

GRI REPORT

2014

SUSTAINABILITY ACHIEVEMENTS 2014

ECONOMIC PERFORMANCE:

**OPERATING
PROFIT (EBIT)
OF 11.4 % OF
NET SALES**

SUSTAINABLE SOLUTIONS:

**SUSTAINABILITY
EVALUATION
PROCESS
INTRODUCED,
SUSTAINABILITY
PROJECTS IN
MAJOR
COUNTRIES
IMPLEMENTED**

ENERGY:

**12 % LESS
ENERGY
CONSUMPTION
PER TON
AND YEAR**

LOCAL COMMUNITIES/SOCIETY:

**29 % MORE
PROJECTS PER
YEAR**

WATER/WASTE:

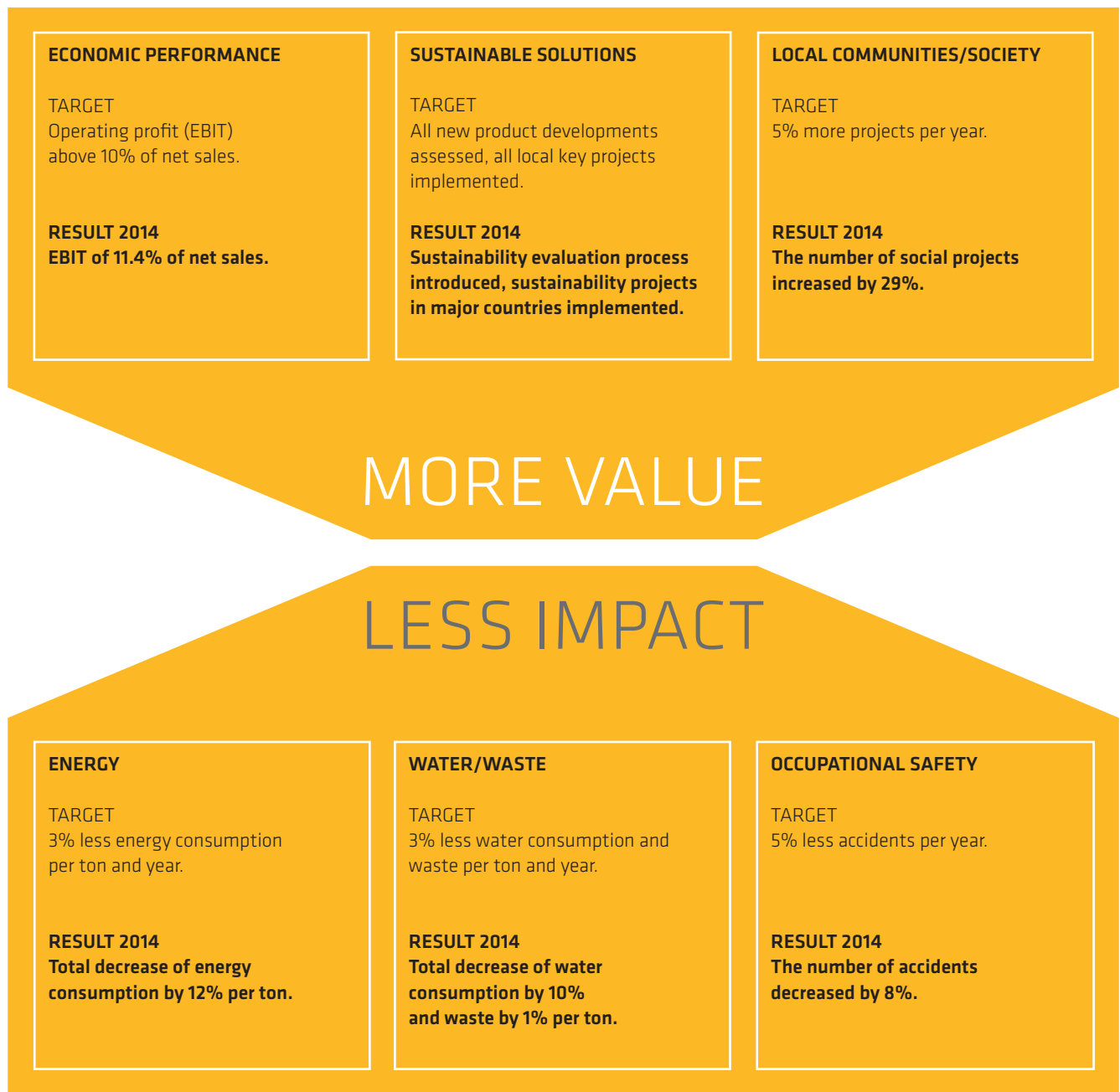
**10 % LESS WATER
CONSUMPTION AND
1 % LESS WASTE
PER TON AND YEAR**

OCCUPATIONAL SAFETY:

**8 % LESS
ACCIDENTS
PER YEAR**

SIX SUSTAINABILITY TARGETS

Sika defines six target indicators with the largest potential effect. They cover the economic, environmental and social dimensions of Sika's business.



CONTENT

GENERAL STANDARD DISCLOSURES	5
SPECIFIC STANDARD DISCLOSURES	19
DISCLOSURES ON MANAGEMENT APPROACH	27

May 11, 2015

The information contained in this report has been prepared in accordance with the GRI G4 guidelines option “core”. This is Sika’s second GRI report, and it covers the calendar year of 2014. Sika will continue reporting on an annual basis.



GENERAL STANDARD DISCLOSURES

GENERAL STANDARD DISCLOSURES

G4-1: STRATEGY AND ANALYSIS

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

Sika has been successful as a technology company for more than 100 years. Over this long time, sustainability has always been a core element of the company's strategy. Throughout these years, the entrepreneurial spirit, the innovative power, the cautious financial conduct, the risk balancing approach, and also the care for people and the environment have turned the company into a global business with sales of more than 5.5 billion Swiss francs and a deep-rooted presence in more than 90 countries.

Today, the word “sustainability” has certainly taken on a much wider meaning, bridging economic health, social accountability and environmental responsibility. In addition, Sika regards legal and regulatory compliance, anti-corruption and human rights as the foundations of its business wherever it operates. And we are working to build trust and create value within communities and societies, because we believe this will be to our mutual benefit.

GLOBAL CHALLENGES

However, this is not enough, because the world and societies face challenges which businesses also need to actively address. Climate change, population growth, energy, raw materials and water shortages – these are some of the global megatrends and challenges that are set to change the markets in the years and decades ahead. At the same time, these challenges will act as powerful drivers for novel technologies and solutions. Markets will therefore demand solutions that are different from traditional ways of building and construction, infrastructure or mobility.

SUSTAINABILITY AS BUSINESS DRIVER

In this sense, Sika regards sustainability as a business enabler and business driver, with growing relevance in our construction and industrial target markets, especially in transportation. We strive to be an industry leader by pioneering a portfolio of sustainable products, systems and services. These products and systems are designed for energy, material, water efficiency, durability and safe use. Leadership and innovations in technology and sustainability are core elements of the Sika strategy.

On the other hand, we strive to improve our own environmental and safety footprint, reducing energy, water and material demand per product unit, and work without injuries. To achieve these ambitions, we have set mid-term targets for safety and efficiency, holding line management responsible for implementation. As a basis, Sika honors the principles of the UN Global Compact and has adopted the widely used GRI system for its reporting activities.

VALUE CREATION

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

STRATEGY AND TARGETS 2014–2018 (FIVE-YEAR STRATEGY)

Using the GRI G4 Guidelines, the following five criteria have been established to evaluate the sustainability performance of Sika:

- **Relevance:** Sustainability is a business enabler, business driver, and brand message, relevant in construction and transportation.
- **Compliance:** Legal and regulatory compliance, anti-corruption and human rights in the supply chain are the foundations of our business wherever we operate.
- **Increase Value:** Leading the industry by pioneering a portfolio of sustainable products, systems and services for energy, material, water efficiency, durability and safe use.
- **Reduce Impacts:** We improve our environmental and safety footprint, reducing energy, water and material demand per product unit, and work without injuries.
- **Social Progress and Integration:** We build trust and create value with communities and society.

To integrate with other stakeholders and to reinforce our commitments, we have been signing on to the UN Global Compact, and hold a World Business Council for Sustainable Development (WBCSD) membership.

G4-3: NAME OF THE ORGANIZATION

Sika AG

G4-4: ORGANIZATIONAL PROFILE – PRIMARY BRANDS, PRODUCTS, AND SERVICES

The umbrella brand Sika together with some 830 Sika product trademarks sharpen the company's competitive edge. Hence the crucial role of trademark protection as a management task performed both globally, at Group level, and locally, at national level. In total, Sika held 10,500 trademark registrations in 161 countries at the end of 2014. Sika AG continuously monitors its trademarks and takes consistent legal action in cases of infringement.

Sika as a strong brand itself provides numerous brand families, all of which enjoy high brand awareness. Often they not only stand for the product itself but even give a name to a whole product category.

- Sika MaxTack®: Brand new power grab adhesive.
- Sikaflex®: Polyurethane-based sealants for a wide range of sealing applications.
- Sikasil®: Silicone sealants for all types of applications.
- Sika Boom®: Professional polyurethane-foam-range for sealing, bonding and damping.
- SikaBond®: Bonding solutions for all your needs.
- Sikalastic®: Liquid applied waterproofing systems.
- Sikagard®: Professional solutions for cleaning and protection.
- Sika AnchorFix®: Sika solutions for all types of anchoring applications.
- Sikadur®: Our strong and long lasting epoxy-based adhesives.
- Sikafloor®: Strength and beauty – combined in our Sikafloor products.
- Sika® ViscoCrete®: Sika admixtures that bring innovative options to concrete mix design.
- Sikafloor®: Flooring systems which contribute to higher process reliability and effectiveness.
- Sarnafil® and Sikaplan®: Long lasting thermoplastic roofing membranes and solutions.

G4-5: LOCATION OF THE ORGANIZATION'S HEADQUARTERS

Sika AG
Zugerstrasse 50
6341 Baar
Switzerland
Phone + 41 58 436 68 00
Fax + 41 58 436 68 50
sikagroup@ch.sika.com
www.sika.com

G4-6: COUNTRIES WHERE THE COMPANY OPERATES

Please see Annual Report 2014 (full version), page 125ff
www.sika.com/en/group/Publications/annual_reports01/2014.html

G4-7: NATURE OF OWNERSHIP AND LEGAL FORM

Sika AG, Public Company, listed at the Swiss Stock Exchange

G4-8: MARKETS SERVED

CUSTOMERS

The breakdown into seven target markets allows Sika to sharpen its customer focus, optimize its technical market support activities and concentrate its research and development operations on key areas.

TARGET MARKETS

As global market leader in the construction chemicals sector, Sika continuously leverages new growth potential in all its target markets through innovation, quality and service. It provides its customers with innovative solutions that boost the efficiency, durability and esthetic appeal of buildings, infrastructure facilities, installations and vehicles throughout production and use. Close attention is paid to product safety, easy application and total cost management.

The fully integrated concepts offered by Sika address the entire life cycle of a facility, from design and initial construction up to the point in time when repair, refurbishment or extension become necessary. The prolongation of a facility's service life, through appropriate maintenance and modernization, makes sense from both an economic and an environmental point of view.

Sika's seven target markets are:

CONCRETE

Sika develops and markets numerous admixtures and additives for use in concrete, cement and mortar production. These products enhance specific properties of the fresh or hardened material, such as workability, durability, or early and final strength. The demand for admixtures and additives is currently on the rise, particularly due to the increased performance requirements placed on concrete, cement and mortar and the growing use of alternative cementitious materials.

WATERPROOFING

Sika's solutions cover the full complement of technologies used for below-ground waterproofing: flexible membrane systems, liquid applied membranes, waterproofing concrete admixtures, joint sealings, waterproof mortars, injection grouts and coatings. Key market segments include basements, underground parking facilities, tunnels and all other types of water-retaining structures (e.g. reservoirs, storage basins, storage tanks). Watertight systems are faced with more stringent requirements regarding durability and proven long-term performance. Therefore product quality is becoming increasingly important.

ROOFING

Sika provides a full range of single-ply and built-up flat roofing systems incorporating both flexible sheet and liquid applied membranes. Demand in this segment is driven by the need for long-lasting, energy-saving solutions such as green roof systems, light-reflective cool roofs and solar roofs, which simultaneously help to cut CO₂ emissions. While refurbishment projects continue to gain significance in the mature markets, the emerging markets are moving from technically basic towards higher quality roof solutions.

FLOORING

Sika's solutions include all types of floor coatings needed for industrial and commercial buildings, such as pharmaceutical and food-industry facilities, production plants, educational establishments, parking decks and residential properties. Each market segment is subject to its own particular requirements in terms of mechanical wear, antistatic performance, slip resistance, aesthetic impact, and chemical or fire resistance. Dominant trends in the flooring market include the growing importance of custom-developed technical solutions, the increase in building refurbishment contracts and stricter country-specific environmental regulations.

SEALING & BONDING

Sika's wide-ranging portfolio includes top-class elastic sealing and bonding solutions to meet all job site needs, e.g. joint sealants for façades or resistant sealants for floor and special joints as well as multipurpose bonding solutions for interior finishings or parquet installation. The growing demand in this market is fueled by the sharper focus on energy-efficient building envelopes, the ever greater variety of materials used in construction, the increasing volume of high-rise projects and the growing significance of health, safety and environmental requirements.

REFURBISHMENT

This segment features concrete protection and repair solutions, e.g. repair mortars, protective coatings, grouts and structural strengthening systems. Market trends are dictated by the rising quality requirements placed on products and services, with global customers expecting uniform standards worldwide. The present uptrend in demand is attributable to a rising volume of infrastructure rehabilitation projects in the transport, water management and energy sectors.

