



SIKA – COMMITTED TO SUSTAINABLE PERFORMANCE

APRIL 2023

BUILDING TRUST



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CORPORATE GOVERNANCE – STRUCTURES AND RESPONSIBILITIES

CORPORATE GOVERNANCE

COMMITMENT TO OPENNESS AND TRANSPARENCY

- Good Corporate Governance safeguards the company sustainable development and performance
- The Board regularly assesses Sika's Corporate Governance against regulatory developments, and best practice standards



- Sika provides information on structures, processes, areas of responsibility, procedures, rights and obligations of stakeholders
- The Board aims to hold a transparent and open discussion with all stakeholders, considering their needs and views

CORPORATE GOVERNANCE

COMPLIANT WITH STANDARDS AND REGULATIONS

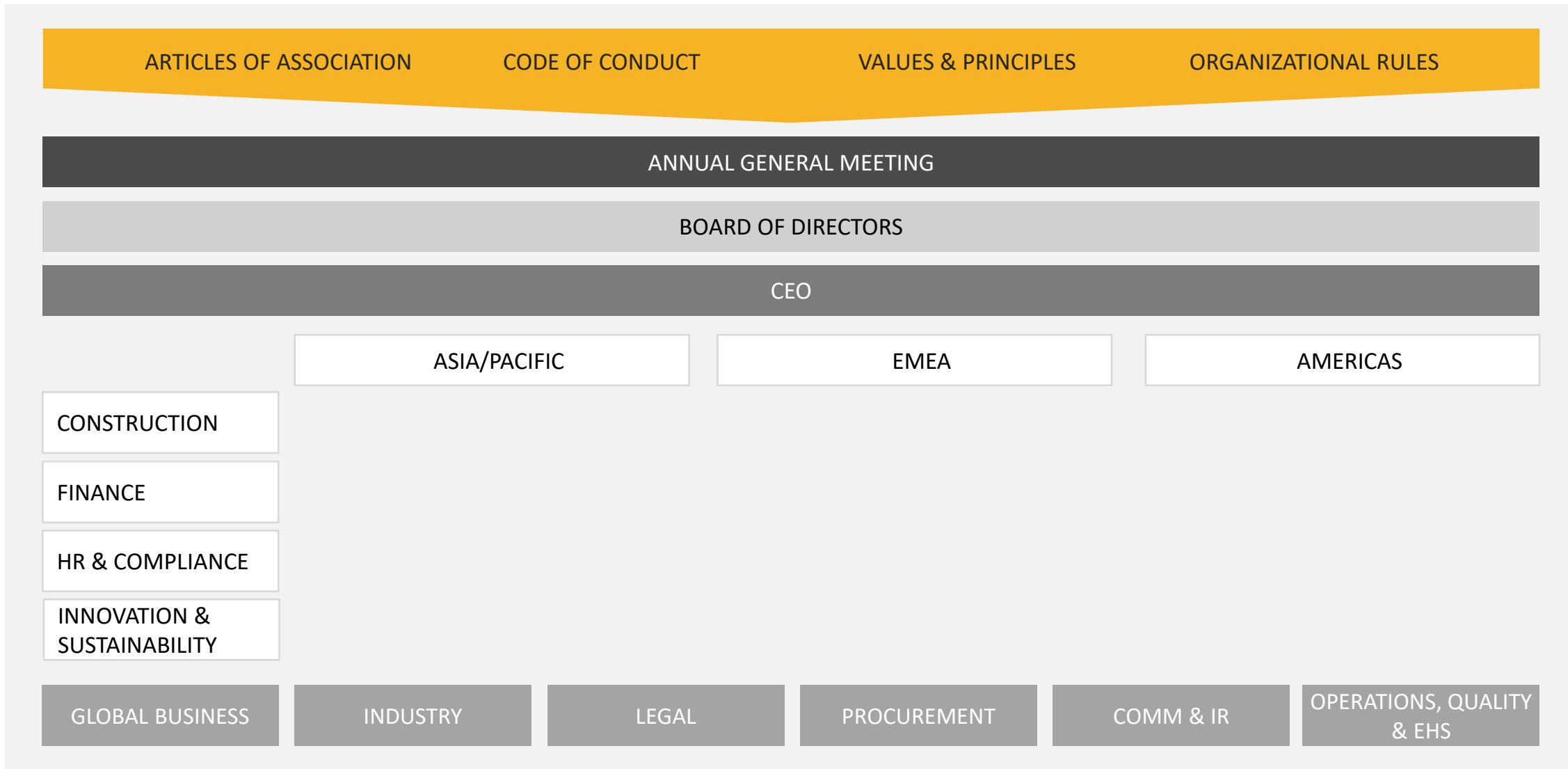
- Adheres to the SIX Swiss Exchange's Directive on Information Relating to Corporate Governance
- Follows the principles of the Swiss Code of Best Practice for Corporate Governance
- Aligned with various international frameworks (GRI, CDP, UN SDGs, UN Global Compact, WBCSD, TCFD, TNFD)
- Complies with all applicable local laws and regulations where business is conducted
- The Sika Code of Conduct is binding, even in cases where local laws are less stringent



An annual review is conducted to confirm the conformity with the Swiss Code of Obligations, the Ordinance against Excessive Remuneration (VegüV), the SIX Directive on Corporate Governance and the Sika Articles of Association concerning Board member independency and the number of external additional mandates

CORPORATE GOVERNANCE FRAMEWORK

STRUCTURES AND RESPONSIBILITIES



CODE OF CONDUCT (COC)

SIKA CULTURE: INTEGRITY AND ETHICAL CONDUCT

- Based on Sika's Values and Principles, available in 49 languages, read and signed by newly hired employees
- Revised version approved by the BoD and launched in September 2022, underscoring the strong commitment to sustainable development, incl. human rights and environmental protection
- It reflects all recent policy changes (e.g., Supplier CoC, Global Privacy Policy)
- Bi-annual commitment by Senior Management and General Managers, and regular trainings for all employees (incl. those joining through acquisitions)
- Violations reported to management or via Sika Trust Line



- HR & Compliance investigates reported misconduct, substantiated cases are reported to the Audit Committee
- Substantiated compliance violations lead to disciplinary action and/or organizational measures

SUPPLIER CODE OF CONDUCT (SCOC)

RESPONSIBLE SOURCING

- Commitment to high ethical standards and sustainability
- Recurring evaluation and screening processes in place
- Requirements include compliance with the following standards:
 - Universal Declaration of Human Rights
 - The core conventions of the ILO on labor standards
 - All applicable local, national and international laws concerning:



- Anti-corruption
- Fair competition
- Intellectual property, data and privacy protection
- Sanctions, non-proliferation, and export controls
- Environment, Health & Safety (EHS) protection

RESPONSIBLE SOURCING ENGAGEMENT IN “TOGETHER FOR SUSTAINABILITY”



- Initiative based on the UN Global Compact and Responsible Care® principles
- Sika is a member since 2020
- Active collaboration to assess the sustainability performance and positively impact its progress within the supply chain of the chemical industry
- Learning and sharing best practices in sustainability with other companies of the industry
- Sika takes part in several workstreams within the initiative:



- WS1: Define external offering of WS5 outputs beyond TfS members
- WS2: Evaluating future of TfS Assessments
- WS3: Evaluating future of TfS Audits
- WS5: Prepare for pilot of scope 3 data collection & sharing solution; define supplier engagement strategy

BOARD RESPONSIBILITIES

BOARD COMPOSITION AND SUCCESSION PLANNING

The Nomination and Compensation Committee (NCC) holds the responsibility for the succession planning. The duties of NCC includes:

- Identification and assessment of potential BoD candidates based on predefined criteria
- Yearly assessment of the Board and the Board Committees regarding performance, constitution and independency
- Yearly assessment of the performance of each member of the Group Management
- Identification and assessment of potential candidates to the position of CEO
- Review of candidates for other Group Management positions as proposed by CEO
- Yearly review and assessment of the succession planning and emergency succession list for positions of Group Management



It is of high relevance to have a well-balanced composition of the Board - with an independent majority – and an appropriate mix of members representing consistency and renewal.

BOARD RESPONSIBILITIES

BOARD COMPOSITION AND SUCCESSION PLANNING

- The composition of the Board of Directors should represent the necessary skills, qualifications, and diversity to be able to perform the required duties. Information on key skills and experience of the individual Board members is available on the website in the detailed view of each Board member

The Board skills matrix is used as a tool to evaluate existing and potential Board members

Criteria	Board Members								
	1	2	3	4	5	6	7	8	x
Experience									
Industry/Business Model									
Diversity – Balanced Gender and Geographic Representation									
Senior Leadership (CEO/Chairman)									
Global Organization/Geography									
Entrepreneurship									
Skill/Expertise									
Financial/Audit									
Strategy/Consulting									
Business Development/M&A									
Human Capital/Talent Development/Compensation									
Brand Value/Marketing/Sales									
Technology/Innovation/Sustainability									
Digital/E-Commerce									
Governance/Legal									
Operational/Manufacturing/Supply Chain									

37.5%

women on the Board

5.5 yrs

average tenure of Board members

100%

independent NCC

Source: [Board of Directors; Board Composition and Succession Planning](#)

BOARD RESPONSIBILITIES

RISK MANAGEMENT

- All risks are assessed in terms of a few basic questions:

Is the risk global or regional in scope?

How high is the probability of losses occurring?

What implications does the risk have for the group?

What measures need to be implemented to prevent the risk to mitigate its consequences?

- If a risk is rated critical in the overall assessment, effective measures are then taken to reduce the probability, prevent its occurrence, or limit its implications
- Internal audits are regularly conducted in all areas of operation
- Environmental, Social and Governance (ESG) risks are monitored with the help of external tools and screenings

RISK MANAGEMENT

RISK MANAGEMENT ALONG THE ENTIRE VALUE CHAIN

- Sika's risk management process is reviewed and updated on a regular basis, allowing the company to better identify potential risks and secure well-structured mitigation practices. Sika continues to use this risk management process stringently to ensure that any potential impact on the company and its customers is mitigated
- Top risks are reviewed and approved by the BoD and Audit Committee on a yearly basis

TOP RISKS			
STRATEGIC	OPERATIONAL	FINANCIAL	ORGANIZATIONAL
<ul style="list-style-type: none">■ Pressure on margins■ EHS requirements and regulations for products■ Country risk■ Climate change risk■ Multipolar world	<ul style="list-style-type: none">■ Product-related claims■ Talent shortage■ Business interruption■ Supply chain - direct material sourcing■ Cybersecurity risk■ Technology risk	<ul style="list-style-type: none">■ Impairments■ Currency fluctuation / FX risk■ Tax risk	<ul style="list-style-type: none">■ Reputation risk■ Hostile takeover / activism■ Loss of Sika's unique culture / entrepreneurship

Source: [Risk Management and TCFD Recommendations](#)

RISK MANAGEMENT

FOCUS: CLIMATE CHANGE

- Evaluating climate-related risks and opportunities related to its business and developing appropriate response measures, as required by the TCFD recommendations, are of vital importance to ensure long-term sustainable performance and the business continuity of Sika

Disclose the organization's governance around climate-related risks and opportunities

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material

Disclose how the organization identifies, assesses, and manages climate-related risks

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

BOARD RESPONSIBILITIES

CAPITAL ALLOCATION FOR SUSTAINABLE GROWTH

The strategic planning of capital allocation aims to ensure Sika's sustainable growth. It is a well-balanced approach which considers the interests of all stakeholders and all drivers for growth and profitability

