

SIKA BUSINESS YEAR

2024

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BUILDING TRUST





RISK MANAGEMENT

Sika has a comprehensive risk management system structured at Group level which is effective for all its subsidiaries and helps to identify new opportunities that add value to the business.

RISK MANAGEMENT

Identifying risks and establishing well-structured mitigation practices

As a global player in specialty chemicals, Sika is exposed to a variety of risks. To ensure the Group's freedom of action, safeguard its reputation, and protect the capital invested in Sika, Group Management regularly analyzes potential risks and integrates them into the strategic decision-making process.

Governance: Board of Directors, Committees, Group Management, and Relevant Bodies

BOARD OF DIRECTORS	
AUDIT COMMITTEE	NOMINATION AND COMPENSATION COMMITTEE
SUSTAINABILITY COMMITTEE	
GROUP MANAGEMENT	
INTERNAL SUSTAINABILITY ROUNDTABLE	GLOBAL DIGITAL BOARD

The Board of Directors (BoD) is Sika's highest governing body and is responsible for the assessment of risk management. Its duties include the annual reassessment of the risk situation at Group level, and it is also the highest governing body for climate-related risks and opportunities. For more information on Sika's Task Force on Climate-related Financial Disclosure (TCFD), please see the "Climate" section on p.50 of the Sustainability Report 2024. The BoD is responsible for reviewing and endorsing the implementation of sustainability policies, while the Chair of the Board oversees climate-related topics by receiving regular updates from Group Management. The Chair of the Board is permanently invited to add climate-related topics to the agenda of the Chief Executive Officer (CEO) and the BoD. The Board of Directors is committed to the Science Based Targets initiative (SBTi) to achieve net zero greenhouse gas emissions by 2050.

In Sika, there are three standing committees at Board level:

1. The Audit Committee (AC) approves the annual audit plan, and Internal Audit conducts audits accordingly. The AC then reviews the results of internal and external audits, including ESG-related audits and reviews and the Enterprise Risk Management report, and monitors the implementation of corrective actions. Internal Audit covers a broad set of processes in the areas of sales, accounts receivable and accounts payable management, product development, purchasing, production, quality control, inventory management, financial and operational reporting, compensation and benefits, and IT management. Furthermore, by conducting internal audits on non-financial information, the AC verifies the company's alignment with its strategic targets. The Internal Audit function reports to the Audit Committee. The governance structure, compliance with the Code of Conduct, and the internal control system are assessed at

Group level. In addition to audits of the operating companies, regular in-depth audits are carried out in headquarter functions and Group-wide support processes. Internal Audit is an instrument of the BoD and reports to the Audit Committee. The committee convenes at the request of its chairperson as often as business demands. Customarily, the Chair of the Board of Directors, the Chief Financial Officer (CFO), and the CEO take part in these meetings in an advisory capacity. In the year under review, the Audit Committee met five times. More information is provided in the Corporate Governance Report on p.176.

2. The Nomination and Compensation Committee (NCC) is responsible for succession planning, assessments, and the compensation strategy and remuneration system at the level of the Board of Directors and Group Management. In the year under review, the NCC met five times. More information is provided in the Corporate Governance Report on p.176. Group Management's performance is evaluated based on achievements related to strategic targets, including ESG targets such as climate performance, and health and safety. This is explained in more detail in the Compensation Report on p.185.
3. The Sustainability Committee (SC) consists of three Board members with expertise in different areas of ESG. The SC prepares sustainability-related topics for discussion and decision-making in the Board. The Sustainability Committee focuses on the following four areas: ensuring a formal ESG risk and opportunity assessment, including the materiality analysis; setting measurable goals that are aligned with the strategy; organizing and allocating resources; and providing the appropriate reporting and communication with stakeholders. Sika's strong focus on ensuring the use of accurate and consistent quantitative measures in non-financial reporting is reflected in the

close link between the Sustainability Committee and the Audit Committee, with one member sitting on both committees. In the year under review, the SC met five times. More information is provided in the Corporate Governance Report on p.176.