INDUSTRY

The markets served by Sika include automobile construction, the commercial vehicle industry (structural bonding, direct glazing, acoustic systems, reinforcing systems), automotive aftermarket (car glass replacement, car body repair), renewable energies (solar and wind), and façade engineering (structural glazing, sealing of insulating glass units). The increasing market penetration of Sika technologies is particularly noticeable in the commercial vehicle manufacturing and automotive aftermarket sectors. In the car-

making industry there is a constantly growing demand for products that enable the design of lightweight vehicles. Manufacturers are also seeking solutions that save time and costs.

G4-9: SCALE OF THE ORGANIZATION

PAGE IN ANNUAL REPORT 2014

Number of employees	p. 54
Group Companies	p. 125-128
Net sales	p. 3
Total capitalization	p. 79
Risk Management	p. 19
Group strategy	p. 30

G4-10: EMPLOYEES

The total number of employees at the end of the reporting period was 16,895.

Female employees in the Group account for around 22 % of the total workforce (EMEA and APAC: 22 %, North America: 20 %, LATAM: 26 %).

REGION	% OF TOTAL WORKFORCE
EMEA	51.6
APAC	24.2
LATAM	15.4
North America	8.8

The portion of self-employed workers is not significant. Due to the seasonality of the construction business slight increases in the workforce during summer months in the Northern hemisphere may happen in some years. Sika employed 925 temporary labor to adapt to peak demand.

ITEM	% OF TOTAL WORKFORCE
Age Groups	
< 30 years	17.3
30-50 years	61.8
> 50 years	20.9
Contract	
Full time	96.0
Part time	4.0
Permanent	95.5
Temporary	3.3
Apprenticeship / Internship	1.2
Male employees	77.7
Staff (clerks, lab, production staff incl. shift team leaders)	61.6
Local Company management team	3.2
Middle management	12.0
Top management	0.9
Female employees	22.3
Staff (clerks, lab, production staff incl. shift team leaders)	19.1
Local Company management team	0.6
Middle management	2.5
Top management	0.1

Internal promotions within the reporting period: 155

G4-11: EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS

In the reporting year, Sika did not have data available regarding the percentage of total employees covered by collective bargaining agreements. Sika is present in 90 countries with both small and large subsidiaries. In many of the smaller companies the number of employees is small and no collective bargaining agreements exist. However, in many big countries e.g. USA, Germany, France etc., collective bargaining agreements for workers are the rule, and the majority of workers are covered in these geographies.

G4-12: SUPPLY CHAIN

Sika local companies source raw materials both locally and internationally. Some materials are only available from international suppliers and have to be imported. In Sika factories these 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 exported.

Sika today collaborates with around 25,000 active suppliers, out of around 70,000 supply locations, for both local and global sourcing. The company strives to work together with local suppliers where possible, to reduce lead time, risk, and transport, as well as to increase availability and quality.

Sika's purchasing spend correspond to nearly 60 % of total sales and is comprised of direct materials, indirect materials and services. Total global spend for direct materials and trading goods amounts to CHF 2,442 million at average exchange rates for the year 2014. The regional split for direct materials is as follows: EMEA 50 %; APAC 20 %; North America 16 %, LATAM 9 % and Automotive 5 %. Total spend for indirect materials and services amounts to another CHF 1,000 million at average exchange rates for the reporting year.

Sika employs a risk management approach for supply chain of raw materials. This approach is described in G4-14.

G4-13: SIGNIFICANT CHANGES IN SIZE, STRUCTURE, OWNERSHIP OR SUPPLY CHAIN

ACQUISITIONS IN 2014

Sika made several acquisitions in 2014 and therefore gained further offices and manufacturing sites:

- Sika acquired the remaining 24.5 % of Dyflex HD Co., Ltd. as of January 7, 2014 and achieves 100 % ownership. The complete takeover further strengthens Sika's position in the Japanese construction market.
- Sika acquired Lwart Química Ltda., a renowned supplier of waterproofing products in Brazil. The acquisition strengthens Sika's position in the Brazilian construction product market and complements Sika's geographical footprint in Brazil.
- Sika acquired a manufacturing facility located in South Korea in order to build up a locally produced flooring and coating range. With this additional production capacity, Sika is taking another step in expanding its supply chain in the Asia/Pacific region.
- Sika acquired the business of Klebag Chemie AG, a manufacturer of adhesives for the sealing, bonding and flooring markets. The takeover strengthens Sika's position in the Swiss interior finishing sector.

NEW PRODUCTION FACILITIES IN 2014

In 2014 the following Sika production facilities were opened:

- 7th production site in Brazil, Aparecida de Goiânia, January 2014
- 2nd production site in Indonesia, Surabaya, May 2014
- 11th production site in North America, Denver, May 2014
- 6th production site in India, Jhagadia, June 2014
- 12th production site in North America, Atlanta, July 2014
- 1st production site in Serbia, Simanovci, September 2014
- 2nd production site in Singapore, October 2014
- 4th production site in Mexico, Tijuana, October 2014

G4-14: PRECAUTIONARY APPROACH OR PRINCIPLE

Sika employs a risk-based management approach for its own operations, the supply chain and the products it sells and distributes. Major operations are regularly screened by experts according to loss prevention methodology, with frequent support of our insuring partners. Results are translated into improvement plans together with management. This results in an overall low loss rate due to events such as major supply disruptions, and ensures that customers will receive their goods from Sika. Through various audits and inspections of its own operations and suppliers as well as external audits by customers and certification bodies in Sika facilities, the company adheres to a preventative approach and to continuous improvements. Sika companies are certified to the international management system standards ISO 14001 (Environmental Management) and ISO 9001 (Quality Management) in all operations. The company aspires to fully implement OHSAS 18001 (Occupational Health and Safety Assessment) in major operations, and is starting to introduce ISO 50001 (Energy Management) in the bigger facilities.

Regarding the supply of raw materials, Sika has introduced a supplier qualification process for new vendors in 2014. This process encompasses three main elements: supplier code of conduct, supplier self-assessment and supplier visit. It can be complemented by supplier audits when necessary. The process will cover all new suppliers. In addition existing suppliers will be evaluated by using similar criteria like supplier evaluation, supplier code of conduct and material specifications.

On the side of products and services, Sika follows a Product Development Process to manage functional, safety, environmental, and commercial product risks. Regarding the life cycle of commercial products, Sika runs a comprehensive Product Stewardship approach, to prepare customer instructions, information on proper use, registration, labelling, packaging and transportation, disposal, as well as improvement of product groups. Sika actively assumes responsibility for sustainability along the entire supply chain, from supplier qualification to production and distribution to the use phase of its products.

G4-15: ECONOMIC, ENVIRONMENTAL AND SOCIAL CHARTERS, PRINCIPLES, AND OTHER INITIATIVES

Sika commits itself to genuinely added sustainable value along the entire value chain. Sika's principles are the foundation for strategic management. The company is committed to aligning its operations and strategies with the universally accepted principles in the areas of human rights, labor, environment and anti-corruption established by the United Nations Global Compact Initiative. Furthermore, Sika is a member of manifold industry associations and initiatives on the local, national and multi-national level e.g.:

- World Business Council for Sustainable Development
- Responsible Care
- United Nations Global Compact
- Carbon Disclosure Project
- Green Building Councils Network
- Sustainable Construction Switzerland

G4-16: ASSOCIATIONS

Sika is member of manifold industry associations and initiatives on local, national and multi-national level where the company holds a position on the board or actively participates in projects or committees. Here an extract:

ASSOCIATION	ACRONYM	WEBSITE
American Chemistry Council	ACC	www.americanchemistry.com
American High Performance Building Coalition	AHPBC	www.betterbuildingstandards.com
Spanish National association for Concrete and Mortar Additive Manufacturers	ANFAH	www.anfah.org
Portuguese Association of Paint Producers	APFAC	www.apfac.pt
Spanish National association of industrial Mortar Manufacturers	ANFAPA	www.anfapa.com
Spanish National Association of Waterproofing	ANI	www.ani.es
Spanish National Association of Concrete Repair, Protection and Reinforcement Association	ARPHO	www.arpho.org
Portuguese Association of Paints	APT	www.aptintas.pt/Index.aspx
Adhesive and Sealant Council	ASC	www.ascouncil.org
American Society of Testing Materials	ASTM	www.astm.org
British Adhesives and Sealants Association	BASA	www.basaonline.co.uk
British Precast Concrete Federation	BPCF	www.britishprecast.org
Cement Admixtures Association	CAA	www.admixtures.org.uk
Center for Environmental Innovation in Roofing (US)	CEIR	www.roofingcenter.org
European Paint and Printing Ink Council	CEPE	www.cepe.org
Chemical Fabrics and Film Association	CFFA	www.chemicalfabricsandfilm.com
Italian National Research Council	CNR	www.cnr.it
Italian National Association of Industrial Flooring	CONPAVIPER	www.conpuvipier.it
Concrete Society	CS	www.concrete.org.uk
Deutsche Bauchemie	DBC	www.deutsche-bauchemie.de
German Sustainable Building Council (Deutsche Gesellschaft für Nachhaltiges Bauen e.V.)	DGNB	www.dgnb.de
European Federation of Concrete Admixtures Association	EFCA	www.efca.info
European Federation for Construction Chemicals	EFCC	www.efcc.eu
Hellenic Organization for Standardization	ELOT	www.elot.gr
European Single Ply Waterproofing Association	ESWA	www.eswa.be
Association of European Adhesive and Sealant Industry	FEICA	www.feica.com
Forschungsgesellschaft für Straßen- und Verkehrswesen	FGSV	www.fgsv.de
Fachverband Schweizerischer Hersteller von Betonzusatzmitteln	FSHBZ	www.fshbz.ch
Hellenic Association of Chemical Industries	HACI	www.faci.gr
UK Liquid Roofing & Waterproofing Association	LRWA	www.lrwa.org.uk
National Federation of Roofing Contractors, UK	NFRC	www.nfrc.co.uk

ASSOCIATION	ACRONYM	WEBSITE
Polyurea Development Association Europe (Italian Committee)	PDA Europe	www.pda-europe.org
Spanish Technology Platform for Construction	PTec	www.construccion2030.org
Swiss Plastics	–	www.swiss-plastics.ch
Swiss Engineer and Architect Association	SIA	www.sia.ch
Single Ply roofing Association	SPRA	www.spra.co.uk
Single Ply Roofing Industry	SPRI	www.spri.org
Verband der deutschen Lack- und Druckfarbenindustrie e.V.	VdL	www.lackindustrie.de
Institute Construction and Environment	IBU	www.construction-environment.com
International Concrete Repair Institute	ICRI	www.icri.org
British Adhesives and Sealants Association	BASA	www.basaonline.co.uk/home.aspx
Concrete Society of Southern Africa	CSSA	www.concretesociety.co.za
Athens Chamber of Commerce & Industry	ACCI	www.acci.gr
Precast Concrete Institute	PCI	www.pci.org
National Ready Mix Association	NRMCA	www.nrmca.org
Interlocking Concrete Pavement Institute	ICPI	www.icpi.org

G4-17: FINANCIAL STATEMENTS

See www.sika.com/en/group/investors/FinancialReportsandMediaReleases.html

G4-18: REPORT CONTENT

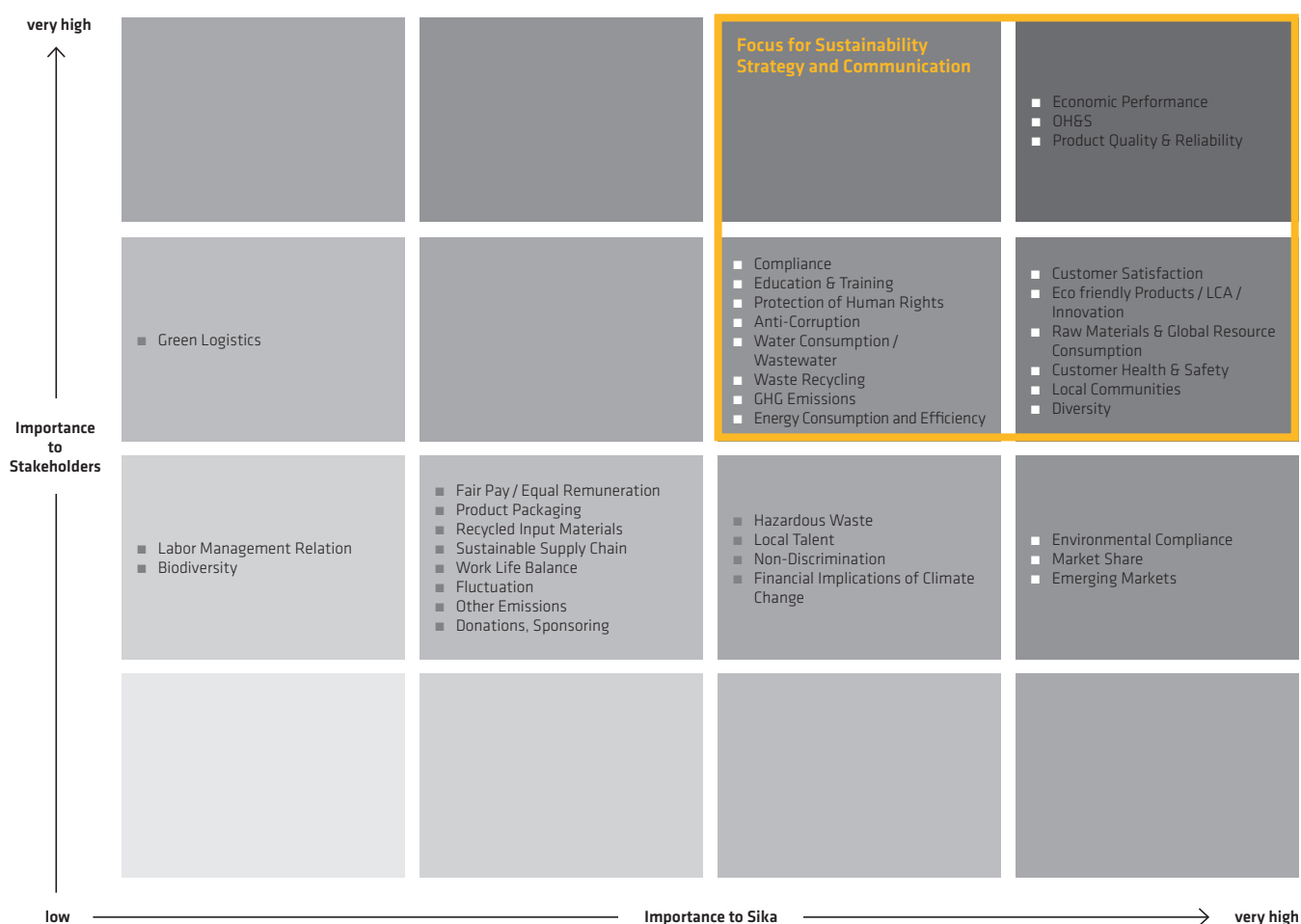
The key topics to be included in Sika's sustainability reporting were defined through the following activities:

As a first step Sika developed in 2013 a long list of potential material topics, reflecting the sustainability impacts of Sika's operations, product and services along the entire value chain, by taking into account:

- GRI G4 aspects
- Desk-top research of peers, customers and suppliers
- Expert knowledge

The boundaries of the aspects/topics were defined through expert consultation and internal workshops. The relative importance of the topics was rated according the two criteria "influence on stakeholder assessments and decisions" (importance to stakeholders) and "significance of economic, environmental and social impacts" (importance to Sika).

