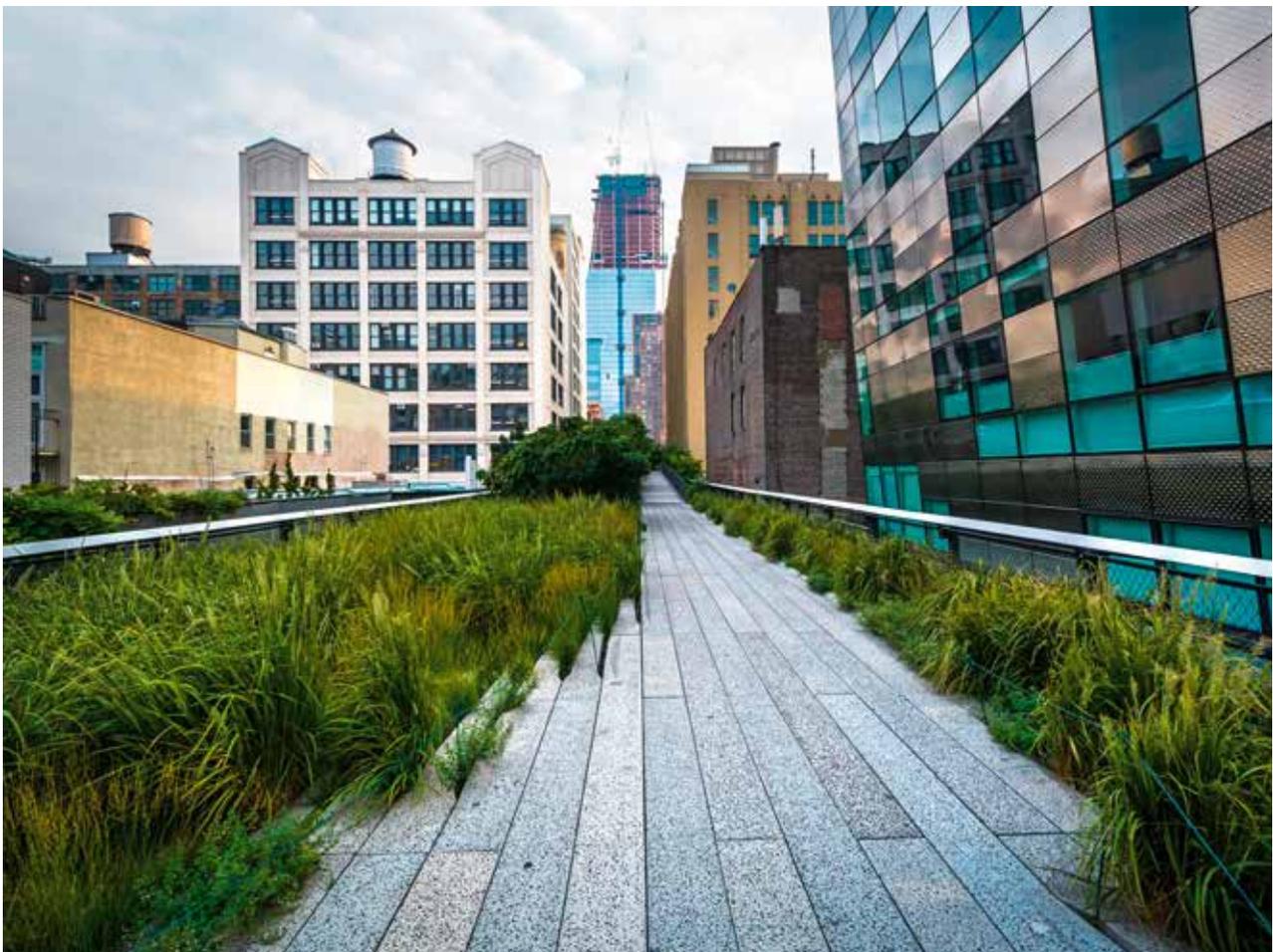


GRI REPORT

2016

SUSTAINABILITY ON TRACK

Sika has been a successful manufacturer of specialty chemicals for over 100 years. Sustainability has long been a core element of its strategy, business operations and corporate culture. Sika's sustainability strategy is therefore closely linked to its corporate strategy and encompasses six targets that cover the economic, ecological and social dimensions.



STRATEGY

As part of its “More Value – Less Impact” sustainability strategy, Sika has been measuring six parameters for the last four years. In 2016, the majority of targets were met, with only waste utilization and occupational safety falling short of their goals. Measures have been initiated to bring about an improvement.



MORE VALUE

<p>ECONOMIC PERFORMANCE</p> <p>Our success directly benefits all stakeholders.</p> <p>TARGET Operating profit (EBIT) 12-14% of net sales.</p>	<p>SUSTAINABLE SOLUTIONS</p> <p>We are leading the industry by pioneering a portfolio of sustainable products, systems, and services.</p> <p>TARGET All new projects are assessed in accordance with Sika's Product Development Process. All local key projects are implemented.</p>	<p>LOCAL COMMUNITIES/SOCIETY</p> <p>We build trust and create value – with customers, communities, and with society.</p> <p>TARGET 5% more projects per year.</p>
---	--	---

LESS IMPACT

<p>ENERGY</p> <p>We manage resources and costs carefully.</p> <p>TARGET 3% less energy consumption per ton and year.</p>	<p>WATER/WASTE</p> <p>We increase water and material efficiency.</p> <p>TARGET 3% less water consumption and waste per ton and year.</p>	<p>OCCUPATIONAL SAFETY</p> <p>Sika employees leave the workplace healthy.</p> <p>TARGET 5% less accidents per year.</p>
--	--	---



CONTENT GRI STANDARDS

GRI 102: GENERAL DISCLOSURES	5
1. ORGANIZATIONAL PROFILE	6
2. STRATEGY	14
3. ETHICS AND INTEGRITY	17
4. GOVERNANCE	18
5. STAKEHOLDER ENGAGEMENT	19
6. REPORTING PRACTICE	21
GRI 200: ECONOMIC	26
GRI 201: ECONOMIC PERFORMANCE	27
GRI 205: ANTI-CORRUPTION	29
GRI 206: ANTI-COMPETITIVE BEHAVIOR	33
GRI 300: ENVIRONMENTAL	35
GRI 301: MATERIALS	36
GRI 302: ENERGY	39
GRI 303: WATER	42
GRI 305: EMISSIONS	45
GRI 306: EFFLUENTS AND WASTE	46
GRI 307: ENVIRONMENTAL COMPLIANCE	49
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT	50
GRI 400: SOCIAL	51
GRI 403: OCCUPATIONAL HEALTH AND SAFETY	52
GRI 404: TRAINING AND EDUCATION	54
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY	56
GRI 412: HUMAN RIGHTS ASSESSMENT	58
GRI 413: LOCAL COMMUNITIES	61
GRI 414: SUPPLIER SOCIAL ASSESSMENT	63
GRI 416: CUSTOMER HEALTH AND SAFETY	64
GRI 417: MARKETING AND LABELLING	66

April 2017

The information contained in this report has been prepared in accordance with the GRI Standards option «core». This is Sika's fourth GRI report, and it covers the calendar year of 2016. Sika will continue reporting on an annual basis. The GRI Standards are also available online: www.sika.com/en/group/sustainability/gri-standards.html

GRI 102: GENERAL DISCLOSURES

1. ORGANIZATIONAL PROFILE

- The strong Sika brand is recognized for its sustainable solution portfolio
- Sika screens the product portfolio for sustainability using life-cycle data
- Green buildings and energy efficient vehicles are part of the Sika sustainability approach

DISCLOSURE 102-1: NAME OF THE ORGANIZATION

Sika AG

DISCLOSURE 102-2: ACTIVITIES, BRANDS, PRODUCTS, AND SERVICES

Description general activities: Sika is a specialty chemicals company with a leading position in the development and production of systems and products for bonding, sealing, damping, reinforcing, and protecting in the building sector and the automotive industry.

THE SIKA BRAND

The Sika umbrella brand and some 833 Sika product trademarks, such as Sika® ViscoCrete®, SikaBond® or Sikaflex®, 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 10,911 trademark registrations in 165 countries at the end of 2016. Sika AG continuously monitors its trademarks and takes consistent legal action in cases of infringement.

Sika's strong corporate brand provides numerous brand families, all of which enjoy high awareness. Often, they do not only stand for only one product but have even given a name to the 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

SUSTAINABLE SOLUTIONS

Sika is the industry leader with a portfolio of sustainable products, systems, and services. They make an essential contribution to customers in the construction and other industries to meet their sustainability targets, e.g. energy-efficient vehicles and buildings. Sustainability is a key component of the company's capacity for innovation and an important driver of product development. Sika strives to extend the service life of buildings and industrial applications, to reduce maintenance effort, to improve energy and material efficiency, and to further enhance user-friendliness. One of the company's main objectives is to reduce resource consumption, energy consumption, and the associated CO₂ emissions along the value chain - both internally and for partners and customers who place their trust in Sika products and solutions. The Group goals are:

TARGET

The Sika Sustainability evaluation process is introduced, local sustainability roadmaps in major countries are developed and implemented. In 2016, this target has been achieved.

IMPLEMENTATION

In 2015, Sika introduced a uniform sustainability appraisal process (including guidelines and work aids) throughout the company that addresses the relevant sustainability indicators and forms part of the official Sika product development process. The objective of the sustainability appraisal process is to assess all relevant sustainability aspects of a new development over its entire life cycle, compared with the company's own or competitors' solutions. Economic, environmental, and social aspects are assessed and serve as the basis for deciding what measures are needed to improve the sustainability profile of a development. If a new solution fails to provide an improvement over the existing product, it may not be worthwhile to pursue a particular development. On the other hand, if a significant improvement over the existing product is achieved, the relevant projects must be paid special attention.

PRODUCT CREATION PROCESS

During the year, Sika largely completed the global roll-out of the new product development process in all companies. One key task was to provide the individuals responsible for the local roll-out in the various business lines, regions, and technology centers with training in the sustainability appraisal process and associated methods and tools. In the year under review, the sustainability appraisal process was used to assess 122 new local and global product developments. Of these, 16% underwent or are undergoing closer scrutiny as they offer a significant improvement over the existing product and are therefore of particular importance for the company's sustainability.

LOCAL SUSTAINABILITY ROADMAPS

The major Sika national subsidiaries prepare a sustainability action plan and implement all key projects planned in this context. The plan is aligned with local trends and with market requirements and encompasses the key projects and topics that are geared to the global initiative.

All the larger countries in the key regions North America, Southern Europe, Northern Europe, Eastern Europe, UK, Germany, and Turkey further developed product sustainability roadmaps in the year under review in conjunction with the Corporate Environment, Health, Safety & Sustainability team (EHS&S). A further priority in 2016 was to extend the scope of the roadmap activities into the Latin America region. With the technical support of the Corporate EHS&S team, action plans were locally developed for Mexico, Colombia, and Peru. The plans are exchanged and managed, activities and progress discussed, and the details of successful projects and local action shared at periodic presentations involving the local, regional, and global functions.

Other key countries in the Latin America region and the first countries in the Asia/Pacific region will join in 2017. In this regard, the newly created Sustainability Academy program will play an important role in involving further national subsidiaries and increasing the number of projects. Local sustainability experts will be nominated, trained, and empowered to independently draw up and implement local market-oriented roadmaps in the countries.

LIFE-CYCLE ASSESSMENTS AND EPD

The implementation of the "More Value – Less Impact" campaign calls for sound data and knowledge about the effects of product manufacturing and the added value of finished products in their application and use phase. In the year under review, as in years before, Sika added to the life-cycle data for its products, technologies, and applications in accordance with the international life-cycle assessment (LCA) standard ISO 14040, and expanded the existing reference database. The information enabled Sika to develop a series of new work aids and successfully introduce them in an initial group of national subsidiaries.

Examples include the preparation of the first environmental product declarations (EPDs) for polyurethane liquid membranes for roof waterproofing solutions under the UK BRE standard, and green guide ratings for the sustainability performance of polyurethane floor solutions for office, school, and healthcare facilities under the UK BREEAM standard for sustainable buildings. The reporting year also saw the development of the first "sustainability packages" in the form of toolboxes for the various target markets. These feature a variety of tools with which the sustainability added value of Sika solutions and their contribution to sustainable construction can be explained and illustrated in an easy-to-understand way.

These packages, together with the tools for roof and floor systems introduced in the previous year, offer added value for customers at two levels: first, they tangibly demonstrate the sustainability added value of Sika solutions. Second, they allow a quantitative, product- and project-specific assessment of the sustainability performance of Sika solutions in a clearly communicated, standardized form that addresses customers' needs. Implementing the acquired expertise in the market, a number of national subsidiaries in Northern and Southern Europe have successfully launched and tested new services to quantify the sustainability performance of Sika solutions. Further projects have thus been successfully acquired in countries such as Spain, Italy, and the UK using the locally introduced sustainability arguments. In other countries too, e.g. the Czech Republic and Austria, first projects have been secured with the sustainability tools.

GREEN BUILDING SCHEMES

The focus here is on the further roll-out and local introduction of the sustainability sales tools in the roofing and flooring segments in additional target countries, e.g. in the wake of the roadmap activities. Priority will be given to services related to sustainable construction, e.g. LEED and BREEAM, to the contribution of roof systems to the energy efficiency of buildings, to the local adaptation of the newly developed target market sustainability packages, and to the better integration of sustainability with the local companies' business priorities. This underscores Sika's aim to move further in the direction of a solution supplier, providing customers with innovative solutions to decisively enhance the efficiency, durability, and aesthetic appeal of buildings, infrastructure facilities, and installations. The integrated concepts and solutions address the entire life cycle of a built structure, from initial construction and maintenance through refurbishment or expansion to demolition.