Group Management regularly reviews the processes underlying risk management, and it is responsible for the development and implementation of actions to address risks (including climate-change-related risks) in line with the defined sustainability strategy and targets. Group Management is responsible for risk management at the highest executive level and gives regular updates to the Board. Risk management (including climate-change-related risks) falls under the domain of the Corporate Finance department, headed by the CFO. The CFO oversees financial and non-financial information and data. For potential acquisitions, the Mergers & Acquisitions (M&A) team conducts assessments on financial and non-financial performance as part of the due diligence process.

Two bodies ensure that sustainability-related aspects are considered in the Group's strategy and operations:

1. The internal Sustainability Roundtable, established in 2021, allows corporate functions – Innovation & Sustainability, Operations & EHSQ (environment, health, safety, and quality), Communications & Investor Relations, Controlling, M&A, Human Resources, Compliance, Legal, Procurement, Marketing, Target Markets and Regional Sustainability Managers – to meet quarterly and exchange information about all sustainability-related projects aimed at achieving sustainability targets.
2. The Global Digital Board was established in 2020 in response to the increasing relevance of topics like digitalization and cyber security. Digitalization is one of the three major societal challenges of the 21st century, alongside climate change and growing social inequalities. For this reason, it has become a major topic of responsible investment and environmental, social, and governance (ESG) analysis. For more information, please see the “Digitalization and IT landscape” section on p.143 of the Sustainability Report 2024.

Risk management framework

Sika has a comprehensive corporate risk management system which is effective for all its subsidiaries. Risks are identified at an early stage and integrated into strategic decision-making processes. Risk management helps identify new opportunities and adds value to the business. Sika's risk management framework is in line with the Enterprise Risk Management (ERM) framework. It ensures that business objectives can be achieved and obligations to customers, shareholders, employees, and society can be met. Climate-related risks are integrated into the ERM framework, since any unexpected climate-related disasters and corresponding economic fluctuations might have an impact on global and local markets. Locally, climate-related risks are evaluated by EHS and Operations Managers in collaboration with Regional Operations Managers and General Managers (GMs). Risks in individual countries are consolidated on a regional level. All Regional Managers are part of the Sika Group Management. The information is consolidated at corporate level and aligned with the overall strategy.

TRAINING DEDICATED TO RISK MANAGEMENT¹

The governance structure fosters the buildup of expertise to evaluate the impact of unexpected risks. In 2024, regular risk management education was provided for staff at various levels within the company. Additionally, risk assessment reviews were conducted with selected regional, area, corporate, and local leaders through compliance assessments and training sessions. These reviews aimed to evaluate their knowledge levels and awareness of relevant compliance and legal risks in their respective business ecosystems, as well as their preparedness to address these issues effectively. This has provided solid feedback to be included in new training and educational materials under development during the second half of 2024 for roll-out in 2025 in the areas of respect in the workplace and conflict of interest.

FOR EXECUTIVE MANAGERS

- Business ethics, ethical leadership, speak-up culture: In 2024, a large variety of compliance leadership development sessions were provided, including and as part of the Global Leadership Program, the Regional Leadership Program, and the Young Leadership Program.

Compliance sessions were generally about two hours in duration and covered topics including Sika's Values & Principles, Code of Conduct, reporting channels, speak-up statistics, and lessons learned from case studies. Compliance training and case studies were also included as part of HR and controller meetings, operation management meetings and area meetings. Furthermore, compliance training sessions took place as part of events organized for specific business units, such as the Procurement Academy 2024. During compliance audits, as part of the closing meeting for each audit, a detailed compliance training session was provided for the respective country leadership teams, and in several cases also a wider employee audience. During group leadership meetings, i.e. the Sika Senior Management Meeting, Regional Management Meetings, Area Manager Meetings, and Corporate Senior Management Meeting, compliance leadership development sessions were provided, including an overview on Sika's compliance management system.

