



ORGANISATIONAL RULES SIKA AG AND SIKA GROUP

MAY 2019

BUILDING TRUST



CONTENTS

ORGANISATIONAL RULES BOARD OF SIKA AG AND SIKA GROUP	3
1. INTRODUCTION	3
2. GENERAL PROVISIONS	3
3. BOARD	5
4. CHAIRMAN	6
5. VICE-CHAIRMAN OF THE BOARD	6
6. NOMINATION- AND COMPENSATION COMMITTEE (NCC)	6
7. AUDIT COMMITTEE (AC)	6
8. CHIEF EXECUTIVE OFFICER (CEO)	7
9. GROUP MANAGEMENT (KL)	7
10. VICE EXECUTIVE OFFICER	7
11. KL MEMBERS	8
12. BOARDS OF DIRECTORS OF SUBSIDIARIES	8
NOMINATION AND COMPENSATION COMMITTEE CHARTER	12
1. FUNCTION	12
2. COMPOSITION	13
3. ORGANISATION, MEETINGS	13
CHARTER OF THE AUDIT COMMITTEE	14
1. FUNCTION	14
2. DUTIES	14
3. COMPOSITION	15
4. ORGANISATION, MEETINGS	16
EFFECTIVE DATE	16

ORGANISATIONAL RULES BOARD OF SIKA AG AND SIKA GROUP

1. Introduction

These Organisational Rules are based on art. 716a and 716b of the Swiss Code of Obligations and on art. 10.2 of the Articles of Incorporation of Sika AG. They define the duties, powers and responsibilities of the following executive bodies of Sika AG and the Sika Group:

- the Board of Directors (“Board”) and each of its members
- the Audit Committee (“AC”)*
- the Nomination and Compensation Committee (“NCC”)*
- the Chairman of the Board (“Chairman”)
- the Vice-Chairman of the Board
- the Chief Executive Officer (“CEO”)
- the Vice Executive Officer
- the Group Management (“KL”) and each of its members
- Board of Directors of local subsidiaries

*AC and NCC are jointly referred to as Board Committees

2. General Provisions

2.1. Duty of Care

The members of the executive bodies of Sika shall carry out their duties with due care and shall at all times safeguard the interests of Sika. In doing so, they must comply with Sika’s Values and Principles, its Code of Conduct as well as all other applicable rules.

2.2. Delegation and Direction of the Group

- a. Except as otherwise provided by law, the Articles of Incorporation or these Organisational Rules, all areas of management are fully delegated by the Board, with the power to sub-delegate, to the CEO, the KL and its members.
- b. Except as otherwise provided by law, the Articles of Incorporation or these Organisational Rules, the CEO, the KL and its members may delegate their tasks and powers to any hierarchically lower executive body or business unit of Sika that is able, based on its knowledge and experience, to take adequate decisions.
- c. The executive bodies of Sika AG, as the parent company of the Sika group of companies (“the Group”), exercise at the same time the direction of the Group. The Group and Sika AG are jointly referred to as “Sika”.

2.3. Confidentiality, Conflict of Interest

- a. Board and KL members are bound by a duty of confidentiality towards Sika for all non-public information which they have received in connection with their function. This obligation continues even after their term of office has expired.
- b. Board and KL members do not participate in decisions on matters which may affect their personal interests or the interests of any person closely connected to such member. Members will immediately advise the Chairman (for the Board) or the CEO (for the KL) of any potential conflict of interest. Chairman or the CEO may decide in the interest of Sika to exclude a conflicted member also from the deliberations on the respective topic.

2.4. Meetings and Decisions

- a. Meetings are held periodically, and in addition, when matters require it or on the written request of one of the members of the body concerned. Except for urgent cases, the invitation for a meeting and relevant documents must be sent out at least five working days before the meeting.
- b. Decisions may only be taken if the majority of the members of the respective body are present. Decisions may be taken by circular vote (including telefax and electronic data transmission) or by telecommunication (including telephone, videoconference, etc), provided that none of the members requests a formal meeting.
- c. The decisions of the Board, the Board Committees and the KL are adopted by the absolute majority of votes cast. The Chairman of the meeting has the casting vote.
- d. The meetings and the respective resolutions of the Board, the Board Committees and the KL are minuted and the minutes are distributed to the members of the respective body. Minutes of meetings of the Audit Committee and the Compensation and Nomination Committee are also distributed to the other members of the Board.