The prioritization from a stakeholder perspective was determined through specific stakeholder engagement activities. The prioritization with regard to "significance of economic, environmental and social impacts" was determined through the results of a series of workshops with Sika management and internal and external sustainability experts, taking into account the impacts along Sika's entire value chain. The identified material aspects and topics were validated with Sika's Group Management and the Board of Directors. In order to review and adapt the findings of this analysis, Sika regularly engages with the various stakeholder groups. The materiality analysis is to be reviewed again at the end of 2015.



SUSTAINABILITY CONTEXT

The sustainability context in which Sika operates at global as well as local level were taken into account when determining the long list of relevant topics as well as during the prioritization activities.

MATERIALITY

The materiality of the topics was defined by taking into account:

- The main sustainability topics raised by Sika's stakeholders (see G4-24-27)
- The relevance for Sika's core business
- Potential reputational impacts
- Potential of Sika to influence/impact the topic
- Relevant laws and regulations, Compliance
- Sika's risk management

COMPLETENESS

The report takes into account all significant impacts of Sika along its value chain. The reporting processes ensure that the data collected includes the results from all entities where significant impacts occur with regard to material topics.

STAKEHOLDER INCLUSIVENESS

The stakeholder inclusiveness was implemented by taking into account the stakeholder views resulting from the stakeholder engagement activities.

G4-19/20/21: ASPECTS OF MATERIAL IMPORTANCE

The following aspects have been identified as material for Sika in the process for defining the report content. The impacts of the different aspects occur within Sika's operations along or also downstream or upstream in Sika's value chain. Also See "Report boundary and scope" for boundaries regarding the different aspects.

Corresponding GRI Aspects	Upstream	Sika	Downstream
Economic Performance		■	
Materials	■	■	■
Energy	■	■	■
Water	■	■	■
Emissions	■	■	■
Effluents and Waste	■	■	■
Products and Services	■	■	■
Occupational Health and Safety	■	■	
Training and Education		■	■
Diversity and Equal Opportunity	■	■	
Human Rights Assessment (own entities)		■	
Human Rights Supplier Assessment	■	■	
Local Communities		■	■
Anti-Corruption	■	■	■
Compliance / Environmental Compliance (Legal, EHS)	■	■	
Customer Health and Safety		■	■
Customer Satisfaction		■	■
Product Quality and Reliability	■	■	■

The aspects to be identified as material for Sika also impact entities outside the organization along its value chain, upstream and downstream on a global scale. The most relevant upstream entities on which the aspects have an impact are raw material and trading product suppliers (except Diversity and Equal Opportunity: temporary employment agencies). Downstream the value chain, the aspects are material for building-systems customer groups such as owners, architects, designers, specifiers and contractors, cement and concrete customers and automotive customers.

Material aspect	Upstream	Geographies	Downstream
Economic Performance	None	Globally	None
Materials	Raw material suppliers, (trading product suppliers)	Globally	Customers of building systems such as: owners, architects, designers, specifiers, contractors cement and concrete customers
Energy	Raw material suppliers, (trading product suppliers)	Globally	Customers of building systems such as: owners, architects, designers, specifiers, contractors cement and concrete customers, automotive customers, competitors
Water	Raw material suppliers, (trading product suppliers)	Globally	Cement and concrete customers
Emissions	Raw material suppliers, (trading product suppliers)	Globally	Customers of building systems such as: owners, architects, designers, specifiers, contractors cement and concrete customers, automotive customers, competitors
Effluents and Waste	Raw material suppliers, (trading product suppliers)	Globally	Customers of Building systems like: contractors
Products and Services	Raw material suppliers, (trading product suppliers)	Globally	Building systems such as: owners, architects, designers, specifiers, contractors cement and concrete customers, automotive customers, competitors
Occupational Health and Safety	Raw material suppliers, trading product suppliers	Globally	None
Training and Education	None	Globally	Customers of building systems such as: owners, architects, designers, specifiers, contractors cement and concrete customers
Diversity and Equal Opportunity	Temporary employment agencies	Globally	None
Human Rights Assessments (own operations)	None	Globally	None
Human Rights Supplier Assessment	Raw material suppliers, trading product suppliers	Risk and high risk countries based on Human Rights Risk Map	None
Local Communities	None	Globally, but more relevant in emerging countries	All non-commercial stakeholder groups of local companies
Anti Corruption	Raw material suppliers, trading product suppliers	Globally, but focus on risk and high risk countries based on Human Rights Risk Map	Building systems such as: owners, architects, designers, specifiers, contractors cement and concrete customers, automotive customers
Compliance / Environmental Compliance (Legal, EHS)	Raw material suppliers, trading product suppliers	Globally	None
Customer Health and Safety	None	Globally	Building systems such as: owners, architects, designers, specifiers, contractors cement and concrete customers, automotive customers, competitors
Product and Service Labelling	Raw material suppliers, trading product suppliers	Globally	Building systems like: owners, architects, designers, specifiers, contractors cement and concrete customers, automotive customers, competitors
Product Quality and Reliability	Raw material suppliers, trading product suppliers	Globally	Building systems such as: owners, architects, designers, specifiers, contractors cement and concrete customers, automotive customers, competitors

G4-22-23, 28-33: ABOUT REPORT

ABOUT OUR REPORT (G4-22-23, 28-33)

The information contained in this report has been prepared according to the GRI G4 sustainability reporting guidelines "in accordance-core". This is Sika's second GRI report and covers the 2014 calendar year. Sika will continue reporting on an annual basis.

The following changes from previous reporting (full year 2013) were made as mentioned below:

- GR-EN 3: Energy: revised value: 1,681 TJ, deviation -5 %
- GR-EN 16: CO₂ Scope emission (electricity): revised value: 118,000 tons, deviation -4.8 %
- GR-EN 23: Waste: revised value: 0.018 %, deviation +5.8 %

The GRI report takes into account impacts within and outside the organization. With regard to Sika's entities, it covers all entities that are included in Sika's consolidated financial statement, unless otherwise stated. Sika's GRI Report 2014 has not been externally audited.

CONTACT US (G4-31)

Dominik Slappnig
Head of Corporate Communications and Investor Relations
E-mail: sikagroup@ch.sika.com
Phone: + 41 58 436 68 00

Dr. Matthias Hofmann
Head Corporate EHS & Sustainability
E-mail: sikagroup@ch.sika.com
Phone: + 41 58 436 40 40

G4-24-27: STAKEHOLDER ENGAGEMENT

STAKEHOLDER IDENTIFICATION AND PRIORITIZATION

Sika conducted an internal workshop in 2013 where all relevant stakeholder groups for Sika were identified. Based on the GRI definition, stakeholders are defined broadly as those groups or individuals:

- (a) that can reasonably be expected to be significantly affected by the organization's activities, products, and/or services; or
- (b) whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives.

The stakeholders were prioritized/categorized according to the potential impact of Sika on the stakeholder and the stakeholder's ability to impact Sika. The results were verified with different entities within Sika (Board of Directors, Group Management etc.). The most relevant stakeholder groups were consulted for their contribution to the materiality process.

IDENTIFIED STAKEHOLDERS

The identified stakeholder groups of Sika are:

- Employees
- Customers
- Academia
- Financial analysts
- Sika Management
- Board
- Suppliers
- Competitors
- Sponsorship partners
- Local communities

STAKEHOLDER ENGAGEMENT

Sika entities regularly engage with their relevant stakeholders on local and national level, though not in a formalized manner. The first steps to develop and test respective guidelines in pilot projects were planned for 2014, but due to constraints related to the local sustainability strategy implementation they have not yet been formally addressed. In the framework of the ISO 14001:2015 review a guidance for stakeholder engagement within the local company will be developed in 2015. As part of the sustainability strategy development process in 2013 Sika specifically engaged with selected principal internal and external stakeholder groups. The following groups were approached with different methods, to provide input into defining the report content. The results were integrated in the materiality analysis.

SURVEY

- Employees
- Customers
- Financial analysts
- Academia
- Sponsorship partners

INTERVIEW

- Sika Management
- Board

Local communities are key stakeholders, but they have not been systematically approached. They will be involved in a later step. The priorities of specific customer groups, suppliers and competitors, were captured through desk-top research and integrated in the materiality analysis.

Stakeholders	Customer	Employees	Financial Analyst	Academia	Sponsored organisations	Suppliers	Competitors
Activity	Desk Top Research	Questionnaire	Questionnaire	Questionnaire	Questionnaire	Desk Top Research	Desk Top Research
GHG Emissions			■		■	■	■
Water Consumption			■				
Energy Consumption & Efficiency	■		■	■	■	■	■
Water Consumption & Wastewater Handling				■	■	■	■
Raw Materials & Global Ressource Consumption	■			■	■	■	■
Waste / Recycling	■			■	■		■
Environmental Compliance	■				■	■	■
Occupational Health & Safety	■	■	■		■	■	■
Customer Health & Safety		■			■		■
Customer Satisfaction		■	■				■
Eco-friendly Products / Innovation	■			■	■	■	■
Life Cycle Impact of Products					■		■
Product Quality & Reliability	■	■	■			■	■
Education & Training				■			■
Sustainable Supply Chain					■	■	■
Local communities					■		■
Protection of Human Rights	■			■	■	■	■
Anti-corruption	■		■				■
Compliance			■				

In order to review and adapt the findings of the analysis in 2013, Sika will review their stakeholder engagement in 2015 to critically evaluate the material aspects and detect any changes of priority.

G4-34: GOVERNANCE

See www.sika.com/en/group/investors/CorporateGovernance.html

G4-56: ETHICS AND INTEGRITY**VALUES, PRINCIPLES, STANDARDS AND NORMS**

The edition of the Code of Conduct was reviewed and edited in 2014. The Code of Conduct is available in more than 10 languages and has been distributed to all Sika employees. Furthermore, Sika has developed a document stating Sika Values and Principles. These Values and Principles have been rolled out and trained throughout the global subsidiaries of Sika.

SPECIFIC STANDARD DISCLOSURES

SPECIFIC STANDARD DISCLOSURES

ECONOMIC PERFORMANCE

G4-EC 1: ECONOMIC PERFORMANCE

Sika creates sustainable value for its customers and the supply chain and other stakeholders. The company distributes the derived economic value to various stakeholders. This includes governments through taxes, employees through compensation and benefits, shareholders through dividends, suppliers and service providers through raw material and service prices, society through taxes and local community projects.

Part of the value earned is retained in the company for further development of novel technology, acquisitions, capital investments, and to maintain a certain amount of independence from capital market fluctuations.

TABLE 1

The following table indicates the net value added including depreciation and changes in provisions (see annual report, p. 134)

Item	mn CHF	%
Total sales	5,571	100.00
To suppliers	3,691	66.25
Net value added	1,715	30.78

TABLE 2

From the net value added the capital flows to the various stakeholders and to the Sika group as follows

Item	mn CHF	%
To employees	1,099	64.08
To Sika	295	17.20
To shareholders	146	8.51
To governments	149	8.69
To lenders	26	1.52
Total	1,715	100.00

Sika donated and supported local communities in the amount of 1.5 million CHF which accounts for 0.10 % of the net value added.

ENVIRONMENTAL

G4-EN 1: MATERIALS USED BY WEIGHT OR VOLUME

Sika uses raw materials such as polymers, additives, resins, colors, plastic articles, sand, cement, packaging materials, the volume of which totals 3 million tons, excluding trading goods and water (previous year: 2.6 million tons). These numbers are reported in Sika's operational reporting system.

The company uses only a small amount of renewable raw materials like castor oil or alcohols. This is mainly due to unavailability, economic viability, ineffective application of formulation as compared to non-renewable feedstock. However, the company constantly explores ways of using non-petroleum derived materials for Sika products.

Input materials are converted to value-added products from which customer value and ultimately commercial value are derived. Sika strives to convert as much of the input materials as possible into commercial products. However, waste originates due to cleaning, trials, color changes, repair and maintenance and other non-continuous operations as reported in the section on waste.