- Sustainability and climate change: During 2024, several official meetings were organized to allow Sika's management to discuss the topic of sustainability and climate change. For instance, in October, the Board of Directors travelled to China, visiting building renovation, construction, and infrastructure projects, plants and technology centers, various stores, job sites, and customers. The Board met the Head of Region Asia/Pacific, the General Managers, the Head Automotive & Industry, the heads of various target markets, as well as representatives of HR, Sales, R&D, and Operations to address topics like health and safety, supply chain, operational efficiency, people and talent management, and sustainability through innovation. In September, the company organized the Sika Senior Management Meeting (SSMM), where the BoD, Group Management, and all Sika Senior Managers took part in several workshops. The sessions focused on innovations driving the Sika net zero journey and its customers, sustainable packaging, how to increase customer awareness of sustainable products and solutions, and customers' perception of sustainability. In 2024, Sika rolled out an Executive Development Program (EDP) with the support of IMD Business School in Lausanne, Switzerland, covering various key risk themes, from artificial intelligence (AI) to new sustainability regulations. More than 3,000 employees were trained under these programs.

¹ The list of trainings for executive managers and employees presented in the Risk Management Report of the Annual Report provides examples related to top risks. This list might not be exhaustive, representing a selection of training activities conducted at the Group level.



FOR ALL EMPLOYEES

- Business ethics: In 2023, Sika rolled out a global Code of Conduct campaign designed to promote integrity and transparency while enhancing awareness of potential risks and misconduct such as fraud, corruption, and discrimination. It encompassed e-learning modules for employees with e-mail addresses and in-person/classroom training sessions for those without e-mail access. These training sessions were continued in 2024, including completion of the same by the ex-MBCC employees now fully integrated into the Sika Group.
- Business ethics, ethical leadership, speak-up culture, incident management: For employees active in marketing and sales-related roles, 13 training sessions for a total number of 179 trained participants were organized in 2024. These sessions focused on dilemma case studies and team discussions on gifts, entertainment, and sexual harassment in the context of customer relations and duty of care of managers/supervisors.
- Innovation and sustainability: Throughout 2024, safety at work, sustainability, innovation, compliance, risk management, and levers for product development supporting net zero were important parts of seminars and meetings for representatives of Sika Technology Centers and R&D teams at global, regional, and local level. In particular, during the so-called “Chemist Days” dedicated to each of Sika’s core technologies, participants addressed several topics like collaboration, knowledge sharing, safety, compliance, risk management, and innovation within chemistry-oriented teams.
- Product development and marketing: Sika operates a global program to minimize the risks in customer support, relationship management, and sales activities that could generate product complaints. Thanks to various measures, including regular employee training, clearly formulated standards, detailed causal analyses, and stricter controls, expenditure for product-related claims has steadily declined. To avoid the risk of customers using Sika’s products incorrectly, Sika provides systematic instructions, application training, and support to customers, as well as extensive documentation and quality control.
- Cyber security risks: Sika provides its staff with the appropriate training and reinforces its IT organization within the Group accordingly. The measures to defend against such attacks are continually reviewed with the help of external specialists and adapted in line with any new situations that may arise. Mandatory for every employee is to successfully pass the e-learning on “IT security for users”.
- Supplier engagement and assessment: In October 2024, a new sustainable procurement e-learning was created and published within Sika’s internal learning platform. It is mandatory for all procurement staff worldwide, and it was tailored to increase awareness of the crucial role of Procurement within Sika’s sustainability journey. As of December 2024, 90% of Sika’s procurement staff worldwide has completed this e-learning. In 2024, a webinar series on sustainability in procurement was introduced for all EMEA’s procurement employees. Offered quarterly and available through self-registration, the webinars focused on two main areas: social and governance topics, such as risk management and ESG practices, and environmental matters, like GHG emissions, emission transparency, reduction strategies, and Sika’s supplier engagement program. The sessions, which also provide training materials and Q&A sessions, were attended by over 130 procurement professionals from the EMEA region. Furthermore, sustainability-related training activities and best demonstrated practices on environmental and social topics are included in every area and regional procurement meeting to increase awareness of the topic and ensure it becomes a priority for everyone, in line with Sika’s sustainability strategy and net zero commitment. Overall, two area meetings and three regional meetings took place in 2024, for a total of around 140 procurement people involved.
- Supplier auditor training program: In 2024, Sika conducted two programs, a yearly initiative for procurement, technical, and quality experts attended by roughly 500 Sika employees.