3. Board

3.1. Duties

The Board is responsible for the overall direction and control of the management of Sika. Its duties include the following:

- a. determine its strategy, the financial planning and its fundamental policies and rules
- b. establish the organization
- c. approve the annual budget
- d. structure the accounting system and the financial controlling
- e. assess the risk management
- f. appoint and remove members of the KL, supervise them in particular with regard to the implementation of Sika's strategy and compliance with laws, rules and regulations
- g. prepare the shareholders meeting and implement its resolutions
- h. decide on certain business matters as defined in annex 1.

3.2. Organisation, Meetings

- a. The Board designates its secretary, who must not be a Board member.
- b. The Board convenes at the invitation of the Chairman at least five times a year. Except for Board only topics, CEO and CFO are present in all Board meetings, other KL members if required.
- c. Deliberations and decisions shall be minuted and signed by the Chairman and the secretary.

3.3. Assessment, Succession Planning

The Board periodically assesses its own functioning and ensures that appropriate succession planning is in place for its members. It further ensures that adequate competencies are represented among its members to allow for the proper performance of its duties.

3.4. Right to Information and Reporting

- a. Each Board member is entitled to timely and comprehensive reports on all aspects of Sika's business in accordance with the Board's duties. In every meeting, the Chairman, or, at the Chairman's instruction, CEO and CFO inform the Board about the status of business. The Board shall be advised immediately by the Chairman of any extraordinary events.
- b. If a member of the Board desires to obtain information or to review business documents outside of a meeting, a request to obtain such information or documents must be submitted to the Chairman. To the extent it is required for the fulfillment of the Board's duties, any member of the Board may submit a request to the Chairman to make records and files available to that member of the Board. If the Chairman declines a request for information, for a hearing or a review of records, the final decision will be taken by the Board.

4. Chairman

4.1. Duties

The duties of the Chairman include the following:

- a. convene, prepare and chair the Board meetings
- b. prepare and supervise the implementation of Board resolutions, unless such task is delegated to a Board Committee
- c. represent Sika to its shareholders and outside stakeholders. Also represent the Board within Sika
- d. supervise the course of business and the activities of the KL
- e. coordinate the work of the Board Committees; the Chairman receives all invitations and minutes of Board Committee meetings and is entitled to attend these meetings
- f. decide on certain business matters as defined in the annex.

4.2. Reporting

The CEO and the CFO report regularly to the Chairman. Extraordinary events must be reported immediately. The Chairman may attend meetings of the KL. He receives invitations and minutes of the KL meetings.

5. Vice-Chairman of the Board

If the Chairman resigns within the term of office or is otherwise unable to act, the Board shall appoint a Vice-Chairman who assumes all the Chairman's duties and powers for the respective period.

6. Nomination- and Compensation Committee (NCC)

6.1. Duties and Organization

The duties and organization of the NCC is defined in the attached charter of the NCC.

6.2. Reporting

The NCC Chairman informs the Board at each Board meeting of the activities of the NCC.

7. Audit Committee (AC)

7.1. Duties and Organization

The duties and organization of the AC is defined in the attached charter of the AC.

7.2. Reporting

The AC Chairman informs the Board at each Board meeting of the activities of the AC.

8. Chief Executive Officer (CEO)

The CEO reports to the Chairman. The KL reports to him. His include the following:

- a. Achieve the strategic objectives, set operational priorities and manage the necessary resources
- b. Lead and supervise and coach the other KL members
- c. Convene, prepare and chair the KL meetings
- d. regularly and timely inform the Chairman and the Board on the business
- e. Submits requests for approval to the Chairman and the Board
- f. Represents Sika with regard to operational aspects to the public (particularly customers, suppliers and the financial community).

