

SIKA
BUSINESS YEAR

2014

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CORPORATE GOVERNANCE

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COMMITMENT TO OPENNESS AND TRANSPARENCY

Creating transparency is the highest objective of good corporate governance. This provides information on structures and processes, areas of responsibility and decision procedures as well as rights and obligations of various stakeholders. Reporting at Sika follows the SIX Swiss Exchange guidelines.

GROUP STRUCTURE AND SHAREHOLDERS

Sika AG, headquartered in Baar, is the only listed Sika company. The Sika AG bearer shares are listed on SIX Swiss Exchange under Swiss security no. 58797. Information on Sika AG's stock market capitalization can be found on download pdf, page 18. In the year under review, the Sika Group encompassed unlisted subsidiaries in 90 countries. 140 companies are included in the scope of consolidation. Companies of which Sika holds less than 50% of shareholder votes are not consolidated. These are namely Addiment Italia S.r.l., Italy; Condensil SARL, France; Sarna Granol AG, Switzerland; Hayashi-Sika Automotive Ltd., Chemical Sangyo Ltd. and Seven Tech Co. Ltd. in Japan as well as the joint venture Part GmbH in Germany. Detailed information on the Group companies can be found on page 125 ff. of the download pdf of this report.

Sika conducts its worldwide activities according to countries that have been classed into regions with area-wide managerial functions. The heads of the regions are members of 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.

Furthermore, Sika has geared its internal organization toward seven target markets from the construction industry or from industrial manufacturing. These target markets are represented by two members of Group Management as well as in the regional management teams and the national subsidiaries. The relevant managers are responsible for the definition and launch of new products, the implementation of demonstrated best practices, and the product-line and pricing policies for Group products, i.e. those offered worldwide rather than only in a particular country.

The heads of the central services Finance and Research and Development are likewise members of Group Management, which consists of nine members. All Group business is consolidated in Sika AG, the holding company, itself in turn under the supervision of the Board of Directors. The organization structures are presented on pages 22 to 28 of the download pdf of this report.

As of the balance sheet date of December 31, 2014, Sika had two significant shareholders with a share of voting rights of over 3%, the group formed by the Burkard-Schenker family and Compagnie de Saint-Gobain, Courbevoie, which according to information provided by the family as at December 31, 2014, holds 52.9% of all share votes, mainly through Schenker-Winkler Holding AG, Baar, and BlackRock, Inc., New York, which held 3.25% of all voting shares on the balance sheet record date. A list of changes in significant shareholdings reported to the Disclosure Office of SIX Swiss Exchange Ltd during the year under review can be found at http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html. There are no crossover holdings exceeding 3%, either in terms of capital or votes.

CAPITAL STRUCTURE

As at December 31, 2014, capital stock totaled CHF 1,524,106.80. This was divided into 2,151,199 bearer shares, each with a nominal value of CHF 0.60, and 2,333,874 registered shares, each having a nominal value of CHF 0.10. All shares earn the same dividend, with payout adjusted according to nominal value. One share represents one vote. In addition, there is CHF 155,893.20 in contingent capital, unrestricted in time, comprising 259,822 bearer shares with a per-share nominal value of CHF 0.60. These shares are reserved for the exercise of option or conversion rights. Shareholders are excluded from subscription rights. There are currently no conversion or option rights outstanding. Sika granted no participation certificates, dividend right certificates or stock options.

Option plans do not exist for members of the Board of Directors, Group Management or employees. Changes in capital stock, reserves and retained earnings during the last five years are posted on page 130 ff. of the download pdf of this report.

The purchase of Sika bearer and registered shares is open to all legal persons and individuals. The Board of Directors can deny purchase of registered shares if the purchaser's registered shareholdings exceed 5% of the total number of registered shares entered in the commercial register. Nominees, i.e. shareholders who acquire shares in their own name but on the account of third parties, are registered as shareholders without voting rights.

BOARD OF DIRECTORS

The Board of Directors is Sika's highest governing body and is mainly responsible for the:

- Definition of the corporate mission statement and corporate policies
- Decisions on corporate strategy and organizational structure
- Appointment and dismissal of members of Group Management
- Structuring of finances and accounting
- Establishment of medium-term planning as well as the annual and investment budgets.

The members of the Board of Directors are elected by the Annual General Meeting for a term of office of one year. They can be reelected at any time. Upon reaching the age of seventy, directors resign their mandate. Detailed information on individual members of the Board of Directors is listed on page 27 of the download pdf of this report. No directorships are maintained with other listed companies on a reciprocal basis.

Presently the Board of Directors of Sika AG consists of nine members. None of the members of the Board of Directors was a member of Group Management or the executive management of a Group company during the three preceding business years. The Board convenes at the Chairman's request as business demands. In business year 2014 the Board met eight times. The Chief Executive Officer (CEO) participates in the Board meetings in an advisory capacity. The other members of Group Management take part as necessary, but at least three times per year, also in an advisory capacity. Company officers report regularly and comprehensively to the Chairman concerning implementation of Board decisions.

The CEO as well as the CFO report to the Board in writing on the development of business at least once per month. Extraordinary occurrences are reported immediately to the Chairman or the Audit Committee, insofar as such events relate to the latter's area of responsibility. The Internal Audit staff report to the Chairman as well as the Audit Committee within the scope of the review schedule.

