



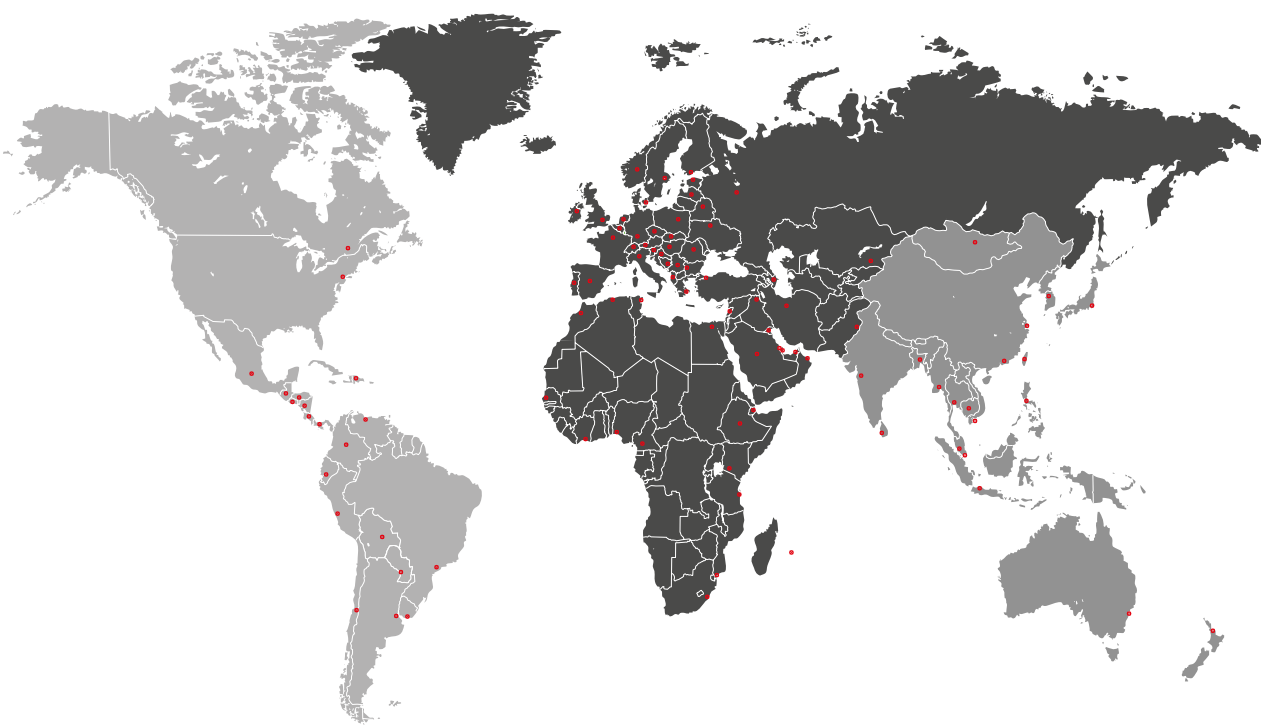
# TAX POLICY

SIKA AG, JUNE 2021

1. INTRODUCTION

Sika is a specialty chemicals company with a leading position in the development and production of systems and products for bonding, sealing, damping, reinforcing, and protection in the building sector and automotive industry. Sika has subsidiaries in 100 countries around the world and manufactures in over 300 factories. Its 25,000 employees generated annual sales of CHF 7.88 billion in 2020.

Sika was founded in 1910 in Switzerland, where it is still headquartered and maintains a substantial presence in terms not only of production and distribution, but also in strategic leadership and fundamental R&D management, as innovation is a key driver for Sika’s growth strategy and success. Sika AG is the ultimate parent company of the Sika Group and a publicly listed company on the SIX Swiss Exchange where it is part of the SMI (the Swiss Market Index is Switzerland’s blue-chip stock market index). For more details see: [www.sika.com](http://www.sika.com)



**SIKA AT A GLANCE**

25,000	TEAM MEMBERS
100	COUNTRIES
300+	FACTORIES WORLDWIDE
6	NEW / EXPANDED FACTORIES IN 2020
83	NEW PATENTS IN 2020
1	ACQUISITION IN 2020
7.88 BN	NET SALES IN 2020 (IN CHF)

**600+**

INVENTION DISCLOSURES REGISTERED SINCE 2015

**500+**

NEW PATENTS WERE FILED SINCE 2015

**1,000+**

EMPLOYEES ARE DEDICATED TO RESEARCH AND DEVELOPMENT

2. PURPOSE AND SCOPE

Sika’s Tax Policy outlines the guiding principles to design, implement and manage the Group’s tax strategies with the goal of achieving business growth while 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 AG. 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.

3. TAX STRATEGY, RISK MANAGEMENT AND TRANSFER PRICING

Sika is committed to be a socially responsible corporate fiscal citizen in pursuit of a long-term sustainable tax strategy that has at its center the compliance with national and international tax laws and regulations. Sika’s tax strategy is designed to create an efficient and sustainable tax environment that enables and supports the broader growth objectives of the Group. It follows a business-oriented approach based on functions, assets, and operating risks which ensures that Sika pays the fair amount of taxes in each jurisdiction where it operates. This approach ultimately results in an effective Group tax rate that reflects Sika’s global footprint, the decentralized nature of the business and the Swiss-based headquarter with centralized key R&D activities as well as central brand and patent ownership.

The Group Tax Function seeks to assure tax compliance across the Group and to actively manage tax affairs through a long-term sustainable tax strategy. Through the reporting and control systems it collects information on significant tax risks – whether in relation to compliance matters, financial reporting and planning, tax audit, or legislative developments.