9. Group Management (KL)

9.1. Duties

The KL is responsible for the operational management of Sika based on the resolutions of the Board with a view to reaching the budget and the strategic goals. The operational management includes, but is not limited to, the following:

- a. Preparation of all information necessary for resolutions to be adopted by the Chairman and the Board
- b. Implementation of resolutions of the Chairman and the Board also on the operational and functional levels
- c. Planning and development of junior management
- d. Approval of business matters as per Annex II
- e. Securing of timely and comprehensive reporting to the Chairman and the Board
- f. Decide on certain business matters as defined in annex 2.

9.2. Organisation, Meetings, Delegation

- a. The KL is led by the CEO. Regional Managers and Functional Managers are members. The KL meets at the invitation of the CEO as often as necessary.
- b. The invitation for the meeting and relevant documents must be sent out at least one weekend before the meeting.
- c. The KL may delegate the preparation, execution and monitoring of certain of its duties to individual KL members.

10. Vice Executive Officer

If the CEO is temporarily excused, the Board elects a Vice Executive Officer for this period who is fully authorized to act with the CEO's duties.

11. KL Members

11.1. Regional Manager

The Regional Manager has the following duties:

- a. Exercise the duties as member of the KL
- b. Assume full responsibility for the region with a view to achieving the budget and the strategic goals
- c. Represent the region in the KL and the latter to the companies and areas of the region
- d. Implement the resolutions of the Board, Chairman and the KL and exercises the necessary supervisory functions.

11.2. Functional Manager

The Functional Manager has the following duties:

- a. Exercise the duties as member of the KL
- b. Lead the functional area with a view to reaching the budget and the strategic goals
- c. Represent the functional area in the KL and the latter to the subordinates
- d. Implement the resolutions of the Board, Chairman and the KL and exercises the necessary supervisory functions.

12. Boards of Directors of Subsidiaries

12.1. Composition

Board of Directors of subsidiaries will only be maintained where legally required with the minimum amount of members, being the Regional and/or Area Manager as well as the Regional Controller. Other members are appointed by the KL. The General Manager is not a member, except where approved by the KL.

12.2. Duties

The Board of Directors' duties are in accordance with the local legal requirements and the personal duties of its members.

AUTHORITIES IN BUSINESS MATTERS**Investments and lease/rent obligations**

Thresholds	Board	Chairman	KL
Part of the annual budget or allocated to the KL-Reserve			
• up to CHF 20 mill.			Decision
• from CHF 20 mill. up to CHF 40 mill.	Info	Decision	Request
• in excess of CHF 40 mill.	Decision		Request
Not part of annual budget			
• up to CHF 10 mill. aggregated		Info	Decision
• from CHF 10 mill. to CHF 20 mill. aggregated	Info	Decision	Request
• in excess of CHF 20 mill. aggregated	Decision		Request
Rent or lease obligations			
• up to CHF 20 mill.			Decision
• from CHF 20 mill. up to CHF 40 mill.	Info	Decision	Request
• in excess of CHF 40 mill.	Decision		Request

Real Estate transactions, including lease or rent commitments > CHF 500'000 cannot be delegated below the level of KL. Thresholds for divestments are the same as budgeted investments.

M&A

Thresholds	Board	Chairman	KL
Non-binding offer			
• up to CHF 100 mill.	Info		Decision
• from CHF 100 mill. to CHF 200 mill.	Info	Decision	Request
• in excess of CHF 200 mill.	Decision		Request
Binding undertaking			
• up to CHF 20 mill.	Info		Decision
• from CHF 20 mill. to CHF 40 mill.	Info	Decision	Request
• in excess of CHF 40 mill.	Decision		Request

M&A includes any acquisition or divestment of an interest in third party entity, including the acquisition or divestment of a non-controlling interest and joint ventures.