TOP RISKS

Sika's risk management process is reviewed regularly, allowing the company to better identify potential risks and establish well-structured mitigation practices. Sika continues to use this process stringently to ensure that any potential risk for the company and its customers is mitigated. The list of top risks was approved by the Board of Directors and Audit Committee in December 2024.

CATEGORY: STRATEGIC

Top Risk	Description	Risk Mitigation	Trend	Status
Pressure on margins	Supply chain disruptions, protectionism, and raw material price increases may lead to pressure on margins.	- Active management of the material margin through value and system selling, and product formulation optimization, combined with a Group-wide coordinated procurement process. - Maintaining Group-wide systems to monitor raw material prices and sales prices to measure and manage the material margin. - Synergies arising from acquisitions and integrations.	↘	Mature
Changing product compliance requirements and regulations	Changing product compliance requirements for products, product solutions, production processes, and procurement, driven by changing customer requirements and regulations. Net zero commitments of regions and countries will drive regional and local compliance.	- Close monitoring of regulatory changes with the help of a global network of experts and the close involvement of relevant commercial and technical functions. - Collaboration with industry associations and working groups, consultations of authorities on regional and local level. - Regular communication to global/regional/local functions. - As part of the due diligence process for acquisitions, potential targets are examined to ensure that they operate in full compliance with prevailing laws and regulations. Potential acquisition can be stopped if the analysis of companies' product portfolio does not meet the necessary requirements. - As part of the capital investment process, attention is given to zoning compliance, production processes, and regulatory requirements. - Ensure compliance of raw materials and products to regional and local laws and regulations. - Sustainability targets are aligned with accepted practices and a clear improvement path, including the net zero commitment.	↗	Mature
Climate change risk	Climate change is increasing the frequency and severity of extreme weather events and reducing the availability of natural resources. Increasing awareness about the severe consequences of climate change will lead to changes in consumption and investment behavior, which can lead to increased business costs for additional transparency, due diligence, reporting, R&D, and innovation.	- Commitment to the Science Based Targets initiative (SBTi) to achieve net zero by 2050. Net zero targets for scope 1, 2, and 3 were validated by the SBTi in May 2024. - Ongoing company-wide initiative to systematically identify and calculate emissions from material scope 3 GHG categories in accordance with the requirements of the Greenhouse Gas Protocol (GHGP). - Collection and automation of product carbon footprint (PCF) calculations to assess products' impact and improve coverage of supplier-specific emission factors. - Review of current product portfolio and its carbon footprint via the SPM framework. - Reporting in accordance with TCFD recommendations to assess and quantify the impact of climate change on Sika's business. - Assessment of climate-related reporting regulations impacting Sika, and implementation of upcoming standards (e.g., CSRD, EU Taxonomy). - Operational efficiency programs implemented worldwide to reduce emissions, energy, water and waste. - Sika cooperates with its suppliers to improve factory resource efficiency, which can help maintain production capacity and manage costs through regional water and energy shortages. - Sika focuses its research on better understanding how consumers may be affected by environmental change, which means the company can better anticipate needs and offer sustainable solutions.	→	Mature



CATEGORY: STRATEGIC

Top Risk	Description	Risk Mitigation	Trend	Status
Country risks	Political and economic instability.	– Constant monitoring of development in the critical countries. – Implement risk-reducing measures. – Review investment/acquisition strategy in affected countries.	→	Mature
Multipolar world	Geopolitical instability and a rise in protectionism may impact international trade and the global economy.	– Maintain and reinforce geographical balance of the businesses across regions and countries. – Maintain an agile supply chain to mitigate single-source supply and to react rapidly to supply chain disruptions, changes in tariffs, and sanctions. – Centralization of key technologies and intellectual property at Sika Technology AG to protect Sika's core values. – Strengthen capabilities of local organizations to maintain know-how locally.	→	Emerging
Competition law	Competition law continues to evolve globally, becoming more complex.	– Training on competition law tailored to audience, such as web-based basic training and in-person advanced training for employees with higher risk exposure. – Reduction of number of trade association memberships based on a risk-benefit analysis.	↗	Emerging