The Group Tax Function may encounter a number of risks or uncertainties in taking a tax position. For example, a tax authority may apply or interpret the applicable tax legal provisions differently than the Group anticipated, which may result in additional tax burden. The Group Tax Function has processes in place to identify, closely monitor and minimize as well as communicate its tax risks or uncertainties.

At Sika, Transfer Pricing reaches directly or indirectly all transactions – goods, services, loans, guaranties, intellectual property, or the use of know-how – between different legal entities in the Sika Group, specifically if they are cross-border. For minority shareholdings exceptions may apply where prices are negotiated at arm’s length.

Transactions between Sika companies must be at arm’s length conditions, as if the companies were unrelated. The principles and rules for such inter-company transactions are provided by the Group Tax Function and by the local Finance and Controlling. Any non-standard transaction is reviewed separately in line with OECD Transfer Pricing Principles and applicable national legislation.

Local documentation of Transfer Prices (prepared or coordinated by local Finance and Controlling) is mandatory within Sika. If applicable, it must also meet domestic legislation requirements, and it must be reviewed by the Group Tax Function before finalization and filing.

4. GOVERNANCE AND ORGANIZATION

The Group Chief Financial Officer (CFO) being member of Group Management bears the overall tax responsibility and, together with the Audit Committee and the Board of Directors, approves the Group Tax Strategy which is developed and applied by the Head of Corporate Taxes. They safeguard that the tax strategy

is aligned with the overarching global business objectives of the Group. The CFO informs the Audit Committee of material tax management matters and substantial tax risks.

The Group Tax Function, under the leadership of the Head of Corporate Taxes, has the primary mandate of setting policies, processes, and controls in furtherance of the Group’s tax strategy. The activities of the Group Tax Function adhere to the overall Governance structure of the Group. They are regulated by the Group’s Code of Conduct, internal control guidelines and external Corporate Governance. The Group Tax Function follows the applicable finance and accounting regulations, including the SIX Swiss Exchange guidelines.

Sika is committed to openness and transparency and provides information on internal processes, roles, responsibilities, and decision-making procedures, as well as rights and obligations of various stakeholders.

5. ROLES AND RESPONSIBILITIES

The Tax policy and the application thereof requires clarity over the respective roles and responsibilities within the organization.

Key roles and responsibilities:

Board of Directors	<ul style="list-style-type: none"><li>■ Approval of the Group Tax Strategy</li></ul>
Audit Committee	<ul style="list-style-type: none"><li>■ Approval of the Group Tax Policy</li><li>■ Risk Monitoring of Tax Risks</li></ul>
Group CFO	<ul style="list-style-type: none"><li>■ Execution of Group Tax Strategy and Policy as approved by the Board of Directors</li><li>■ Setting Targets and Monitoring Performance of Tax Function</li><li>■ Informing the Audit Committee on an ongoing basis for material tax management matters and substantial tax risks</li></ul>
Head of Corporate Taxes	<ul style="list-style-type: none"><li>■ Responsibility for overall Group Tax Management</li><li>■ Implementation of the Group Tax Strategy and Tax Policy</li><li>■ Establishment of appropriate controls and reporting structures for tax activities</li><li>■ Implement and monitor transfer price principles and rules</li><li>■ Cascading targets and monitoring performance of tax function</li><li>■ Informing the Audit Committee on tax strategic updates, tax legislative developments and on tax risks once a year</li></ul>
Group Tax Function	<ul style="list-style-type: none"><li>■ Operational execution of the Group Tax Strategy and Tax Policy</li><li>■ Monitor transfer price principles and rules and support in application</li><li>■ Control local tax activities and support in complex local tax topics</li></ul>
Regional Controlling	<ul style="list-style-type: none"><li>■ Notifying the Group Tax Function regarding any potential tax impact from non-routine business activity within its region</li><li>■ Monitoring transfer prices within the region</li><li>■ Reviewing the local controllers in their region in all material tax issues</li></ul>
Local Finance and Controlling	<ul style="list-style-type: none"><li>■ Management of compliance in the local tax position</li><li>■ Executing activities in accordance with the Group Tax Policy</li><li>■ Ensuring that tax processes are complete and accurate</li><li>■ Identifying and controlling tax risks</li></ul>

The Head of Corporate Taxes has the operational responsibility for execution of the Tax Policy, both at group and local levels as well as for ensuring that adequate controls are established across the tax processes and activities.

Tax matters are handled by personnel with a reasonable understanding of local tax legislation and then reviewed by an experienced tax specialist. If required expertise is not available, the commissioning of an external tax advisor might be appropriate. Any kind of non-routine engagements requires prior notification of the Group Tax Function.

6. TAX COMPLIANCE

Sika aims to optimize administrative efficiency in terms of tax compliance while fully complying with the tax laws and regulations in the jurisdictions in which the Sika Group operates. Tax returns, claims, disclosures, elections, and payments are processed accurately and on time, while interest charges for late payments and penalties suffered have to be avoided or minimized. Tax audits are processed responsibly and timely while maintaining constructive and professional relationships with local tax authorities.

The Local Entity Controller informs the Group Tax Function when a tax audit is notified or expected. The Local Controller obtains authorization from the Head of Corporate Taxes for any material audit settlement, rejection of a settlement proposal received from the tax authorities or before taking any litigation procedures.

Sika is committed not to engage in aggressive tax planning and does not use complex structures or off-shore 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.