DISCLOSURE 102-3: LOCATION OF 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

DISCLOSURE 102-4: LOCATION OF OPERATIONS

Please consult: Sika Annual Report 2016, page 130 et sqq.

DISCLOSURE 102-5: OWNERSHIP AND LEGAL FORM

Sika AG, Public company, listed at the Swiss Stock Exchange.

DISCLOSURE 102-6: MARKETS SERVED

Sika is active in the following target markets: concrete, waterproofing, roofing, flooring, sealing & bonding, refurbishment and industry.

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. Sika's target markets are concrete, waterproofing, roofing, flooring, sealing & bonding, refurbishment and industry.

CONCRETE

Sika develops and markets a complete range of admixtures and additives for use in concrete, cement, and mortar production. These products enhance specific properties of the fresh or hardened concrete, such as workability, watertightness, durability, load-bearing capacity, 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 and mortar, especially in urban areas and for infrastructure construction. Furthermore, the growing use of alternative cementitious materials in cement, mortar, and therefore also in concrete, is increasing the need for admixtures.

WATERPROOFING

Sika's system solutions for waterproofing cover the full range of technologies used for below and aboveground waterproofing: flexible membrane systems, liquid-applied membranes, waterproofing admixtures for mortars, joint sealants, waterproofing mortars, injection grouts, and coatings. Key market segments include basements, underground parking garages, tunnels, and all types of water-retaining structures (for example reservoirs, storage basins, and storage tanks). Waterproofing systems are faced with increasingly stringent requirements regarding sustainability, ease of application, and total cost management. Therefore, the selection of appropriate waterproofing systems to suit the needs and requirements of owners as well as the solution of specific project details are key for long-lasting and watertight structures.

ROOFING

Sika provides a full range of single-ply and built-up flat roofing systems incorporating both flexible sheet and liquid applied membranes as well as thermal insulation and various roofing accessories. A more than 50-year history has documented that Sika roofing solutions are outstanding performers, reliable, sustainable, and long-lasting. Demand in this segment is driven by the need for eco-friendly, energy-saving solutions such as green roof systems, cool roofs, and solar roofs, which simultaneously help to reduce CO₂ emissions. While refurbishment projects continue to gain in significance in the mature markets, the emerging markets are moving towards higher-quality roof solutions.

FLOORING

Sika's flooring solutions are based on synthetic resin and cementitious systems for industrial and commercial buildings, for example pharmaceutical and food-sector production plants, public buildings such as educational and health care facilities, parking decks, and private residential properties. Each market segment is subject to its own particular requirements in terms of mechanical properties, safety regulations (for example slip resistance), antistatic performance, and chemical or fire resistance. Trends in the flooring market are being dictated by the growing significance of safety and environmental regulations, as well as customized technical

requirements. The high volume of building alteration and conversion projects nowadays has boosted the importance of efficient solutions for the refurbishment of existing flooring systems.

SEALING & BONDING

Sika offers a wide range of high-performance and durable sealants, tapes, spray foams, and elastic adhesives for the building envelope, for interior finishing, and for infrastructure construction. Typical applications include the sealing of movement joints between facade elements to make buildings weatherproof, the bonding of wood floors to reduce noise, or the sealing of joints in airport aprons. The growing demand in this market is fueled by an increasing awareness of the importance of high-performance sealants for the overall durability and energy efficiency of buildings, the increasing volume of high-rise projects, and the continued replacement of mechanical fastening systems by adhesives due to better performance.

REFURBISHMENT

This segment features concrete protection and repair solutions, for example repair mortars, protective coatings, grouts, and structural strengthening systems. It also includes products for interior finishing, such as leveling compounds, tile adhesives, and tile grouts. Sika provides technologies for the entire life cycle of commercial buildings, residential properties, and infrastructure constructions. Especially in developed markets, many structures are decades old and need to be refurbished. The present uptrend in demand is attributable to a rising volume of infrastructure rehabilitation projects in the transport, water management, and energy sectors. The global urbanization trend and the increasing need for renovation in developed markets are also fueling demand.

INDUSTRY

The markets served by Sika include automobile and commercial vehicle assembly (structural bonding, direct glazing, acoustic systems, reinforcing systems), automotive aftermarket (auto glass replacement, car body repair), marine vessels, industrial lamination, renewable energies (solar and wind), and facade engineering (structural glazing, sealing of insulating glass units). Sika is a technology leader in elastic bonding, structural adhesives, sealants, reinforcing, and acoustic applications serving the world's leading manufacturers. Customers rely on Sika solutions to enhance product performance and durability while optimizing manufacturing efficiency. For example, Sika's solutions address key megatrends in vehicle design, leading to lighter, stronger, safer, quieter, and more efficient vehicles, while fast-processing materials and compatibility with automation optimize productivity.

DISCLOSURE 102-7: SCALE OF THE ORGANIZATION

PAGE IN ANNUAL REPORT 2016

Number of employees	p. 58
Group companies	p. 130 seq.
Net sales	p. 3
Total capitalization	p. 3
Risk management	p. 10
Group strategy	p. 21 seq.

DISCLOSURE 102-8: INFORMATION ON EMPLOYEES AND OTHER WORKERS

The total number of employees at the end of the reporting period was 17,419 associates. Female employees in the Group account for around 23% of the total workforce.

REGION	% FEMALE OF TOTAL REGIONAL WORKFORCE
EMEA	22.7
Asia/Pacific	22.6
Latin America	25.0
North America	19.8

REGION	% OF TOTAL WORKFORCE
EMEA	52.2
Asia/Pacific	23.9
Latin America	13.5
North America	10.4

ITEM	% OF TOTAL WORKFORCE
Age Groups	
< 30 years	15.2
30 - 50 years	62.2
> 50 years	22.6
Male employees	77.3
Staff (clerks, lab, production staff incl. shift team leaders)	60.7
Local Company management team	12.3
Middle management	3.4
Top management (Senior Management)	0.9
Female employees	22.7
Staff (clerks, lab, production staff incl. shift team leaders)	19.2
Local Company management team	2.8
Middle management	0.6
Top management (Senior Management)	0.1

Internal promotions within the reporting period (%): 0.8

A. TOTAL NUMBER OF EMPLOYEES BY EMPLOYMENT CONTRACT (PERMANENT AND TEMPORARY), BY GENDER

CONTRACT	% OF TOTAL WORKFORCE
Permanent	95.4
Temporary	3.5
Apprenticeship/internship	1.1

Regarding employment contract (permanent and temporary), we do not collect the data for gender distribution, because the number of temporary contracts is regarded insignificant.

B. TOTAL NUMBER OF EMPLOYEES BY EMPLOYMENT CONTRACT (PERMANENT AND TEMPORARY), BY REGION

CONTRACT	PERMANENT(%)	TEMPORARY(%)
EMEA	50.2	1.8
North America	10.0	0.1
Latin America	12.3	0.9
Asia/Pacific	22.9	0.7

Apprenticeship/internship (%): 1.1

C. TOTAL NUMBER OF EMPLOYEES BY EMPLOYMENT TYPE (FULL-TIME AND PART-TIME), BY GENDER

CONTRACT	NUMBER EMPLOYEES
Full time	16,595
Part time	824
Total	17,419

Regarding employment type (full-time and part-time), we do not collect the data for gender distribution, because the number of part-time employees is regarded insignificant.

D. WHETHER A SIGNIFICANT PORTION OF THE ORGANIZATION'S ACTIVITIES ARE PERFORMED BY WORKERS WHO ARE NOT EMPLOYEES

If applicable, a description of the nature and scale of work performed by workers who are not employees.

Sika engages workers employed through employment agencies and service providers in the range of approximately 10% of the total workforce (mentioned in Disclosure 102-8) at the end of the reporting period. This personnel is leased labor, not on Sika's payroll, but under contract at a labor leasing company. The share of workers can vary depending on the seasonality of the business in the individual Sika companies. The work performed by this part of the workforce is mainly manufacturing, warehousing and logistics.

E. ANY SIGNIFICANT VARIATIONS IN THE NUMBERS REPORTED IN DISCLOSURE 102-8-A, 102-8-B, AND 102-8-C

Due to the seasonality of the construction business, the workforce may increase in the main season, e.g. the summer months in the Northern hemisphere. In 2016, Sika employed 606 additional temporary laborers as part of Sika's workforce to adapt to peak demand.

F. AN EXPLANATION OF HOW THE DATA HAVE BEEN COMPILED, INCLUDING ANY ASSUMPTIONS MADE.

The figures have been reported by each individual subsidiary through the central reporting system and aggregated on Group level.

DISCLOSURE 102-9: SUPPLY CHAIN

- Supply chain structure varies per product segment and raw material streams
- Sika manages the supplier base using also social and environmental criteria

Sika's supply chain varies depending on the business segment. The local Sika companies source raw materials both locally and internationally. Some materials are only available from international suppliers and have to be imported into the country of production. Sand and cement for mortars is mainly sourced in the producing country, additives are usually sourced from multinational companies. Admixture raw materials are sourced either locally or from multinational companies. Proprietary admixture ingredients are produced in specialized factories and distributed to other Sika production sites. Raw materials for adhesives and sealants are sourced from multinational companies. Polymeric plastic raw materials are sourced from multinational companies or large local vendors.

In Sika factories, the raw materials are converted into higher value goods, usually through mixing, blending, compounding, and suitable form-giving. From Sika's finished goods warehouses, products are distributed within the respective country and partly exported. Sika today collaborates with around 15,000 direct material suppliers, out of around 20,000 supply locations, for both local and global sourcing. The company strives to work together with local suppliers wherever possible, to reduce lead time, risk, and transport, as well as to increase availability and control quality. Sika's purchasing spend corresponds to 46% of total net sales and is comprised of direct materials, indirect materials and services. Total global spend for direct materials and trading goods amounts to CHF 2,264 million at average exchange rates for the year 2016. The regional split for direct materials is as follows: EMEA 45%, Asia/Pacific 19%, North America 20%, LATAM 9%, and Automotive 7%.

Sika's diverse customer base includes local construction craftsmen, larger construction companies and very large multinationals, e.g. cement companies, as well as mainly large automotive, transportation and appliance manufacturing companies.

Sika employs a risk management approach for suppliers and the supply chain of raw materials. This approach is described in this report under 102-11.

DISCLOSURE 102-10: SIGNIFICANT CHANGES TO THE ORGANIZATION AND ITS SUPPLY CHAIN

In April 2016, Sika acquired L.M. Scofield, a US-based market leader in the production of concrete color additives for ready-mixed concrete, along with decorative products and treatments for concrete refurbishment. The acquisition fits perfectly with Sika's accelerated growth strategy in North America.

In September 2016, Sika acquired FRC Industries, a fiber manufacturer based in Tuscaloosa, Alabama. The company offers a full line of high quality synthetic polypropylene and steel fibers for concrete. This acquisition will accelerate growth in the USA and further establish Sika as a comprehensive supplier of solutions for the construction industry.

In October 2016, Sika agreed to acquire Ronacrete (Far East) Ltd., one of the leading suppliers of repair mortars, tile adhesives, and other mortar products in Hong Kong. The acquisition represents a further step in the expansion of Sika's mortar business. Ronacrete is based in Hong Kong and operates an efficient production facility in the neighboring Guangzhou province.

In December 2016, Sika agreed to acquire Rmax Operating, LLC, a US-based market leader in the production of polyiso insulation products for complete building envelope solutions (roofing and wall systems). The acquisition brings technology and know-how that will accelerate Sika's growth and drive innovation in the North American market via the strong synergies between the companies.

In 2016, the following Sika production facilities were opened:

- 2nd plant in Greece (Kryoneri, Athens, January 2016)
- 1st plant in Myanmar (Yangon, February 2016)
- 1st plant in Cambodia (Phnom Penh, February 2016)
- 4th plant in Canada (Vancouver, March 2016)
- 2nd plant in Thailand (Saraburi, June 2016)
- 2nd plant in Ecuador (Guayaquil, June 2016)
- 7th plant in Australia (Perth, July 2016)
- 6th plant in Brazil (Osasco, Sao Paulo, September 2016)
- 1st plant in Ethiopia (Addis Ababa, December 2016)

DISCLOSURE 102-11: PRECAUTIONARY PRINCIPLES OR APPROACH

- Risk based management approach, also in operations
- Sustainability part of the operations performance indicators

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 a 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 in time. 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 or its international version, SO45001 – when available) 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 and expanded this approach in the last years. 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 covers all new suppliers. In addition, existing suppliers will be evaluated by using similar criteria like supplier evaluation, supplier code of conduct, and material specifications. In 2015, the majority of procurement employees were trained in the supplier qualification process, and in 2016 the number of suppliers screened was expanded.

On the side of products and services, Sika follows a Product Development Process (PCP) to manage functional, safety, environmental, and commercial product risks. Regarding the life cycle of commercial products, Sika runs a comprehensive Product Stewardship program including preparation of 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, distribution to the use phase and the disposal of its products.

DISCLOSURE 102-12: EXTERNAL INITIATIVES

Sika commits itself to genuinely added sustainable value along the entire value chain. Sika's principles are the foundation for the strategic management. The company has bound itself by signature and is therefore 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.

DISCLOSURE 102-13: MEMBERSHIP OF ASSOCIATIONS

Sika is a member of manifold industry associations and initiatives on local, national, and multi-national level, e.g. World Business Council for Sustainable Development, Responsible Care, Carbon Disclosure Project, Green Building Councils Network and Sustainable Construction Switzerland.

The company holds a position on the board or actively participates in projects or committees of the following associations.