Sika strives for an efficient use of input materials. Research and development are governed by the principles of sustainable development and enhanced customer utility, such as the demand for resource-saving construction methods, energy-efficient construction materials or lighter and safer vehicles. Sika's goal is to assess all new product developments for their sustainability characteristics, using comprehensive internally standardized methodology. As a result, these projects are geared towards a higher inherent sustainability profile in raw material consumption, production, marketing, use phase and disposal/recycling.

Through its sustainable solutions, Sika strives to reduce the resource consumption of the downstream industries, like resource consumption in construction, vehicles or for the cement industry, where Sika solutions enable customers to increase the use of recycled input materials.

G4-EN 2: PERCENTAGE OF MATERIALS USED THAT ARE RECYCLED INPUT MATERIALS

For direct materials, the proportion of recycled materials is around 1.3% (previous year: 0.6%), regained from used products. This figure is reported through operational reporting. One example is roof recycling in the USA, where the company takes back used roofing membranes and reuses the ground membrane as raw material.

For many other secondary materials such as packaging or solvents local Sika companies use the recycling systems in place in many countries today.

G4-EN 3: ENERGY CONSUMPTION

ENERGY CONSUMPTION WITHIN THE ORGANIZATION

Sika used 1,671 terrajoule (TJ) of energy (revised value previous year: 1,681 TJ), 44.2% directly from non-renewable primary energy conversion and 55.8% from purchased electricity. The fuel types used for direct energy (738 TJ) are light liquid fuels (42%), coal (9%) in China, and natural gas (49%).

Total Energy Consumption	1,671 TJ	
Non-renewable	738 TJ	Light liquid fuels, coal (in China), natural gas
Electricity	933 TJ	From renewable and non-renewable sources, depending on local power generation
Renewable Electricity	1.4 %	Green electricity (water, wind, solar, etc.)

Energy is a necessary input for conversion processes, e.g. stirring and mixing, melting and cooling, ventilation and pumping, as well as heating and air conditioning of buildings. As mentioned above Sika uses around 44 % of total energy consumption from its own energy conversion, mainly for heating buildings and production equipment, steam generation, drying processes, etc.

Sika's production itself is less energy-intensive than the supplier industries, specifically the chemical industry. However, Sika believes that energy efficiency and mitigation of emissions is a major driver of its overall efficiency effort. Energy is further a relevant cost factor for Sika.

Therefore, the company has set a target at Group level for energy consumption to achieve efficiency gains of 3% each year in relation to production volumes. Some of our subsidiaries have started energy efficiency programs according to ISO 50001, and the subsidiary in Germany has already gained certification to this standard including its subsidiaries.

ADDITIONAL INFORMATION ON LEASED VEHICLES AND TRAVEL

In addition, the leased car fleet consumed 295 TJ (258 TJ in 2013) of energy and business travel amounted to 205 TJ (143 TJ in 2013). The leased car fleet figure is derived from a sample of 65 % of the leasing contracts and the figure for business travel is derived from a sample of 40 % of the travel contracts.

Sika uses conversion factors from the Department for Environment Food and Rural Affairs:
See www.ukconversionfactorscarbonsmart.co.uk

G4-EN 8: WATER

TOTAL WATER WITHDRAWAL BY SOURCE

Water is used as cooling water, cleaning water, in products, and for general purposes like sanitary facilities. Sika uses around 2.79 million m³ (previous year: 2.75 million m³) both from public supply (52 %) and groundwater wells (48 %). Cooling water is mainly derived in line with local permits from ground water wells in water-rich areas, like Switzerland, the UK, and Eastern USA. Cooling and process water makes up 63 % of Sika's water use. The company strives to increase water efficiency and has set a target of 3 % for the reduction of water consumption per ton of product sold.

Water sources:

- Surface water: 37 T m³ (previous year: 22 T m³)
- Ground water: 1,328 T m³ (previous year: 1,349 T m³)
- Public supply: 1,427 T m³ (previous year: 1,379 T m³)
- Rain water: Only a few factories have started to use rain water. There are no detailed data available.
- Waste water: No waste water is used

Sika uses water for the following purposes:

- Process and Cooling water: 1.75 million m³ (previous year: 1.8 million m³)
- Sanitary water: 0.34 million m³ (previous year: 0.41 million m³)
- Water in products: 0.69 million m³ (previous year: 0.67 million m³)

G4-EN 15-16: EMISSIONS

DIRECT GREENHOUSE GAS (GHG) EMISSIONS (SCOPE 1)

Direct energy conversion results in local greenhouse gas emissions (CO₂). Sika uses various fuels for its own energy conversion, incl. coal in China. Around 44 % of the energy is converted in Sika sites amounting to CO₂ emissions of around 47,000 tons (previous year: 50,000 tons).

INDIRECT GREENHOUSE GAS (GHG) EMISSIONS (SCOPE 2)

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

To obtain an informed estimate we use the Greenhouse Gas Protocol calculator to quantify the scope 2 emissions. However, in some cases, e.g. Germany, we have contractual agreements with power suppliers to procure "green" power, e.g. from hydro-electrical conversion, which has a much lower carbon footprint than the average footprint in the country. In these cases Sika deducts the renewable amount from the total consumption in the country, before converting into CO₂. For the year under review, calculated CO₂ emissions from third party power supply amounted to around 102,000 tons for the Group (revised value previous year: 118,000 tons).

ADDITIONAL INFORMATION ON LEASED VEHICLES AND TRAVEL

The company also evaluates the carbon emissions from travel and leased vehicles. Extrapolations of available data show a footprint of 20,500 tons for the leasing fleet and 14,000 tons for business travel for the entire Group in 2014 (previous year: 17,400 and 17,500 tons). Both figures are derived from a sample of 65 % of the Sika leasing and 40 % of the Sika travel contracts.

The company uses conversion factors as published by the IEA, International Energy Agency.

G4-EN 22-23: EFFLUENTS AND WASTE

TOTAL WATER DISCHARGE BY QUALITY AND DESTINATION

Sika discharges around 1.7 million m³ of water (previous year: 2.2 million m³), in conformity with local legislation and permits. In most Sika factories, process water is collected in tanks, or cleaned in treatment facilities and tested before discharge as per local permits; it is then discharged into either the sewage system or directly into a surface water body.

The local companies hold permits for water discharge parameters, like quantity and chemical limit values, which the companies are bound to. However, due to the very diverse nature of requirements, the Sika Group does not report on discharge water quality.

Discharge destination:

- Water to sewer, sewage plant: 0.48 million m³ (previous year: 0.42 million m³)
- Water to surface water bodies: 1.22 million m³ (previous year: 1.8 million m³)

TOTAL WEIGHT OF WASTE BY TYPE AND DISPOSAL METHOD

Waste consists of the unavoidable losses of input material, occurring in cleaning, trials, color changes, repair and maintenance, and other non-continuous operations. Other waste sources are packaging materials, cleaning materials, maintenance goods like oils and other utilities.

In total, Sika generated around 62,000 tons of waste (previous year: 56,000 tons), which accounts for around 1.8 % of total ton sold (revised value previous year: 1.8 %).

Three quarters of the waste are non-hazardous. The category of reuse describes waste which finds a secondary use at lower value. Sika manages the disposal of waste through management systems according to ISO 14001, which regulate the flow of materials and local documentation locally and are in place at all production sites.

Total weight:

- Non-hazardous: 47,000 tons (previous year: 40,000 tons)
- Hazardous: 15,000 tons (previous year: 16,000 tons)

Disposal method:

- Landfill: 18,000 tons (previous year: 12,000 tons)
- Incineration: 20,000 tons (previous year: 16,000 tons)
- Reuse: 24,000 tons (previous year: 28,000 tons)

The company strives to increase material efficiency and has set a target of 3 % reduction of waste per ton of product sold.

Sika is committed to taking back products for recycling and strives to increase the durability of products. For example, the company has established a recycling regime for used roofing membranes in the USA, and the recycled material is used in the manufacture of new membranes. Within their ISO 14001 management systems the local companies are bound to find a compliant, cost-effective and efficient method of disposal and to keep the necessary documentation for the transfer of waste to the disposal endpoint.

G4-EN 27: PRODUCTS AND SERVICES

NEW PRODUCT DEVELOPMENTS ARE REVIEWED

New product developments are reviewed against key sustainability criteria and furnished with a documented, recognized relevance audit, imposing an appropriate improvement plan where necessary.

Sika has introduced a new sustainability evaluation process (incl. guidelines and tools). It is an integral part of the Sika product development process, which was reviewed in 2014. The objective of the sustainability evaluation is to assess all sustainability aspects of a new development over its entire life cycle, compared with the company's own or competitive solutions. Economic, social and ecological aspects are assessed and serve as a basis for decisions to improve a development. If a new solution fails to provide an improvement over the existing product, it is usually not worthwhile to continue pursuing a development. On the other hand, if a significant improvement over the existing product is achieved, the relevant projects must be prioritized for special attention.

Given that Sika defined and introduced the sustainability evaluation process during the reporting year, an initial number of product development projects have already been reviewed for the purpose of testing the new procedures. They will form a mandatory component of the innovation process in 2015.

ALL PLANNED SUSTAINABILITY PROJECTS ARE IMPLEMENTED

The larger Sika companies draw up a product sustainability plan geared to local demand and containing key projects and themes aligned with the global approach. All key projects are carried out in accordance with the approved plan.

In 2014, larger countries in the following regions drafted product sustainability plans in collaboration with the Corporate Product Sustainability department: North America, Southern Europe, Northern Europe, Eastern Europe, the UK, Germany, Turkey and Mexico. Sika has created regional and local product sustainability roles to facilitate the development, launch and handling of these plans. Quarterly meetings take place between the local and regional roles, as well as between the regional and global roles, to manage plans and discuss progress and activities. The focus in 2015 is on implementing planned activities locally and extending planning to Latin America.

In the year under review, Sika extended the existing life cycle data reference database which enabled Sika to develop a set of new tools for the local subsidiaries to use, including Environmental Product Declarations (EPD) for roofing membranes to German, UK and US standards and tools to appraise the sustainability performance of roofing and flooring systems as well as concrete mixes. As an added value for customers, these tools can quantify the project-specific sustainability performance of the selected Sika solution and to be readily and transparently communicated. Leveraging the acquired expertise, a number of companies have successfully launched and market tested new services to quantify the sustainability performance of Sika solutions.

G4-EN 29: COMPLIANCE

FINES AND SANCTION

In 2014 Sika incurred no significant fines for non-compliance with environmental laws and regulations. Sika strives for full legal and regulatory compliance, which are the foundation of its business. Therefore, all producing subsidiaries have a process that helps them understand regulatory requirements and changes. These legal entities continuously entertain certified management systems according to ISO 9001 (Quality) and, in addition, to ISO 14001 (Environment), in some cases according to OHSAS 18000 (Health & Safety) and ISO 50001 (Energy efficiency).

Most of Sika's subsidiaries work together with external advisors to stay informed about regulatory changes. The management systems according to ISO 14001 and OHSAS 18001 require companies to follow up on new legislation and implement legal requirements accordingly. Legal and internal audits screen the subsidiaries for business conduct. The General Managers are obliged to strictly adhere to applicable legislation and to supervise the subsidiary accordingly. Sika implements an Internal Control System according to Swiss public company law in all its subsidiaries to ensure adherence to these standards.

SOCIAL

G4-LA 6: OCCUPATIONAL HEALTH AND SAFETY

In 2014 Sika had a lost time rate of 11 accidents / 1,000 employees (previous year: 12).

In the reporting year the company reported 193 accidents (> 1 day of absence from work) compared to 217 in the previous year. Of these, the EMEA region accounted for 124, North America for 10, Latin America for 42, and APAC for 17.

The rate includes temporary labor not on Sika's payroll. Sika excludes construction project work from the accident reporting.

Sika experienced 21 contractor accidents on its premises (previous year: 12).

As accident data from the subsidiary is processed anonymously, it is not possible to give a breakdown by gender at Group level.

21 legal entities, including their headquarters, are certified according to OHSAS 18001.

In addition 21 operational units (plants, warehouses and technology centers) are certified individually according to OHSAS Certification 18001. The status of the legal entities can be found in Sika's Annual Report.

G4-LA 9: TRAINING AND EDUCATION

With approximately 17,000 employees globally, Sika regards training and education as an important instrument in retaining and grooming its workforce. The company is proud of a large share of long-time associates and recognizes the need to keep these valued associates up to date regarding their relevant knowledge and abilities.

Sika therefore maintains a broad range of internal and external training programs and its own training academies, e.g. for operations, sales and marketing, and technical faculties. Sika collaborates with universities to gain access to up-to-date knowledge. In 2014 we continued our cooperation with IMD business school where we trained our talents with potential to take over Senior Management positions.

Sika has no explicit Group target with regard to training and education but strives to offer every Sika employee > 10 hours of training per year, and a fully-fledged training seminar for managers.

The total number of training hours reported by the local companies amounted to around 11 hours per employee on average, the same as the year before. As training data from the subsidiaries are processed anonymously, Sika does not provide a breakdown by gender at Group level yet.

G4-LA 12: DIVERSITY AND EQUAL OPPORTUNITY

COMPOSITION OF GOVERNANCE BODIES

The composition of the Board of Directors:

Out of 9 members 1 is female (11%). Regarding the age group all members are over 50 years old.

EMPLOYEE CATEGORIES

The breakdown of employees per employee category, the internal promotion and leased labor number is given under

G4-10: Employees.