CATEGORY: OPERATIONAL

Top Risk	Description	Risk Mitigation	Trend	Status
Product-related claims	Selling of products carries the risk of product-related claims.	– Long-term behavior of products is tested in technical service depending on the real-world application. – Proper quality control is set up in production. – Regular training of employees ensures the necessary competence. – Risk analysis of business activities. – Corporate technical services define the needs of the regional and local organizations, and check compliance with specifications. – To avoid the risk of customers using Sika's products incorrectly, Sika provides systematic instructions, application training, and support to customers. – Sika is continuously improving systems and processes to have proper and up-to-date product documentation across multiple channels.	↗	Mature
Talent shortage	Challenge to attract and retain talent. Sika's growth and the diversification of the markets will require a strong pipeline of future successors for business-critical key positions.	– Talent management across global, regional, and local levels prepares the workforce for challenging tasks. Solid performance, succession, and development processes foster a high-performance organization and a unique leadership culture. – Embed the Sika employer brand in all recruitment activities and redefine the recruitment strategy of talent at all hierarchy levels. – Conduct an annual talent review of corporate/regional management with a focus on succession planning for business-critical key positions. – Talent-sharing culture to upskill and retain talent by increasing internal mobility across functions and regions. – Policies for international assignments should provide more flexibility and adapt to the business needs. – Integrate SuccessFactors as a global HRIS database to enhance people analytics and provide cross-regional alignment across the talent population.	→	Mature



CATEGORY: OPERATIONAL

Top Risk	Description	Risk Mitigation	Trend	Status
Business interruption	Business interruptions can jeopardize daily business continuity and impact operational business profit.	– Implement crisis management at country level for a swift adaptation to meet country-specific events and regulations. – The Corporate Crisis Management organization steers and monitors execution at local level. – Ensure sufficient liquidity of the Sika Group and subsidiaries with diverse sources of funding from either capital markets or local banks. – Maintain a corporate insurance program with worldwide coverage.	→	Mature
Cyber security risk	International corporations are exposed to cyberattacks, which can be any type of offensive maneuvers that target computer information systems, infrastructures, computer networks, and/or personal computer devices by various means of malicious acts.	– Comprehensive Cyber Incident Management Framework and processes for effective cyber response and IT continuity planning. – The company constantly assesses its cyber maturity. – Develop and maintain internal cyber security skills that are backed up by support from external specialists. – Regular training of the Sika workforce on developments in cyber risks and the correct way to counter these risks.	→	Mature
Supply chain – direct material sourcing	Sourcing of critical direct materials could be at risk due to single-sourced material, supplier discontinuity, capacity shortage, and geopolitical impacts such as sanctions and tariffs.	– All materials are systematically evaluated within Sika to identify potential risks and to develop mitigation plans accordingly. These plans contain short-term mitigation strategies, such as safety stocks, and long-term crisis management plans, including approval of alternatives and closer collaboration with suppliers. – 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, Sika seeks to manufacture raw materials itself or source them in close collaborative partnerships with innovative suppliers. – 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. – Sustainability assessments and audits (incl. identification and addressability of ESG risks along the entire value chain) are conducted on both direct and indirect suppliers via the Together for Sustainability (TfS) initiative. – Sika supplier risk profiling for risk identification criteria in line with upcoming regulatory requirements. – 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. – In respect of all the materials used, compliance with the relevant statutory registration requirements (e.g., REACH or TSCA) is monitored and ensured by a network of global and local specialists, as well as external consultants.	↘	Mature



