953 L30, a high-performance sealant for aluminum battery boxes, was launched. With the Sikagard®-839 series, intumescent coatings were further introduced to protect battery boxes of e-vehicles. In addition, Sika developed solutions based on the Purform® technology for new direct glazing assembly adhesives, combining excellent performance with optimum operator health protection.

In 2021, Sika joined Alumobility, a non-profit organization focused on proven innovative solutions to advance the adoption of aluminum automotive body sheets. With experts in various joining techniques for aluminum and other metals, Sika will contribute know-how in bonding, sealing, damping, and reinforcing for car body structures and components.

COOPERATION WITH ACADEMIA

Sika complements its internal research efforts by engaging and cooperating with renowned universities and scientific institutions such as ETH Zurich (Swiss Federal Institute of Technology in Zurich), EPFL (Swiss Federal Institute of Technology in Lausanne), Princeton University (USA), the Beijing University of Chemical Technology (PRC), and similar institutions across the globe. In addition, Sika's subsidiaries cooperate with research institutes in their local markets. In 2021, Sika strengthened its cooperation with the American Institute of Steel Construction, the RWTH University Aachen (Germany), and the Karlsruhe Institute of Technology (KIT) in steel bridge strengthening repair.

Sika has intensified its cooperation with Innosuisse, the Swiss Innovation Agency, an entity under public law, to promote science-based innovation in the interests of industry and society. The company is part of a program dedicated to bringing together the essential players from science, industry, and society in Switzerland in promising fields of innovation ("Innovation Boosters"). Within this framework, Sika expanded its joint research on wood-concrete composite elements for innovative and sustainable hybrid structures for the building sector with the successful testing of hybrid precast elements to reduce the amount of concrete in industrial construction. Sika is engaged in the "Mesh Mould" project, in partnership with ETH Zurich and other partners that develops a robotized construction method for building load-bearing concrete elements of any shape without formwork. Sika also participates in international research projects and networks, such as the "InnovaConcrete" project, which focuses on durable, environmentally-friendly reinforced concrete for demanding infrastructure and the conservation of cultural heritage. Furthermore, Sika is cooperating with the National Institute for Standards and Technology (NIST), USA, and with the University of Sherbrooke, Canada, in concrete research.

Sika supports Innovandi, the Global Cement and Concrete Research Network. The network connects industry with scientific institutions to drive new ways of working and innovation. It builds on the industry's long-held commitment to ensuring a sustainable future.

Sika is cooperating with the Racing Team of Academic Motorsports Club Zurich ("AMZ electric") by providing its advanced tooling materials for composite mold making in vehicle construction. The AMZ was founded in 2006 by students from ETH Zurich and developed a prototype for various "Formula Student" competitions in Europe. After three vehicles with combustion engines, the AMZ has been building purely electrically powered racing cars since 2010.

INTELLECTUAL PROPERTY

The protection of intellectual property plays a central role in competitive markets. While own inventions need to be protected against imitators, ensuring FTO (freedom to operate) for new products over third-party IP is important too.

To achieve the best possible benefit for the Group, the patent strategy was reviewed and sharpened to focus on the three basic pillars (i) risk management and mitigation with respect to third-party patents, (ii) protection of new inventions according to commercial relevance of the products/solutions, and (iii) leveraging patents to support business. For each of these pillars, characteristics were elaborated to meet the needs of the organization. Along with that, workflows were amended to involve a broader base of relevant functions in decision-making processes, while maintaining high efficiency by concentrating on the essentials. The new strategy was rolled out throughout 2021.

Already widely in line with the new patent strategy, 150 new inventions were reported in 2021 (previous year: 123) and 99 new patent applications were filed (previous year: 83). By the end of 2021, Sika's patent portfolio included 986 unique patent families with 4,242 single national patents.

PRODUCT QUALITY AND RELIABILITY

GRI 103-2

GRI 103-3

GRI 416-1

GRI 417-1

GRI 417-2

Product quality and reliability have always been of crucial importance to Sika. The Sika triangle, the more than 100 years old visual symbol, is synonymous with performance, quality, reliability, and service worldwide. This is emphasized by the corporate claim: Building Trust. At Sika, "Product Quality and Reliability" can be analyzed through two related dimensions: Product Safety, and Product Marketing and Labeling.