ASSOCIATION	ACRONYM	WEBSITE
American Chemistry Council	ACC	www.americanchemistry.com
American High Performance Building	AHPBC	www.betterbuildingstandards.com
Coalition 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
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 Concrete Society	CONPAVIPER	www.conpaviper.it
Concrete Society	CS	www.concrete.org.uk
Deutsche Bauchemie	DBC	www.deutsche-bauchemie.de
German Sustainable Building Council	DGNB	www.dgnb.de

ASSOCIATION	ACRONYM	WEBSITE
European Federation of Concrete Admixtures Association	EFCA	www.efca.info
European Cool Roof Council	ECRC	www.coolroofcouncil.eu
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
Green Building Council España	GBCe	www.gbce.es
Italian Green Building Council	GBCI	www.gbcitalia.org
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
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.ibu-epd.com
International Concrete Repair Institute	ICRI	www.icri.org
British Adhesives and Sealants Association	BASA	www.basaonline.co.uk
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

THE MEGACITY CHALLENGE

Sika sustainable solutions for the rising urbanization and the challenges of tomorrow's world.



2. STRATEGY

- Comprehensive sustainability strategy
- “More Value, Less Impact” refers to Sika’s commitment to maximize the value of solutions and contributions to all stakeholders while reducing risks and resource consumption
- Most of the six targets of the sustainability strategy were achieved in 2016

DISCLOSURE 102-14: STATEMENT FROM SENIOR DECISION-MAKER

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

Sika takes a long-term perspective on the development of its business and acts with responsibility towards all stakeholders. We are proud of our sustainability achievements and the fact that we have delivered more value to our stakeholders with less impact on the environment.

Sika is continually improving its environmental protection and safety performance through its routine investment planning and maintenance activities. During 2016, Sika spent CHF 6.1 million on technical equipment to prevent accidents and illness. This corresponds to roughly 4% of total investments of CHF 155.1 million. Sika also implemented numerous further health, safety, environment, and sustainability measures during the year under review. Expenditures in these areas came to CHF 24 million (previous year: CHF 22 million). The total worldwide headcount in this field runs to over 100. Sika employs environment, safety, and sustainability specialists at all its major sites.

MORE VALUE FOR ALL STAKEHOLDERS

Through its products, systems, and solutions, Sika seeks to generate benefits for stakeholders that far outweigh the negative consequences of the production process and resource consumption. Both the right strategy and the trust as well as the dedication of all employees are pillars of Sika’s success. The Sika journey to global leadership is founded on the company’s entrepreneurial philosophy and the Sika Spirit, which is a synonym for the strong set of five values and principles which makes up the DNA and culture of the company: Customer First, Courage for Innovation, Sustainability & Integrity, Empowerment & Respect, and Manage for Results. Sustainability has always been part of our identity. We are committed to continuously measure, improve, report, and communicate sustainable value creation. “More value – less impact” refers to Sika’s commitment to maximize the value of our solutions and contributions for present and future generations.

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, and with special relevance in the transportation target market. 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 innovation 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 and long term thinking have been in the center of our identity, and continue to be a core element with a wider meaning for the years ahead. We are committed to measuring, improving, reporting, and communicating sustainable value creation.

STRATEGY AND TARGETS 2014 – 2018 (FIVE YEAR STRATEGY)

Using the GRI Sustainability Reporting Standards, the following five criteria have been established to evaluate the sustainability aspects and the performance of Sika:

Relevance: Sustainability is relevant as a business enabler, business driver, and brand message, relevant in construction and transportation. We monitor material aspects.

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 and 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.

DISCLOSURE 102-15: KEY IMPACTS, RISKS, AND OPPORTUNITIES

- Risks and opportunities systematically explored on all levels
- Supply chain risks managed actively
- Products and market risks included in the development and marketing process

Flawed risk assessments may seriously impair a company's reputation, limit its freedom of action or, at worst, lead to insolvency. Well aware of this, Sika acted years ago by introducing a comprehensive risk management system at Group level and for all its subsidiaries. Risks should be identified at an early stage and integrated into strategic decision-making processes. Risk management may sometimes assist in the identification of new opportunities and thereby help to generate added value.

GROUP MANAGEMENT AND BOARD OF DIRECTORS

Whereas Sika's Group Management regularly reviews the processes underlying risk management, the Board of Directors bears ultimate responsibility for risk assessment. Its duties include the annual reassessment of the risk situation at Group level. All risks are assessed in terms of a few basic questions:

Is the risk global or regional in scope? What implications does the risk have for the Group? How high is the probability of losses occurring? What measures need to be implemented to prevent the risk or mitigate its consequences?

If a risk is rated critical in the overall assessment, effective measures are then taken to reduce the probability or prevent its occurrence, or limit its implications.

Sika pursues a risk-based management approach along the entire value chain from procurement and production to marketing.

SUPPLIER MANAGEMENT AND RAW MATERIAL PROCUREMENT

The raw materials that Sika processes into superior-grade products are the Group's biggest cost factor. Therefore, they are high on the risk assessment agenda. Almost 70% of the materials used by Sika in production – e.g. polyols, epoxy resins, acrylic dispersions, and polycarboxylates – are based on fossil fuels or their derivatives. Purchase prices consequently vary according to the supply and demand situation for each raw material and fluctuations in the price of oil. To reduce its dependency on crude oil, Sika is increasingly relying on renewable raw materials such as sugar derivatives, bioethanol derivatives, and natural oils. Moreover, recycled raw materials are used wherever possible, and many production plants implement their own or externally operated recycling loop systems. Mineral substances, such as calcium carbonate, sand, and cement, make up the remaining raw materials.

Sika purchases its base chemicals in accordance with strict quality requirements from certified suppliers offering the best value for money. In the case of key raw materials with limited availability or large purchase volumes, Sika mandates at least two suppliers whenever possible. For unique, highly innovative technologies, the Group seeks to manufacture raw materials itself or source them in close collaborative partnerships with innovative suppliers. In respect of all the materials used, compliance with the relevant statutory registration requirements (e.g. REACH or TSCA) is monitored and ensured by a network of global and local specialists as well as external consultants.

Sika's purchasing specialists and technical experts work closely with suppliers' technical units to fully understand the raw material flows and continually optimize costs, quality, availability, and sustainability. Potential suppliers are closely screened by Sika. Before working with the company, they are required to sign the Supplier Code of Conduct, which covers all principles of sustainability.

Suppliers are regularly evaluated by Sika. The corresponding findings are incorporated into the risk assessment, along with the suppliers' self-appraisals and data available in the public domain. If a relevant risk is identified, Sika will conduct an audit of the supply company in question to ensure the functionality of the latter's internal risk management system. Potential risks are systematically identified and addressed, particularly in the case of local suppliers.

Raw materials are systematically evaluated within Sika to assess possible risks relating to quality and availability, and to determine relevant measures such as maintaining safety stocks or securing long-term supply contracts.

PRODUCTION AND LOGISTICS

Sika sets defined standards for risk provisions that are binding for its production and logistics operations. These standards form part of the Group-wide "Sika Corporate Management System" and determine, for example, processes and guidelines in the areas of purchasing, quality, environment, health, and safety. Following the launch in 2016 of Sika's new (SikaWorld) intranet platform, the "Sika Corporate Management System" is accessible to employees all round the world. Together with the statutory regulations, the standards are also documented in the management systems of local Sika companies. Additionally, Sika production companies are certified to ISO 14001 (Environmental Management) and ISO 9001:2015 (Quality), and many also to OHSAS 18001 (Occupational Health and Safety Assessment). A growing number of larger facilities are also certified to ISO 50001 (Energy Management).

Audits and inspections are core elements of the comprehensive management system. They provide management at Group, regional, and local company level with a regular, independent assessment of compliance with official requirements as well as with Sika's internal risk management guidelines and principles. The audits and inspections ensure the effectiveness of processes and related controls. Quality, environment, safety and risk factors, technology, legal matters, IT security, suppliers, and products are all subject to audit. Group-wide, Sika conducted over 160 audits in 2016.

Supplier audits are carried out by the purchasing and quality assurance departments on the basis of the risk assessment, and the number of reviews is steadily being increased. Over 60 purchasing and quality assurance employees have undergone training in audit methods since 2015.

Sika also regularly audits production and logistics at local companies. This includes recording any risks that may result in production downtime, personal injury, property damage, or liability claims. The probability and significance of these risks are assessed, and measures are subsequently defined and implemented to minimize the risk potential at the site and enhance safety. Sika is insured against losses like property damage and business interruption.

Over recent years, Sika has succeeded in reducing the number of accidents significantly and is constantly working on further improvements. The company is focusing more closely on accident prevention and, since 2015, has also operated a global, web-based emergency notification and crisis management service solution.

PRODUCT DEVELOPMENT AND MARKETING

For products and services, Sika implements a structured Product Development Process that factors in potential risks. The Group monitors ecological and safety aspects during the development, production, and product handling stages. For this purpose, it has introduced the specific checking of new developments against a sustainability profile. Sika also focuses on market opportunities and risks, product sustainability performance, and the protection of intellectual property.

Over a period of many years, Sika has had a global program in place to minimize the risks in advisory and sales activities that could provide grounds for liability and product complaints. Thanks to a host of additional measures, including the regular training of employees, clearly formulated standards, detailed causal analyses, and stricter controls, expenditure for product-related claims is steadily being reduced. To avoid the risk of customers using Sika's products incorrectly, Sika provides systematic instructions, application training, and support to customers, as well as extensive documentation and quality control.

CUSTOMERS AND MARKETS

Sika has a policy of strategic diversification to limit market and customer-related risks. Geographical diversification is specifically important in the locally based construction industry given the sometimes contrary business trends in this sector in different regions of the world. Customer diversification – with no single customer accounting for more than 1.5% of Sika's turnover – is another stabilizing factor. As a further safeguard against economic fluctuations, Sika operates both in the new-build sector and in the less cyclical renovation and maintenance market.

FINANCIAL RISKS

The purpose of financial risk management is to optimize funding and achieve a liquidity position geared to financial obligations. Liquidity is ensured by means of long-term bonds.

Liquidity is optimized by means of a cash pooling arrangement. Sika also manages its net working capital with the utmost prudence. For example, the local companies have precisely defined processes for handling accounts receivable. A cost structure dovetailed to the prevailing market conditions ensures adequate cash generation. Sika attaches high priority to open and cost-efficient access to capital markets. Of significance is the Standard & Poor's rating of A-/stable (long term). Due to the legal disputes surrounding Saint-Gobain's hostile takeover bid, the outlook for our rating has been downgraded from "stable" to "negative".

INTERNAL AUDIT

Internal Audit carries out inspections as set out in the annual audit plan. The audits primarily include inspections of Group companies in the areas of product development, purchasing, production, goods management, financial and operational reporting, sales, payroll processes, accounts receivable and accounts payable management, and IT management. In addition to the global audit of sales and production companies, regular in-depth audits are carried out in the area of headquarters functions and group-wide support processes. Internal Audit is an instrument of the Board of Directors and reports to the Audit Committee.

3. ETHICS AND INTEGRITY

- All employees sign the Code of Conduct
- General Managers assure to enforce and train both the Sika Code of Conduct and the Sika Values and Principles

DISCLOSURE 102-16: VALUES, PRINCIPLES, STANDARDS, AND NORMS OF BEHAVIOR

The values and principles of the Sika Code of Conduct was reviewed and edited in 2014 by the Group Management and the Board of Directors. The Code of Conduct is available in more than 10 languages and has been distributed to all Sika employees through their line organizations. A training has been delivered to all subsidiaries. All employees pledged with their signature to uphold these values, and the General Managers assure every year with their signature to enforce and train the values and principles in their organizations. 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.

For the Sika Code of Conduct, please consult:
www.sika.com/en/group/Aboutus/VisionandMission.html

SUSTAINABILITY AND INTEGRITY

Sika takes a long-term perspective on the development of the business and acts with respect and responsibility towards its customers, stakeholders and employees.



4. GOVERNANCE

- Sika follows the SIX Swiss Exchange Guidelines
- Transparency is the highest objective of good Corporate Governance

DISCLOSURE 102-18: GOVERNANCE STRUCTURE

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

Details on Corporate Governance and the Group Structure can be found here:

www.sika.com/en/group/investors/corporate-governance/group-structure-and-shareholders.html

SIKA SOLUTIONS

A comprehensive portfolio of Sika admixtures, mortars and adhesives strengthens the Semanggi Interchange 2, Jakarta.



5. STAKEHOLDER ENGAGEMENT

- Stakeholders regularly reviewed and consulted
- Materiality considerations driven by stakeholder responses
- Sustainability Advisory Board established to advance strategy

DISCLOSURE 102-40: LIST OF STAKEHOLDER GROUPS

The identified relevant stakeholder groups of Sika are:

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

DISCLOSURE 102-41: COLLECTIVE BARGAINING AGREEMENTS

In the reporting year, no data was available regarding the percentage of total employees covered by collective bargaining agreements. Sika is present in 97 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 is covered in these geographies.

DISCLOSURE 102-42: IDENTIFYING AND SELECTING STAKEHOLDERS

In the reporting year, Sika did not review the stakeholder groups identified in the sustainability strategy development process 2013. The company had reviewed the material aspects and topics to detect any changes of priority or needs for re-evaluation in 2015. The stakeholders were selected and prioritized / categorized according to the potential impact of Sika on the stakeholder and the stakeholder's ability to impact Sika. The results were verified in 2015 with different entities within Sika (Board of Directors, Management etc.) and found to be still valid. In the same year, the most relevant stakeholder groups were consulted for their contribution to the materiality process.

DISCLOSURE 102-43 APPROACH TO 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 taken in 2014/2015. In 2016, the results were reviewed and confirmed by an online survey. Combined with the framework of the reviewed ISO 14001:2015, a guidance document for stakeholder engagement of local companies was developed in 2015. The framework will be gradually implemented with the renewal of the local ISO certificates over the next few years.

As part of the sustainability strategy development process in 2013 and the materiality analysis review in 2015, Sika specifically engaged with selected principal internal and external stakeholder groups. The following groups were approached via online survey to provide input to define the report's content: employees, customers, academia, financial analysts, Sika Management, suppliers and sponsoring partners. The results were integrated in the materiality analysis. In the year under review, Sika further intensified its existing contacts and cooperation with numerous stakeholder groups such as customers, suppliers, associations, and sponsoring partners / communities. The focus has been on important topics such as occupational health & safety, customer health & safety, sustainable solutions, and energy, water and waste.