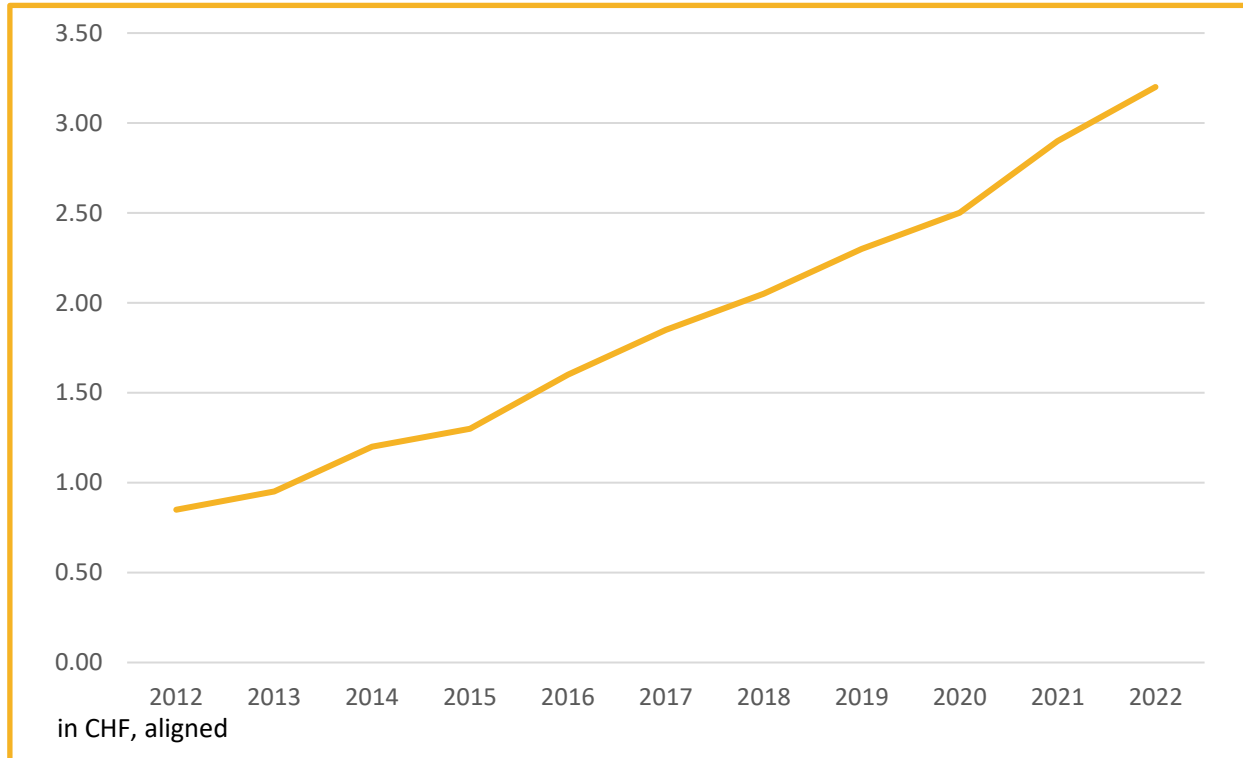


- Investments in R&D for a full pipeline of high-performing, sustainable innovations that contribute to a positive CO₂ impact by reducing energy and material consumption as well as increasing the use of recycled materials
- Initiatives to minimize resource consumption and environmental impact, improve health and safety, as well as increase efficiency at Sika sites worldwide
- Expansion of geographical production footprint to fully capture market potential
- Acquisitions are an integral part of the growth strategy
- Training and development of employees
- Dividend payout to shareholders

CAPITAL ALLOCATION

RELIABLE AND CONTINUOUS DIVIDEND PAYOUT

- Sustainable growth strategy: steady growth in sales (in local currencies) and profit. Shareholders benefit from annual increases in dividend. Consistent dividend payout is a sign of the company's reliability.



PERIOD 2013-2022:

- Average payout ratio: > 40%
- Payout increased every year in absolute numbers
- Dividend for 2022: +10.3%

STRONG CORPORATE CULTURE

STRONG CORPORATE CULTURE

SIKA'S VALUES AND PRINCIPLES

- Sika's Values and Principles are the foundation for the Code of Conduct
- They are put into action through strong leadership and by all employees every day, worldwide

Customer first

Courage for innovation

Sustainability & Integrity

Empowerment & Respect

Manage for results



VALUES AND PRINCIPLES

CUSTOMER FIRST

- Listen to customers, understand their needs and provide them with solutions that give them a real advantage – keep customers' success in mind
- Provide and maintain highest quality standards
- Build long-lasting and mutually beneficial relationships
- Provide professional service



VALUES AND PRINCIPLES

COURAGE FOR INNOVATION

- Sustainability is an integral part of the innovation process and development of new products
- Innovation management with focus on the Sika Product Creation Process
- Close alignment with customer and market needs
- Actively challenge and accept being challenged
- Consider innovation in all business activities; including a diverse workforce to foster it



VALUES AND PRINCIPLES

SUSTAINABILITY & INTEGRITY

- Comply with Sika's Code of Conduct
- Align daily business with Sika sustainability strategy
- Act with respect and responsibility towards all stakeholders
- Operate with strong focus on safety, quality, environment, fair treatment, social involvement, responsible growth and value creation
- Be active in the community



VALUES AND PRINCIPLES

EMPOWERMENT & RESPECT

- Decentralized, flat organization, decision power delegated very close to customers
- Believe in the competence and entrepreneurial spirit of employees
- Train and develop local people. Mainly local nationals running country organizations
- Foster trusting and respectful working relationships
- High priority on training and development as well as on promoting internal candidates



VALUES AND PRINCIPLES

MANAGE FOR RESULTS

- Aim for success, outstanding results and outperformance
- Pursue vision and targets with long-term view
- Functions and projects are clearly assigned, clear accountability
- Transparent performance management focused on well-defined KPIs
- Benchmarking/Best Demonstrated Practice



STRONG CORPORATE CULTURE

HIGH EMPLOYEE LOYALTY AND ENGAGEMENT

- Sika Senior Management roles are normally filled in-house or with managers joining from acquisitions
- The long-term employee prospects and the corporate culture are among the reasons behind Sika's low employee turnover
- Sika is proud that employees remain with the company for a long time and contribute their know-how and experience over a lengthy period



GLOBAL BUT LOCAL

THE SIKA STRATEGY AND ITS DECENTRALIZED IMPLEMENTATION



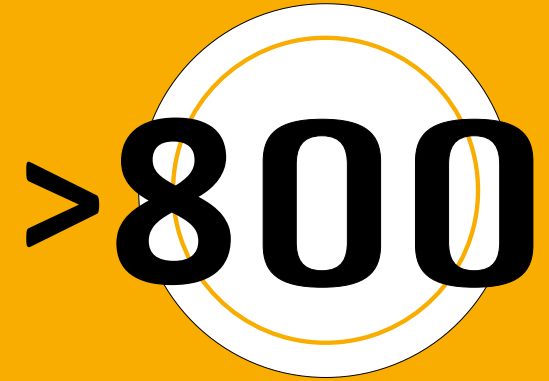
TARGET MARKETS

WHAT



NATIONAL SUBSIDIARIES

HOW



STRATEGIC OPPORTUNITIES

WHO/WHEN

STRONG CORPORATE CULTURE

EMPLOYEE SURVEY CONFIRMS LOYALTY AND ENGAGEMENT

- Group-wide employee survey conducted in 2019 with a response rate of 78% (14,600 employees)

The overall result of the survey showed an extremely high engagement rate with

86

index points out of 100



HIGHLIGHTS

- ✓ High sense of responsibility
- ✓ Feeling proud to work for Sika
- ✓ Strong commitment and identification with Sika's success
- ✓ Very trustful environment

EMPLOYEE SUGGESTIONS

- More cross-team collaboration
- Teams with greater diversity
- The fast growth of the company has led to the need for more support and simpler processes in some areas

STRONG CORPORATE CULTURE

SIKA DAY



Sika Day 2021

Together, we are committed to leadership, diversity and integrity.



Sika Day 2022

We promote a safety culture.
Never compromising on safety to protect our people.



Sika Day 2023

Caring for each other
beyond the expected

EMPLOYEE ENGAGEMENT TALENT DEVELOPMENT IS KEY

Consistent employee development with leadership programs on global, regional, and local level as well as for young talents

17,188

Sika learners reached with
online trainings in 2022

25.5%

women in talent pool



EMPLOYEE ENGAGEMENT

DIVERSITY ON ALL LEVELS

Commitment of Sika leaders

- Build an inclusive and attractive environment
- Non-discriminatory practices in employment
- Equal opportunities in the recruitment process and in the professional development of employees
- Increase the percentage of women in leadership positions

24.%

female
employees

43

nationalities among
Senior Managers

**Balanced age
structure**

with 13% below 30 years
of age and 25% above
50 years of age

25.0%

women in
Group
Management

GENDER DIVERSITY

DISTRIBUTION OF WOMEN IN SIKA

Representation of women in total work force: **24.0%**

Representation of women according to level

Company Management <small>(incl. Senior Managers and local Company Mgmt Teams)</small>	22.2%
Middle Management	23.2%
Staff	24.3%

Representation of women according to function

Above-average representation of women	Below-average representation of women
Research & Development	Sales
Finance	Operations
Communication & Marketing	Logistics
Human Resources	

A common route to Senior Management via Sales functions: increased focus on initiatives to promote women in Sales

GENDER DIVERSITY

ATTRACT, ENGAGE AND PROMOTE – EXAMPLES OF INITIATIVES

Attract

- Employer Value Campaign: employee testimonials featuring women in management and/or technical positions
- Women@Sales in LATAM: 18-month traineeship for young women encouraging them to pursue a career in sales
- More focus on providing flexible working arrangements

Engage

- LATAM: programs for talented women working in finance and as R&D chemists, with the goal of developing and promoting them to management positions
- USA: women's network created to understand and overcome the challenges women may face during their career

Promote

- Talent list: strong focus on gender diversity on Sika's talent list
- Training: more nominations of women for talent training programs
- Development: support female talents in their career advancement