PRODUCT SAFETY

Precautionary measures are taken to mitigate risks related to product safety. Sika issues documentation informing on topics such as occupational safety, wearing of safety equipment, transportation, and storage of goods. Information on material Safety Data Sheets (SDS) regarding the individual products can be found on the website of the local Sika companies. For more information on how Sika ensures quality and reliability of its products, please see the chapter "Our People", section "Health and Safety" on p.93.

GOALS AND TARGETS

100% of Sika products are safe and do not cause any harm to human health.

COMMITMENTS

When formulating products, the company only uses raw materials that comply with all relevant chemical regulations, and that have been thoroughly assessed by the company on health and safety impacts.

RESPONSIBILITIES

At corporate level, the Global Product Stewardship team, which is part of the Corporate Regulatory & Product Compliance Team is responsible for:

- Training and supporting regional and local Product Stewardship functions and Regulatory Product Compliance Teams.
- Monitoring the raw material database and the chemical substance database that serve as a basis for Safety Data Sheets (SDS) and labels.
- Acting as a support center for the Globally Harmonized System (GHS) of Classification and Labelling of Chemicals.
- Monitoring Sika Banned Substance Rules, but also the list of hazards and restrictions to be shared with the concerned Sika unit.
- Maintaining and updating rules for SDS creation, dangerous goods management, and label information.
- Provide global Product Stewardship solutions, including SAP Product Compliance with global content and algorithms, EHS Blackboard, specific analysis and calculation tools, regular performance overview (KPIs), process descriptions and manuals, etc.).

Along with the support from the Global Product Stewardship team, local line management has the overall responsibility of ensuring that all products placed on the market meet the requirements of local legislation and customers, as well as assigning a product stewardship role to manage raw material and finished goods data, customer safety information, and labeling. To fulfil these responsibilities and objectives, local management collaborates closely with the Global Product Stewardships team. Local tasks include:

- Approving local labels and local Safety Data Sheets, packaging, entry of local raw materials and finished goods data into the databases.
- Supporting local organizations in all product-safety-related matters.
- Supporting customers regarding their demands on product safety.
- Implementing and enforcing the Sika Banned Substance Policy.

Sika products (except non-chemical products) must be accompanied by a Safety Data Sheet meeting the legal requirements of the country and translated into the required language(s). Packaging and labeling must be controlled and managed for local compliance, and compliance with the Sika branding and labeling rules.

POLICIES AND GUIDELINES

For more information on policies and guidelines, please see the chapter "Our People", section "Health and Safety" on p.87.

TRAININGS FOR SIKA EMPLOYEES

Regular internal trainings and education for local Product Stewards and Regulatory Affairs Managers is provided in all regions and areas, at least every two years. Such trainings update local teams on regulations, on the Globally Harmonized System (GHS) of Classification and Labelling of Chemicals, and on the impacts on the Product Compliance Reporting tool.

PRODUCT MARKETING AND LABELING

Packaging is essential as it is used for the identification of Sika products. It enhances the appearance of the label for product promotion. In addition, labeling provides information about the correct and safe use of the product.

GOALS AND TARGETS

The marketing and labeling activities at Sika have the overall goal of providing Sika customers and stakeholders with compliant, accurate, and valuable information regarding classification, labeling, and packaging (CLP) rules and the application of its products. Aspects taken into consideration are legal regulatory requirements as well as customers' requirements, depending on the customers' type (either distribution or direct sales).

COMMITMENTS

Provide accurate information about all Sika products in compliance with local laws and regulations and enhance the appearance of the label for product promotion.

RESPONSIBILITIES

To achieve this commitment, four Sika teams are involved at Corporate and local levels.