DISCLOSURE 102-44: KEY TOPICS AND CONCERNS RAISED

The findings from the review 2015, which confirmed the findings from 2013 and did not detect relevant changes of priority, are still valid.

Stakeholders	Customers	Employees	Financial Analysts	Academia	Sponsorship Partners	Suppliers	Competitors
Activity	Questionnaire	Questionnaire	Questionnaire	Questionnaire	Questionnaire	Questionnaire	Desk Top Research
Economic Performance	■	■	■		■	■	■
Materials	■			■	■	■	■
Energy	■		■	■	■	■	■
Water			■			■	
Emissions	■		■		■	■	■
Effluents and Waste	■			■	■	■	■
Eco-friendly Products/ Innovation	■	■		■	■	■	■
Occupational Health and Safety	■	■	■		■	■	■
Education and Training				■			■
Diversity and Equal Opportunity	■	■				■	■
Human Rights	■			■	■	■	■
Local Communities					■		■
Anti-Corruption	■		■				■
Compliance / Environmental Compliance (Legal, EHS)	■		■		■	■	■
Customer Health and Safety		■			■		■
Customer Satisfaction	■	■	■			■	■

The stakeholder group “Local Communities” has been approached individually by Sika Group and local subsidiaries. As a next step, the findings will be systematically implemented within the above-mentioned ISO framework at local level. Currently, the Sika Sponsoring and Donation Guideline is providing the normative frame. The priorities of market participants were captured through desk-top research and integrated in the materiality analysis. The Board of Directors has been notified about the findings.

6. REPORTING PRACTICE

- Sika Sustainability Advisory Board (SAB) reviews sustainability strategy and activities
- Materiality analysis reflects sustainability impacts of operations, products and services

DISCLOSURE 102-45: ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

A full list of companies is included in the annual report 2016, page 130 seq.

Please consult: www.sika.com/en/group/Publications/annual_reports01.html

DISCLOSURE 102-46: DEFINING REPORT CONTENT AND TOPIC BOUNDARIES

The key aspects of Sika's sustainability strategy and reporting were defined through the following activities:

In 2015, Sika has reviewed the materiality analysis which was conducted for the first time in 2013. The analysis focused on potential material topics, reflecting the sustainability impacts of Sika's operations, products, and services along the entire value chain, considering:

- GRI standards
- relevant topics for peers, customers and suppliers
- expert knowledge

In the year 2016, Sika asked external experts to form a Sustainability Advisory Board (SAB) and regularly give management and the organization input and feedback to explore shortfalls of the sustainability strategy and activities and to develop the strategy further. The SAB consists of 6 members of academia, advisory and NGO background.

The relative importance of the topics was rated according to 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 reviewed in an online survey, whereas the prioritization regarding "significance of economic, environmental and social impacts" was assessed in a series of workshops. The identified material aspects and findings were compared with the results of the first analysis in 2013 and validated by Sika's Group Management and Board of Directors.

SUSTAINABILITY CONTEXT

The context in which Sika operates at global and local level was considered when determining the list of relevant topics and prioritizing the activities.



MATERIALITY

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

- The main sustainability topics raised by Sika's stakeholders
- 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

MATERIALITY COMPLETENESS

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

STAKEHOLDER INCLUSIVENESS

Stakeholder inclusiveness is ensured by considering feedbacks from stakeholder engagement.

DISCLOSURE 102-47: LIST OF MATERIAL TOPICS

The process to define the content of the report identified the following topics as material for Sika. The topics relate to Sika's operations and may affect stakeholders along the value chain – upstream, downstream, and on a global scale.

Upstream/downstream: topics are listed below.

Material aspect	Upstream	Geographies	Downstream
Economic Performance	None	Globally	None
Materials	Raw material suppliers, (trading product suppliers)	Globally	Building systems: owners, architects, designers, specifiers, contractors, cement and concrete customers
Energy	Raw material suppliers, (trading product suppliers)	Globally	Building systems: 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	Building systems: owners, architects, designers, specifiers, contractors, cement and concrete customers; automotive customers; competitors
Effluents and Waste	Raw material suppliers, trading product suppliers	Globally	Building systems: contractors
Products and Services	Raw material suppliers, trading product suppliers	Globally	Building systems: 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

Material aspect	Upstream	Geographies	Downstream
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

DISCLOSURE 102-48: RESTATEMENT OF INFORMATION

No restatement of the 2015 report was made.

DISCLOSURE 102-49: CHANGES IN REPORTING

There are no significant changes in the list of material topics and topic boundaries compared to previous reporting periods. Sika includes all subsidiaries into the reporting. Acquired companies must reconfigure their reporting, data collection, and submission practices to the Sika data system until the end of the second full year after completion of the transaction.

DISCLOSURE 102-50: REPORTING PERIOD

The reporting period is the calendar year.

DISCLOSURE 102-51: DATE OF MOST RECENT REPORT

This is Sika's fourth GRI report and covers the 2016 calendar year.

DISCLOSURE 102-52: REPORTING CYCLE

Sika will continue reporting on an annual basis.

DISCLOSURE 102-53: CONTACT POINT FOR QUESTIONS REGARDING THE REPORT

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

DISCLOSURE 102-54: CLAIMS OF REPORTING IN ACCORDANCE WITH THE GRI STANDARDS

This report has been prepared in accordance with the GRI Standards: Core option

DISCLOSURE 102-55: GRI CONTENT INDEX

Please consult: www.sika.com/en/group/sustainability/gri-standards/gri-102-general-disclosure/disclosure-102-55.html

DISCLOSURE 102-56: EXTERNAL ASSURANCE

Sika's GRI Report 2016 has not been externally assured.

MANAGEMENT COMPETENCE

Those who wish to lead must set an example. Sika both supports and challenges its managers at all levels. Long-term career prospects lead to low labour turnover rates.



GRI 200: ECONOMIC

GRI 201: ECONOMIC PERFORMANCE

- Sika employs a very successful growth strategy
- Targets raised and strategy extended to 2020
- Expansion of supply chain in growth markets, new subsidiaries and acquisitions

1. MANAGEMENT APPROACH DISCLOSURES

DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

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.

DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS

The Sika Growth Model is synonymous with long-term success and profitable growth. By focusing on market penetration, innovation, emerging markets, and acquisitions, and driven by its strong corporate values, Sika is growing successfully. Since the targets of Strategy 2018 had been achieved two years early, Sika's strategic goals were reviewed in the second half of 2016 in conjunction with senior managers worldwide. This review resulted in a confirmation of the growth model and a raising of the strategic targets. Sika is now aiming for an EBIT margin of 14–16% (previously 12–14%) and an operating free cash flow greater than 10% (previously over 8%). The aim is to achieve a return on capital employed in excess of 25%. By 2020, 30 new factories are to be commissioned and 8 new national subsidiaries established. The annual sales growth target remains at 6–8%. Sika intends to increase EBIT to more than CHF 1 billion by 2020.

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. With regard to the More Value – Less Impact campaign, Sika's 5-year target plan for 2014–2018 has been defined in 2013. At group level it includes the following target for profitability, which enables the company to distribute economic value: Net Profit > 6% = sustainable profitability (Baseline 2013).

The five strategic pillars market penetration, innovation, emerging markets, acquisitions, and values are not only the foundation for growth but also drive improvements in margins, cash flow, and return on capital. Within the framework of the growth model, various initiatives contribute to the achievement of the strategic targets.

- **Key investments** in the accelerated expansion of the supply chain in growth markets, new national subsidiaries, and acquisitions drive growth and margins. Since 2012, Sika has invested in 51 new plants, 20 new national subsidiaries, and 20 acquisitions – a total of 91 key investments.
- **Investments in R&D** lead to the launch of a large number of new products in all target markets every year. Sika spends approximately 3% of sales on R&D annually.
- **Globally organized procurement** coordinates purchasing in all regions, resulting in more price efficient sourcing.
- **Focus on pricing** with global pricing tools and monthly pricing reporting.
- **Transparent performance management** focused on well-defined KPIs.
- **Strict cost management.** Fast efficiency measures in countries which are not growing.
- **Operating leverage:** Sales growth of 6–8% generates higher margins as costs increase at a disproportionately lower rate.

RESPONSIBILITIES

Overall responsibility with regard 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.

DISCLOSURE 103-3: EVALUATION OF THE 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.

2. TOPIC SPECIFIC DISCLOSURES

DISCLOSURE 201-1: DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

Economic performance

Sika creates sustainable value for its customers, 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, and 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. 141)

Item	mn CHF	%
Total sales	5,748	100.00
To suppliers	3,631	63.17
Net value added	1,935	33.66

Table 2

The net value added flows to the various stakeholders and to Sika Group as follows:

Item	mn CHF	%
To employees	1,163	60.10
To Sika	367	18.97
To shareholders	200	10.34
To governments	189	9.77
To lenders	16	0.82
Total	1,935	100.00

Sika donated and supported local communities in the amount of CHF 3 million which accounts for 0.16% of the net value added.

GRI 205: ANTI-CORRUPTION

- Code of conduct and local gift and entertainment policy worldwide put into place
- Responsibilities for compliance on corporate, regional and local level
- Compliance confirmation by all subsidiaries
- Supplier Management focuses on Anti-Corruption
- Training and reporting through e-learning and online reporting tool

1. MANAGEMENT APPROACH DISCLOSURES

DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

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 most recent introduction of a new French Anti-corruption law (Sapin II) in December 2016.

The subject is of considerable importance to Sika, as the company operates and is growing more and more in countries with elevated levels of corruption and is active in the construction industry, known for its exposure to corruption.

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

DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS

Sika's management approach for anti-corruption is intended to avoid negative impacts.

In order to provide a clear message to all employees, Sika's Code of Conduct strictly prohibits any form of active or passive bribery and provides guidance on gift, entertainment, and donations:

NO BRIBERY, NO CORRUPTION

- *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, like trips or gifts of any kind, which is intended to influence the receiving person's decision to obtain an improper advantage for the person or entity offering the favor. 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 still is bribery or corruption and is strictly forbidden.

GIFTS, ENTERTAINMENT AND DONATIONS POLICY

- *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 reasonable gifts and entertainment (meals, sports, 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 Sika companies have implemented 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 the Code of Conduct. The rules must also provide for authorization from management depending on the amount involved. Contributions to political parties or a political cause are subject to the approval of Group Management.

In 2016, the adoption in all Sika's companies of a localized Gift & Entertainment Policy has been fully accomplished. This policy, which integrates and reinforces the Code of Conduct principles, provides employees with a clear and detailed framework on how to give and accept gifts and entertainment in their daily business and defines - for each company/country - different levels of authorization depending on the gift value. Training for employees on practical cases has improved in 2016 and will become more important in 2017, also through the Regional Compliance Officers. Role modelling by management, integrity, and continuous reminders of Sika's principles are important.

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

COMMITMENT

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 incident of corruption.

RESPONSIBILITIES

Compliance will continue to be a line management responsibility at Sika and the General Manager of the country organization is responsible for compliance with Sika's Code of Conduct, the local Gift & Entertainment Policy, the Supplier Code of Conduct implementation, the Procurement Manual, and setting of local rules and training. Corporate Functions, including the Compliance Team, provide tools and methods – at different levels of the organization – to support management and monitor the effectiveness of the compliance system, proposing corrective actions where needed.

POLICIES

- Code of Conduct (PDF) – translated into more than 30 languages, please consult:
www.sika.com/content/dam/Corporate/01_General/publications/Policies/sika_code_of_conduct_final_en_20131018.pdf
- Localized Gift & Entertainment Policies
- Supplier Code of Conduct, please consult:
www.sika.com/en/group/Aboutus/SikaProfile/suppliers/sourcing_governance/code_of_conduct.html
- Procurement Manual (Ethics Reports)

SPECIFIC ACTIONS

Compliance Confirmation: As part of their duties and responsibilities, General Managers at Sika ensure that their companies operate in compliance with applicable laws and Sika's internal regulations. For the second year, each General Manager at Sika has signed and submitted the annual "Compliance Confirmation" to Group Compliance, which allows Sika to monitor and get assurance that business throughout the organization has been conducted in compliance with the law and the Code of Conduct, with a particular focus on anti-corruption. The Compliance Confirmation provides a brief definition of Corruption as "*the abuse of entrusted power for private gain. Corruption includes practices such as bribery, facilitation payments, fraud, extortion, collusion, and money laundering. It also includes an offer or receipt of any gift, loan, fee, reward, or other advantage to or from any person as an inducement to do something that is dishonest, illegal, or a breach of trust in the conduct of the enterprise's business or provides an improper advantage or that may result in moral pressure to receive such an advantage*". No corruption cases have been reported in any of the more than 100 Confirmations submitted which comprise all of Sika's legal entities.