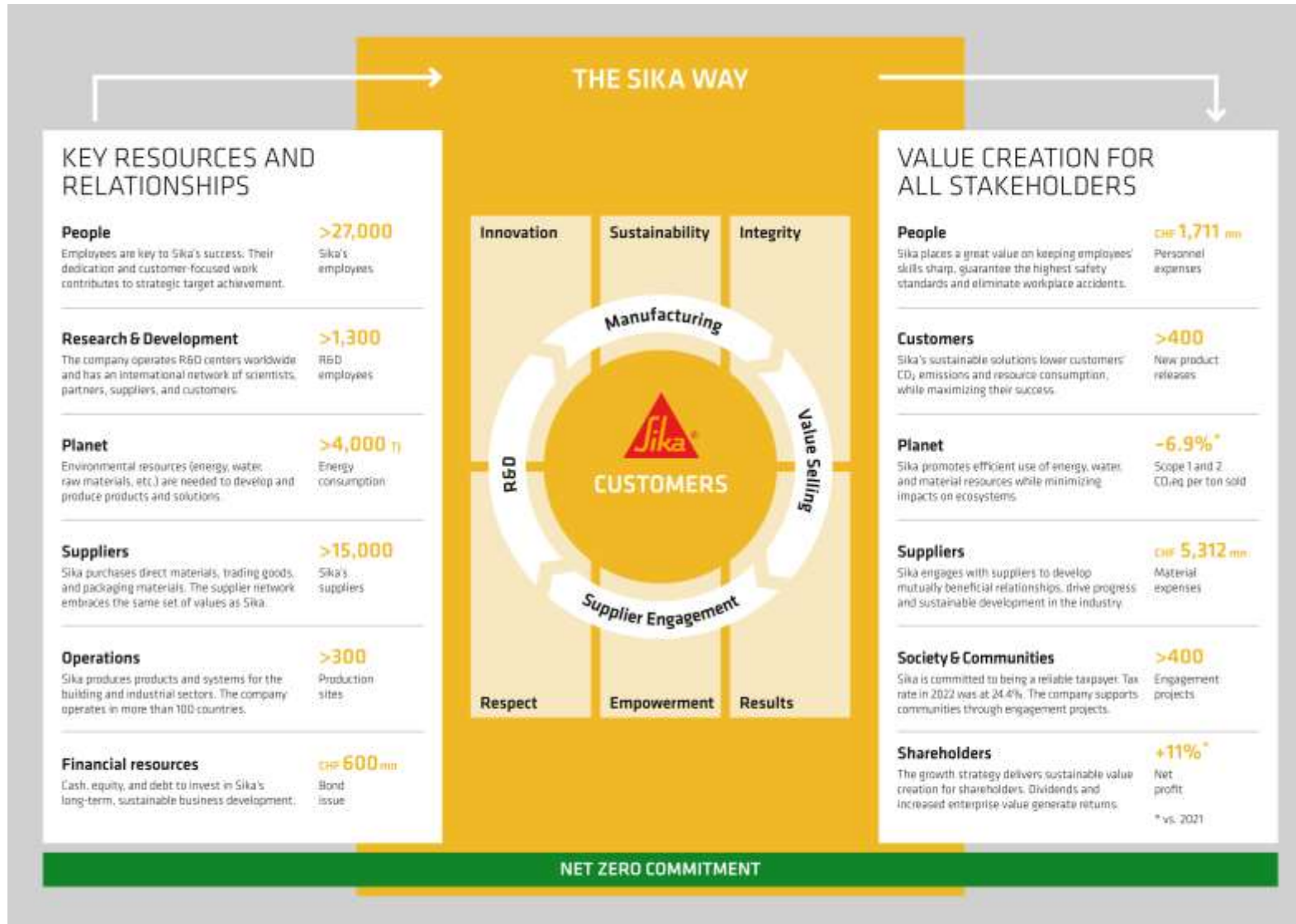


Overall responsibility and high priority for BoD and Group Management. **Global Diversity Steering Committee** sets up action plan, monitor and report on progress to BoD and Group Management.

SIKA IS COMMITTED TO SUSTAINABILITY

SIKA BUSINESS MODEL

SUSTAINABLE VALUE FOR STAKEHOLDERS



- Sika is well-positioned in both emerging and mature markets thanks to its global network of 101 subsidiaries, along with its first-class solutions that are tailored to customer needs.
- The company creates sustainable value for its stakeholders to whom the derived economic value is distributed.

SIKA IS COMMITTED TO SUSTAINABILITY

SUSTAINABLE PROFITABLE GROWTH

Very low CO₂ emissions:
16.4 kg per ton sold in 2022
(Scope 1&2)

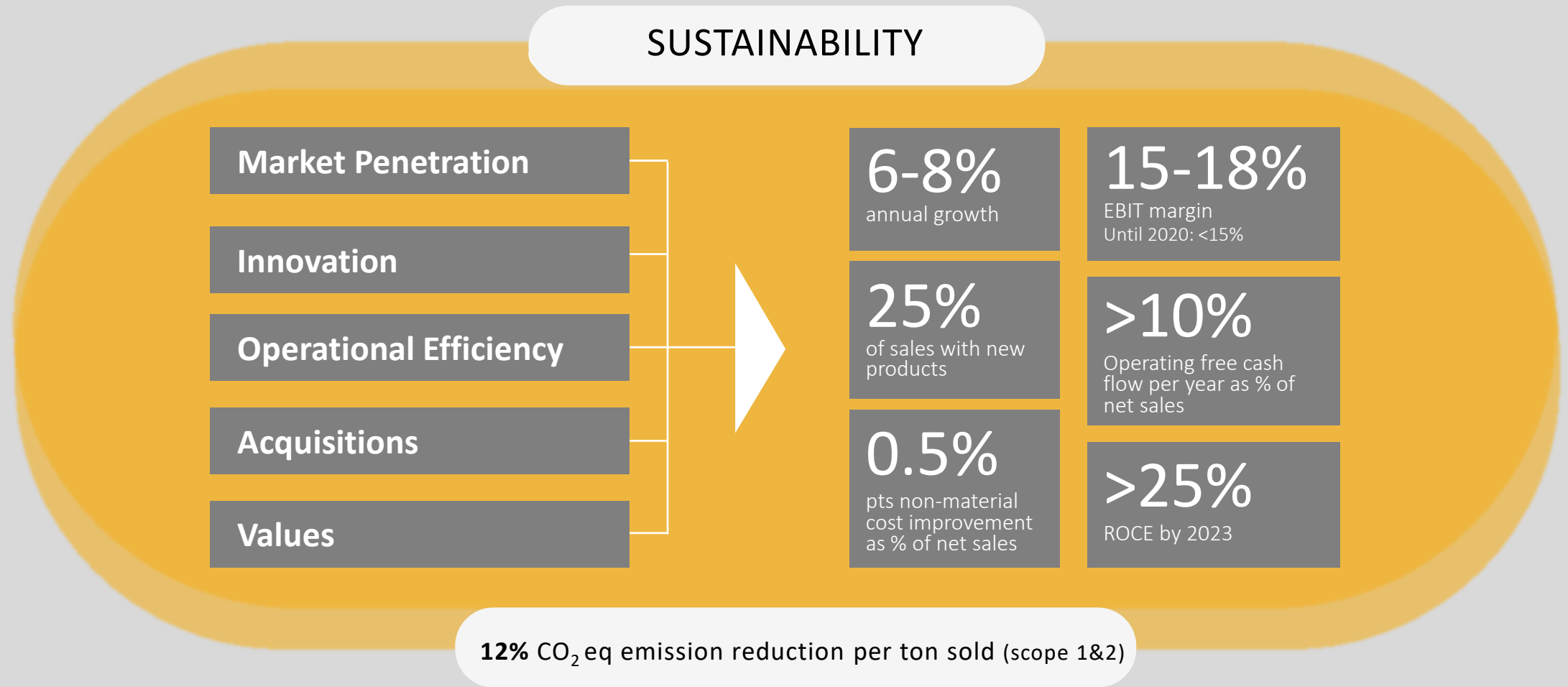
Strong corporate culture
with extremely high engagement rate and
low employee fluctuation

Strong **local engagement** as well as
**environmental and social
responsibility**
firmly rooted in the corporate culture

Significant contribution to a more sustainable
world by offering
**products and solutions which
enable sustainable construction
and transportation**

SIKA'S GROWTH STRATEGY 2023

SUSTAINABILITY AS A BASIC PRINCIPLE OF THE STRATEGY



SUSTAINABILITY STRATEGIC TARGETS

SUSTAINABILITY IS AT THE CENTER OF WHAT WE DO (1/2)

Sustainability targets 2019-2023

CLIMATE PERFORMANCE

- 12% reduction of CO₂eq emissions per ton sold (scope 1 and 2)

ENERGY

- 15% less energy consumption per ton sold
- Maximize share of renewable electricity

WASTE/WATER

- 15% less waste generation per ton sold
- 25% higher recycling rate of total waste
- 15% less water consumption per ton sold

Performance 2019-2022

- **-39.2%** reduction of CO₂eq emissions per ton sold (scope 1 and 2)
- **-16.7%** energy consumption per ton sold
- In 2022, **62.7%** of purchased electricity was derived from renewable sources
- **-23.1%** less waste per ton sold
- **+18.9%** of the waste generated was recycled
- **-46.1%** reduction in water consumed per ton sold

SUSTAINABILITY STRATEGIC TARGETS

SUSTAINABILITY IS AT THE CENTER OF WHAT WE DO (2/2)

Sustainability targets 2019-2023

SUSTAINABLE SOLUTIONS

- All new product developments with «Sustainable Solutions» until 2023

COMMUNITY ENGAGEMENT

- 10,000 working days of volunteering work
- 50% more projects
- 50% more direct beneficiaries

OCCUPATIONAL SAFETY

- 50% less accidents
- 0 fatalities

Performance 2019-2022

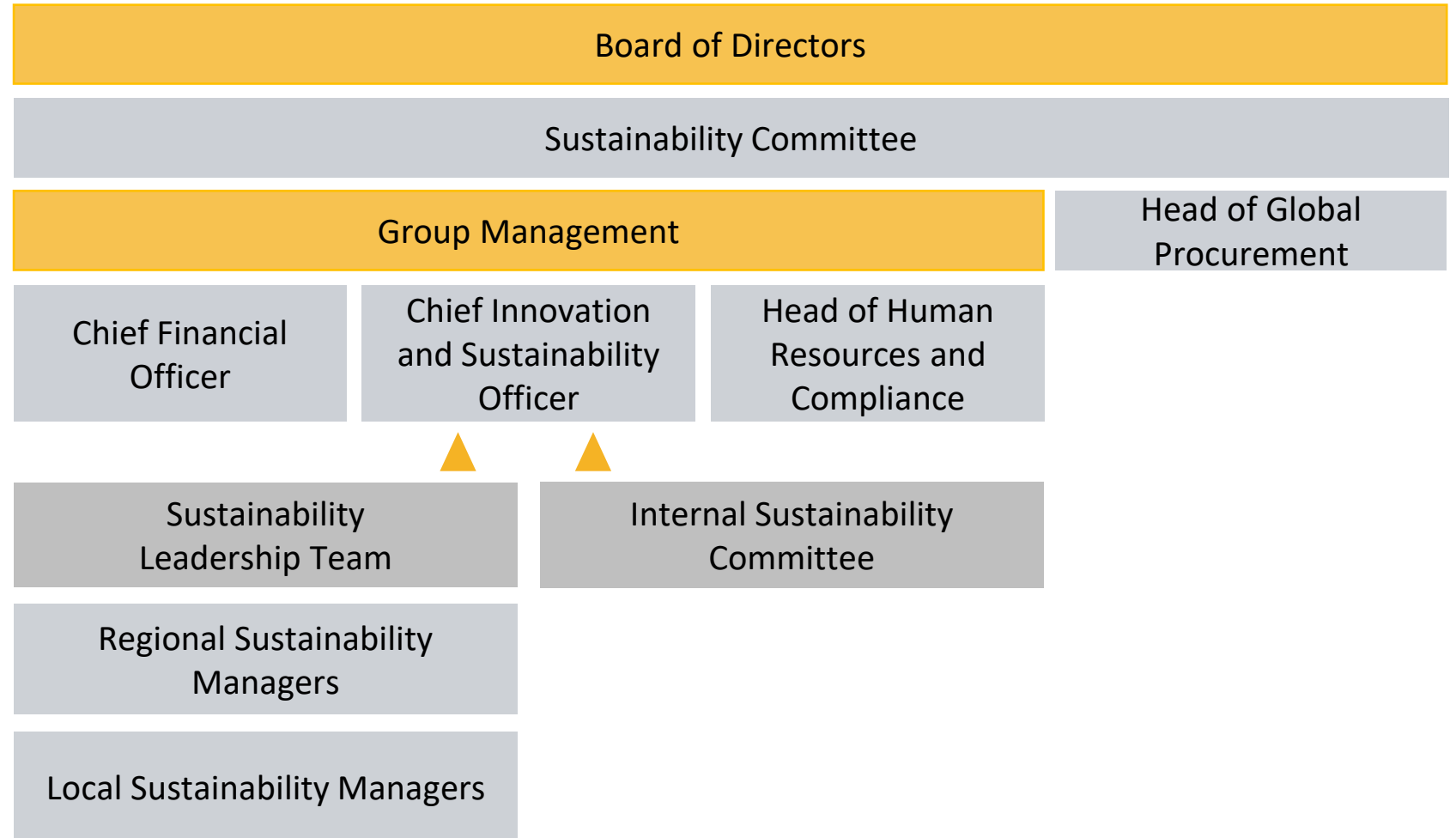
- **Higher performance with additional sustainability targets**
- **2,595 working days** of volunteering work
- **+174.3%** community engagement projects
- **+591.1%** direct beneficiaries
- **-21.1%** Lost Time Accidents
- **Zero** fatalities