G4-HR 9: HUMAN RIGHTS REVIEWS AND/OR IMPACT ASSESSMENTS

Human rights are part of the Code of Conduct and the Policies and Principles of the company. The General Managers are obligated to strictly adhere to legal practices and to supervise the subsidiary accordingly. Also, they are responsible for taking preventative

action. Human rights reviews are included in the internal audit program and the legal audits which are performed regularly in subsidiaries. Around 20 internal audits and 10 legal audits are performed annually, corresponding to around 20 % of Sika's subsidiaries. This is a preliminary report based on the supervision principles outlined above.

In 2014, Sika integrated the review into all its auditing activities for Quality and EHS to extend quantitative coverage of this indicator. In addition, Sika is confident that all companies adhere to the human rights charter as set out in the Code of Conduct.

The audit scope regarding Human Rights includes following topics:

How does the organisation effectively:

- Assure the protection of human rights?
- Assure the elimination of forced and child labor?
- Avoid the discrimination in respect of employment and occupation?
- Assure a precautionary approach to environmental responsibility and development of sustainable solutions?
- Assure the elimination of corruption in all its forms? Is a anti-corruption policy implemented and how is it controlled?

G4-HR 10: SCREENED SUPPLIERS

New suppliers are contacted and screened for their quality and EHS systems and their general business conduct through self-evaluation and an on-site visit procedure. The Supplier Code of Conduct has to be signed by every new supplier or at contract renewal. This is a preliminary report based on the screening and contractual method laid out above.

Sika defined a new Group-wide process in the reporting year that maps out the main sustainability principles (economic, social, environmental) for vendor qualification and evaluation. The multi-stage vendor qualification process has three central elements: It requires all suppliers to sign the Supplier Code of Conduct and to complete a self-assessment questionnaire. In unclear cases, the Purchasing department will follow up with audits before concluding a supply contract. In the year under review, a total of 40 suppliers in China and India were assessed according to the new vendor evaluation process. These procedures are designed to ensure compliance with international labor standards and prescribed quality, environment, safety and health criteria.

Sika will be implementing this new process globally in 2015, focusing in an initial phase on high-risk geographies of human rights violations and industries. However, as Sika applies a risk-based approach, companies reporting according to GRI on human rights criteria, and signatories of the UN Global Compact and the OECD Guidelines for multinational companies will not necessarily be screened.

G4-SO 1: LOCAL COMMUNITIES

Sika employs nearly 17,000 employees in more than 90 countries around the world. Through its local activities, Sika contributes directly to the economic and social development of the local communities by providing secure and safe workplaces, transferring knowledge through ongoing training activities to its local employees and introducing new technologies in the building sector, improving the quality of local housing and infrastructure. Sika's economic impact on local communities is multiplied through its local sourcing structures.

Sika is committed to promoting on-the-ground self-help. When supporting projects via the Romuald Burkard Foundation, the local Sika companies are required to put forward specific aid applications and, together with local partners, to supervise the projects on site until completion.

In 2014 Sika supported 67 projects in 2014 (previous year: 52 projects), a year-on-year increase of 29 %. About 20 % of all Sika subsidiaries are running social and/or community projects.

G4-SO 5, 7: ETHICS, SPECIFICALLY ANTI-CORRUPTION AND COMPLIANCE

Integrity and ethical conduct have always been an inherent part of Sika's culture. Already in its earliest version in the 1970's, Sika Philosophy and Policies stated that "we apply high ethical standards to our work."

Ethical conduct is one of the cornerstones on which Sika's excellent reputation is built. Sika's customers count on it, but also other stakeholders, most notably Sika's shareholders and all personnel working for Sika. Therefore there is no room for negotiation or interpretation when it comes to following Sika's rules on integrity and ethics.

In 2013 the Board updated Sika's internal rule and adopted Sika's Code of Conduct. This Code of Conduct is an evolution of the principles and rules which have been strictly followed in Sika for years. Sika will continue this tradition and reinforce its highly ethical culture. Compliance with this Code of Conduct is the personal responsibility of all people working for Sika, no matter where they work and what their function is.

Compliance with these rules is ensured through e-learning tools, personal training sessions and various audits, managed by Group Management and the Compliance function. Investigations are launched into all cases of suspected misconduct. Confirmed violations are sanctioned and can lead to dismissal. In the reporting period Sika recorded no public allegation or sanctions of violations of its ethics rules.

G4-PR 1: CUSTOMER HEALTH & SAFETY

Sika evaluates all raw materials, intermediate and finished goods for their health and safety impacts during transport, storage, production, distribution and use. The company maintains a comprehensive Product Stewardship process and network, including a database for impact assessments, toxicological evaluations and product registration, classification and labelling. Sika therefore considers all of its significant product categories to be assessed for health and safety impacts and for improvements.

This results in steady product improvement, e.g. through reduction of solvent content across Sika's flooring product lines, elimination of critical chemicals from sealants and adhesives, and development of less critical hardeners for adhesives. Sika limits and regulates the use of raw materials with critical toxicological properties through an expert team.

The company strives to improve and reduce health and safety impacts continuously by:

- Internal work procedures for all hazardous materials
- Informing and educating product users through safety data and worker protection requirements
- Reducing hazardous chemicals, solvents, volatiles, reactive components where possible
- Application devices for safe, contact-free application

G4-PR 5: PRODUCT AND SERVICE LABELING

Sika evaluates customer satisfaction in surveys on local level. An overarching reporting system will not been established due to the local nature of customer satisfaction surveys.

Sika country organizations conduct surveys within their local customer base, language and with respect to the local offerings. In 2014 various customer surveys were conducted in Sika country organizations.

Findings regarding customer service improvement potential can be generalized and exemplified as follows:

- More direct contact with customer
- Better delivery times
- Product availability on stock

Customer surveys also reflect specific positive attributes when compared to the market. Examples for high performance ratings can be generalized as follows:

- Reliable organisation; company and product certifications according to management and product standards
- Depth of product offering
- Product quality and brand image
- Professionalism and responsiveness
- Order handling

Sika strives to closely monitor customer reaction and feedback and improve the service level locally, based on the individual results in the country. We do not disclose the results of our surveys as this is competitive information.

G4-PR 9: COMPLIANCE

Sika recorded no significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.

DISCLOSURE ON MANAGEMENT APPROACH

ECONOMIC PERFORMANCE

ECONOMIC PERFORMANCE

WHY IS ECONOMIC PERFORMANCE A MATERIAL ASPECT FOR SIKA?

Financial solidity and long-term profitability ensure that Sika remains a reliable and value-adding partner for all its stakeholders now and in the future, and they represent important cornerstones to maintain global technology leadership and market penetration from design and construction to refurbishment.

By evaluating economic impacts, risks and opportunities deriving from investments in assets and innovation, Sika strives to focus on the most promising opportunities that deliver optimized value for its customers, in the form of durable solutions, and create returns that benefit shareholders.

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

HOW DOES SIKA MANAGE ECONOMIC PERFORMANCE?

Sika's management approach for economic performance is intended to enhance positive impacts for its stakeholders.

The management of economic performance on group and local level is directed by the company's overall strategic outline. Further guidance and requirements derive from and have been translated into short-, medium- and long-term financial goals and targets for the Group and local entities.

One important cornerstone of Sika's management of economic performance is transparency. Sika reports and discloses its financial statements in accordance with international financial reporting standards (IFRS) and adheres internally to similar stringent accounting standards for its monthly reporting to management.

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

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

GOALS AND TARGETS

Sika has defined financial targets that are tailored to the Group's strategy of growth. These targets include net sales growth, profit, cash flow and return on capital employed.

Sika's 5-year target plan at group level for 2014–2018 includes the following target for profitability, which enables the company to distribute economic value: Net Profit > 6% = sustainable profitability (Baseline 2013).

RESPONSIBILITIES

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

Since Sika's international expansion first began, Sika has organized its global activities by country. The national units were later consolidated into Regions with higher-level management functions. The heads of the Regions are members of the Group Management. The regional and national management teams bear full profit and loss responsibility, and – based on the Group strategy – set country-specific growth and sustainability targets, and allocate resources.

EVALUATION OF MANAGEMENT APPROACH

Sika evaluates its management approach through a process steered by the Board of Directors. The company audits and publishes the results accordingly in the quarterly and annual reports.

ENVIRONMENTAL

MATERIALS

WHY IS MATERIAL CONSUMPTION A MATERIAL ASPECT FOR SIKA?

Sika converts raw materials to value added products and solutions relying mainly on non-renewable input materials. Direct materials are Sika's major cost factor corresponding to more than 40% of sales. Almost all materials used in production – e.g. for polyurethane adhesives, epoxy resins products, polymeric roofing and waterproofing membranes, cementitious mortars, polymer concrete admixtures – are based on crude oil or crude oil derivatives (downstream products), or require some amount of fuel for conversion. Sika is exposed to the price volatility of oil and raw materials from chemical conversion or natural provenience, like chalk, titan dioxide etc. Amplified by the industrialization of developing countries, global demand for material resources is expected to increase dramatically, leading to rising prices, price volatilities as well as supply uncertainties.

Apart from those raw materials, Sika uses several other resources as input materials for its products which are subject to local availability and constraints. In some regions even sand is a rare raw material. Besides ensuring security of supply, management and efficient use of input materials have become very important focus points for Sika.

But materials are not only an important aspect with regard to Sika's own operations and supply but also in relation to its customers, who also seek to become more resilient to supply chain disruptions and constraints.

Through investments in Sika's sustainable solutions, the company strives to reduce the resource consumption of its customers' downstream industries, like resource consumption in construction, vehicles or for the cement and concrete industry, where Sika solutions enable customers to increase the use of recycled input materials.

HOW DOES SIKA MANAGE MATERIALS?

Sika's management approach is twofold, primarily mitigating risks from supply chain disruptions and price volatility on its production and financial performance and secondly, providing sustainable, value-added solutions to its customers.

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

COMMITMENTS

Sika strives for an efficient use of input materials, to develop resource-efficient products and to improve the existing portfolio accordingly.

GOALS AND TARGETS

Sika's goal is to assess all new product developments for their sustainability characteristics, using a systematic and comprehensive internal standardized methodology. As a result, these projects are geared towards higher inherent sustainability profile in raw material consumption, production, marketing, use phase and disposal/recycling, transforming also Sika's own manufacturing-processes, supporting greater efficiency of Sika's operations and less dependency on raw materials.

RESPONSIBILITIES

The responsibility with regard to material management is split between technology and the supply chain. While technology creates better conversion methods or less material-intensive products and solutions, the supply chain influences conversion efficiency and waste reduction. Efficiency targets have been set for both functions.

SUPPLY CHAIN MANAGEMENT

The responsibility for securing supply and minimizing the exposure to price volatilities lies with Sika Global Procurement, which is responsible for the worldwide, reliable and on-time supply of raw materials. The ultimate responsibility lies with the CEO.

POLICIES

- Vision and Mission of Procurement
- Innovation Strategy

SPECIFIC ACTIONS

- **Life Cycle Assessment (LCA):** Sika sets out to undertake objective, transparent and comparative assessments of the sustainability of its products – not only in manufacturing, but throughout their life cycle, following internationally recognized standards. These analyses may pinpoint necessary improvements for existing products. They may also deliver important insights into resource management (raw materials, energy, water and waste), production processes or application efficiency and thereby promote innovation and optimize the development of new products and systems.
- **Risk Management:** The objective of risk management at Sika is to secure the supply of materials in all market situations in the required consistent quality at competitive conditions. A structured and systematic recording and rating process for relevant risks is implemented in order to enable early identification of critical materials and/or suppliers by the systematic analysis and implementation of measures based on a clear classification of potential risks.
- **Sustainable Solutions:** Sika seeks to enhance the outstanding and widely appreciated utility of its products by optimizing their sustainability profile, and thus to create added value for its customers and contribute to sustainable development.

SIKA SOLUTIONS FOR RESOURCE EFFICIENCY

Extensive project case studies from around the globe detailing how Sika succeeded in material efficiency can be found at www.sika.com/sustainability

EVALUATION OF MANAGEMENT APPROACH

Sika evaluates its management approach through:

- **Monitoring:** Sika measures its material use on a regular basis. Material use is reported quarterly to the Environment, Health & Safety department where results are followed up and management approaches adapted accordingly.
- **Evaluation of results from LCA:** Sika carries out life-cycle assessments (LCA) during the product development process. These serve to quantify energy demand, resource efficiency, greenhouse gas emissions or water demand during each phase of a product's life cycle and measure the associated possible impacts on the environment.
- **Benchmarking:** The procurement and technology organization screens Sika's supplier base and the market in general for alternative or more efficient raw materials.
- **Technology comparison:** Based on the life cycle approach for raw materials, Sika compares the effectiveness and efficiency of competing technologies to Sika's existing technology base.

Furthermore, Sika evaluates its management approach by target setting, achieving or missing the targets and measuring the effectiveness of the approach. The management approach has been reviewed and has been proven to be effective.

ENERGY AND EMISSIONS

WHY ARE ENERGY AND EMISSIONS MATERIAL ASPECTS FOR SIKA?

Sika's energy consumption is to a large extent based on non-renewable sources of energy, exposing Sika to price volatilities, supply and production uncertainties and increasing regulatory interventions related to climate change.

Although Sika's production itself is less energy-intensive than the supplier industry, specifically the chemical industry, Sika sees it as its responsibility to minimize its impact with regard to climate change by reducing its energy consumption. Sika believes that energy efficiency and mitigation of emissions is a major driver of its overall efficiency effort and additionally contributes to cost reductions.

Apart from its own operations Sika also contributes to the reduction of energy consumption through its products and systems, by providing sustainable solutions for the construction and transportation industries, i.e. to improve the energy efficiency of buildings and to build lighter cars. Energy is a relevant factor throughout the value chains of both industries. Especially in the cement industry energy consumption and secondary fuels play a large role in production processes.