- **Compliance Commitment/pledge 2016-2017:** To further improve Sika's compliance processes and preserve Sika's strong corporate culture, General Managers have been asked in 2016 for the first time to renew their commitment to lead with integrity by signing and submitting a "Compliance Commitment/pledge 2016-2017". This document explains in detail what leading with integrity implies for their daily business and demands to escalate and report any corruption case to Group Compliance.
- **Compliance Checklist 2017:** In order to support General Managers to fulfil their compliance duties, a "Compliance Checklist 2017" has been developed and distributed. The checklist contains minimum requirements and best practices to minimize compliance risks. It is a tool for General Managers to measure compliance of their companies with Sika's Code of Conduct, monitor identified risks, prevent and detect misconduct, and plan corrective actions. The checklist will be regularly reviewed and improved to make it as effective as possible.
- **Group Audits:** Compliance with Sika's Code of Conduct and other Corporate Policies and Manuals is monitored through regular Group audits (138 in 2016) and legal supervision of the local companies and General Managers.
- **Supplier Management:** Sika's Supplier Code of Conduct requests suppliers to respect Sika's zero-tolerance policy concerning bribery and corruption and avoid any active or passive corruption. 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. Sika performs supplier audits and evaluations to monitor and assess their compliance with Sika's requirements and the Code of Conduct. Suppliers are obliged to immediately inform Sika of any known violation of the Code of Conduct.
- **Training/new e-learning:** 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, of these rules. Corporate functions regularly conduct training sessions and audits. To preserve Sika's strong compliance culture and to ensure that the Code of Conduct's principles are understood and adhered to by all employees, Sika has developed an animated e-learning program in addition to regular class training events. The program includes a specific section on Gifts & Entertainment and bribery risk. It will be rolled-out in 10 languages throughout the organization as part of the Awareness Raising Campaign on Compliance.

- **Internal Reporting Tool:** To preserve and foster Sika's strong culture of trust, integrity and transparency, Sika has developed a new web-based reporting platform, the Sika TrustLine (available in more than 20 languages). It will be rolled-out throughout the organization as part of an Awareness Raising Campaign on Compliance together with the new e-learning program. The Sika TrustLine is an externally hosted reporting channel where Sika's employees may raise legitimate complaints regarding serious misconduct, such as corruption incidents, and/or breaches of Sika's Code of Conduct, in a safe and confidential environment, whenever reporting to other most immediate existing resources, like line management or other superiors, is not feasible or adequate. As part of the roll-out of the Sika TrustLine, an ad hoc policy ("Sika Trust Policy") will be made available to Sika's employees in order to provide clear rules and appropriate training on rights and obligations with regard to internal misconduct reporting.
- **Awareness Campaign on Compliance:** In 2016, Sika started the internal Global Awareness Raising Campaign on Compliance for the joint launch of (i) the new animated e-learning course on the Code of Conduct and (ii) the internal web-based reporting system for serious misconducts (the Sika TrustLine). The Campaign has been successfully completed in four selected pilot countries in different Regions: UK, South Africa, Singapore, and New Zealand. More than 1,100 employees have been trained in applying the Code of Conduct's principles and introduced to the new reporting platform Sika TrustLine and the new Speak-up policy, the Sika Trust Policy. Overall, employee feedback received through ad hoc post-campaign questionnaires was extremely positive. The initiative and the new e-learning program have been perceived as engaging and easy to understand – all in all a positive, practical, and realistic approach tailored to Sika's business. In 2016, no report has been submitted through the Sika TrustLine. Since the completion of the roll-out, the dropout statistics automatically generated by the platform registered more than 400 page visits to the Sika TrustLine, which represents more than 1/3 of the trained employees, and 81 clicks on the Make a Report button. This highlights the interest of trained employees to access and explore the new reporting tool. Countries to start the campaign in 2017 include Switzerland (more than 2,000 employees) and Colombia (330 employees) as a pilot for the LATAM Region.
- **A defined procedure on reporting and an aligned communication campaign** throughout the organization about the Sika TrustLine support a speak-up culture and deter misconduct.
- **Support of Transparency International:** Sika financially supports Transparency International in its global fight against corruption.

DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH

Sika evaluates its management approach through:

- **Monitoring:** Sika investigates reported cases of corruption and any corrective action to be taken according to a defined incident response process (see below). Confirmed cases and actions taken are followed up by the Compliance function and reported annually to the Audit Committee of the Board of Directors. Management approaches are adapted accordingly.
- **Evaluation of results from audits:** Group Audit results are implemented in the management system, and regular follow-up reports are presented to monitor improvements.
- **Investigations:** Internal Audit conducts audits on a regular basis and in case of suspected corruption or fraud. All reports of potential corruption cases within Sika are investigated and properly followed up according to applicable laws. A standard incident reporting and response process has been developed to provide guidance to Sika's management on the procedures to be followed in case a criminal act or a material misconduct is suspected or detected. Highly sensitive incidents and criminal acts, such as corruption cases, must be reported and escalated to the Group Compliance Officer irrespective of the source. Corruption reports generated via the Sika TrustLine are automatically forwarded to the Group Compliance Officer who shall conduct and/or supervise the investigation process.
- **Overview of compliance cases:** Sika's Group Compliance Officer regularly reports to the Audit Committee of the Board of Directors about known compliance cases and corrective action taken.
- **General Managers' briefings:** General Managers are regularly instructed and briefed about anti-corruption requirements in the companies. The latest briefing took place at the Area Meeting Africa in October 2016 attended by 18 General Managers responsible for national subsidiaries operating on the African Continent.

Sika monitors and evaluates the effectiveness of its management approach according to target achievement. The management approach has been reviewed and adapted accordingly.

2. TOPIC SPECIFIC DISCLOSURES

DISCLOSURE 205-1: OPERATIONS ASSESSED FOR RISKS RELATED TO CORRUPTION

All legal entities have been assessed by their management teams regarding the implementation of anti-corruption practices and incidents of corruption.

All new suppliers have signed the Supplier Code of Conduct to commit to respect Sika's zero-tolerance policy concerning bribery and corruption. Suppliers must have systems in place to ensure the proper instruction, training, and auditing of its personnel and subcontractors to ensure compliance. Sika performs supplier audits and evaluations to monitor and assess their compliance with Sika's requirements and the Code of Conduct. Suppliers are obliged to immediately inform Sika of any known violations of the Code of Conduct.

DISCLOSURE 205-2: COMMUNICATION AND TRAINING ON ANTI-CORRUPTION POLICIES AND PROCEDURES

Our approach to anti-corruption is based on Sika's Code of Conduct, which clearly prohibits bribery and corruption. Compliance with the Code of Conduct as an integral part of the employment contract and the onboarding program is the personal responsibility of each Sika employee. In addition, they are trained at least once a year. Corporate Legal, Internal Audit and Corporate Compliance team functions regularly conduct training sessions and audits. General Managers are responsible for the compliance of their companies with applicable laws, internal regulation, including the Code of Conduct, and for the information and training of their staff.

DISCLOSURE 205-3: CONFIRMED INCIDENTS OF CORRUPTION AND ACTIONS TAKEN

Please consult: www.sika.com/en/group/sustainability/StrategyandManagement/transparency.html

Adoption of and compliance with the Code of Conduct by the General Managers and their management teams was reviewed at the end of 2016, and conformity confirmed in a reporting system, the "Compliance Confirmation". The 100% response rate and completeness of the details provided suggest absolute compliance. No incidences of corruption or other misconduct were reported via the Sika TrustLine in 2016.

CONVINCING PRODUCTS

The first application of Sika's waterproofing system SikaProof® A in Africa at the construction site of the new Grand Théâtre in Rabat, designed by Zaha Hadid.



GRI 206: ANTI-COMPETITIVE BEHAVIOR

- Anti-competitive behavior prohibited by the Code of Conduct
- Compliance assurance by all General Managers
- Auditing and briefings by legal and audit functions

1. MANAGEMENT APPROACH DISCLOSURES

DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

Sika's approach to anti-competitive behavior is based on the Code of Conduct, which requires the company and all employees to act fairly in the market both vis-à-vis customers and suppliers, and in accordance with applicable cartel and antitrust laws.

The Code of Conduct - Fair Competition – clearly states the following:

- *Act performance oriented and fair in the market both vis-à-vis customers and suppliers.*
- *Do not discuss, agree or cooperate in any form with competitors on strategies, prices, markets, customers, products, production, or other market-sensitive aspects.*
- *Do not agree with Sika's customers on their resale prices.*
- *Pre-check any sensitive obligation (e.g. exclusivity, non-compete, joint ventures) with Corporate Legal or a local legal adviser.*
- *Do not abuse a market-dominant position.*

We expect full compliance with applicable cartel and antitrust laws. This especially regards any kind of discussion or agreement with competitors on price- or other market sensitive aspects. Special attention must be given to informal gatherings, conferences, trade shows, and meetings of trade associations or in discussions involving possible acquisition opportunities. To the extent contacts with competitors are permitted, they must as a principle be managed by a member of Sika's Senior Management.

DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS

In order to support General Managers to fulfill their compliance duties, a "Compliance Checklist 2017" has been developed and distributed. The checklist contains minimum requirements and best practices to minimize compliance risks. It is a tool for General Managers to measure compliance of their companies with Sika's Code of Conduct, monitor identified risks, prevent and detect misconduct, and plan corrective actions. The checklist will be regularly reviewed and improved to make it as effective as possible.

DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH

Sika evaluates its management approach through:

- **Monitoring:** Sika investigates reported cases of anti-competitive behavior and any corrective action to be taken according to a defined incident response process (see below). Confirmed cases and actions taken are followed up by the Compliance function and reported annually to the Audit Committee of the Board of Directors. Management approaches are adapted accordingly.
- **Evaluation of results from audits:** Group Audit results are implemented in the management system and regular follow-up reports are presented to monitor improvements.
- **Investigations:** Internal Audit conducts audits on a regular basis and in case of suspected anti-competitive behavior. All reports of potential anti-competitive behavior within Sika are investigated and properly followed up according to applicable laws. A standard incident reporting and response process has been developed to provide guidance to Sika's management on the procedures to be followed in case a criminal act or a material misconduct is suspected or detected. Highly sensitive incidents and criminal acts, such as anti-competitive behavior cases, must be reported and escalated to the Group Compliance Officer irrespective of the source. Corruption reports generated via the Sika TrustLine are automatically forwarded to the Group Compliance Officer who shall conduct and/or supervise the investigation process.
- **Overview of compliance cases:** Sika's Group Compliance Officer regularly reports to the Audit Committee of the Board of the Board of Directors about known compliance cases and corrective action taken.
- **General Managers' briefings:** General Managers are regularly instructed and briefed about anti-competitive behavior requirements in the companies. The latest briefing took place at the Area Meeting Africa in October 2016 attended by 18 General Managers responsible for national subsidiaries operating on the African Continent.

Sika monitors and evaluates the effectiveness of its management approach according to target achievement. The management approach has been reviewed and adapted accordingly.

2. TOPIC SPECIFIC DISCLOSURES

DISCLOSURE 206-1: LEGAL ACTIONS FOR ANTI-COMPETITIVE BEHAVIOR, ANTI-TRUST, AND MONOPOLY PRACTICES

No violations, fines or legal actions for anti-competitive behavior, anti-trust and monopoly practices are to be reported for 2016. For the second year and as part of his/her duties and responsibilities, each General Manager at Sika has signed and submitted the annual "Compliance Confirmation" to Group Compliance, which allows Sika to monitor and get assurance that business throughout the organization has been conducted in compliance with applicable laws and the Code of Conduct, including anti-trust regulations.

FAIRPLAY BY SIKA
The Code of Conduct, signed by all employees, sets the guidelines for corporate behaviour.



SIKA IN VANCOUVER, CANADA
On the site of the largest construction site in British Columbia, Canada, the Brentwood Centre.



GRI 300: ENVIRONMENTAL

GRI 301: MATERIALS

- Besides ensuring security of supply, management and efficient use of input materials are important focus points

1. MANAGEMENT APPROACH DISCLOSURES

DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

Sika converts raw materials to value added finished products and solutions relying mainly on non-renewable input materials. Direct materials are Sika's major cost factor corresponding to approximately 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. Other large contributors are sand, minerals, cement, and water.

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 in the long term, leading to rising prices, price volatilities as well as supply uncertainties. However, in the past year crude oil derivatives were moderately priced, and Sika was not exposed to major price fluctuations.

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.

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 its own resource consumption and that of customers in downstream industries, like the construction, automotive, or cement and concrete industry, where Sika solutions for instance enable customers to increase the use of recycled input materials.

DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS

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:

COMMITMENT

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 in respect of their sustainability characteristics, using a systematic and comprehensive internal standardized methodology. As a result, these developments are geared towards a 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 reducing dependency on raw materials. On the other hand, Sika manages the waste streams.

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. Ultimate responsibility lies with the CEO.

POLICIES

- Vision and Mission of Procurement
- Innovation Strategy
- Environment Policy

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 potential 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 through 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 customers and contribute to sustainable development.
- **Waste Management:** Sika manages the waste streams and has various waste reduction programs, e.g. avoiding waste through internal recycling of adhesives, reducing of wash water in admixture production, and reuse of cleaning sand batches and filter dust in mortars.

Sika solutions for resource efficiency include

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

DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH

Sika evaluates its management approach through:

- **Monitoring:** Sika measures its material use and waste levels on a regular basis. Material use is reported quarterly to the Environment, Health, Safety & Sustainability 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 monitors and evaluates the effectiveness of its management approach according to target achievement. The management approach has been reviewed and proven to be effective.

2. TOPIC SPECIFIC DISCLOSURES

DISCLOSURE 301-1: MATERIALS USED BY WEIGHT OR VOLUME

Sika uses raw materials such as polymers, additives, resins, colors, plastic articles, sand, cement, and packaging materials corresponding to a total volume of 4.1 million tons, excluding trading goods and water (previous year: 3.6 million tons). These numbers are reported in Sika's operational reporting system.

The company uses only a small amount of renewable raw materials from plant based sources like castor oil or alcohols. This fact is mainly due to unavailability, economic viability, or ineffective application of formulation as compared to non-renewable feedstock. However, the company constantly explores ways in its R&D 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 in respect of 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 in the construction, automotive, or cement industry, where Sika solutions enable customers to increase the use of recycled input materials.

DISCLOSURE 301-2: RECYCLED INPUT MATERIALS USED

For direct materials, the proportion of recycled materials used is around 1.0% (previous year: 1.2%), regained from used products. This figure is reported through operational reporting. For many other secondary materials, such as packaging or solvents local Sika companies use circular systems or rely on the recycling systems in place in many countries today.

LESS IMPACT
Sika constantly improves the efficiency of its material use.