Source: Sustainability Strategy

GOVERNANCE

LEADERSHIP AND RESPONSIBILITIES

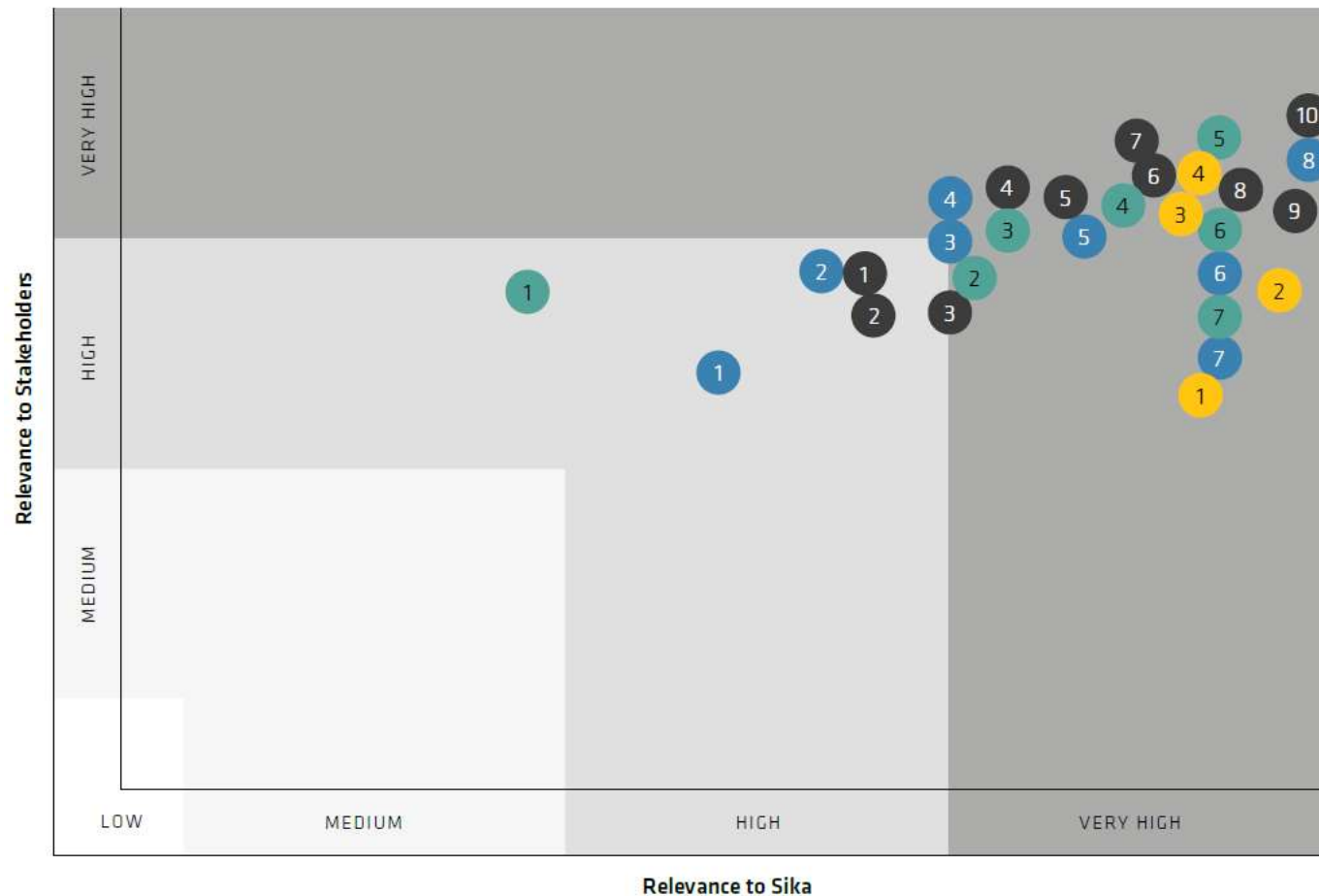
- Over the past years, Sika has strengthened its sustainability organization, defining new roles and responsibilities at corporate and regional level as well as throughout the entire organization.



GOVERNANCE

MATERIALITY ANALYSIS 2022

- The materiality matrix 2022 was approved by the Board of Directors in May 2022



Source: Sika Materiality Analysis 2022. Summary Report

PARTNERSHIPS OVERVIEW

REPORTING STANDARDS AND FRAMEWORKS



INITIATIVES



INDICES



MEMBERSHIP OF ASSOCIATIONS



RATINGS



Source: Partnerships and Collaborations

PARTNERSHIPS

ALIGNMENT WITH THE UN SDGs

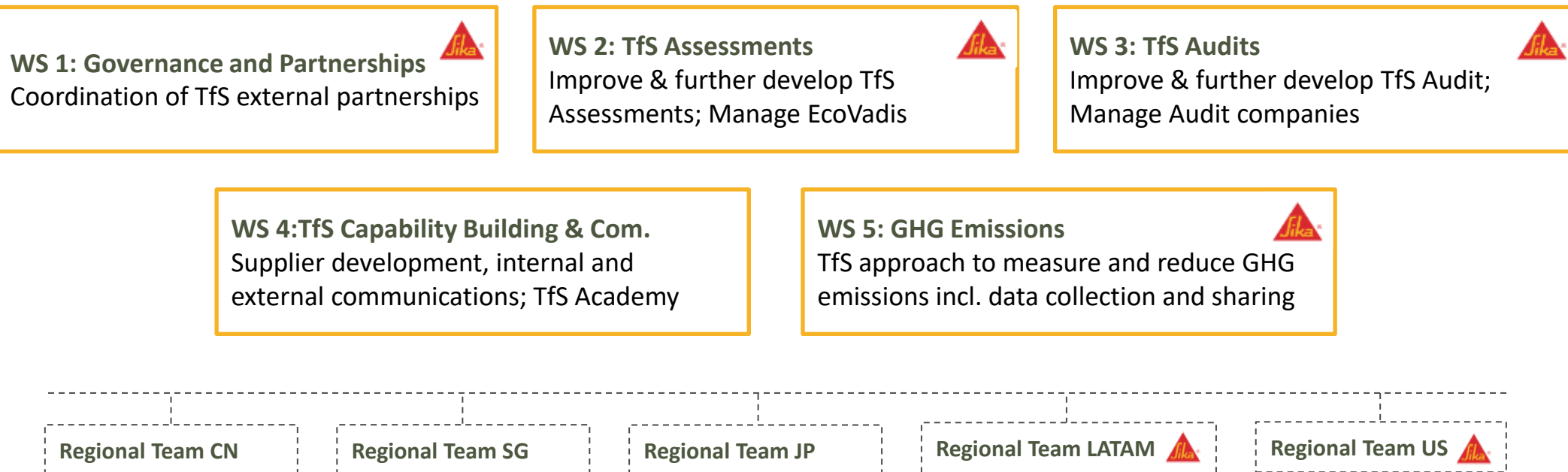



Source: Sika and the UN SDGs

PARTNERSHIPS TOGETHER FOR SUSTAINABILITY



Sustainability is a combined effort across the value chain. Therefore, Sika needs to partner up, leverage critical mass and expertise of the group.



 : Sika selects and actively contributes to specific TfS Work Streams and Regional Teams based on identified strategic priorities
WS: workstream

Source: [Together for Sustainability](#)

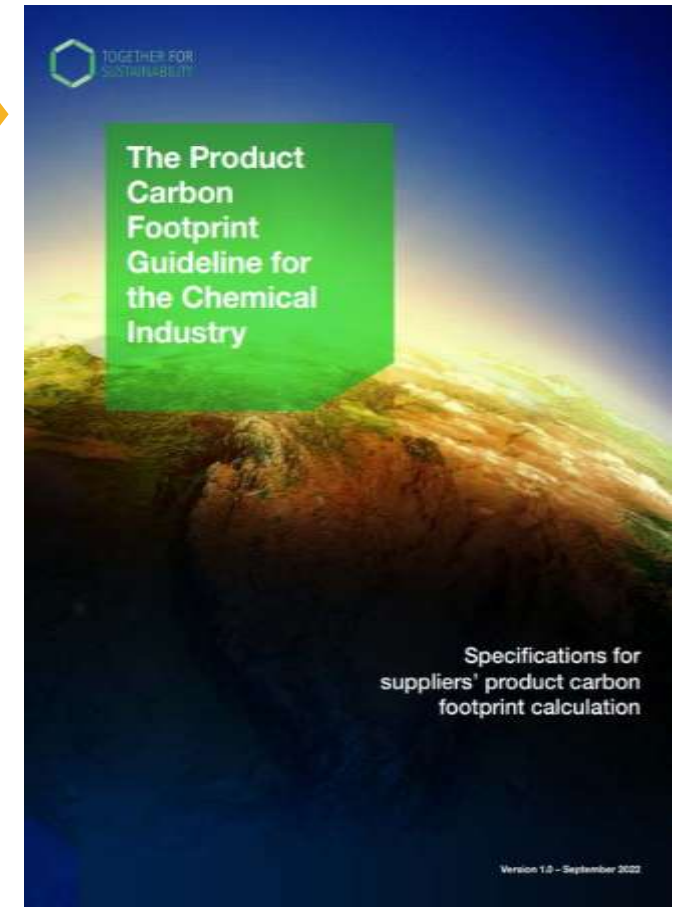
PARTNERSHIPS

TOGETHER FOR SUSTAINABILITY – WORKSTREAM 5



- The scope 3 Greenhouse Gas Emissions (GHG) activities are centered around four key areas:

1. *TfS Product Carbon Footprint (PCF) Guideline*: open-source-PCF Guideline for chemical industry in line with product accounting standards.
2. *TfS PCF Exchange IT Solution*: a platform for TfS members that will enable corporations and suppliers to share upstream product carbon footprints.
3. *Supplier engagement toolkit*: learning materials and resources available via the TfS Academy to start the supplier decarbonization journey.
4. *Cooperation*: collaboration across ecosystem of initiatives working on the scope 3 challenge.



Source: [TfS Product Carbon Footprint \(PCF\) Guideline](#)

PARTNERSHIPS

WBCSD



- Since 2010, Sika has been a member of the World Business Council for Sustainable Development (WBCSD)
- Since 2017, Sika is actively collaborating in the **Portfolio Sustainability Assessment (PSA) Workstream**, which is now further improving the existing guideline to secure a holistic sustainability assessment of chemical products, which is the base of Sika's Sustainability Portfolio Management (SPM)
- In 2022, Sika has started working with other leading companies across all industries in the **SOS 1.5** project on the **Avoided Emissions**, where a first Guideline has been published in 2023:
 - This is the first cross-industry standard about assessing, verifying, and applying avoided GHG emissions in the downstream value chain
 - This guideline shall provide guidance on consistent and credible methodology to measure the positive climate impacts companies bring through their products, technologies, and services to accelerate their adoption
 - It will also support companies to identify eligible and relevant avoided emissions claims

Source: [World Business Council For Sustainable Development \(WBCSD\)](#)

PARTNERSHIPS

TNFD



- Since September 2022, Sika is supporting the Taskforce on Nature-related Financial Disclosures (TNFD) and joined the TNFD Forum
- The TNFD Forum is a global multi-disciplinary consultative group of institutions with over 850 members
- Sika shares the ambition of the TNFD to develop and deliver a risk management and disclosure framework for organizations to report and act on evolving nature-related risks, with the aim of supporting a shift in global financial flows toward nature-positive outcomes
- The TNFD framework adopts a four-pillar approach, structured around how organizations operate: Governance, Strategy, Risk management, Metrics and targets. This is the same structure as the one used by the TCFD framework

SIKA WAY TO NET ZERO

COMMITTED TO REACH NET ZERO NO LATER THAN 2050

- Sika aims to be a driver of the transformation of the construction and manufacturing industry towards net zero and is committed to the net zero target by 2050 based on SBTi (Science Based Target initiative).
- Within 24 months, stating from the SBTi commitment on September 16, 2022, Sika will submit its targets for validation by the SBTi.
- Collaboration of all stakeholders is vital to reach this ambitious goal.
- Sika's growth strategy leads to increased reduction goals in absolute terms over time. In its net zero journey, Sika aims to achieve a win-win environment with committed stakeholders (up and downstream).