Financing and Incorporation of Sika Companies

Thresholds	Board	Chairman	KL
External Debt Financing (principal transaction)			
• up to CHF 50 mill.			Decision*
• from CHF 50 mill. to CHF 100 mill.	Info	Decision	Request
• in excess of CHF 100 mill.	Decision		Request
Incorporation of Sika Companies	Info		Decision
Treasury as per separate treasury policy			
Parent Company Guarantees			
▪ up to CHF 20 mill.			Decision
▪ from CHF 20 mill. to CHF 40 mill.	Info	Decision	Request
▪ in excess of CHF 40 mill.	Decision		Request

* up to CHF 10 mill. delegated to the CEO/CFO

Personnel

Thresholds	AC	NCC	Board	Chairman	KL
Board					
Decisions by General Assembly			Request		
Composition AC			Decision	Request	
Chair AC, NCC			Decision	Request	
Secretary to the Board		Request	Decision		
Remuneration Chairman, Board			Decision*		
CEO					
▪ Appointment and dismissal		Request	Decision		
▪ Terms		Request	Decision*		
Other Group Management members					
▪ Appointment and dismissal		Request	Decision		
▪ Terms		Request	Decision*		
Other Direct Reports CEO					
▪ Appointment and dismissal		Info		Decision	
▪ Terms		Info		Decision	
Member Sika Senior Management					
Appointment and dismissal					Decision
Area Managers, General Managers					
▪ Appointment and dismissal					Decision
▪ Terms					Decision
Auditor					
▪ Terms	Decision				
Signatories of Sika AG to be registered in the Commercial Register					
• Appointment, dismissal			Decision		Request

*within the limits set by the General Assembly and the Articles of Association

NOMINATION AND COMPENSATION COMMITTEE CHARTER

1. Function

The NCC combines the functions of a nomination and compensation committee.

1.1. Duties in Nomination Matters

The NCC presents findings and proposals to the Board (where applicable) on the following matters:

- a. Identification and assessment of potential candidates to positions on the Board based on predefined criteria
- b. Yearly assessment of the Board and the Board Committees with regard to their performance, constitution and independency
- c. At least yearly assessment of the performance of each member of the KL
- d. Identification and assessment of potential candidates to the position of CEO
- e. Review of candidates for other KL positions as proposed by the CEO
- f. Yearly review and assessment of the succession planning and emergency succession list for positions of Group Management
- g. Other duties and tasks as the NCC Chairman deems necessary and appropriate.

1.2. Duties in Compensation matters

The NCC presents findings and proposals to the Board (where applicable) on the following matters:

- a. Compensation strategy and system including the principles and design of compensation plans as well as long-term incentive/equity plans for Group Management and other key employees
- b. All compensation matters to be approved by the General Assembly
- c. Individual compensation of the Chairman of the Board and the other members of the Board, including compensation for the work in the Board Committees
- d. At the start of each performance period, the performance objectives relevant for the incentive compensation plans applicable to the KL
- e. At the start of each performance period, the target compensation level and the mix of compensation (annual base salary, short-term incentive, long-term incentive) for each member of the KL
- f. At the end of each performance period, the evaluation of the performance results under the incentive plans and the respective amount of compensation earned for each member of the KL
- g. Possible amendments to the Articles of Incorporation with respect to the compensation provisions
- h. The annual compensation report
- i. Other duties and task as the NCC Chairman deems necessary and appropriate.

1.3. Other Duties

- a. Review of external additional mandates pursuant to Article 8.4 of the Articles of Association and further additional occupation of the members of the Board and of Group Management
- b. Establishment of an annual calendar of activities for the upcoming year, including special projects to be undertaken by the NCC
- c. Annual self-evaluation of the NCC performance
- d. Other duties as assigned by the Board.

2. Composition

- a. The Board appoints the Chairman of the NCC. In case of vacancies during the year, the Board appoints a substitute for the remaining term of office. Members of the NCC may be eligible for re-election.
- b. No member of the NCC shall have been employed by Sika during the two years prior to joining the NCC.

3. Organisation, Meetings

- a. The NCC meets at least four (4) times a year. As a general rule, the Chairman and the CEO attend the NCC meetings in an advisory capacity. The NCC Chairman may invite to its meetings other Board members, other Group Management members or other members of the management or such other persons the NCC deems appropriate in order to carry out its duties.
- b. The Chairman of the NCC or – in the event of incapacity – another member of the NCC chairs the meeting. The Chairman of the NCC determines the secretary.