GRI 302: ENERGY

- Some subsidiaries started energy efficiency programs according to ISO 50001
- -6% energy consumption in 2016

1. MANAGEMENT APPROACH DISCLOSURES

DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

Sika's energy consumption is to a large extent based on fossil, 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 are major drivers of its overall efficiency effort and additionally contribute 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, like grinding aides in cement production and admixtures in concrete preparation and application, can contribute considerably to savings. Sika's sustainable solutions contribute to the reduction of energy use in these sectors.

DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS

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

COMMITMENT

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:

- 3% less energy consumption per ton and year.

RESPONSIBILITIES

Energy efficiency of Sika's operations is the responsibility of line 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 carry out 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 potential 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, accounting for around 6% of net sales and 6% of total headcount of Sika Group, is certified to ISO 50001.
- **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 regarding energy use.
- **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 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.

DISCLOSURE 103-3: EVALUATION OF THE 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 & Sustainability 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 have implemented energy management systems according to ISO 50001, allowing for continuous efficiency improvement by evaluating and acting upon the outcome from the certifications. Sika reviews all audit results to improve the management approach and integrates improvements.
- **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 regarding energy use.
- **Benchmarking:** Sika started to compare energy consumption per product unit internally through factory reporting and to benchmark with other similar companies.
- **Internal reports:** The company introduced a report for the production facilities on energy efficiency and consumption in 2014 and prepared another report in 2016.

Furthermore, Sika monitors and evaluates the effectiveness of its management approach according to target achievement.. The management approach has been reviewed and proven to be effective.

RESULTS OF EVALUATION

- Energy consumption within the organization:
- Direct greenhouse gas (GHG) emissions (Scope 1)
- 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 local companies are 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 resulting 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.

2. TOPIC SPECIFIC DISCLOSURES

DISCLOSURE 302-1: ENERGY CONSUMPTION WITHIN THE ORGANIZATION

Sika used 1,779 terajoule (TJ) of energy (previous year: 1,833 TJ), 44% directly from non-renewable primary energy conversion and 56% from purchased electricity. The fuel types used for direct energy (778 TJ) are light liquid fuels (44%), coal (3%) in China, and natural gas (53%).

Total Energy Consumption	1,779 TJ	
Non-renewable	778 TJ	Light liquid fuels, coal (in China), natural gas
Electricity	1,001 TJ	From renewable and non-renewable sources, depending on local power generation
Renewable Electricity	3.9%	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 are major drivers 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.

ADDITIONAL INFORMATION ON LEASED VEHICLES AND TRAVEL

In addition, the leased car fleet consumed 288 TJ (302 TJ in 2015) of energy and business travel amounted again to 202 TJ (202 TJ in 2015). The leased car fleet figure is derived from the fuel consumption rate of a sample of 65% of the leasing contracts and extrapolated to 100%. The figure for business travel is derived from a sample of 40% of the travel contracts and extrapolated to 100%. Sika uses conversion factors from the UK Department for Environment Food and Rural Affairs. Please consult: www.ukconversionfactorscarbonsmart.co.uk/

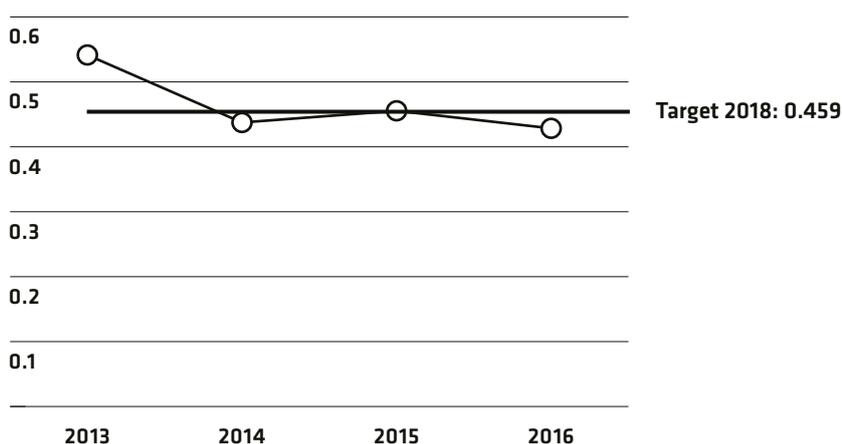
DISCLOSURE 302-3: ENERGY INTENSITY

Energy intensity is the ratio between the total energy consumed by the company and total tons sold. In 2016, Sika reduced its energy intensity to 428.3 MJ/ton sold, compared to 455.3 MJ/ton sold in the previous year.

DISCLOSURE 302-4: REDUCTION OF ENERGY CONSUMPTION

Over the past 3 years Sika has reduced the per ton energy consumption by 20.8%.

Energy (MJ) / ton sold



GRI 303: WATER

- 22% water reduction in 2016
- Crucial impact factors for production
- Sika solutions reduce water input in cement production by up to 15%

1. MANAGEMENT APPROACH DISCLOSURES

DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

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 the case for production facilities in certain areas of the Middle East, Latin America, South East Asia, and Australia where water can be scarce.

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, processing, sanitary facilities, and in products.

A key attribute of many products of Sika's is water proofing. Through the application of its products, 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 water input in cement production by up to 15%, applying standard production procedures.

DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS

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:

- 3% less water consumption per ton and year

RESPONSIBILITIES

Water efficiency in Sika's operations is the responsibility of regional management reporting to the CEO. At the local level, the operations manager is responsible helping to 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 carry out 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 potential 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 efficiency improvement.
- **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 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

DISCLOSURE 103-3: EVALUATION OF THE 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 & Sustainability 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 regarding water use.
- **Benchmarking:** Sika started to compare water consumption per product unit internally through factory reporting and to benchmark with other similar companies.
- **Internal reports:** The company introduced a report for the production facilities on water efficiency and consumption in 2014 and prepared another report in 2016.

Furthermore, Sika monitors and evaluates the effectiveness of its management approach according to target achievement. The management approach has been reviewed and proven to be effective.

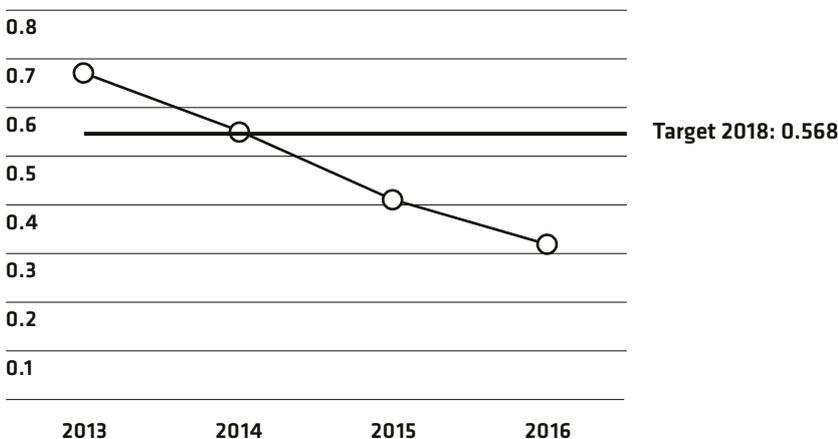
2. TOPIC SPECIFIC DISCLOSURES

DISCLOSURE 303-1: WATER WITHDRAWAL BY SOURCE

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 2.04 million m³ (previous year: 2.36 million m³) both from public supply (68%) and groundwater wells (32%). In water-rich areas, like Switzerland, the UK, and Eastern USA, cooling water is mainly obtained from ground water wells in line with local permits. Cooling and process water makes up 42% of Sika's water use. The company strives to increase water efficiency and has set the target to reduce water consumption by 3% per ton of product sold and year. This target has been achieved over the past 3 years with a total reduction of water consumption of 52.5%.

Water (m³) / ton sold



Water sources:

- Surface water: 29,000 m³ (previous year: 21,000 m³)
- Ground water: 629,000 m³ (previous year: 968,000 m³)
- Public supply: 1,387,000 m³ (previous year: 1,373,000 m³)
- Rain water: A few factories have started to use rain water as part of their freshwater demand, specifically when public water supply is limited. There are no detailed data available.
- Waste water: In many companies, water from rinsing and cleaning is reused. Some factories run own waste water cleaning facilities, e.g. through sedimentation, distillation, or filtration, and reuse filtrate or distillate for production or cleaning.

Sika uses water for the following purposes:

- Process and cooling water: 865,000 m³ (previous year: 1,237,000 m³)
- Sanitary water: 459,000 m³ (previous year: 420,000 m³)
- Water in products: 721,000 m³ (previous year: 710,000 m³)

In some Sika sites ground water cooling capacity is used for secondary cooling cycles without removing water from the ground. This requires state permits, and the corresponding fees are accounted for as purchased cooling energy. This specifically applies for Sika Manufacturing AG Sarnen, Switzerland, where 168,000 m³ of primary cooling water has been reduced due to the use of a heat exchanger within the ground feeding a secondary cooling water cycle. This accounts for 0.5 TJ of cooling energy if converted to electrical power for a chiller.

70% LESS CONSUMPTION

Sika Colombia's Tocancipa plant was able to fully close the water circle from harvesting rainwater for production to reuse of wastewater as sanitary water.



GRI 305: EMISSIONS

- GHG-rate reduction of 6.6%
- Sika manages GHG emissions through managing energy consumption

1. MANAGEMENT APPROACH DISCLOSURES

Emissions are a material topic for the company. All non GHG emissions are managed and controlled locally in the operating facilities. GHG emissions are a result of combustion processes to generate heat and power for production processes and facilities, transportation, and travel. Therefore, Sika manages GHG emissions through managing energy consumption. Please refer to GRI 302

2. TOPIC SPECIFIC DISCLOSURES

DISCLOSURE 305-1: ENERGY DIRECT (SCOPE 1) GHG EMISSIONS

Direct energy conversion results in local greenhouse gas emissions (Sika only refers to CO₂). Sika uses various fuels for its own energy conversion, including coal in China. Around 44% of the energy is converted in Sika sites amounting to CO₂ emissions of around 45,000 tons (previous year: 53,000 tons).

DISCLOSURE 305-2: ENERGY INDIRECT (SCOPE 2) GHG EMISSIONS

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 and the USA, we have contractual agreements with power suppliers to procure "green" power, e.g. from hydro-electrical conversion or solar suppliers, which have a smaller carbon footprint than the average footprint of energy generation in the country. In these cases, Sika deducts the renewable amount from total consumption, before converting into CO₂. For the year under review, calculated CO₂ emissions from third party power supply amounted to around 109,000 tons for the Group (previous year: 107,000 tons).

All values reported are location based as an aggregate of all indirect energy consumption.

DISCLOSURE 305-3: OTHER INDIRECT (SCOPE 3) GHG EMISSIONS

The company also evaluates the carbon emissions from travel and leased vehicles. Extrapolations of available data show a footprint of 20,000 tons of CO₂ for the leasing fleet and 13,800 tons of CO₂ for business travel for the entire Group in 2016 (previous year: 21,000 and 13,800 tons). Both figures are derived from samples of approximately 65% of total leasing car energy consumption and approximately 40% of total travel contracts both extrapolated to 100% of the fleet and travel, respectively.

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

DISCLOSURE 305-4: GHG EMISSION INTENSITY

The company generates 45 kg CO₂ per ton sold from direct and indirect energy used for the conversion of raw materials into finished goods, including travel and own transportation.

DISCLOSURE 305-5: REDUCTION OF GHG EMISSION

The company has set an energy efficiency target of 3% less energy consumed per ton sold and year. Cumulatively, the target has been achieved in the three past years. As Sika is not engaged in other CO₂ generation through, e.g. land use or conversions like cement production, we do not set separate CO₂ targets. The energy reduction efforts have resulted in a GHG-rate reduction of 6.6% from 48.4 kg in 2015 to 45.2 kg CO₂ per ton sold in 2016.

GRI 306: EFFLUENTS AND WASTE

- Disposal of waste through management systems according to ISO 14001
- +3% waste in 2016
- Processes to reduce waste are implemented

1. MANAGEMENT APPROACH DISCLOSURES

DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

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

Waste resulting from Sika's production amounted to 74,000 tons in 2016, which represents around 1.8% of the material volume. Efficient use of input materials for production and 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 permit limits and set standards.

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 waste of its customers through better product durability, application methods, and optimization of packaging material, e.g. foil packs, mini-packs, plastic pails instead of metal, applicator tools, etc.

DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS

Through its management approach, Sika seeks to reduce waste resulting from production as well as 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.

COMMITMENT

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:

- 3% less waste per ton and year

RESPONSIBILITIES

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

SPECIFIC ACTIONS

- **Life Cycle Assessment (LCA):** Sika carries out 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 potential 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 efficiency improvement .
- **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 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

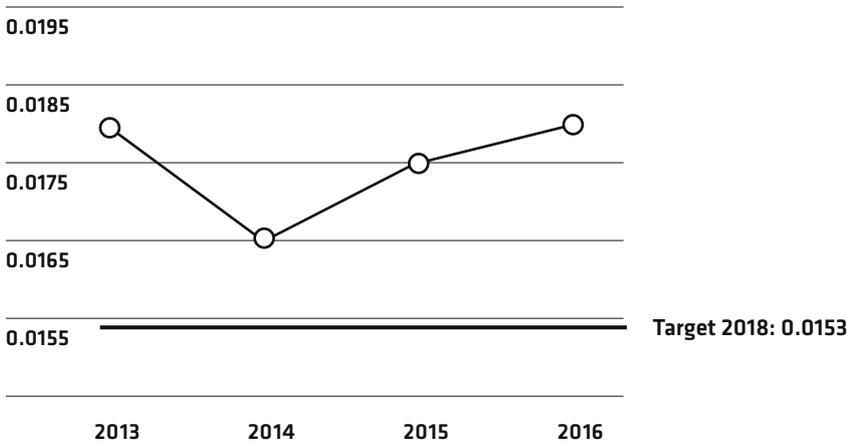
DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH

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 & Sustainability 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 regarding effluents and waste.
- **Benchmarking:** Sika started to compare waste generation per product unit internally through factory reporting and to benchmark with other similar companies.
- **Internal reports:** The company introduced a report for the production facilities on material efficiency and consumption in 2014 and prepared another report in 2016.