- The Corporate Technical team is responsible for product Data Sheet and product certifications like Declaration of Performance or Declaration of Conformity. In fulfilling these activities, the technical team complies with specific policies and regulations, such as regional and local product regulations, for example the EU Construction Products Regulation, EU Marine Equipment Directive, and similar legislation.
- The Local Product Stewardship team is responsible for provision of and compliance with CLP-required hazard symbols, statements, information, and data for labels and packaging. In fulfilling the activities, the product stewardship team complies with specific policies and regulations such as the Globally Harmonized System of Classification and Labelling of Chemicals (GHS), CLP, and REACH.
- The Product Management team, both Corporate and local, is responsible for defining instructional and descriptive texts (as per Product Data Sheet); main illustration (if applicable) and icons, and country combinations.
- The Corporate Marketing Services team is responsible for creating the packaging artwork by compiling the information from the Technical, Product Stewardship and Product Management team, Operations, and suppliers. Product Stewardship information is retrieved from the local and global Product Stewards. product classification and labeling information is determined via the globally deployed SAP Product Compliance System. Corporate Technical & Product Management information is provided directly via the Product Management team.

POLICIES AND GUIDELINES

For more information on policies and guidelines, please see the chapter "Our People", section "Health and Safety" on p.87.

REQUIREMENTS FOR PRODUCT, SERVICE INFORMATION AND LABELING

Sika is committed to comply with laws and regulations concerning product and service information and labeling. All entities of Sika Group are required to be compliant with applicable laws and regulations related to this topic. No significant violation of regulations concerning this topic has been reported in 2021.

REQUIREMENTS REGARDING MARKETING COMMUNICATIONS

Sika is committed to comply with laws and regulations concerning marketing communications, including advertising, promotion, and sponsorship. All entities of Sika Group are required to be compliant with applicable laws and regulations related to this topic. No significant violation of regulations concerning marketing communications has been reported in 2021.

ECONOMICS

ECONOMIC PERFORMANCE

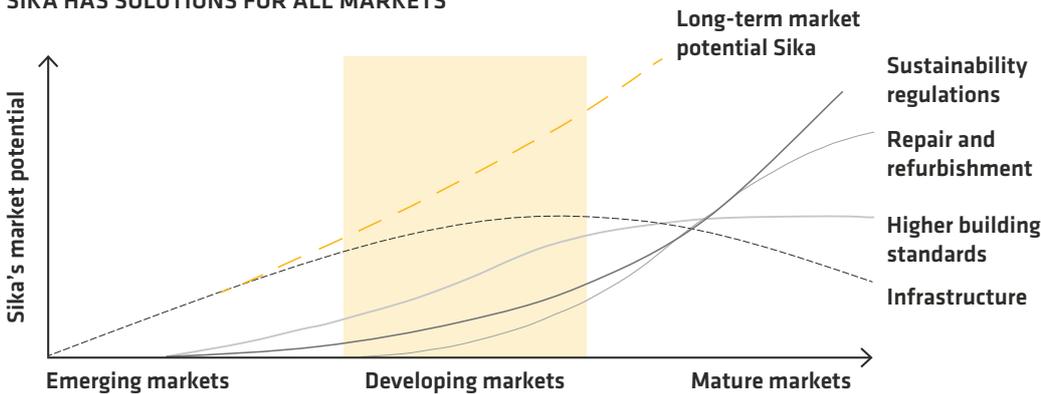
GRI 103-2

GRI 103-3

GRI 201-1

Financial stability and long-term profitability ensure that Sika remains a reliable and value-adding partner for all its stakeholders now and in the future. Economic performance represents an important cornerstone in maintaining global technology leadership by assuring continued investment in R&D, as well as the ability to stay close to customers and serve all markets in every development stage with sustainable high-performing products and solutions.

SIKA HAS SOLUTIONS FOR ALL MARKETS



Economic strength enables Sika to share created value with its various stakeholders: develop high-performing products to its customers; be a reliable employer; provide attractive, long-term shareholder return; be a responsible taxpayer; and a good corporate citizen that helps communities to flourish.

GOALS AND TARGETS

The Sika growth strategy is synonymous with long-term success and profitable growth. The Strategy 2023 was launched in 2019 and is aligned with Sika's goal for sustainable and profitable growth. The strategy is organized around six pillars that are not only focused on ambitious financial targets but also on improving the carbon footprint of its operations. With the focus on these six pillars, Sika plans to grow by 6–8% in local currencies per year up to 2023 and to achieve a high EBIT margin of 15–18%. For more information, please see the "Strategic Report", chapter "Strategy 2023" on p.17 of the Annual Report 2021.