CHARTER OF THE AUDIT COMMITTEE

1. Function

The AC assists the Board in overseeing the integrity of the financial statements, Sika's compliance with legal, tax and regulatory requirements, the external auditor's qualifications and independence, the performance of the external and internal audit and Sika's capital structure funding requirements as well as its financial and risk policies. The duties for each area are detailed below.

2. Duties

2.1. Duties in Finance Matters and Risk Management

The AC presents findings and proposals (where applicable) on the following finance and risk management matters at least annually:

- a. Finance directives and related accounting and reporting processes
- b. The management of the financial structure, the liquidity and funding strategy of the Company
- c. Hedging strategies and related risks
- d. Cash and liquidity management processes
- e. Use/increase of contingent/authorized share capital, increase of share capital and share buy-back.
- f. Processes and procedures for management's monitoring of any significant risks or exposures the Company may face
- g. Enterprise Risk Management report.

2.2. Duties with regard to Financial Statements

The AC presents findings and proposals (where applicable) on the following matters regarding the financial statements:

- a. Regular review of integrity and effectiveness of the financial reporting process and systems of internal controls
- b. Quarterly and annual audited financial statements, annual report prior to distribution
- c. Significant issues including audit problems or difficulties identified by the external auditors and the internal auditing organization together with management's responses
- d. Significant changes in the accounting principles and any items that are required to be communicated by the external auditors
- e. Earnings press releases as well as material financial information
- f. Legal, compliance and tax matters based on a review with the General Counsel, the Compliance Officer and the Tax Officer.

2.3. Duties in Compliance

The AC presents findings and proposals (where applicable) on the following compliance matters:

- a. Annual review of programs, directives and instructions designed to ensure compliance with applicable laws and regulations, in particular the Code of Conduct and monitor the results of the compliance efforts
- b. Major issues regarding the status of Sika's compliance with applicable laws and regulations, in particular reported violations of applicable laws and regulations.

2.4. Duties regarding the External Auditors

- a. Taking into account the opinions of KL, evaluate the performance of the external auditors and, on an annual basis, recommend to the Board the external auditors to be proposed to the shareholders for election or re-election
- b. On an annual basis, review and discuss with the external auditors all significant relationships the external auditors have with the Company that could impair the external auditor's independence
- c. Approve the compensation payable to the external auditors.

2.5. Duties in Internal Audit

- a. Approve the scope of the internal audit function as formally defined in the Internal Audit Charter.
- b. Review and approve the internal audit plan for each year taking into consideration the recommendation of the KL
- c. At least annually, review the efficiency and effectivity of Internal Audit
- d. Taking into consideration the recommendation of the CEO and the CFO, review and approve the appointment, termination and replacement of the Head of Internal Audit as well as the performance of that officer.
- e. Review the results of any external assessments of the internal audit function. Such assessments should be made once every five years.

2.6. Other Duties

- a. Annual self-evaluation of the AC performance.
- b. Other duties as assigned to by the Board.

3. Composition

- a. The Board appoints the Chairman and the members of the AC, each year after the (re-)election to the Board. In case of vacancies during the year, the Board appoints a substitute for the remaining term of office. Members of the AC may be eligible for re-election.
- b. Members of the AC must have a thorough understanding of finance, accounting and auditing.

4. Organisation, Meetings

- a. The AC meets at least three times a year.
- b. As a general rule, CFO and the CEO attend the meetings and advise the AC. The participation of others, in particular representatives of the External Auditor or the Internal Audit, lies with the discretion of the AC Chairman.
- c. The Chairman of the AC or – in the event of incapacity – another member of the AC chairs the meeting. The Chairman of the AC appoints the secretary.

EFFECTIVE DATE

These rules become effective as per 22.5.2019 and replace any earlier version of the Organisational Rules.

Baar, 2019



Paul Hälgi
Chairman of the Board