The evaluation showed that although it is a key priority, Sika did not achieve the target on waste reduction 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.

Waste (ton) / ton sold



2. TOPIC SPECIFIC DISCLOSURES

DISCLOSURE 306-1: WATER DISCHARGE BY QUALITY AND DESTINATION

Sika discharges around 1.2 million m³ of water (previous year: 1.6 million m³) in conformity with local legislation and permits. In many Sika factories, process water is collected in tanks, and cleaned in own or external treatment facilities. If collected and treated on site, water is tested as per local permits before discharge 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: 0.59 million m³ (previous year: 0.54 million m³)
- Water to surface water bodies: 0.62 million m³ (previous year: 1.0 million m³)

DISCLOSURE 306-2: WASTE BY TYPE AND DISPOSAL METHOD

Waste consists of 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, out of shelf life finished goods, and maintenance goods like oils and other utilities.

In total, Sika generated around 74,000 tons of waste (previous year: 70,000 tons), which accounts for around 1.8% of total volume handled by Sika (previous year: 1.7%).

Three quarters of the waste is non-hazardous. The category of reuse describes waste which finds a secondary use at lower value or a way into reprocessing, like metal recycling. Sika manages the disposal of waste through management systems according to ISO 14001 regulating the flow of materials and local documentation. ISO 14001 is in place at all production sites.

Total weight of non-hazardous waste:

- Non-hazardous: 56,000 tons (previous year: 50,000 tons)

Disposal method:

- Landfill: 24,000 tons (previous year: 21,000 tons)
- Incineration: 7,000 tons (previous year: 2,000 tons)
- Reuse: 26,000 tons (previous year: 27,000 tons)

Total weight of hazardous waste:

- Hazardous: 18,000 tons (previous year: 20,000 tons)

Disposal method:

- Incineration: 18,000 tons (previous year: 20,000 tons)

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

This goal was neither achieved in the current year nor cumulatively over the past 3 years. This is partly due to the change in the local sewage treatment plants acceptance conditions. Rinsing water, which contains even the smallest amounts of concrete additives, was thus recently declared as waste.

Large amounts of waste are minerals or sand from sand drying, oversized or undersized sieve residues or dust from air-filters and cleaning of mortar facilities. Amounts vary widely over the years resulting in deviations which are difficult to predict and manage. Sika has started to find commercial applications for some materials, e.g. aggregates for roadworks, allowing to take these inert materials off the waste balance. Furthermore, the company strives to reduce the generation of contaminated water, and to reduce the volume on the premises per low pressure distillation.

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.

DISCLOSURE 306-3: SIGNIFICANT SPILLS

Sika recorded 3 significant spills contained locally without environmental damage.

GRI 307: ENVIRONMENTAL COMPLIANCE

- Sika's major subsidiaries are certified according to ISO 9001 and 14001 as well as OHSAS 18001
- No deviation from the compliance standard in 2016

1. MANAGEMENT APPROACH DISCLOSURES

DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

Environmental compliance is a material topic for our operations across all regions. However, regulations vary very widely between regions and countries.

DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENT

Therefore, Sika delegates the responsibility for environmental compliance to the operating subsidiaries. They all have to sustain a management system according to ISO 14001, which includes legal compliance and a compliance assurance mechanism with internal and external controls.

In a management review with their teams, the General Managers of all companies assure that no compliance failures have occurred or fines have been incurred, and verify this to the Group Compliance Office annually.

DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH

Sika perceives this approach as effective in view of the absence of legal action against the subsidiaries.

2. TOPIC SPECIFIC DISCLOSURES

DISCLOSURE 307-1: NON-COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS

FINES AND SANCTION

In 2016, 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 ISO-certified subsidiaries have a process in place to help them understand regulatory requirements and changes. They maintain certified management systems according to ISO 9001 (Quality), ISO 14001 (Environment), and in some cases OHSAS 18000 (Health & Safety) and ISO 50001 (Energy efficiency). Most of Sika's subsidiaries work 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. Subsidiaries are audited by Legal and Internal Audit for compliance. General Managers are obliged to strictly adhere to applicable legislation and to supervise the subsidiary accordingly. End of 2016, they had to verify the level of compliance in their company together with their management teams, and confirm it through a global reporting system (the Compliance Confirmation). The reporting has not shown any deviation from compliance standards. Sika implements an Internal Control System according to Swiss public company law in all its subsidiaries to ensure adherence to these standards.

GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT

- Sika's major subsidiaries are certified according to ISO 9001 and 14001 as well as OHSAS 18001
- No deviation from the compliance standard in 2016

1. MANAGEMENT APPROACH DISCLOSURES

DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

Sika takes responsibility for sustainability along the value chain and includes suppliers. Since 2015, the "Supplier Code of Conduct", introduced in 2013, is binding for all new suppliers and is being gradually extended to existing suppliers. End of 2016, the Code was endorsed by a total of 3,390 suppliers. Sika thereby ensures that suppliers are informed of Sika's ethical, environmental, and social expectations and guidelines and that they carry out their processes in compliance with the Sika sustainability criteria.

Sika introduced a new Group-wide process that maps out the main sustainability principles (economic, social, and ecological) for supplier qualification and evaluation. The multistage supplier evaluation process has three central elements: It starts with the commitment to comply with the Supplier Code of Conduct and the completion of a self-report questionnaire. In unclear cases, the Purchasing department will follow up with sustainability audits before concluding a supply contract. Sika continued to implement this new process globally in 2016 with a special attention to new suppliers in high-risk geographic regions and industries.

DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENT

Documentation generated during supplier qualification, like audit and visit reports, supply agreements and specifications, is transparently recorded and stored on a dedicated platform introduced in the reporting year. The system enables buyers to inspect suppliers' qualifications and improve them in their countries as necessary.

DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH

Sika assesses the management approach as effective in view of the absence of social and environmental claims or legal action involving suppliers.

2. TOPIC SPECIFIC DISCLOSURES

DISCLOSURE 308-1: NEW SUPPLIERS THAT WERE SCREENED USING ENVIRONMENTAL CRITERIA

In the reporting year, all new suppliers were screened using ethical and environmental criteria.

GRI 400: SOCIAL

GRI 403: OCCUPATIONAL HEALTH AND SAFETY

- Further decrease of number of accidents
- Number of OHSAS certifications increased
- Different safety programs established in all regions

1. MANAGEMENT APPROACH DISCLOSURES

DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

The 17,419 Sika employees and the leased labor worldwide stand at the center of Sika's success. Providing a healthy and safe work environment is a key commitment of Sika. As a specialty chemicals company with relatively labor-intensive production, small operations and large material throughputs, the production processes of Sika involve health and safety risks for its employees.

With 9,5 accidents per 1,000 employees Sika is further improving the safety performance. 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.

DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS

Sika's management approach for occupational health and safety intends 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:

- 5% less accidents per year (Baseline 2013)

RESPONSIBILITIES

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

POLICIES

- Guideline: Sika Site Safety System, in Corporate Management System
- Supplier Code of Conduct. Please consult: www.sika.com

SPECIFIC ACTIONS

- **OHSAS Certification:** 32 legal entities, including their headquarters, are certified according to OHSAS 18001. In some countries several locations of the same legal entity are certified according to OHSAS 18001, in total 61 operational units (plants, warehouses, and technology centers).
- Sika has devised the **Sika Site Safety Program** to reduce accident rates and promote prevention. This is a program for local companies, defining the preventive elements a Sika company must have in place. 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 regarding compliance with the Supplier Code of Conduct, which includes Environment, Health and Safety requirements, and corrective actions if necessary.

DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH

Sika evaluates its management approach through:

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

Furthermore, Sika monitors and evaluates the effectiveness of its management approach according to target achievement. The management approach has been reviewed and proven to be effective.

2. TOPIC SPECIFIC DISCLOSURES

DISCLOSURE 403-2: TYPES OF INJURY AND RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM, AND NUMBER OF WORK-RELATED FATALITIES

Injury rate per 1,000 employees, by region

- GROUP: 9.5
- EMEA: 13.6, Asia/Pacific: 1.9, North America: 6.5, Latin America: 9.9

Lost days rate per 1 million working hours

- GROUP: 115
- EMEA: 173, Asia/Pacific: 22, North America: 91, Latin America: 139

As accident data from the subsidiaries is processed anonymously, a breakdown by gender at Group level is not possible.

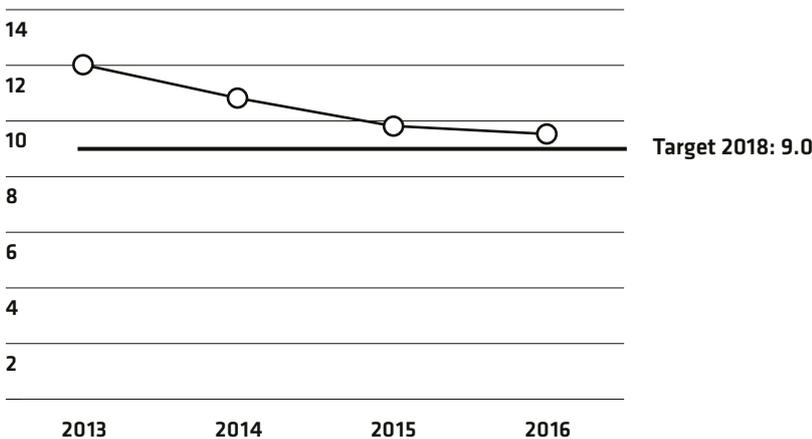
In 2016, Sika had a lost time rate of 9.5 accidents / 1,000 employees (previous year: 9.7).

The companies reported 177 accidents (> 1 day of absence from work, excluding the day of the incident) compared to 176 in the previous year. The EMEA region accounted for 124 accidents, North America for 13, Latin America for 31, and APAC for 9.

The rate includes leased labor (1,709 heads) not on Sika's payroll. 22 contractor accidents occurred on Sika premises (previous year: 17). Sika excludes construction and project activities from the accident reporting. One Sika operator had a severe accident which ultimately led to his demise.

32 legal entities, including their headquarters, are certified according to OHSAS 18001. In some countries several locations of the same legal entity are certified according to OHSAS 18001, in total 61 operational units (plants, warehouses, and technology centers). The status of the legal entities can be found in Sika's Annual Report.

Accidents / 1000 employees



GRI 404: TRAINING AND EDUCATION

- Performance and talent management system
- Trainings offered by Sika Business School, and job specific trainings
- In total 216,220 hours of training for employees

1. MANAGEMENT APPROACH DISCLOSURES

DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

With more than 17,000 employees worldwide, Sika sees training and education as crucial for qualifying, retaining, and grooming the capabilities of its workforce. The company has a large proportion of longtime associates and is aware that it needs to keep these colleagues in particular up to date regarding their relevant knowledge and capabilities.

DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS

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

COMMITMENT

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, to keep up with 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 regarding training and education but strives to offer every Sika employee at least 10 hours of training each year, and managers a fully-fledged training seminar.

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 many years. Designed to identify and develop managers' skills, it facilitates systematic employee succession planning in the respective organizations, while promoting company growth by continually 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. One key activity in the year under review was the development and launch of the Sustainability Academy program within the framework of the Sika Business School. This program sets out to train employees from national subsidiaries as sustainability experts to enable them to press ahead with implementing the "More Value - Less Impact" strategy at a local level. The first course was attended by employees from various business segments from 15 countries in the EMEA, North America, Latin America and Asia/Pacific regions. The interaction between trainer, experts, and participants as well as the discussion of key elements of Sika's strategy, best practice examples, group work, presentations, and sharing of project and technical experience were viewed as positive by all involved. The Sustainability Academy will be repeated in 2017 and is set to become an integral part of the Sika Business School's training program. The aim is to initiate even more activities in the sustainability focus areas and achieve further progress.
- **Curricula** 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

DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH

Sika evaluates its management approach through:

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

Furthermore, Sika monitors and evaluates the effectiveness of its management approach according to target achievement. The management approach has been reviewed and proven to be effective.

2. TOPIC SPECIFIC DISCLOSURES

DISCLOSURE 404-1: AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE

With more than 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, sustainability, sales and marketing, and technical faculties. Sika collaborates with universities to gain access to up-to-date knowledge. In 2016, 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 regarding training and education but strives to offer every Sika employee at least 10 hours of training each year, and managers a fully-fledged training seminar.

The total number of training hours reported by the local companies amounted to 12.4 hours per employee on average (2015: 11.9 hours). As training data from the subsidiaries are processed anonymously, Sika does not provide a breakdown by gender at Group level yet.

DISCLOSURE 404-3: PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS

20% of Sika employees are in management functions and receive regular performance and career development reviews.

TALENT MANAGEMENT

The leadership program is directed at talented company employees at global and regional level.



GRI 405: DIVERSITY AND EQUAL OPPORTUNITY

- Sika is an equal opportunity employer
- Sika Senior Managers from 49 nations

1. MANAGEMENT APPROACH DISCLOSURES

DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

Sika's worldwide presence makes the integration of widely differing cultures and the global exchange of knowledge and experience absolutely essential. 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.

Location of Sika Senior Managers	Nationalities	Regional split %
EMEA	28	40
Asia/ Pacific	16	17
Latin America	12	10
North America	7	10
Corporate Organization	10	23

DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS

Until now, diversity has not been actively measured and managed. Based on the outcomes of the measurements in 2015, Sika will introduce relevant management processes. Sika strives in particular to increase the proportion of women in managerial and commercial positions. Women account for 22.7% of total headcount (2015: 22.3%) and 17.4% of managers (2015: 16.6%). Sika is committed to provide equal opportunities for all our employees.