COMMITMENTS

The following strategic pillars form the basis for the Growth Strategy 2023:

Market Penetration	Growth drivers include targeted sales of a comprehensive product portfolio with complete systems, increased presence in the distribution channels, key project management, and continued expansion in emerging markets. For more information, please see the "Strategic Report", chapter "Strategy 2023" on p.17 of the Annual Report 2021.
Innovation	Generating 25% of sales with products that have been launched on the market in the last five years. Additional commitment to ensure that every new product must offer a higher performance as well as additional sustainability benefits. For more information, please see the "Strategic Report", chapter "Strategy 2023" on p.17 of the Annual Report 2021.
Operational Efficiency	Improvement in margins through operational efficiency projects in operations, logistics, procurement, and product formulation. For more information, please see the "Strategic Report", chapter "Strategy 2023" on p.17 of the Annual Report 2021.
Acquisitions	Enabling the company to enhance its core business with complementary technologies, improved market access or expanded distribution channels through acquisitions that serve as platforms for additional growth. For more information, please see the "Strategic Report", chapter "Strategy 2023" on p.17 of the Annual Report 2021.
Values	Sika's strong corporate culture lays the foundation for its success. For more information, please see the "Strategic Report", chapter "Strategy 2023" on p.17 of the Annual Report 2021.

RESPONSIBILITIES

Overall responsibility for economic performance at Group level remains with the Board of Directors (BoD) along with the Group Management. Sika's international expansion began soon after the foundation of the company more than 100 years ago. Since then, the company organizes its global activities by country. The national subsidiaries are consolidated into regions with higher-level management functions. The regions are EMEA (Europe, Middle East, and Africa), Americas, Asia/Pacific, and Global Business. The regional and local management teams bear full profit and loss responsibility, and – based on the Group strategy – develop regional and country-specific strategic plans and targets.

Sika evaluates its management approach through a process steered by the Board of Directors. The CEO, as well as the CFO, report to the BoD in writing on the development of business at least once a month. A monthly Management Package on the financial performance is shared with Group Management and the BoD to provide an update on the company. In addition, 13 Group Management and 11 BoD meetings took place throughout the year, to review and discuss all strategic topics (financial performance, investments, acquisitions, business activities, non-financial performance, etc.). Extraordinary events are reported immediately to the Chair of the Board or the Audit Committee, if such events relate to the latter's area of responsibility. The Audit Committee has the responsibility to review internal and external audits and risk management.

POLICIES AND GUIDELINES

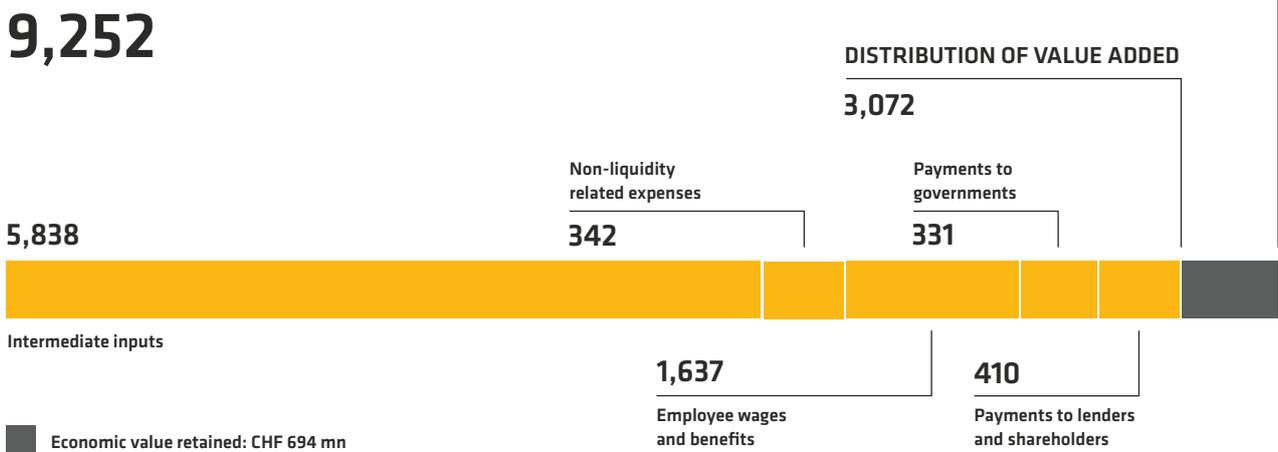
The following guidelines help ensure a sustainable financial performance:

- Sika's "Values & Principles" set the foundation of Sika's future success: Sika acts with respect and responsibility towards customers, shareholders, and employees. The overall profit and loss responsibility lies with the General Managers of all local companies. For more information, please see the chapter "People", section "Corporate Culture and Business Integrity" on p. 68–69.
- The internal "Controller Handbook" is specifically directed towards Group accounting and reporting. It defines the accounting framework (based on IFRS), valuation policies and management accounting practices along with reporting and disclosure requirements. It provides guidance and is the binding reference for all accounting issues in the Group.
- The "Internal Control System" is considered a minimum standard for all local Sika companies to minimize risks and provide assurance regarding reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
- The "Investment Manual" sets the rules, principles, and practices for investment processes. It is a binding reference for all investment issues in the Group.
- The "Procurement Manual" describes the principles, rules and responsibilities that have been defined for the procurement of direct goods (raw materials, packaging, traded goods), and indirect goods and services (OPEX and CAPEX). For more information, please see the chapter "Suppliers", section "Supplier Social and Environmental Compliance" on p.97.

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

Sika creates sustainable value for its customers, the supply chain, and other stakeholders to whom the derived economic value is distributed. 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 new technologies, acquisitions, capital investments, and to maintain a certain amount of independence from capital market fluctuations. For more information, please see the “Financial Report”, chapter “Consolidated Financial Statements” on p.187 of the Annual Report 2021.

REVENUES in CHF mn



TAX APPROACH

GRI 207-1

GRI 207-2

GRI 207-4

TAX VALUES

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

In their 2021 Compliance Confirmation, all General Managers confirmed that there were no violations of applicable tax laws in their entities.

A reasonable Tax Strategy with active management of tax matters ensures that Sika pays a fair share of tax in each of the 101 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 STRATEGY

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 Sika's 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 on Sika's commitment to be a socially responsible fiscal citizen, paying a fair share, and protecting shareholders' interests.

TAX POLICY

Sika's Tax Policy outlines the guiding principles to design, implement and manage the Group's Tax Strategy with the goal of achieving business growth while operating in compliance with the letter and the spirit of the tax laws and regulations. The Tax Policy is mandatory and applies to all companies controlled directly or indirectly by Sika. The approach and principles described apply to corporate income tax and withholding tax whilst the same principles should also be followed with respect to other taxes. For more information, please check <https://www.sika.com/en/about-us/sustainability/economic-dimension/tax-approach.html>

TAX GOVERNANCE

Sika's tax approach is in line with the Organisation for Economic Co-operation and Development (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 considered. 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. This 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. Reporting and control systems are in place to collect information on significant tax risks relating to compliance, financial reporting and planning, tax audits as well as legislative developments.

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, 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.

METHODOLOGICAL NOTE

REPORTING STANDARDS

The Sustainability Report 2021 is part of the Sika corporate reporting package, and it was prepared with reference to the Global Reporting Initiative (GRI) Standards 2016, considering the following more recently issued GRI standards: GRI 303 Water and effluents (2018), and GRI 403 Occupational Health and Safety (2018). Moreover, for comprehensive reporting in relation to the material topics identified following the materiality analysis 2018, Sika deemed necessary to include additional disclosures on employee management, diversity, and tax approach, as specified in this document. Two reference tables with the indicators proposed by the GRI Standards and the Sustainability Accounting Standards Board (SASB) are available in the download center of the corporate webpage (available at <https://www.sika.com/en/investors/reports-publications/financial-reports.html>). The Sika Sustainability Report 2021 also complies with the qualitative indicators of the Task Force on Climate-related Financial Disclosures (TCFD) which are described in more detail in the “Risk management and TCFD Recommendations” chapter of the Annual Report 2021 (p.23). The UN Sustainable Development Goals (UN SDGs) to which Sika positively contributes, are referenced in the first section of the Sustainability Report 2021 on p.61–62.