Sika products can contribute considerably to savings in cement production. Energy for conversion processes is also a very important input parameter as a supplier of raw materials in the chemical industry. Sika's sustainable solutions contribute to the reduction of energy use in these sectors. (See "Specific Actions")

HOW DOES SIKA MANAGE ENERGY AND EMISSIONS?

On the one hand, Sika's management approach is aiming at reducing energy consumption and resulting CO₂ emissions from Sika's own operations. On the other hand, Sika is constantly improving its products and systems to reduce energy consumption and resulting CO₂ emissions in the application and use phase and production processes of its customers.

COMMITMENTS

Sika manages limited resources and reduces energy consumption. The company is committed to increasing the energy efficiency of its own operations and contributing to the reduction of energy use in its customers' production processes as well as to energy savings during the installation and use phase of its products and systems.

GOALS AND TARGETS

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

- Minus 3 % rate, per ton

RESPONSIBILITIES

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

SPECIFIC ACTIONS

- **Life Cycle Assessment (LCA):** Sika sets out to undertake objective, transparent and comparative assessments of the sustainability of its products – not only in manufacturing, but throughout their life cycle in accordance with internationally recognized standards. These analyses may pinpoint necessary improvements for existing products. They may also deliver important insights into resource management (raw materials, energy, water and waste), production processes or application efficiency and thereby promote innovation and optimize the development of new products and systems.
- **Energy management system according to ISO 50001:** As a start, some Sika entities are in the process of building energy management systems according to ISO 50001, which allow for continuous improvements in energy efficiency. Sika Germany, which accounts for around 6 % of personnel headcount is certified to ISO 50001.
- **Sustainable solutions:** Sika seeks to enhance the outstanding and widely appreciated usefulness of its products by optimizing their sustainability profile, and thus to create added value for its customers.

SIKA SOLUTIONS FOR ENERGY EFFICIENCY AND CLIMATE PROTECTION

Extensive project case studies from around the globe detailing how Sika succeeded in energy efficiency and climate protection can be found at www.sika.com/sustainability

EVALUATION OF MANAGEMENT APPROACH

Sika evaluates its management approach through:

- **Monitoring:** Sika measures its energy use on a regular basis. Energy use is reported quarterly to the internal Environment, Health & Safety department where results are followed up and management approaches adapted accordingly.
- **Evaluation of results from LCA:** Sika carries out life-cycle assessments (LCA) during the product development process. These serve to quantify energy demand, resource efficiency, greenhouse gas emissions or water demand during each phase of a product's life cycle and measure the associated possible impacts on the environment.
- **Evaluation of Results from energy management system ISO 50001:** The entities participate in the energy management systems according to ISO 50001, allowing for continuous improvement in efficiency by evaluating and acting upon the outcome from the certifications. Sika reviews all audit results to improve the management approach and integrates improvements.
- **Benchmarking:** Sika started to compare the energy consumption per product unit internally through factory reporting and to benchmark with other similar companies.
- **Internal reports:** The company developed a report for the production facilities on energy efficiency and consumption in 2014.

Furthermore, Sika evaluates its management approach by target setting, achieving or missing the targets and measuring the effectiveness of the approach. The management approach has been reviewed and has been proven to be effective.

RESULTS OF EVALUATION

- EN3 – Energy consumption within the organization
- EN15 – Direct greenhouse gas (GHG) emissions (Scope 1)
- EN16 – Energy indirect greenhouse gas (GHG) emissions (Scope 2)

By reducing relative energy consumption per production unit (ton) over the past three years, Sika has also slightly reduced the carbon footprint of Sika's operations. However, the footprint strongly depends on the energy mix the local company is forced to choose, given the local supply options. Electricity usually increases the overall footprint due to conversion and grid losses.

Sika uses the official conversion factors according to the Carbon Disclosure Project, which are national mean values. In some cases,

e.g. in Germany, Sika sources electricity based on hydropower contracts, and this results in a much lower carbon footprint compared to national mean values. The renewable portions are deducted before calculating the scope of the CO₂ footprint from purchased electricity.

WATER

WHY IS WATER A MATERIAL ASPECT FOR SIKA?

Water is a crucial input factor for Sika's production, and water quality and scarcity are important issues for Sika in water-stressed regions and geographies. This is in particular the case for production facilities in certain areas of the Middle East, Latin America, South East Asia and Australia.

Increasing water scarcity in many regions of this world is a potential threat to business growth and expansion. Especially in regions where freshwater is scarce, businesses may be exposed to water shortages, decline in water quality, water price volatility and reputational issues.

The impact of Sika's operations on water is mainly due to the use of water in its production processes and buildings. Water is used for cooling, process water, sanitary water, and product water.

A key attribute of many products of Sika's is water proofing. Through the application of its products, therefore, Sika has an impact on reducing water loss and increasing water quality, for example in drinking water reservoirs. Additionally, Sika offers its customers solutions which reduce the water input in cement production by up to 15 %, applying standard production procedures.

HOW DOES SIKA MANAGE WATER?

Sika's management approach is aiming at reducing water consumption in its own operations and at constantly improving its products to increase their contribution to save water.

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

COMMITMENTS

Sika is committed to reducing the amount of water used by its own operations and to contributing through its products to the reduction of water use and the increase of water quality.

GOALS AND TARGETS

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

- Minus 3 % rate, per ton

RESPONSIBILITIES

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

SPECIFIC ACTIONS

- **Life Cycle Assessment (LCA):** Sika sets out to undertake objective, transparent and comparative assessments of the sustainability of its products – not only in manufacturing, but throughout their life cycle in accordance with internationally recognized standards. These analyses may pinpoint necessary improvements for existing products. They may also deliver important insights into resource management (raw materials, energy, water and waste), production processes or application efficiency and thereby promote innovation and optimize the development of new products and systems.
- **Environmental management system ISO 14001:** Sika production facilities are certified to ISO 14001, which allows for continuous improvement in efficiency.
- **Sustainable solutions:** Sika seeks to enhance the outstanding and widely appreciated usefulness of its products by optimizing their sustainability profile, and thus to create added value for its customers.

SIKA SOLUTIONS FOR WATER EFFICIENCY AND ADEQUATE CLEAN WATER SUPPLY

Extensive project case studies from around the globe detailing how Sika succeeded in water efficiency can be found at www.sika.com/sustainability

EVALUATION OF MANAGEMENT APPROACH

Sika evaluates its management approach through:

- **Monitoring:** Sika measures its water use on a regular basis. Water use is reported quarterly to the internal Environment, Health & Safety department where results are followed up and management approaches adapted accordingly.
- **Evaluation of results from LCA:** Sika carries out life-cycle assessments (LCA) during the product development process. These serve to quantify energy demand, resource efficiency, greenhouse gas emissions or water demand during each phase of a product's life cycle and measure the associated possible impacts on the environment.
- **Evaluation of results from environmental management system ISO 14001:** Sika production facilities are certified to ISO 14001 and perform impact assessments, target setting and management reviews of the effectiveness of the management system with regard to water use.
- **Benchmarking:** Sika started to compare the water consumption per product unit internally through factory reporting and to benchmark with other similar companies.
- **Internal reports:** The company developed a report for the production facilities on water efficiency and consumption in 2014.

Furthermore, Sika evaluates its management approach by target setting, achieving or missing the targets and measuring the effectiveness of the approach. The management approach has been reviewed and has been proven to be effective.

EFFLUENTS AND WASTE

WHY ARE EFFLUENTS AND WASTE MATERIAL ASPECTS FOR SIKA?

Since Sika is a chemical company, stakeholders and in particular communities bordering Sika's production sites have a great interest in how Sika manages waste and water discharge resulting from its production as they may be directly impacted through water pollution and the improper disposal of waste.

The waste resulting from Sika's production amounted to 62,000 tons in 2014, which represents around 2 % of tons sold. The efficient use of input materials for production and the recycling of materials, resulting in a reduction of waste, is one of the key priorities for Sika.

Water discharge is strongly regulated by local authorities at the Sika locations, and Sika adheres to the standards set.

As a supplier of products to the construction and transportation industry, Sika also has an impact on the waste production of its customers, through packaging material and in the after-use phase of its products. Sika sees it as its responsibility to contribute to reducing the waste of its customers through better product durability and optimization of packaging material.

HOW DOES SIKA MANAGE EFFLUENTS AND WASTE?

Through its management approach, Sika seeks to reduce waste resulting from its production as well as its products and packaging. With regard to water discharge, Sika complies with national requirements. Sika manages the disposal of waste through management systems according to ISO 14001, which are in place at all production sites.

COMMITMENTS

Sika strives to increase input materials efficiency in its production processes. High efficiency production in this context means reducing and reusing production scrap, reducing and reusing packaging material and improving the packaging design, resulting in less material use and focusing on sustainable input materials.

Sika strives to reduce effluents by controlling and reducing water inputs. Locally, effluents are managed according to their constituents and parameters as permitted by the local authorities.

For waste Sika is committed to taking back products for recycling where possible and to increasing the durability of its products.

GOALS AND TARGETS

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

- Minus 3 % rate, per ton

RESPONSIBILITIES

Effluents/waste efficiency of Sika's operations are the responsibility of the regional management reporting to the CEO. At local level, the operations manager is responsible for helping reach Sika's targets with regard to waste reduction, for setting and achieving local targets accordingly and for the compliance with local requirements for effluents.

SPECIFIC ACTIONS

- **Life Cycle Assessment (LCA):** Sika sets out to undertake objective, transparent and comparative assessments of the sustainability of its products and systems – not only in manufacture, but throughout their life cycle in accordance with internationally recognized standards. These analyses may pinpoint necessary improvements for existing products. They may also deliver important insights into resource management (raw materials, energy, water and waste) production processes or application efficiency and thereby promote innovation and optimize the development of new products and systems.
- **Environmental management system ISO 14001:** Sika production facilities are certified to ISO 14001, which allows for continuous improvement in efficiency.
- **Sustainable solutions:** Sika seeks to enhance the outstanding and widely appreciated usefulness of its products by optimizing their sustainability profile, and thus to create added value for its customers.

SIKA SOLUTIONS FOR RESOURCE EFFICIENCY INCLUDE

Extensive project case studies from around the globe detailing how Sika succeeded in resource efficiency can be found at www.sika.com/sustainability

EVALUATION OF MANAGEMENT APPROACH

Sika evaluates its management approach through:

- **Monitoring:** Sika measures its effluents and waste on a regular basis. Water use is reported quarterly to the internal Environment, Health & Safety department where results are followed up and management approaches adapted accordingly.
- **Evaluation of results from LCA:** Sika carries out life-cycle assessments (LCA) during the product development process. These serve to quantify energy demand, resource efficiency, greenhouse gas emissions or water demand during each phase of a product's life cycle and measure the associated possible impacts on the environment.
- **Evaluation of results from environmental management system ISO 14001:** Sika production facilities are certified to ISO 14001 and perform impact assessments, target setting and management reviews of the effectiveness of the management system with regard to effluents and waste.
- **Benchmarking:** Sika started to compare the waste generation per product unit internally through factory reporting and to benchmark with other similar companies.
- **Internal reports:** The company developed a report for the production facilities on material efficiency and consumption in 2014.

The conclusion of the evaluation showed that even if it was a key priority Sika did not achieve the intended reduction in waste and material efficiency. Programs to reduce waste typically involve process changes which cannot be implemented in a short period. Sika will enhance the efforts in the coming year to achieve the 5 year strategic target.

PRODUCTS AND SERVICES

WHY ARE PRODUCTS AND SERVICES A MATERIAL ASPECT FOR SIKA?

Sika is a provider of a wide range of products for specific target markets in the construction and transportation industry. Apart from the environmental impacts arising from production, Sika's strives to develop products that contribute to the reduction of environmental impacts throughout their use phase.

Sika regards sustainability as a business enabler and business driver, with growing relevance in the construction and transportation target markets. Sustainable solutions are seen as a value-creating concept and a differentiating factor from Sika's competitors. Sika creates value for its customers by designing, promoting, marketing and selling products and services that meet the market demand of efficient high performance solutions for sustainable construction. Sika aspires to improve existing and new products, systems and solutions by using life-cycle thinking.

Sika plays an active role in supporting its customers to tackle the big societal challenges of tomorrow (e.g. resource and energy efficiency, climate change, water efficiency, efficient infrastructure and urbanization) by pioneering a portfolio of sustainable products, systems and services. Therefore sustainable solutions are of the highest importance for Sika.

HOW DOES SIKA MANAGE PRODUCTS AND SERVICES?

Sika's management approach for products and services is intended to mitigate negative impacts over the entire life cycle of its products and to enhance positive benefits through its solutions during application and use.

COMMITMENTS

Sika is leading the industry by pioneering a portfolio of sustainable products, systems and services.

GOALS AND TARGETS

Sika's 5-year target plan for 2014–2018 includes the following target for products, systems and services:

- **New product developments are reviewed:** New product developments are reviewed against key sustainability criteria and furnished with a documented, recognized relevance audit, imposing an appropriate improvement plan where necessary.
- **All planned sustainability projects are implemented:** The larger Sika companies draw up a product sustainability plan geared to local demand and containing key projects and themes aligned with the global approach. All key projects are carried out in accordance with the approved plan.