BOARD COMMITTEES

Sika has two committees of the Board of Directors: the Audit Committee as well as the Nomination and Compensation Committee. The chairpersons of these committees are elected by the Board. Otherwise, the committees organize themselves. Information on the members of the committees can be found on page 27 of the download pdf of this report.

- The Audit Committee mainly reviews the results of internal and external audits as well as risk management. The committee convenes at the request of its chairperson as required. Customarily the Chairman of the Board and the CFO, as well as the CEO if necessary, take part in these meetings in an advisory capacity. In the year under review the Audit Committee met five times.
- The Nomination and Compensation Committee prepares personnel planning at Board and Group Management level and handles matters relating to compensation. One of the central tasks of the Nomination and Compensation Committee is succession planning for the Board of Directors and Group Management. The committee convenes at the request of its chairperson as required. Usually the Chairman of the Board and the CEO participate in these meetings in an advisory capacity, insofar as they are not themselves affected by the items on the agenda. In the year under review the Nomination and Compensation Committee met six times.

GROUP MANAGEMENT

Within the framework of Board resolutions, Sika's operative leadership is incumbent on Group Management. The structure of the Group Management is outlined in the beginning of the Corporate Governance, on page 57 of the download pdf of this report. The members of Group Management and their functions are listed on pages 23 to 26 of the download pdf of this report. Detailed information on their backgrounds and activities can be found on pages 24 to 25 of the download pdf of this report. Sika had no management contracts with third parties in the year under review.

SHAREHOLDER PARTICIPATION RIGHTS

Every shareholder can exercise share votes through representation by another shareholder with voting rights or the independent proxy.

Information on what constitutes a statutory quorum can be found in art. 704 of the Swiss Code of Obligations (CO); information on what constitutes a quorum under Sika's articles of association can be found in § 15 paragraph 3 of the latter document. The orders of business for which a majority is required are defined therein. Sika's articles of association can be found at <http://www.sika.com/en/group/investors/corporategovernance/articlesofassociation.html>. The invitation modalities and deadlines for the Annual General Meeting are conformant with legal requirements. In addition, during a period published by the company, shareholders representing a nominal share value of CHF 10,000 can request in writing to have an item placed on the agenda, indicating the proposals to be put forward.

Notice is published in the Swiss Official Gazette of Commerce. New registered shares will not be registered by the company in the two working days prior to the Annual General Meeting. Therefore registered shares sold between the deadline and the Annual General Meeting are not entitled to vote.

DELINEATION OF POWERS OF AUTHORIZATION

The powers of authorization, duties and responsibilities of the Board of Directors and Group Management are laid down in the organizational rules of Sika AG and Sika Group (http://www.sika.com/en/group/investors/CorporateGovernance/organizational_rules.html).

CHANGE IN CORPORATE CONTROL AND DEFENSE MEASURES

In accordance with § 6 of the Sika articles of association, purchasers of shares are not obligated to make a public offering as generally prescribed by articles 32 and 52 of the Swiss Federal Act on Stock Exchanges and Securities Trading. There are no clauses governing changes in corporate control.

AUDITOR

The auditor of Sika AG is elected by the Annual General Meeting for a term of one year. In the year under review, Ernst & Young AG, listed as an auditor in the commercial register since February 7, 1995, served in this capacity. In accordance with legal requirements, the auditor in charge is replaced after a maximum period of seven years. The auditor in charge has been responsible for the audit mandate since 2010.

The auditor participates regularly in the meetings of the Audit Committee, providing oral and written report of the results of its reviews. The Audit Committee checks and evaluates the auditor and makes recommendations to the Board of Directors. The evaluation of performance and the negotiation of fees are conducted according to internally specified criteria.

In 2014, the present auditor took part in three meetings of the Audit Committee.

Ernst & Young AG billed CHF 3.5 million for its services during the year under review. This figure included the audits of individual closings within Sika AG as well as of practically all subsidiaries and the review of the consolidated financial statements. Ernst & Young AG received additional fees totaling CHF 1.0 million for tax consultancy and CHF 0.6 million for audit-related consulting services.

INFORMATION POLICY

Sika informs extensively on the development of business in annual and quarterly reports, at the annual media and financial analyst conference as well as at the Annual General Meeting. The continually updated website at www.sika.com as well as media releases regarding important developments are also integral components in communications. As a company listed on SIX Swiss Exchange, Sika is also obligated to comply in particular with requirements of ad-hoc disclosure, i.e. the release of news which may affect its stock price. In addition, Sika maintains dialog with investors and the media through special events and road shows. Information on important dates in 2015 can be found on page 145 of the download pdf of this report.

FINANCIAL CALENDAR

SALES FIRST QUARTER 2015	Tuesday, April 14, 2015
47TH ANNUAL GENERAL MEETING	Tuesday, April 14, 2015
DIVIDEND PAYMENT	Monday, April 20, 2015
HALF-YEAR REPORT 2015	Friday, July 24, 2015
RESULT FIRST NINE MONTHS 2015	Thursday, October 29, 2015
NET SALES 2015	Tuesday, January 12, 2016
MEDIA CONFERENCE / ANALYST PRESENTATION FULL-YEAR RESULTS 2015	Friday, February 26, 2016

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