SIKA WAY TO NET ZERO

SBTI SUBMISSION ON SEPTEMBER 16, 2022

Thomas Hasler, CEO	Baar	16.9.2022
Signature	Place	Date
Patricia Heidtman, CiSO	Baar	16.9.2022
Signature	Place	Date

COMPANY/FINANCIAL INSTITUTION	TARGETS		
	NEAR TERM	LONG TERM	NET-ZERO
Sika AG ★ Switzerland, Europe	COMMITTED	-	COMMITTED

Date published/updated 2022	Target summary
Sector Chemicals	Near term: Committed
	Net zero: Committed
	★ Business Ambition for 1.5°C campaign member

Neutralizing the impact of any source of new residual emissions to nonresidual emissions an equivalent volume of atmospheric CO₂.

Visit the [SBTi Net-Zero webpage](#) for our Recommendations. For financial institutions, a value chain will be further developed.

Sign the commitment

Please sign this document and return a [signed document to sika@sciencebasedtargets.org](#). The SBTi will be published on the SBTi website.

This SBTi commitment letter can be signed by a managerial level point of contact in the org.

Once this commitment letter is processed and organization will be recognized as "Committed Global Compact and We Mean Business. Once added to the UNFCCC Race to Zero website.

Company name Sika AG

Thomas Hasler, CEO Baar

Signature

Patricia Heidtman, CiSO Baar

Signature

Science Based Targets initiative COMMITMENT LETTER

Our organization wishes to join the growing group of leading corporations that are setting emissions reduction targets in line with what climate science says is necessary. By doing so, we recognize the crucial role the business community can play in minimizing the risk climate change poses to the future of our planet.

Thereby, I am pleased to confirm that Sika AG is committing to set science-based emissions reduction targets (near-term targets), in line with the SBTi Criteria and Recommendations, submit them to the SBTi for validation and publish our approved targets, all within a maximum of 24 months.

We acknowledge that our commitment will be recognized on [sciencebasedtargets.org](#) as well as on our partner websites at We Mean Business and UN Global Compact.

In addition, to align with the most ambitious aim of the Paris Agreement and to what science dictates is necessary to reduce the destructive impacts of climate change on human society and nature - to reach net-zero global emissions by 2050 at the latest in order to limit global warming to 1.5°C - my company is committing to:

☒ **Set net-zero targets, including a long-term science-based target:** My company commits to set a long-term science-based target to reach net-zero value chain GHGs emissions by no later than 2050 in line with the [SBTi Net-Zero Standard](#), submit it for SBTi validation and publish it, all within a maximum of 24 months. By committing to set a net-zero target, I also acknowledge that my company will be part of the Business Ambition for 1.5°C campaign. My company will also join the Race to Zero campaign.^{3,4,5}

Science-based targets (SBTs) are near-term targets that meet the criteria and recommendations of the SBTi.

Science-based net-zero targets are longer-term targets - by 2050 at the latest. The SBTi defines the state of net-zero emissions for companies as reaching a state of no impact on the climate resulting from the organization's GHG emissions.




Reaching a status of science-based net-zero emissions implies the following two conditions:

- Achieving a scale of value chain emissions reductions consistent with the depth of abatement at the point of reaching global net-zero in pathways that limit warming to 1.5°C with no or low overshoot.

³ All companies except oil and gas companies, airports and companies with >50% coal or at risk of non-parent approach will be able to join Race to Zero at this point in time. If companies have questions, please reach out to Race to Zero at [racetozero@unfccc.int](#) or refer to the [Business Ambition for 1.5°C Guidance and FAQs document](#).

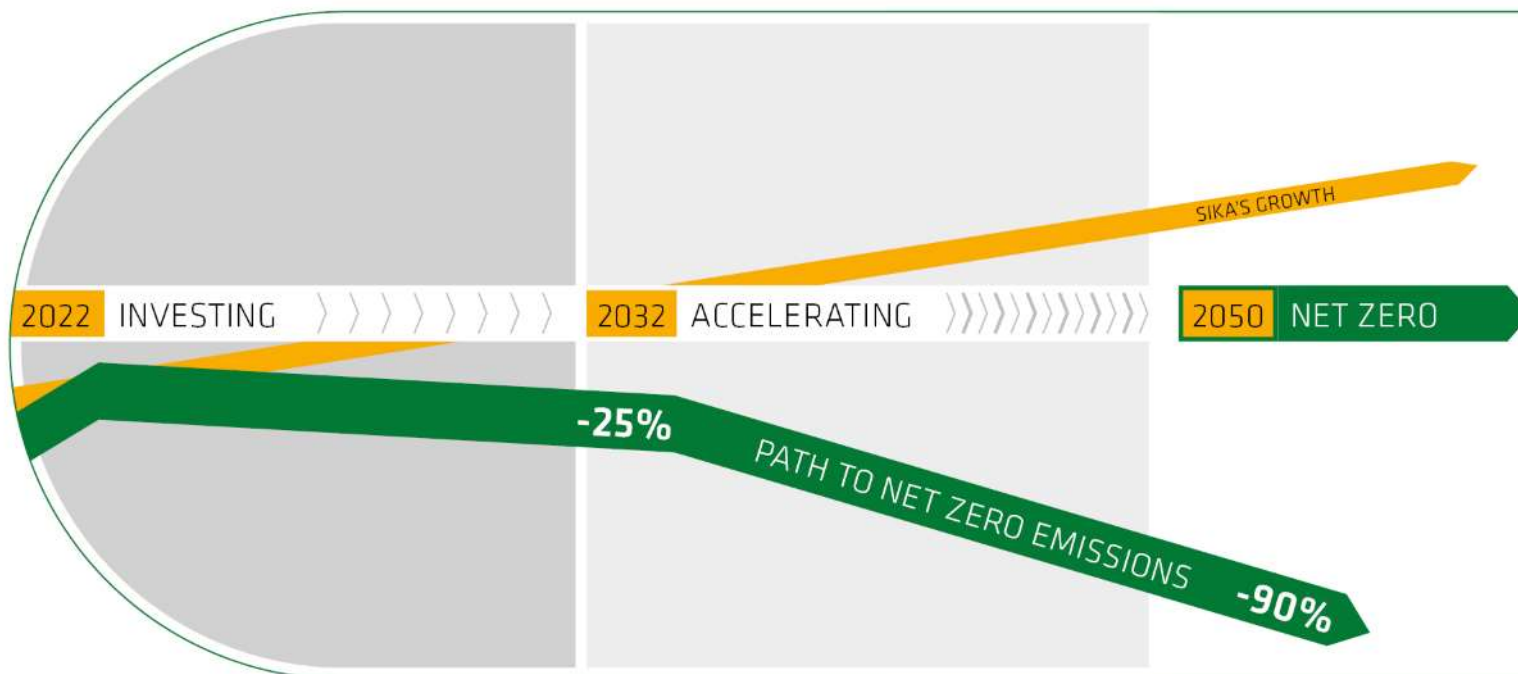
⁴ Companies must have valid near-term science-based targets (SBTs) that meet SBTi Criteria to be eligible for a net-zero target, unless the long-term SBT target year is 10 years or fewer from the date of submission.

⁵ Companies that are already part of the initiative can raise their ambition by also committing to set a net-zero target.

#OurOnlyFuture | [commitments@sciencebasedtargets.org](#) | [www.sciencebasedtargets.org/ambition](#)

SIKA NET ZERO ROADMAP



OUR KEY LEVERS

Education and capacity building to improve **material efficiency and circularity**

Accelerated use of **alternative low carbon supplies**

Continued focus on **operational efficiencies**

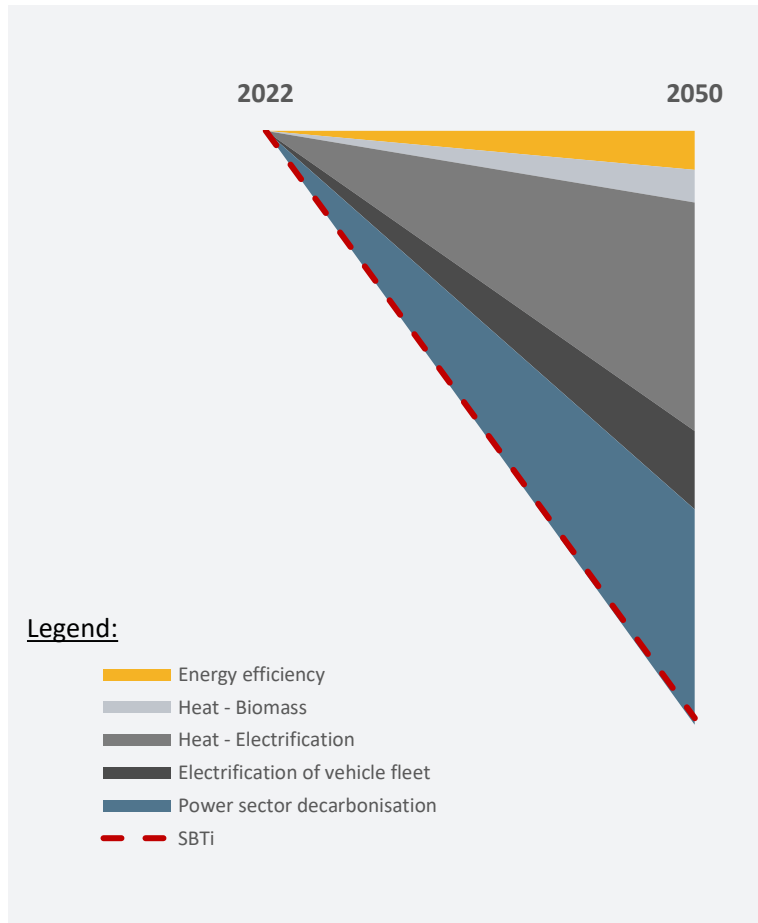
Partnerships with key suppliers who support Sika's path to net zero

Development of **new innovative solutions** for construction and industry

SCOPE 1 & 2

SIKA DECARBONIZATION LEVERS

SIKA SBTi ALIGNMENT SCENARIO



Commitment to Net Zero by 2050 - 1.5°C aligned:

- - 42% by 2032
- - 90% by 2050

DECARBONIZATION LEVERS UNTIL 2032

- **Continuous energy efficiency improvements** (e.g. sand drying optimization, more efficient machinery, leakage prevention, etc.)
- Increase the share of **renewable electricity**
- Increase **vehicle fleet electrification**