RESPONSIBILITIES

Sustainable solutions:

- The development of sustainable solutions is mainly managed at group and regional level. New product development projects are driven by the Target Market Managers and the Technology Heads. The long- and mid-term technology and product development programs are geared to technology roadmaps governed by megatrends such as demographics, urbanization, globalization, scarce resources and health & safety.
- New product developments are screened systematically with regard to the sustainability implications (impacts, benefits) over its entire life cycle, compared with the company's own or competitive solutions. Economic, social and ecological aspects are assessed and serve as a basis for any decision to improve a development. The evaluation is based on a systematic and comprehensive internal standardized product sustainability methodology as an integral part of the innovation process in order to understand application and use phase effects and to optimize products and systems.
- Some 600 employees working at 20 global technology centers in Asia, America and Europe are engaged in the development and adaption of products and solutions to meet varying local conditions and market demands.
- The development and implementation of local product sustainability roadmaps is managed at the region/local level with the support of the Corporate Product Sustainability function. Regional and country product sustainability roles have been established to facilitate the implementation and roll-out of the roadmap elements. A global Product Sustainability Network covering Target Markets, Product Sustainability, Communications and R&D at the global and regional/area level is managing, leading and supporting the activities and projects across the organization and regions.

EVALUATION OF MANAGEMENT APPROACH

Sika evaluates its management approach through:

- **Monitoring:** Sika measures its development regarding sustainable solutions on a regular basis. Sustainable solution targets are followed up on a quarterly basis by the Corporate Product Sustainability group where results are followed up and management approaches adapted accordingly.
- **Evaluation of results from LCA:** Sika carries out Life Cycle Assessments (LCA) during the product development process. These serve to quantify energy demand, resource efficiency, greenhouse gas emissions or water demand during each phase of a product's life cycle and measure the associated possible impacts and benefits on the environment.
- **Evaluation of screened product developments:** All new product developments must be consistently screened for their sustainability implications, and actions must be defined as part of the product profile.

Furthermore, Sika evaluates its management approach by target setting, achieving or missing the targets and measuring the effectiveness of the approach. The management approach has been reviewed and has been proven to be effective.

COMPLIANCE

WHY IS COMPLIANCE A MATERIAL ASPECT FOR SIKA?

Compliance with local law and regulations including internal regulation such as the Code of Conduct is one of Sika's fundamental business principles and of paramount importance for the protection of Sika's brand and reputation. With Sika present in over 90 countries, changes in local legislation are an ongoing challenge for each company of the Group, which engages in constant monitoring of these developments.

Sika does not tolerate any non-compliance and has a strong compliance culture. For this reason it has a very low rate of serious compliance cases and fines. Alleged violations are carefully assessed and further investigated and, if confirmed, will have disciplinary consequences for the persons concerned (including dismissal where applicable), while reporting persons will be protected from retaliation. With around 25,000 active suppliers out of around 70,000 supply locations, Sika has a very broad and in many cases a local supplier base. Sika expects all its suppliers to comply with local laws and regulations and with the Supplier Code of Conduct.

HOW DOES SIKA MANAGE COMPLIANCE?

Sika's management approach with regard to compliance is intended to minimize to the possible extend the risk of non-compliance within its own operations and by its suppliers. The management approach for compliance includes the following components:

COMMITMENTS

Sika does not tolerate non-compliance of its own local companies and its suppliers.

GOALS AND TARGETS

Sika strives for full compliance of all its subsidiaries.

RESPONSIBILITIES

The General Managers of each Sika entity are responsible for ensuring legal compliance in their area of responsibility. The same applies for product responsibility and labelling, as every Sika country organization is responsible for the products it sells in its territory.

POLICIES

- Code of Conduct
- Supplier Code of Conduct
- Localized Gift & Entertainment Policies
- Procurement Manual

SPECIFIC ACTIONS

- **Monitoring of local legislative update:** Sika monitors the development of local legislation continuously through its participation in industry associations as well as through collaboration with consultants. The corporate management system as well as local management systems require regular law updates to ensure the actuality of all documents.
- **Audits:** The compliance with Sika's Code of Conduct is monitored through regular audits (around 100 audits of various types per year) and legal supervision of the local companies and General Managers by the regional managers, regional legal counsels, corporate internal audit, environment, health & safety audits, local audits etc.
- **Compliance training:** Personnel in all companies is regularly trained about the principles set forth in the Code of Conduct. Corporate functions regularly conduct trainings and audits on specific topics.

EVALUATION OF MANAGEMENT APPROACH

Sika evaluates its management approach through:

Results from audits: The systems according to ISO 9001, 14001 and OHSAS 18001 require a follow up on new legislation and implementation of legal requirements accordingly. For business conduct, legal and internal audit screen the subsidiaries. The General Managers are obliged to strictly adhere to applicable legislation and to supervise the subsidiary accordingly.

Sika has increased the management attention by appointing in October 2014 a Group Compliance Officer. The role will further define and develop a compliance management system tailored to Sika's business, organization and structure.

SOCIAL

OCCUPATIONAL HEALTH AND SAFETY

WHY IS OCCUPATIONAL HEALTH AND SAFETY A MATERIAL ASPECT FOR SIKA?

Sika employees worldwide stand at the center of Sika's success, and the provision of a healthy work environment is a key commitment of Sika. As a specialty chemical company with relatively labor-intensive, small operations and large material throughputs, the production processes of Sika involve health and safety risks for its employees.

With 11 accidents / 1,000 employees Sika is further improving the safety performance. No severe accident was reported in 2014. Occupational health and safety is still seen as a highly material issue for Sika and is treated with priority.

Occupational health and safety is also considered as a material issue with Sika's suppliers, as their employees are in many cases exposed to occupational health and safety risks.

HOW DOES SIKA MANAGE OCCUPATIONAL HEALTH AND SAFETY?

Sika's management approach for occupational health and safety is intended to avoid negative impacts through the following processes:

COMMITMENT

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

GOALS AND TARGETS

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

- Minus 5% accident rate (Baseline 2013)

RESPONSIBILITIES

Labor practices and safe work conditions of Sika's operations are the responsibility of the regional management reporting to the CEO. At local level the General Manager, the Operations Manager and the line organization are responsible for helping reach Sika's targets with regard to occupational health and safety and for setting and achieving local targets accordingly.

POLICIES

- Guideline: Sika Site Safety System, Corporate Management System
- Supplier Code of Conduct

SPECIFIC ACTIONS

- **OHSAS Certification:** 21 legal entities, including their headquarters, are certified according to OHSAS 18001. In addition 21 operational units (plants, warehouses and technology centers) are certified individually according to OHSAS 18001.
- Sika has devised the **Sika Site Safety Program** to reduce accident rates and promote prevention. This is a program for implementation in the local companies, defining the preventive elements a Sika company needs to use locally. The local companies are in the process of implementing this program, and the audit scheme will follow up on the degree of implementation in the coming years.
- **Supplier audits:** Occupational health and safety is covered through Sika's supplier Code of Conduct. Suppliers are audited with regard to compliance with the Supplier Code of Conduct, which encompasses Environment, Health and Safety requirements, and corrective actions are requested if necessary.

EVALUATION OF MANAGEMENT APPROACH

Sika evaluates its management approach through:

Monitoring: Sika monitors its performance with regard to occupational health and safety on a regular basis. Internal reports are made quarterly to the Environment, Health & Safety and Sustainability department where results are followed up and management approaches adapted accordingly.

Furthermore, Sika evaluates its management approach by target setting, achieving or missing the targets and measuring the effectiveness of the approach. The management approach has been reviewed and has been proven to be effective.

TRAINING AND EDUCATION

WHY IS TRAINING AND EDUCATION A MATERIAL ASPECT FOR SIKA?

Sika sees training and education as crucial for retaining and grooming its workforce. The company has a large proportion of longtime associates and is aware that it needs to keep these valued colleagues in particular up to date regarding their relevant knowledge and abilities.

HOW DOES SIKA MANAGE TRAINING AND EDUCATION?

Sika's management ensures that employees receive adequate training. The management approach for training and education within Sika includes the following components:

COMMITMENTS

With a cooperative management style and diverse development and continued training activities, Sika promotes the individual skills and initiative of its employees and encourages their entrepreneurial engagement, at the same time as accommodating the company's dynamic development. Sika recognizes, monitors and continuously improves the performance ability of its employees.

GOALS AND TARGETS

Sika has no explicit target with regard to training and education but strives to offer every Sika employee 10 hours of training per year, and a fully-fledged training seminar for managers.

RESPONSIBILITIES

The responsibility for training and education lies with line management, following the principles of Corporate Human Resources and the Human Resource manuals.

SPECIFIC ACTIONS

- **Management Development:** Sika's performance and talent management system has been the mainstay of management development activities for a number of years. Designed to identify and develop managers' skills, it facilitates systematic employee succession planning in the respective organizations, while promoting company growth by continually pinpointing new talent. Potential managers are developed at different levels, either through continuous training initiated by the respective national organization or provided by the Sika Business School.
- **Sika Business School:** The Sika Business School provides global, hands-on courses in the areas of management and talent development as well as marketing and sales.
- **Curriculums** include project assignments reflecting current everyday business situations. Members of Group Management and other line managers are involved in development activities to ensure that training remains relevant to practical needs. Product and application-based knowledge is delivered by academies whose course content and organization are defined by target market managers. With the focus on practical applications for Sika products, these training programs promote customer advisory skills.
- **Training Programs:** Training activities for each Sika employee are determined based on the evaluation by the line manager. Each employee should attend at least one training course per year (internal or external). All non-management functions are evaluated and managed by their line managers and Human Resources for training and development needs.

EVALUATION OF MANAGEMENT APPROACH

Sika evaluates its management approach through:

Monitoring: Sika measures the quality of its training on a regular basis. Sika strives to record training hours on a regular basis. Training hours are reported quarterly internally to headquarters, where results are followed up on and necessary actions are being taken.

Furthermore, the management evaluates on an yearly basis the needs of its employees for training and development especially in the fields of management, sales, technical and functional competence. The management approach has been reviewed and has been proven to be effective.

DIVERSITY AND EQUAL OPPORTUNITIES

WHY IS DIVERSITY AND EQUAL OPPORTUNITY A MATERIAL ASPECT FOR SIKA?

Sika's worldwide presence makes the integration of widely differing cultures and the global exchange of knowledge and experience absolutely essential. This diversity is desired and seen as a key success factor for Sika. The company firmly believes that the diversity experienced by employees on a daily basis is one of the factors of its success, especially at senior management level.

Work region of Sika's senior managers	Nationalities	% of senior managers
EMEA	27	39
APAC	16	19
LATAM	10	9
NAM	5	7
Corporate Organization	10	27

HOW DOES SIKA MANAGE DIVERSITY AND EQUAL OPPORTUNITY?

Diversity has until now not been actively measured and managed. Based on the outcomes of the measurements in 2014, Sika will introduce relevant management processes. Sika strives in particular to increase the proportion of women in managerial and commercial positions. Women account for 22.3 % of total headcount (2013: 21.5 %) and 16.4 % of managers (2013: 16.2 %). Sika is committed to provide equal opportunity for all employees.

POLICIES

- Code of Conduct (PDF)

EVALUATION OF MANAGEMENT APPROACH

Sika introduced its five values and principles in 2014. The success of any company hinges not only on implementing the right strategy, but also on harnessing the trust and commitment of its employees. Sika's rise to its leading global position is driven by the five values and principles that define its corporate culture.

These are:

- 1. Customer First:** Sika designs all of its new products and solutions with its customers, success in mind. The company looks to build long-lasting and mutually beneficial relationships rather than focus on short-term successes. This mindset is reflected in Sika's Building Trust tagline.
- 2. Courage for Innovation:** Innovation management is at the core of the company's business. Sika has institutionalized its Product Creation Process with a strong focus on consistently developing new products, systems and solutions.
- 3. Sustainability & Integrity:** Sustainability is a key component of Sika's drive for innovation. For buildings and industrial applications alike Sika aims to enhance durability and improve both energy and material efficiency. Sika's aim is to reduce resource consumption within its own company as well as for its partners, who trust in Sika products. The well-being and health of employees and partners is a prerequisite to the company's success.
- 4. Empowerment & Respect:** Sika fosters a working environment based on trust and respect. The company focuses consistently on working in close partnership with each other and with customers, suppliers and stakeholders. Sika believes in the competence and the entrepreneurial spirit of its employees. The company empowers its people to develop and propose new ideas, which is why decisions and responsibilities are delegated to the level of competence. Corporate units are structured to be as decentralized as possible, with flat hierarchies and broad spans of control.
- 5. Manage for Results:** Sika is persistent in the pursuit of its vision and targets and has a long-term view, taking pride in continuously achieving outstanding results. Functions and projects are clearly assigned because giving people responsibility guarantees success. Sika has transparent remuneration benchmarks following a defined strategy. Performance evaluation is based on market share, sales growth, profitability and capital efficiency.

HUMAN RIGHTS ASSESSMENT / SUPPLIER HUMAN RIGHTS ASSESSMENT

HOW DOES SIKA SUPPORT HUMAN RIGHTS?

As a signatory of the UN Global Compact, Sika supports and respects the protection of internationally proclaimed human rights and ensures that it is not complicit in human rights abuses. With operations in over 90 countries, Sika is active in many regions ranking high on Human Rights Risks Indices, e.g. Egypt, Venezuela, Afghanistan, Iran, Pakistan, Mexico, and others and sees it therefore as its responsibility to assess its own operations with regard to potential human rights violations.

Sika's Code of Conduct ensures that it has a zero-tolerance policy with regard to human rights violations, and Sika has for this reason deemed the aspect as material. For the reporting year, Sika has had no indication or reports about human rights violations within its own entities. The General Managers are regularly instructed, briefed and signed on Sika's zero-tolerance policy regarding human rights.

With a broad supplier base in many high-risk countries with regard to human rights violations as well as the sourcing from industries where in particular labor rights are potentially at risk, Sika considers the protection of human rights across its supplier base as an important issue that needs to be monitored and managed. Sika's Supplier Code of Conduct focuses in particular on human rights and labor laws.

Sika regards protection of human rights as foundations of the business wherever it operates. Through mechanisms like audits and inspections Sika assures that Group companies protect human rights. However, the company will implement a more comprehensive management approach in 2014 with regard to both topics.