CATEGORY: FINANCIAL

Top Risk	Description	Risk Mitigation	Trend	Status
Impairments	The risk that tangible and intangible assets may be impaired with a corresponding negative P&L impact. In volatile markets, there is a risk that acquisitions will not perform according to the business plan/valuation, and therefore that finances may be impaired.	– Continued strong cash flow generation of all operational entities aligned with the strategy and Group targets. – Group-wide reporting and controlling systems are used to track business development, to quickly identify shortcomings, and to swiftly initiate corrective actions. – The integration of acquisitions is monitored very closely by a dedicated integration management team.	↗	Mature
Currency fluctuation/FX risk	Volatility of foreign currencies and uncertainty in financial markets.	– Report and constantly monitor the FX exposure of the Sika Group. Appropriate actions taken whenever required. – FX exposures related to IC financing are mostly hedged. – Group internal transactions are netted monthly and hedged at the corporate level. – All other FX exposures are kept at a minimum.	→	Mature
Tax risk	Uncertainty associated with tax matters, liabilities resulting from changes in legislation, interpretation of existing tax rules and regulations, and/or audits or litigations. Government authorities in the countries where Sika operates may increase or impose new taxes or revise the interpretations of existing tax rules.	– Risks are assessed on a regular basis considering ongoing developments with tax audits and tax cases, as well as any changes in legislation and tax laws. – Sika's tax policy provides binding rules for all countries where Sika operates. These rules are aligned with the Organisation for Economic Co-operation and Development (OECD) and local arm's-length standards. – The Group Tax team continuously works with Internal Control on aligning, improving, and implementing processes and controls within Group Tax and countries. It also continuously develops the right skills in house.	→	Mature



CATEGORY: ORGANIZATIONAL

Top Risk	Description	Risk Mitigation	Trend	Status
Reputation risk	Reputation damage due to any substantial incident or personal misconduct.	– The Sika Code of Conduct and Sika's Values and Principles provide clear standards for employee integrity and ethical conduct. All employees and new joiners are trained on the Code of Conduct and on how to use the Sika Trust Line (whistleblower line). – A comprehensive, Group-wide compliance program is in place. – External tools support the monitoring and managing of potential reputational issues. – There is zero tolerance for compliance violations. Compliance violations lead to consequent imposition of sanctions.	↗	Mature
Hostile takeover/activism	Companies are increasingly targeted by unfriendly actions of investors or third parties to influence the strategic direction of the company or launch hostile takeover attempts.	– Continuously monitor the market, maintain close contact with investors, review Sika's performance, and rely on crisis management plans in an emergency to reduce risk.	→	Mature
Loss of Sika's unique culture/ entrepreneurship	Sika's unique corporate culture can be defined as a unique selling proposition (USP). The fast pace of acquisitions brings new employees on board regularly. This constantly changing work environment requires proactive and dynamic management to mitigate the risk of diluting the corporate culture. Factors that accelerate the immediate need for actions are, among others, an increasing digitalization of the workplace and business model (remote work, less traveling), the need to align working environments among various cultures, and the need to engage different generations.	– Preserve Sika's unique culture and the high employee engagement through global initiatives: e.g. Global Leadership Commitment; annual, global celebration of the Sika culture on Sika Day; Performance Debrief Dialogue (PDD), etc. – Embed Sika's values and the Leadership Commitment Framework all along the employee life cycle. – Regular training of all Sika managers to "walk the talk" within their departments through designated workshops on the Leadership Commitment pillars at country level. – Hire, reward, and promote people based not only on traditional measures but also on qualitative criteria that demonstrate the Sika Spirit. – Ensure an inclusive work environment and clear communication about the Sika culture/values/leadership when welcoming and onboarding acquired employees. – Continue to invest in employees' learning and development, internal promotions/careers, and international professional exposure/assignments. – Post-acquisition integration plan, ensuring an inclusive environment and a clear message about the Sika culture and values when welcoming and onboarding new employees. Integration interviews planned for the first two years. – People & Culture is one of the pillars of Strategy 2028, with a focus on a non-financial KPI >80% engagement rate, measured through biannual survey.	→	Mature