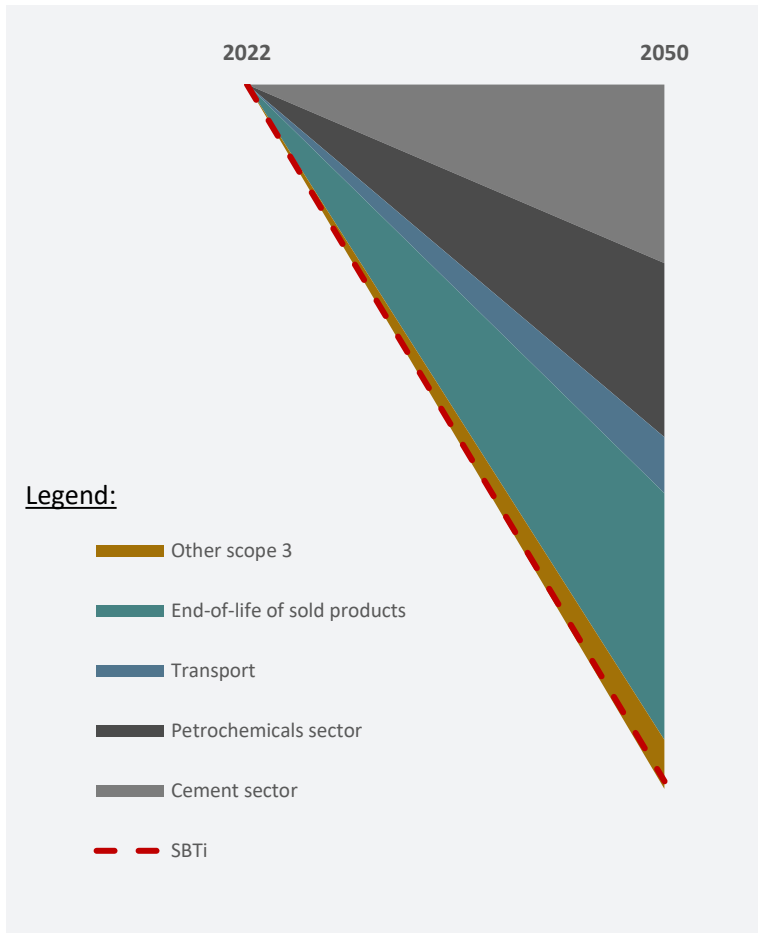
DECARBONIZATION LEVERS UNTIL 2050

- In 2050, **100%** of equipment use **low-carbon energy**
- **100%** of **electricity** is **renewable**
- In 2050, **vehicle fleet** is decarbonized

SCOPE 3

SIKA DECARBONIZATION LEVERS

SIKA SBTi ALIGNMENT SCENARIO



Commitment to Net Zero by 2050 – well below 2°C aligned:

- - 25% by 2032
- - 90% by 2050

DECARBONIZATION LEVERS UNTIL 2032

- Decrease **upstream** and **downstream transport emissions**
- Reduce **virgin cement** and **petrochemicals** consumption (↗ **low-carbon raw materials**; establish a **sustainable procurement strategy**)
- Enhance **recyclability** of Sika's products through **product formulation** and **packaging material**

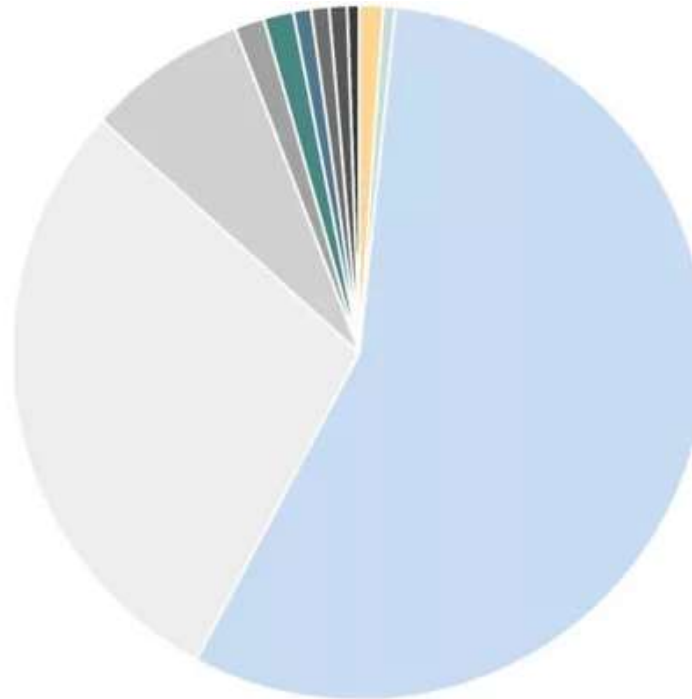
DECARBONIZATION LEVERS UNTIL 2050

- Minimize **upstream** and **downstream transport emissions**
- Significantly reduce **virgin cement** and **petrochemicals** consumption (maximize the share of **low-carbon raw materials**; create a **strong sustainable procurement ecosystem** by actively collaborating with customers and suppliers)
- Become a **fully circular company**

METHODOLOGY

SCOPE 3 METHODOLOGY PAPER

- Each category assessed is described in the [Methodology paper](#)
- The calculation of scope 3 carbon emissions is an evolving topic based on various data sources
- Sika is continuously reviewing the calculation methodology to ensure transparency and data robustness
- This process helps Sika better understand how it can lower its scope 3 emissions, engage within the organization and throughout the value chain



SCOPE 1: 156
SCOPE 2: 75
SCOPE 3: 12,511
TOTAL: 12,742 ktCO₂-eq

Scope 1	1.22%
Scope 2	0.58%
Purchased goods and services	56%
End of Life of sold products (EoL)	29%
Upstream transportation	8%
Capital goods	1%
Downstream transportation	1%
Waste generated in operations	1%
Use of sold products	1%
Fuel and energy-related activities	1%
Employee Commuting	1%

OUR COMMITMENT

OUR PEOPLE DRIVE OUR SUSTAINABLE DEVELOPMENT

NEEDS SKILLS



TAKES A TEAM



IS AN OPPORTUNITY



EXAMPLE NET-ZERO ROADMAP DEVELOPMENT FOR SIKA CEMENT REPLACEMENT IN MORTARS – BUSINESS CASE



480 ktons of CO₂

In Year 2025 reduction
feasible on global level.

- To achieve long-term target of -90% for Scope 3 emissions by 2050, Sika needs to find **alternative raw materials** that would **replace virgin cement**.
- **The replacement** of 1 ton of Portland cement by 1 ton of SCM saves **770kg of CO₂ eq**
- A **roadmap** focusing on Cementitious Materials is currently **under development**.
- Current substitution rates: **30% to 50%** with **no compromise** on quality, performance and ease of application.

EXAMPLE NET-ZERO ROADMAP DEVELOPMENT FOR SIKA

PVC MEMBRANE RECYCLING – BUSINESS CASE



49 ktons of CO₂

In Year 2032 reduction
feasible on global level.

RECYCLE OF SOLD PRODUCTS

- Shifting from incineration to recycling reduces emissions: 1.8 kg CO₂ eq per 1 kg of PVC Membranes

PURCHASED GOODS

- Replacement of fossil-based polymers by recycled membrane: 1.8 kg CO₂ eq per 1 kg savings for recycling-PVC

CASE PVC USA

- US recycled 350 tons PVC roofs in 2022
- Target: Scale up to 10% PCR in PVC for 2032
- **Resulting reduction 15 ktons CO₂ eq**

EXAMPLE CIRCULAR ECONOMY – SUSTAINABLE DEVELOPMENT

reCO₂ver[®] – SIKA BREAKTHROUGH INNOVATION

reCO₂ver[®]

contributes to circular
economy in construction



- Segregates concrete back to its original ingredients to be re-used for new high-grade concrete
- This unique process includes sequestration of CO₂ and produces high quality SCM powder which allows reduction of cement in new concrete

SIKA PRODUCTS AND SOLUTIONS ENABLE A SUSTAINABLE FUTURE

BUILDING TRUST



SIKA ENABLES DECARBONIZATION FOR A SUSTAINABLE FUTURE

Construction

40% of global CO₂ emissions
attributable to construction
and building sector



**Huge opportunity as
potential for progress is
immense**



Automotive

Road traffic responsible for
20% of global CO₂



Sika possesses the solutions and innovative strength to enable the necessary transformation



SIKA ENABLES DECARBONIZATION SOLUTIONS TO DRIVE A SUSTAINABLE FUTURE

Durability



By **increasing the lifespan of buildings**, Sika solutions contribute to carbon footprint reduction

Clinker reduction



Sika solutions enable high clinker reduction in cement and concrete, even when using more challenging Supplementary Cementitious Materials. Ensuring **high performance** and **less environmental impact**

Roofing



Sika's wide range of durable and long-lasting roofing solutions contribute to the **reduction of energy consumption** and **greening of cities**

SIKA ENABLES DECARBONIZATION

SIKA REPAIR SOLUTIONS PROLONG THE LIFETIME OF STRUCTURES

Sika solutions for repair and refurbishment

**STRENGTHEN, WATERPROOF,
INSULATE, PROTECT, AND REPAIR**
buildings and structures

Sika repair systems

**PROLONGS LIFETIME, INCREASE
SAFETY AND ENERGY EFFICIENCY**

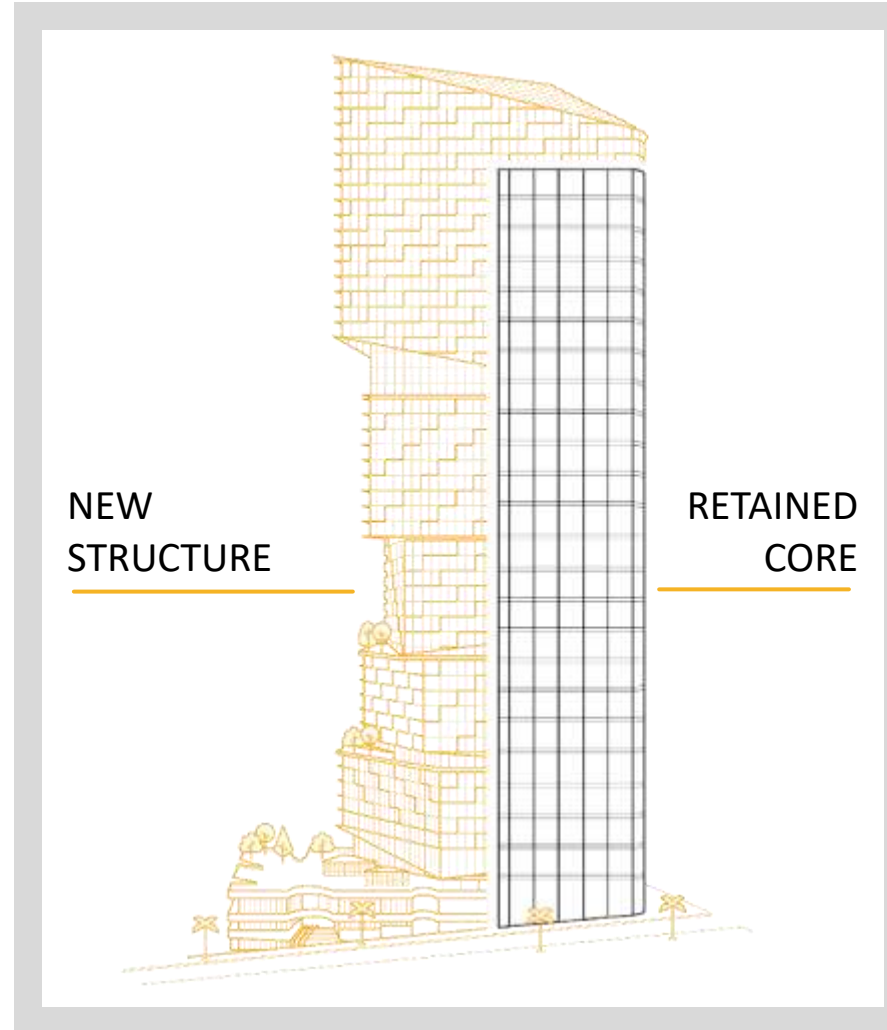
Sika's offering includes:

structural strengthening systems, waterproofing
and repair mortar, waterproofing and protective
coatings