HOW DOES SIKA MANGE HUMAN RIGHTS?

The Sika Group does currently not comprehensively assess its own operations with regard to potential human rights violations, but has given the General Managers, who are the company's legal representatives, the obligation to supervise and monitor the protection of human rights for their area of responsibility. In yearly discussions with the Corporate Legal Counsel, the local General Managers have to report on any incidents and actions taken.

COMMITMENTS

Sika is committed to aligning its operations and strategies with the universally accepted principles in the area of human rights and labor established by the United Nations Global Compact Initiative. In 2014, Sika will integrate human rights reviews into its Quality and Risk Management process.

RESPONSIBILITIES

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

Assessment of Sika's own operations:

Sika has prepared a policy with a zero tolerance for human rights violations in its Code of Conduct. Sika will assess compliance with human rights through its internal auditing activities, and also integrate it in the audit agenda of Quality and Risk Audits to achieve a broader coverage. The General Managers in high risk countries will give account of the local human rights situation and their observations in this regard. In the event that violations are observed the legal department will take the responsibility for further consequences.

SIKA'S SUPPLIERS

Sika's management approach to Supplier Human Rights Assessments is intended to avoid negative impacts caused by Sika's suppliers with regard to human rights and will be implemented in 2015. Screening of new suppliers: Based on the requirements set out in the Supplier Code of Conduct. Sika requires its new suppliers to answer self-assessments.

- The procurement organization of a "risk geography" identifies suppliers with a hazard based on the results of the self-assessments.
- Suppliers that show a high risk of human rights violations are screened using desktop research and supplier audits through Sika personnel.
- Compliance with the set of human rights included in the Supplier Code of Conduct will be part of the contracts requirements.
- In case human rights violations are found, termination of the relationship with supplier is the only option.

In addition to covering new suppliers, Sika also intends to monitor local suppliers specifically in "risk geographies", where human rights violations are known or suspected.

The management approach has been reviewed and has been proven to be effective.

LOCAL COMMUNITIES

WHY ARE LOCAL COMMUNITIES A MATERIAL ASPECT FOR SIKA?

Sika staff works in more than 90 countries around the world. Through its local activities, Sika contributes directly to the economic and social development of the local communities by providing secure and safe workplaces, transferring knowledge through ongoing training activities to its local employees and by introducing new technologies in the building sector improving the quality of local housing and infrastructure. Sika's economic impact on local communities is multiplied through its local sourcing structures.

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

Through the Romuald Burkard Foundation, which was established in 2005, Sika is contributing with targeted project sponsorship to enhancing the social development of the local communities where it operates.

HOW DOES SIKA MANAGE LOCAL COMMUNITIES?

The management approach of Sika is intended to enhance the positive impacts Sika has on local communities through the engagement of the Romuald Burkard Foundation. The management approach for local communities includes the following components:

COMMITMENTS

Sika is committed to build trust and create value with its customers, communities and society. When supporting projects via the Romuald Burkard Foundation, local Sika companies are required to put forward specific aid applications and together with local partners to supervise the projects on site until completion.

GOALS AND TARGETS

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

- Plus 5 % in the number of projects (Baseline 2013)

RESPONSIBILITIES

The General Manager of the country organization is responsible for the activities and spend in order to portray Sika as a good corporate citizen in the communities where it operates, including the wider society.

POLICIES

Sika has developed a sponsorship concept with criteria for sponsorship.

SPONSORING ACTIVITIES

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

SPECIFIC ACTIONS

- Romuald Burkard Foundation
- Local Community Projects

EVALUATION OF MANAGEMENT APPROACH

Sika evaluates its management approach through:

- **Internal audits:** Internal auditors visit up to 20 Sika subsidiaries per year. On that occasion, the effectiveness of activities directed toward local communities is checked.
- **Defined processes** for monitoring, reviewing and evaluating:
 - Regions: Information on current and planned projects to Corporate Communications twice a year.
 - Corporate Communications: Documentation and summary of sponsoring activities annually (2nd quarter of each calendar year to the CEO). This documentation is distributed to all countries ("best cases").

For the Romuald Burkard Foundation the process is managed as follows:

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

Sika evaluates its management approach by target setting, achieving or missing the targets and monitoring the effectiveness of the approach. The management approach has been reviewed and has been proven to be effective. The General Manager of each Sika subsidiary has to inform annually about quantity and quality of projects supported in the corresponding fiscal year.

ANTI-CORRUPTION

WHY IS ANTI-CORRUPTION A MATERIAL ASPECT FOR SIKA?

Corruption is a phenomenon with worldwide presence causing economic damage and contributing to an unfavorable business environment by distorting market mechanisms and increasing the cost of doing business. The World Bank estimated that 0.5 % of GDP is lost through corruption each year, impeding in particular the economic development of developing countries.

The broad presence of corruption has led to an increase in regulation such as the introduction of the UK Bribery Act in 2013.

As Sika operates in many countries with high levels of corruption and is active in the construction industry, known for its exposure to corruption, the subject is of considerable importance to Sika.

For the same reasons corruption is also an important issue in Sika's supplier relationships.

HOW DOES SIKA MANAGE ANTI-CORRUPTION?

Sika's management approach for anti-corruption is intended to avoid negative impacts. In order to avoid corruption, Sika's Code of Conduct states:

- Avoid any form of either active or passive bribery or corruption.
- Do not offer or accept any favor of any kind (cash, trip, gifts, etc.) for any improper advantage (offer, permit, order, project award, etc.).

Bribery and corruption can take many forms. It may be cash, but also any other favor (trips, excessive gifts of any kind). It is always intended to influence the receiving person's decision to obtain an improper advantage for the person or entity offering the favor. It does not matter whether you offer or receive such a favor. It does not matter who the counter party is (government, company or private person). Except for ordinary gifts and entertainment which do not aim at an improper advantage it does not matter how big or small the favor or the advantage is. It is still bribery or corruption which is strictly forbidden.

- Only give or accept gifts and entertainment which are lawful, reasonable and in compliance with the local Sika company's written rules.
- Sponsoring and charitable contributions are permitted in compliance with the local Sika company's written rules.
- Sika does not contribute to any political party or for a political cause unless approved by Group Management.

In almost all countries and markets reasonable gifts and entertainment (meals, sporting or cultural events, etc.) are an inherent part of business. They become bribery and corruption when they are intended to influence the receiving person's decision. Trips or multiple day events as well as gifts and entertainment for public officials are especially critical. All companies must implement written rules based on the corporate model rules to further specify which gifts and entertainment as well as which sponsoring and charitable contributions are permissible in the framework of this Code of Conduct. The rules must also provide for authority levels depending on the amount involved. Contributions to political parties or a political cause are subject to the approval of Group Management.

The management approach for anti-corruption within Sika includes the following components:

COMMITMENTS

Sika has a zero-tolerance approach concerning bribery and corruption within its own operations and with its suppliers.

GOALS AND TARGETS

Sika does not tolerate any incidents of corruption.

RESPONSIBILITIES

The General Manager of the country organization is responsible for compliance with Sika's Code of Conduct and the Supplier Code of Conduct and setting of local rules and training.

POLICIES

- Code of Conduct (PDF)
- Supplier Code of Conduct
- localized Gift & Entertainment Policies

SPECIFIC ACTIONS

- **Audits:** The compliance with Sika's Code of Conduct is monitored through regular audits (approx. 30 in 2013) and legal supervision of the local companies and General Managers.
- **Supplier Management:** Sika's Supplier Code of Conduct requests its suppliers to respect Sika's zero-tolerance policy concerning bribery and corruption and avoid any active or passive corruption. They demonstrate integrity in all their business activities. Suppliers are required to have systems in place to ensure the proper instruction, training and auditing of its personnel and sub-contractors to ensure compliance with these principles. To the extent Sika is directly concerned, suppliers are obliged to immediately inform Sika of any violations of this code of conduct detected.
- **Training:** Anti-corruption is part of the Code of Conduct training for all employees and General Manager briefings. Employees are regularly reminded, at least once a year, about these rules. Corporate functions regularly conduct training sessions and audits. Sika will also devise a specific e-learning tool on the Code of Conduct in 2015, for Sika's employees.
- **Support of Transparency International:** In order to support the international fight against corruption, Sika financially supports Transparency International.

EVALUATION OF MANAGEMENT APPROACH

Sika evaluates its management approach through:

- **Monitoring:** Sika investigates reported cases of corruption and any planned corrective actions to be taken on a regular basis. Confirmed incidents of corruption and actions taken are followed up by the Compliance function and reported annually to the Audit Committee of the Board of Directors. Cases are followed up, and management approaches adapted accordingly.
- **Evaluation of results from audits:** Audit results are implemented within the management system.
- **Investigations:** Through the audits carried out by Internal Audit on a regular basis, or if suspicion of corruption or fraud prevails, the relevant financial transactions are audited.
- **Overview of compliance cases:** Sika's Group Compliance Officer prepares reports to the Audit Committee of the Board about any cases detected and the consequences.
- **General Managers' briefings:** On a regular basis annually, the General Managers are instructed and briefed about anti-corruption requirements in the companies. The last briefing was conducted during the Senior Management Meeting in 2014 in the term of a workshop discussion.

Sika evaluates its management approach by target setting, achieving or missing the targets and monitoring the effectiveness of the approach. The management approach has been reviewed and has been adapted accordingly.

CUSTOMER HEALTH AND SAFETY

WHY IS CUSTOMER HEALTH AND SAFETY A MATERIAL ASPECT FOR SIKA?

As a supplier of building materials and specialty chemicals, Sika's products can involve health and safety risks for its customers, if they are not handled properly and the necessary safety measures are not taken. Over the last decades regulation and political approaches such as REACH have aimed at reducing the negative impacts of chemicals on health and safety, making the topic highly important for companies from the chemicals sector.

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

HOW DOES SIKA MANAGE CUSTOMER HEALTH AND SAFETY?

Sika's management approach for customer health & safety is intended to avoid negative impacts through its products.

COMMITMENTS

Sika's Mission Statement: "We want to assume our responsibility for safety and the environment along the entire value chain." "We are committed to considering all requirements and obligations arising for substances used in our products."

GOALS AND TARGETS

Annual target for chemical products: 100% of chemical products in assessment or assessed for health and safety impacts, and improvements.

RESPONSIBILITIES

The responsibility for the products sold in the individual Sika country organization is with the local organizations, and finally with the General Manager. The responsibility for product data regarding Health & Safety is with Product Stewardship.

POLICIES

- Supplier Code of Conduct
- Product Stewardship Guidelines of the Group

SPECIFIC ACTIONS

- **REACH, GHS / CLP:** The Sika Group has implemented a project approach for REACH and GHS / CLP and other relevant chemical registration and labelling requirements throughout its entire organization. Group Management has set up a central corporate REACH and Chemical Regulatory Department in order to coordinate all corporate activities regarding this legislation.
- **Assessment of Health and Safety impacts:** Legal requirements on construction material suppliers requests that health and safety impacts are ensured along the value chain:
 - From raw materials supply to the factory
 - Handling in factory (work place safety of own people)
 - Manufacturing of products (work place safety of own people)
 - Packaging of products (work place safety of own people)
 - Shipping to customers (dangerous goods)
 - Storage (customer safety)
 - Application (customer safety)
 - Use phase (customer safety)
 - End of life (customer safety)

Customer health and safety is therefore crucial for Sika and is considered in R&D work (formulation work, system design etc.) where product characteristics are determined. Customers and product users can participate in frequent application training sessions to learn the proper use of the products.

- **Update and review of product information:** All product information, specifically Safety Data Sheets and Product Data Sheets must be up to date and reviewed regularly.

PRODUCT AND SERVICE LABELING

WHY IS CUSTOMER SATISFACTION A MATERIAL ASPECT FOR SIKA?

The Sika brand stands for innovation, quality and service, and is a solid bond between the company and its customers. The power of the Sika brand, however, is that all Sika employees are committed to meeting and delivering the expectations of customers, business partners and other stakeholders. Sika is aware of the fact that a strong brand represents a promise kept. Customer satisfaction is therefore a key material aspect for Sika.

HOW DOES SIKA MANAGE CUSTOMER SATISFACTION?

Sika's management approach for product and service labeling regarding customer satisfaction is intended to understand the customer's experience of Sika's products and the company itself as something enhancing and positive while understanding any improvement potentials.

The management approach for customer satisfaction within Sika includes the following components:

- Analysis of the results of customer surveys in the country
- Deriving potential improvements, further interviews, details and analysis, improvement plan and implementation
- Confirmation of the positive impact

RESPONSIBILITIES

Customer satisfaction surveys are done on country level, and the marketing and sales organizations are responsible for ensuring overview. In addition the quality departments are responsible for inbound claims from customers and for coordinating the responses with sales and technical departments.

SPECIFIC ACTIONS

- **Customer Satisfaction Surveys:** Customer experience and satisfaction is measured locally by the country organization. The local companies use the locally available partners to survey their customer base, taking the local language, trade channels, customs and cultures into account.
- **Customer Services:** In all companies a comprehensive customer service has been established including personal, phone and online channels.

EVALUATION OF MANAGEMENT APPROACH

In order to evaluate the effectiveness of the management approach Sika applies:

Monitoring: Sika measures its customer satisfaction on a regular basis. Customer satisfaction is followed up locally, results are followed up and management approaches adapted accordingly.

Sika evaluates its management approach by target setting, achieving or missing the targets and monitoring the effectiveness of the approach. The management approach has been reviewed and has been proven to be effective.

SIKA AG

Zugerstrasse 50
6341 Baar
Switzerland

Contact

Phone +41 58 436 68 00
Fax +41 58 436 68 50
www.sika.com

BUILDING TRUST