SCOPE OF REPORTING AND CONSOLIDATION

GRI 102-10

The scope of Sika Sustainability reporting is aligned with the scope of entities consolidated in the Group financial statements, as described on p.196 of the Annual Report 2021. However, Hamatite and Landun data have been excluded from consolidated 2021 figures in the sections “Employee Education and Training”, “Health and Safety” and in the “Planet” and “Communities” chapters to facilitate companies onboarding and ensure a proper integration in the Sika sustainability reporting framework. In the year under review, the scope of consolidation of the Sustainability reporting was expanded to include:

- The acquired companies DriTac (USA), Kreps LLC (Russia), Supermassa do Brasil Ltda (Brazil), American Hydrotech Inc. (USA) and its affiliate Hydrotech Membrane Corporation (Canada), Bexel Internacional S.A de C.V. (Mexico), Shenzhen Landun Holding Co., Ltd. (China) and Hamatite (Japan).
- The newly founded companies Sika Asia Pacific Services Sdn. Bhd. (Malaysia), Sika Chemicals Ghana Ltd. (Ghana) and SikaDavco (Zhanjiang) New Materials Co., Ltd., (China).

More information on these acquisitions and expansions is available in the “Strategic Report”, chapter “Acquisitions & Investments” on p.21 of the Annual Report 2021. As a general rule, acquired companies’ data are included in the Sustainability reporting from the date of acquisition onwards. The list of all consolidated companies is detailed in the Appendix to the Consolidated Financial Statements on p.237–242 of the Annual Report 2021.

DATA COLLECTION AND REPORTING METHODOLOGIES

Sustainability Performance Indicators disclosed in Sika Sustainability Report 2021 are based on the following:

- Social, Environmental, and Health and Safety (EHS) data are collected through the Sika corporate reporting system. EHS indicators are reported at site level on a quarterly basis.
- All social Key Performance Indicators (KPIs) are reported annually at company level, except training data, which is reported quarterly.
- The Advanced Resin business has been reallocated from the Global Business segment to the geographical regions in 2021. The prior years have been restated accordingly in the “Employee Management” and “Diversity” sections.
- Following 2019 and 2020 acquisitions and scope changes, the environmental indicators disclosed in the “Planet” section have not been restated. To track the improvement and the performance of the strategic KPIs, tons sold are considered as a denominator. Tons sold include all Sika manufactured and third-party traded products¹². The development of the third-party traded tons sold in the past three years has been stable and therefore does not impact the overall performance.
- Scope 1 and 2 CO₂eq emissions KPIs follow the reporting guidelines of the Greenhouse Gas Protocol – Corporate Accounting and Reporting Standard. According to the same guidelines, CO₂ equivalent (CO₂eq) is defined as the universal unit of measurement to indicate the global warming potential (GWP) of each of the six greenhouse gases, expressed in terms of the GWP of one unit of carbon dioxide. It is used to evaluate releasing (or avoiding releasing) different greenhouse gases against a common basis.
- In 2021, the fuel consumption of leased vehicles has been included in scope 1 since Sika has operational control as per the Greenhouse Gas Protocol. This category was considered under scope 3 until year 2020. Scope 1 emissions from 2019 and 2020 have not been restated accordingly.
- Community Engagement indicators are reported at company level on a quarterly basis.

¹² Finished good materials purchased from third parties for resale.

KEY PARTNERSHIPS

GRI 102-12

GRI 102-13

Sika engages in numerous partnerships with organizations to actively drive the progress of sustainability in its industries and continuously develop its own performance. Collaboration across the entire value chain is one of the principles for strategic management. The list below provides a non-exhaustive overview of industry associations, initiatives, and relevant strategic partners. More information can be found by accessing the link with the QR code at the bottom of the page or on the corporate website.

Reporting standards & Frameworks



Membership of Associations



Initiatives



Ratings



Indices

Member of
Dow Jones Sustainability Indices

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For more information,
please visit www.sika.com

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