SIKA ENABLES DECARBONIZATION

RETHINK REFURBISHMENT



Project description

- The Quay Quarter Tower (QQT) in Sydney has been “**upcycled**” from the original AMP Centre skyscraper built in 1976
- QQT opened at the start of 2022, is **206 meters high** and has **59 floors**
- **95%** of the existing core preserved
- **CHF 85 million** in building costs saved
- **12,000 tons** of CO₂ emissions saved
- Significant **time savings** during construction

Sika solutions

- carbon fiber reinforcing systems
- fire rated joint sealants
- floor leveling solutions
- waterproofing systems
- concrete repair mortars
- concrete admixtures

SIKA ENABLES DECARBONIZATION USING LESS WATER, CONCRETE, AND CEMENT WITH SIKA ADMIXTURES

Sika cement technology
allows for significant

REDUCTION OF CEMENT CONTENT

enabling replacement of cement
with supplementary cementitious
materials (SCM)

High-strength concrete with
concrete admixtures

Sika® ViscoCrete®

REDUCES CONCRETE CONSUMPTION

as thinner constructions are possible



Sika® ViscoCrete® technology
enables **UP TO 40%**

REDUCTION OF WATER content in concrete



SIKA ENABLES DECARBONIZATION COOPERATION FOR CLINKER REDUCTION AND CIRCULAR ECONOMY

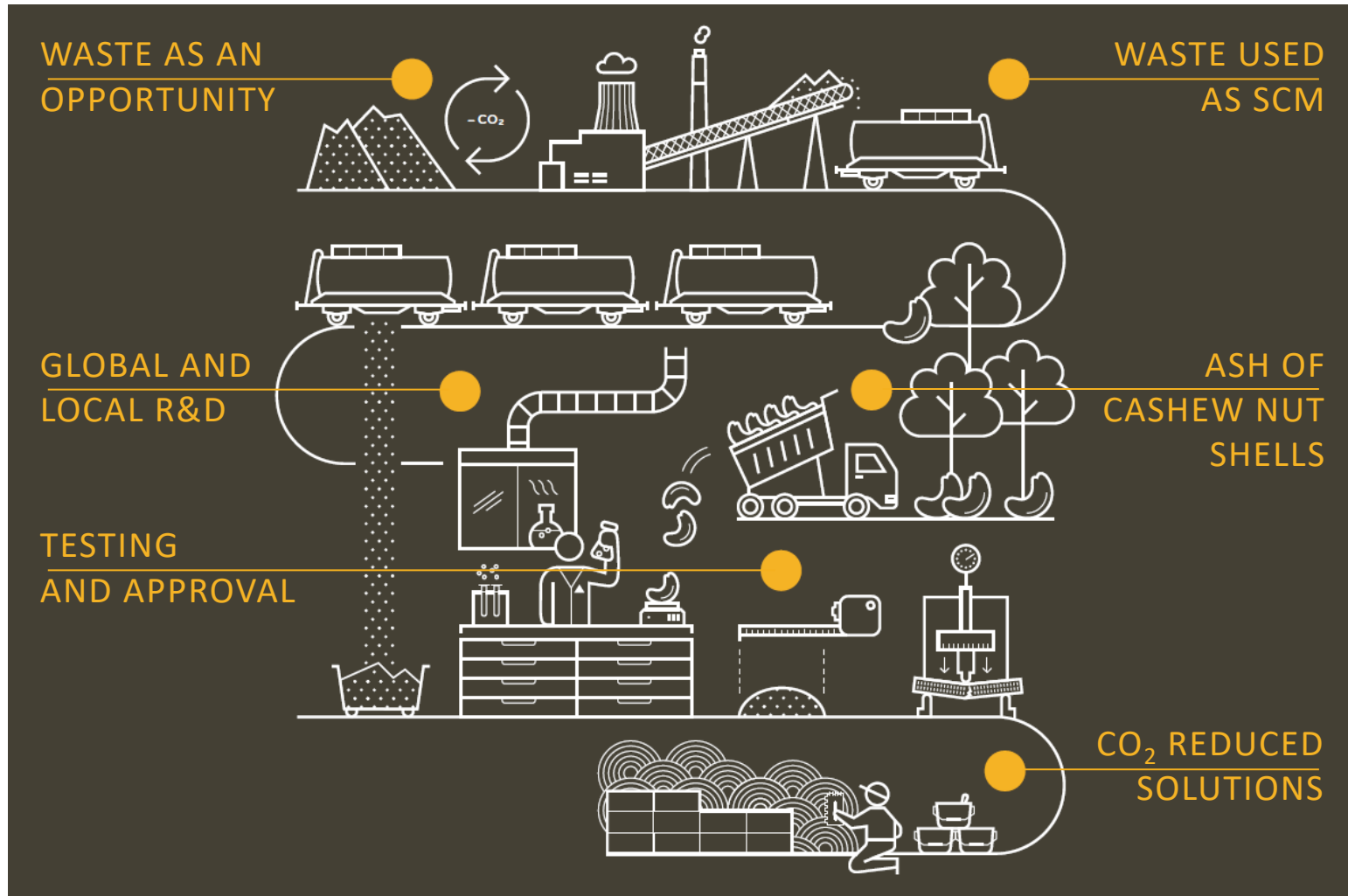


Project description

- Collaboration with the **world's largest iron ore mining company**, the Swedish firm LKAB.
- Thanks to Sika admixtures, a new "**Zero Cement**" concrete has been developed. Around 100,000 cubic meter of this concrete will be used for the renovation of 38 pit shafts at LKAB's Kiruna mine in the north of Sweden.
- The **CO₂ emissions** released in the production of this shaft renovation concrete in 2023 will be **reduced by 93%** compared to 2022.

SIKA ENABLES DECARBONIZATION

FORMULATION – IN-DEPTH RESEARCH INTO NEW SOLUTIONS



- Sika is looking to **partially replace cement** in all mortar categories over the next few years
- The goal is to **increase the substitution rate** – which averaged 14% in 2022 – **to 50% by 2025**
- High-quality products include the two mortars SikaGrout®-800 and 3320 as well as Sikagard®-5500, the **first** concrete protective coating **based on renewable feedstocks**
- All these products have a **30% to 40% reduced CO₂ footprint** with highest technical performance

SCM: Supplementary Cementitious Materials

SIKA ENABLES DECARBONIZATION

ENERGY-SAVING, DURABLE ROOFING SOLUTIONS

Sika supplies highly durable, root resistant membranes for

Green Roofs

- Reduce urban heat island effect and improve air quality
- Insulating qualities lead to energy savings
- Noise pollution reduction
- Support biodiversity

Durable, reliable, and high-quality products combined with know-how and expertise important to instal appropriate **solar solution**

Sika solar-reflective membranes for

Cool Roofs

reduce energy consumption by up to **15%**

Odorless, low-emission
liquid applied membranes

Longevity

- Warranties according to customer requirements
- Many Sika roofs are **40 years** and older

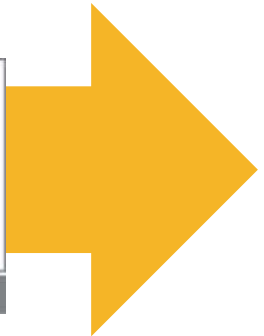
Recycling

process contributes to circular economy in construction

SIKA ENABLES DECARBONIZATION

SAVING RESOURCES WITH INNOVATIVE ROOFING SOLUTIONS

- Sika Sarnafil® AT is first *Cradle to Cradle Certified™* Membrane worldwide
- Recycling of roof membranes saves resources and reduces burden on climate
- Used roof membranes are retrieved and processed into granular material. Recycled material flows into production of new roofing materials.
- Circular economy and closing material cycles
- Specification in Green Building projects e.g., to reach LEED certification. Of increasing importance for both commercial and public construction.



SIKA ENABLES DECARBONIZATION

ENABLING CONSTRUCTION OF LIGHTWEIGHT AND ELECTRIC VEHICLES

LIGHTWEIGHT vehicle construction, multi-material design, and **ELECTRIC VEHICLES** lead to less fuel consumption and **REDUCTION OF CO₂ EMISSIONS**

SikaPower® adhesives combine **HIGH STRENGTH AND ELASTICITY** enabling use of mixed materials and lightweight vehicle construction

With the help of SikaPower® adhesives **50% REDUCTION** of body weight can be achieved using lightweight materials

Sika heat-conductive adhesives and materials as well as fire protective coatings

INCREASE SAFETY AND LONGEVITY of e-motors and batteries

ACOUSTIC AND REINFORCING parts support lightweight and e-vehicle construction



SIKA ENABLES WATER MANAGEMENT

CLEAN WATER FOR MILLIONS OF PEOPLE

- 3% of the total water resources is drinkable water to be used by people, of which only 1% is reachable
- 80% of all wastewater globally is released without treatment
- 60,000 water dams in 150 countries, many of which need repair
- Sika solutions prevent leaks, protect water quality and extend life-span of infrastructures – for new construction and maintenance



Concrete
Solutions



Waterproofing
Solutions



Anchoring



Flooring &
Roofing



Grouting



Sealing &
Bonding

PRODUCT SUSTAINABILITY

PRODUCT SUSTAINABILITY CONTRIBUTION TO GROWTH STRATEGY

- Sustainability is an integral part of Sika's innovation strategy. A large part of the portfolio contributes with a positive sustainability impact.
- Sika's goal is to manage innovation and sustainability, minimizing risks and maximizing opportunities



Sustainability Portfolio Management (**SPM**) is the framework used to innovate, evaluate, classify, and market sustainable solutions.

Sika is one of the first companies within the specialty chemicals and building materials sector to develop and implement the SPM Concept based on the WBCSD PSA framework

SPM | Sustainability
Portfolio
Management

PRODUCT SUSTAINABILITY

MORE PERFORMANCE, MORE SUSTAINABLE

SUSTAINABLE SOLUTION = BETTER PERFORMANCE + SUSTAINABILITY BENEFITS

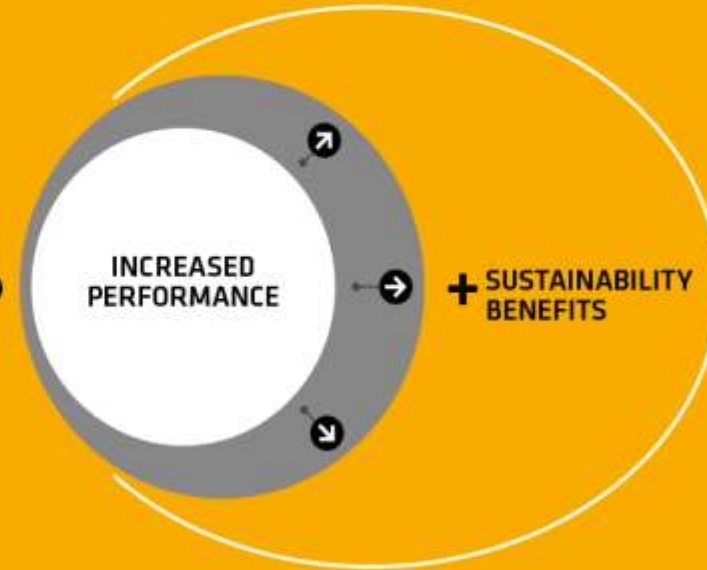
PERFORMANCE SOLUTION

PERFORMANCE AND SUSTAINABILITY SOLUTION



FOCUS ON ADDED VALUE

ALWAYS COMBINE SIKA PROVEN
"VALUE THROUGH PERFORMANCE"
WITH ADDED SUSTAINABILITY
BENEFITS



Key: Cost Performance and Customer Value

PRODUCT SUSTAINABILITY

SPM – PRODUCT CLASSIFICATION

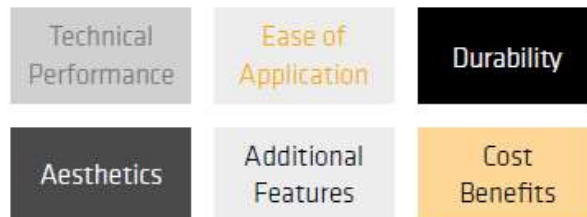
SPM Evaluation

Sustainable Solutions

12 Sustainability Categories



6 Performance Categories



Clear product labeling for
SPM assessed products



MORE **PERFORMANCE**
MORE **SUSTAINABLE**

Source: [Sustainability Portfolio Management](#)