POLICIES

- Code of Conduct. Please consult: www.sika.com

DISCLOSURE 103-3: EVALUATION OF THE 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 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.

2. TOPIC SPECIFIC DISCLOSURES

DISCLOSURE 405-1: DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES

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.

Diversity

Sika's global presence and associated proximity to customers make it extremely important to integrate different cultures and share experience and know-how across national boundaries. 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. At courses and seminars, Sika managers are encouraged to give high priority to diversity in team and project planning. Sika counts more 49 nationalities among its senior managers.

Women account for 22.7% of the total headcount (previous year: 22.3%) and 17.4% of managers (previous year: 16.6%). Sika is constantly working to increase these figures.

DIVERSITY AT SIKA

People of different origins bring new perspectives.

At Sika, the assimilation of different ways of thinking and living serves to unlock new potential.



GRI 412: HUMAN RIGHTS ASSESSMENT

- Code of Conduct refers to Human Rights Assessment
- Supplier management considers Human Rights Assessment
- Compliance confirmation signed by all Sika General Managers

1. MANAGEMENT APPROACH DISCLOSURES

DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

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 and sees it therefore as its responsibility to assess its own operations with regard to potential human rights violations.

Sika's Code of Conduct requires all employees to comply with applicable laws and regulations. At any location where Sika has operations this clearly excludes child labor and forced labor. For the reporting year, Sika has had no indication or reports about human rights violations within its own entities. This has been confirmed by the General Managers in a reporting system, the "Compliance Confirmation". The 100% response rate and completeness of the details provided suggest no human rights violations to be reported. The new Compliance Checklist distributed to General Managers specifies the requirements pursuant to the Sika compliance system, including training and information to staff about human rights (freedom of association, if permitted by local laws, no discrimination, no child or forced labor). In line with Sika's holistic approach to compliance, this checklist is relevant to the operations of all functional units in the Sika companies in all Regions.

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 plans to assure and monitor that Group companies protect human rights. Sika will implement a more coordinated management approach in 2017 with regard to human rights assessments.

DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS

General Managers and the local management team have the obligation to ensure, supervise, and monitor the protection of human rights for their area of responsibility in their companies. In the signed Compliance Confirmation, General Managers are asked to report yearly on human rights and confirm the following:

- to have implemented and communicated that child labor is strictly prohibited and confirm that child labor does not take place in their company,
- to have implemented and communicated the right of freedom of association in their company,
- to have implemented and communicated the non-discrimination principle as per Sika's Code of Conduct in their company, and no apparent cases are unresolved.
- no apparent cases of forced labor exist in their company.

As clearly stated in the Compliance Confirmation, which is signed and acknowledged by each General Manager each year:

- Sika promotes equal opportunities and fair treatment in employment and occupation. Discrimination is the act and result of treating people unequally by imposing unequal burdens or denying benefits rather than treating each person fairly on the basis of individual merit.
- Sika ensures the right of workers and employers to establish and join organizations of their own choosing without the need for prior authorization.
- Sika prohibits "Forced or compulsory labor", which refers to works and services which are exacted from any person under the menace of any penalty and for which the said person has not offered herself or himself voluntarily. The most extreme examples are slave labor and bonded labor, but debts can also be used to maintain workers in a state of forced labor (for example: withholding identity papers or requiring compulsory deposits)
- Child labor is strictly prohibited at Sika. The term "child" refers to any person under the age of 15 years or under the age of completion of compulsory schooling (whichever is higher).

COMMITMENT

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 has integrated 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 assessed compliance with human rights through its internal Group auditing activities, and will continue to improve the audit agenda to achieve a broader coverage. General Managers have given account of the local human rights situation and their observations in this regard through the Compliance Confirmation 2016. (See also chapter compliance).

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.

As clearly stated in Sika's Supplier Code of Conduct, Sika is committed to high ethical standards and to sustainability in its relationships with employees, shareholders, customers, suppliers, competitors, governments, communities, and to the environment. Sika follows the principles of the United Nations Global Compact. Therefore, Sika expects suppliers to observe equal standards of professional conduct and integrity in particular in their relationship with Sika, their employees, and their sub-contractors. Suppliers recognize that their compliance with this code of conduct is an essential element of Sika's vendor qualification. Suppliers' conduct is governed by high ethical, safety & environment, and sustainability standards. The supplier has taken note of Sika's Code of Conduct and will in its dealing with Sika not support any conduct which constitutes a violation of that Code.

In particular, on social and working conditions, suppliers commit to respect the provisions of the UN Universal Declaration of Human Rights and the Conventions of the International Labor Organization in regards to:

- Prohibition and elimination of child labor and forced labor
- Freedom of association and collective bargaining
- Promotion of equal opportunity and fair treatment in employment and occupation
- Safe and healthy working conditions
- Payment of living wages and regular employment entitlements
- Non-excessive working hours.

Suppliers commit to have systems in place to ensure the proper instruction, training, and auditing of their personnel and sub-contractors to ensure compliance with these principles. To the extent Sika is directly concerned, suppliers will immediately inform Sika of any violations of Sika's Supplier's Code of Conduct detected.

Screening of new suppliers: Based on the requirements set out in the Supplier Code of Conduct, Sika requires its new suppliers to perform a self-assessment.

- Procurement 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 and will include this in the scope of audit and evaluation of suppliers.

DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH

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

2. TOPIC SPECIFIC DISCLOSURES

DISCLOSURE 412-1: OPERATIONS THAT HAVE BEEN SUBJECT TO HUMAN RIGHTS REVIEWS OR IMPACT ASSESSMENTS

General Managers are obligated to strictly adhere to legal practices and to supervise the subsidiary accordingly. Also, they are responsible for taking preventive action and training. Human rights reviews are included in the annual Compliance Confirmation letters filled in and signed by the General Managers, the internal audit program and the legal audits which are performed regularly in subsidiaries. Around a total of 30 audits (internal and legal audits) are performed annually, corresponding to around 20% of Sika's subsidiaries.

As part of the new Compliance Checklist 2017, General Managers are asked to implement and communicate in their companies the following Human Rights principles:

- non-discrimination (including sexual harassment)
- child labor is strictly prohibited
- freedom of association (without need of prior approval) – unless prohibited by local laws
- forced labor

This checklist provides also specific explanations about the above Human Rights:

- Discrimination: is the act and result of treating people unequally by imposing unequal burdens or denying benefits rather than treating each person fairly on the basis of individual merit.
- Child: refers to any person under the age of 15 years or under the age of completion of compulsory schooling (whichever is higher).

As mentioned above, Sika has gained confidence through the verification by the management teams and the Compliance Confirmation letters that all companies adhere to the human rights charter as set out in the Code of Conduct and no violations or incidents have been reported.

MAKE A DIFFERENCE

In September 2016, 50 Sika volunteers spend one day improving the quality of a community center building in Chicago.



GRI 413: LOCAL COMMUNITIES

- Target for community projects achieved
- Donation and sponsoring projects in all regions
- Collaboration with NGO's

1. MANAGEMENT APPROACH DISCLOSURES

DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

Sika employs more than 17,000 people in 97 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.

Sika is contributing with targeted project sponsorship to enhancing the social development of the local communities where it operates.

DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS

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

COMMITMENT

Sika is committed to building trust and creating value with its customers, communities, and society. 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:

- 5% more projects per year (Baseline 2013)

RESPONSIBILITIES

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

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).

DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH

Sika evaluates its management approach:

- 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").

The planning and implementation of social sponsoring/donation projects must consider the following procedure:

- 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 m, by the Chairman for projects above CHF 1.0m.
- Board of Directors: Receives report / summary from the CEO (status of all approved projects).

Sika monitors and evaluates the effectiveness of its management approach according to target achievement. The management approach has been reviewed and 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.

2. TOPIC SPECIFIC DISCLOSURES

DISCLOSURE 413-1: OPERATIONS WITH LOCAL COMMUNITY ENGAGEMENT, IMPACT ASSESSMENTS, AND DEVELOPMENT PROGRAMS

Sika employs more than 17,000 employees in 97 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 social projects, 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 2016 Sika supported 90 projects (previous year: 83 projects), a year-on-year increase of 8%. About 30% of all Sika subsidiaries are running social and/or community projects.

GRI 414: SUPPLIER SOCIAL ASSESSMENT

- Supplier Code of Conduct, supplier qualification and evaluation process established
- 3,390 suppliers signed Supplier Code of Conduct, all new suppliers screened

1. MANAGEMENT APPROACH DISCLOSURES

Regarding Management approach please refer to GRI 308

2. TOPIC SPECIFIC DISCLOSURES

DISCLOSURE 414-1: NEW SUPPLIERS THAT WERE SCREENED USING SOCIAL CRITERIA

Sika also assumes responsibility for the supply chain. Since 2015, the Supplier Code of Conduct, introduced in 2013, is binding for all new suppliers and is being gradually extended to existing suppliers. The agreement was endorsed by a total of 3,390 suppliers. Sika thereby ensures that suppliers are informed of Sika's ethical, environmental, and social expectations and guidelines and that they carry out their processes in compliance with the Sika sustainability criteria.

Sika introduced a new group-wide process that maps out the main sustainability principles (economic, social, and ecological) for supplier qualification and evaluation. The multi-stage supplier evaluation process has three central elements: It starts with the commitment to comply with the Supplier Code of Conduct and the completion of a self-report questionnaire. In unclear cases, the Purchasing department will follow up with sustainability audits before concluding a supply contract. Sika continued to implement this new process globally in 2016 with a special attention to new suppliers in high-risk geographic regions and industries.

Documentation generated during supplier qualification is transparently recorded and stored on a dedicated platform. The system enables buyers to inspect suppliers' qualifications and improve them in their countries as necessary.

Sika continued the implementation of its worldwide process that map out the main sustainability principles for vendor qualification and evaluation (multi-stage vendor qualification process). Also in 2016 procurement employees in the company have been trained using a systematic supplier audit method. These procedures are designed to ensure compliance with international labor standards and prescribed quality, environment, safety, and health criteria.

Sika has been implementing this new process globally in 2015, collecting evidence and documents on a newly created globally available platform. 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.

GRI 416: CUSTOMER HEALTH AND SAFETY

- Global EHS software implementation with one common data base
- Product stewards for all finished goods categories
- Trainings for all involved local users, benchmarking, and quality control

1. MANAGEMENT APPROACH DISCLOSURES

DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

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.

Sika's performance with regard to assessment and improvement of the health and safety impacts of its products is considered state of the art after completion of a global EHS software implementation with one common data base, product stewards for all finished goods categories, trainings for all involved local users, benchmarking, and quality control.

DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS

Sika's management approach for customer health & safety is intended to avoid negative impacts through its products. The management approach includes the following components:

COMMITMENT

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 lies with the local organizations, and finally with the General Manager. The responsibility for product data regarding Health & Safety lies with Corporate Product Stewardship.

POLICIES

- Supplier Code of Conduct
- Product Stewardship Guidelines of the Group
- Banned substances policy
- Sika's Labelling Guidelines

Please consult: www.sika.com

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 for construction chemicals suppliers regulates that health and safety impacts are managed along the value chain:
 - Raw materials supply to the factory,
 - Handling in factory (workplace safety of employees),
 - Manufacturing of products (workplace safety of employees),
 - Packaging of products (workplace safety of employees),
 - Shipping to customers (dangerous goods regulation),
 - Storage (customer safety),
 - Application (customer safety),
 - Use phase (customer safety),
 - End of life (customer safety).Customer health & safety is therefore crucial for Sika and is considered in chemical development 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.
- **The Sika Banned Substance Policy** regulates the use of carcinogenic, mutagenic, and reprotoxic chemicals (CMR) in Sika operations and incorporation of CMR substances into sales products. In principle, Sika is not allowing CMR substances in sales products over a defined concentration, and use in production is subject to specific permits.
- **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.

DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH

The company considers this management approach to be effective.

2. TOPIC SPECIFIC DISCLOSURES

DISCLOSURE 416-1: ASSESSMENT OF THE HEALTH AND SAFETY IMPACTS OF PRODUCT AND SERVICE CATEGORIES

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 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

GRI 417: MARKETING AND LABELLING

- Packaging and labelling controlled and managed for local compliance, and the Sika branding and labelling rules.

1. MANAGEMENT APPROACH DISCLOSURES

DISCLOSURE 103-1: EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

As Sika markets chemical products, labelling, safety and environmental data, and information for customers are material and apply to all products which are not articles.

DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS

The overall goal is that all raw materials, products, and services are assessed on health and safety impacts. Therefore, we classify all pure substances, raw materials, intermediates, and finished goods for their hazard potential and comply with chemical regulations for registration, labelling, packaging, and transport.

Local line management has the overall responsibility to assure that all products placed on the market are in compliance with the requirements of the local legislation and customers, and to assign a product stewardship role to manage raw material and finished goods data, customer safety information, and labelling. This role collaborates with Global Product Stewardship.

Local tasks are:

- approval of labels for the country
- creation and approval of local Safety Data Sheets and packaging
- entry of local raw material and finished goods data into the databases
- support the local organization in all product safety related matters
- support customers in their requests on product safety
- implement and enforce the banned substance program

All products (except articles) have to be accompanied by a Safety Data Sheet in accordance with the legal requirements of the country and in the required language(s). Packaging and labelling has to be controlled and managed for local compliance, and the Sika branding and labelling rules.

DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH

The company perceives the management approach to be effective.

2. TOPIC SPECIFIC DISCLOSURES

DISCLOSURE 417-1: REQUIREMENTS FOR PRODUCT AND SERVICE INFORMATION AND LABELLING

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

SIKA AG
Zugerstrasse 50
6341 Baar
Switzerland

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