PRODUCT SUSTAINABILITY

EXAMPLES OF LAUNCHED PRODUCTS WITH SPM CLASSIFICATION

MORE PERFORMANCE
MORE SUSTAINABLE

Sikagard®
-5500



FIRST CONCRETE
PROTECTIVE COATING IN THE
MARKET BASED ON
RENEWABLE FEEDSTOCKS

- Dispersions based on renewable feedstocks
- 80% recycled plastics in the packaging
- **30% reduced carbon footprint** in comparison with benchmark
- LEED accreditation
- 20% time saving in application

MORE PERFORMANCE
MORE SUSTAINABLE

SikaGrout® -
800



SUSTAINABLE HIGH
PERFORMANCE
CEMENTITIOUS GROUT

- High mechanical performances
- Time-saving application
- Reduced dust formation during mixing
- **30% reduced carbon footprint** in comparison with benchmark

MORE PERFORMANCE
MORE SUSTAINABLE

SikaGrout® -
3320



ONSHORE WIND GROUT
WITH REDUCED CARBON
FOOTPRINT

- No cracking, high performance
- **30% reduced carbon footprint** in comparison with benchmark
- Reduced dust formation during mixing

SOCIAL RESPONSIBILITY

HEALTH AND SAFETY

OCCUPATIONAL SAFETY STRATEGIC TARGET

OCCUPATIONAL SAFETY

Sika employees leave the workplace healthy

TARGET 2023

- 50% less accidents
- 0 fatalities



- In the sustainability strategy Sika has clearly communicated its safety targets
- Sika employees must leave the workplace healthy
- Sika Vision zero program to improve leadership commitment and employee participation
- EHS Management tool implemented in 2022, to report, manage, analyze, and share EHS observations, near misses, and incidents
- In 2022, Sika launched a Safety campaign and a full-scale Global Safety Survey for all Sika employees distributed in 34 languages

HEALTH AND SAFETY

SIKA SAFETY CAMPAIGN 2022

CARING FOR EMPLOYEES
BEYOND THE EXPECTED.



WE DO NOT COMPROMISE ON SAFETY AND SECURITY TO
ENSURE THAT OUR EMPLOYEES CAN RETURN TO THEIR
FAMILIES SAFELY AFTER THEIR WORK IS DONE.

BUILDING TRUST 

CARING FOR EMPLOYEES
BEYOND THE EXPECTED.



NEVER COMPROMISE ON SAFETY – FOR YOURSELF AND THE ONES WHO RELY ON YOU.

SIKA VISION ZERO 

CARING FOR EMPLOYEES
BEYOND THE EXPECTED.



NEVER COMPROMISE ON SAFETY – FOR YOURSELF AND THE ONES WHO RELY ON YOU.

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SIKA VISION ZERO 

COMMUNITY ENGAGEMENT

BUILDING TRUST AND CREATING VALUE

COMMUNITY ENGAGEMENT

We build trust and create value with customers, communities, and with societies

TARGET 2023

- **10,000 volunteering working days**
- **50% more projects**
- **50% more direct beneficiaries**



- Focus on three fields of activity:
 - Buildings and infrastructure
 - Education and vocational training
 - Water and climate protection
- 2022 figures:
 - 53,666 individuals were benefiting of the Community Engagement Program
 - 406 projects were carried out in and for local communities
 - 2,595 working days of employees were dedicated to volunteering work

COMMUNITY ENGAGEMENT

SIKA CARES COMMUNITY ENGAGEMENT PROGRAM

Monetary and non-monetary support: products, education, volunteering

Thematic Focus	Structure	Stakeholders
<ul style="list-style-type: none"> Sustainable buildings and better infrastructure for social and environmental projects Support education and training of young people and children Water and climate protection initiatives to support better living environments for local communities Health and well-being 	<ul style="list-style-type: none"> Centralized fund Owner: CEO Managed by Corporate Communications, Innovation & Sustainability Project proposals from local companies or by initiative of Group Management either for direct support or support of organizations In addition: encourage direct involvement of Sika personnel in social projects via volunteering work 	<ul style="list-style-type: none"> Local residents or area-based groups Communities of interest Ethnic and cultural groups Local community and voluntary groups Web-based or virtual groups Employees External engagement partners
Reporting and Communication		Direct beneficiaries
<ul style="list-style-type: none"> Internal communication External communication Trainings and webinars Yearly Sustainability Academy 		<ul style="list-style-type: none"> People engaged in the project Who benefits from the project People affected, directly or indirectly, by the project.

COMMUNITY ENGAGEMENT REFERENCE PROJECTS

FOYER DU MONDE, CANADA



Thematic Focus

- Building/Infrastructure

Direct beneficiaries

- 10 staff of Foyer du Monde
- 50 individuals seeking shelter

ABOUT THE PROJECT

- Foyer du Monde is a shelter that provides help and security to asylum seekers, families, couples and refugees of all origins and faiths.
- The organization creates and an environment that is open to all cultures, races, religions, ages and genders, where all people are respected and supported in their process of integration into the values of the local Quebec society.

SIKA'S CONTRIBUTION

- A group of Sika Canada employees headed to the Foyer du Monde in Montreal (QC) to rehabilitate the outdoor space to provide a more welcoming environment for residents.
- The Sika Canada Team did engage in refurbishment and modernization activities like repairing concrete, replacing the exterior furniture, building a secure railing and decorating the wall with a mural.

COMMUNITY ENGAGEMENT REFERENCE PROJECTS

PRESTON VOCATIONAL CENTER, UK



ABOUT THE PROJECT

- The team at the Preston Vocational Center (PVC) teaches a variety of professional trades to give young people who have struggled with mainstream education, a brighter future.
- The PVC uses an innovative approach to engage young learners, and since their inception in 2009, more than 8,000 people have gained professional skills, crucial life lessons and qualifications.

Thematic Focus

- Education / Children

Direct beneficiaries

- 400 students and their teachers

SIKA'S CONTRIBUTION

- Sika has for four consecutive years sponsored PVCs Volunteer of the Year Award and provided sealants and other materials.
- School aged PVC users have visited Sika's facilities gaining insights into the wide range of career opportunities.
- Sika provided hands-on application training sessions for Liquid Applied Roofing materials, a discipline that PVC are unable to offer.

COMMUNITY ENGAGEMENT REFERENCE PROJECTS

OPERATIONS SMILE, THAILAND



ABOUT THE PROJECT

- Operation Smile (OS) Thailand is a charity set up in 1997, dedicated to providing free treatment to children and adults suffering from cleft lips, cleft palates and other facial deformities.
- Sika (Thailand) Ltd. has been sponsoring OS Thailand missions to provide free corrective procedures to underprivileged cleft lip and cleft palate patients every year since 2014.

Thematic Focus

- Health/Well-Being

Direct beneficiaries

- 151 patients were screened.
- 109 patients received surgery / treatment.

SIKA'S CONTRIBUTION

- Sika Thailand supported a mission by actively delivering volunteering work and by a donation of 2 million baht.
- Sika Thailand is one of the companies to support OS to conduct the medical mission in November 2022.
- 14 employees from Sika Thailand participated in many key roles in this mission delivering a total of 168 hours of volunteering days.

REMUNERATION – WELL-BALANCED COMPENSATION SYSTEM

COMPENSATION GOVERNANCE

GOVERNANCE PRINCIPLES

- There are strong **governance principles** in place

WE DO

- ✓ Conduct an **annual review** of the compensation policy and programs
- ✓ Maintain compensation plans with a **strong link between pay and performance**
- ✓ Conduct a **rigorous performance management** process
- ✓ Maintain compensation plans designed to align executive compensation **with long-term shareholder interests**
- ✓ Require that the Board of Directors, the CEO and the other members of Group Management **own a minimum number of Sika shares**
- ✓ Include **clawback and malus provisions** in the incentives
- ✓ Offer employment contracts with a **notice period of a maximum of twelve months**

WE DON'T

- ✗ Provide discretionary compensation payments
- ✗ Reward inappropriate or excessive risk taking or short-term profit maximization at the expense of the long-term health of the company
- ✗ Pay dividend equivalents on performance-contingent-deferred units that have not been earned yet based on the company's performance
- ✗ Guarantee future base salary increases or non-performance-based incentive payments
- ✗ Have pre-arranged individual severance agreements or special change of control compensation agreements

COMPENSATION GOVERNANCE

COMPENSATION BENCHMARKING

Two **peer groups** are used for different benchmarking purposes in the context of compensation

Industrial Swiss listed companies of similar size to Sika in terms of market capitalization, revenue and headcount

ABB	Alcon	Barry Callebaut	Geberit	Givaudan
Kuehne+Nagel	Holcim	Lindt	Lonza	Novartis
Richemont	Roche	Schindler	SGS	Sonova

in CHF thousands	Market cap (12/31/2021)	Revenue (2021)	Headcount (#) (2021)
3rd quartile	63,050	26,610	84,866
Median	35,427	7,558	34,760
1st quartile	26,365	5,907	15,363
Sika	54,181	9,252	26,666

Industrials international companies exposed to similar market cycles as Sika

3M – Industrial & Transportations	Forbo – Flooring Systems	Owens Corning
Armstrong World Industries	H.B. Fuller Company	Pidilite Industries
Ashland	GCP Applied Technologies	RPM
Beacon Roofing Supply	Geberit	Saint-Gobain
Beiersdorf – Tesa	Henkel – Adhesive Technologies	SK Kaken
Carlisle – Construction Materials	Hilti	Sto
EMS-Chemie	Huntsman – Performance Products	Uzin Utz

Compensation design

Compensation levels*

Performance for the purpose of the incentives

* For Board of Directors and Group Management positions in Switzerland. For Group Management positions based outside of Switzerland, compensation data of similar positions in industrial companies in the country of employment

COMPENSATION SYSTEM

BOARD OF DIRECTORS (BoD)

To strengthen their independence, members of the Board of Directors receive fixed compensation only, paid in **cash and restricted share units converted into shares blocked for three years**

	Annual board retainer	+	Annual committee fees
	50% in cash – 50% in restricted share units ¹		50% in cash – 50% in restricted share units ¹
Board chair	CHF 900,000		Not eligible to committee fees
Board member	CHF 250,000		CHF 60,000 (committee chair) CHF 40,000 (committee member)

¹ Restricted share units are granted at the beginning of the term and settled in shares at the end of the term. Shares are blocked for three years

In 2022, shareholding ownership guidelines for the Board of Directors were introduced in order to reinforce the link with shareholders' interests. Members of the Board of Directors are required to own at least 200% of their annual board retainer in Sika shares within five years of their election to the Board of Directors.

COMPENSATION SYSTEM

GROUP MANAGEMENT

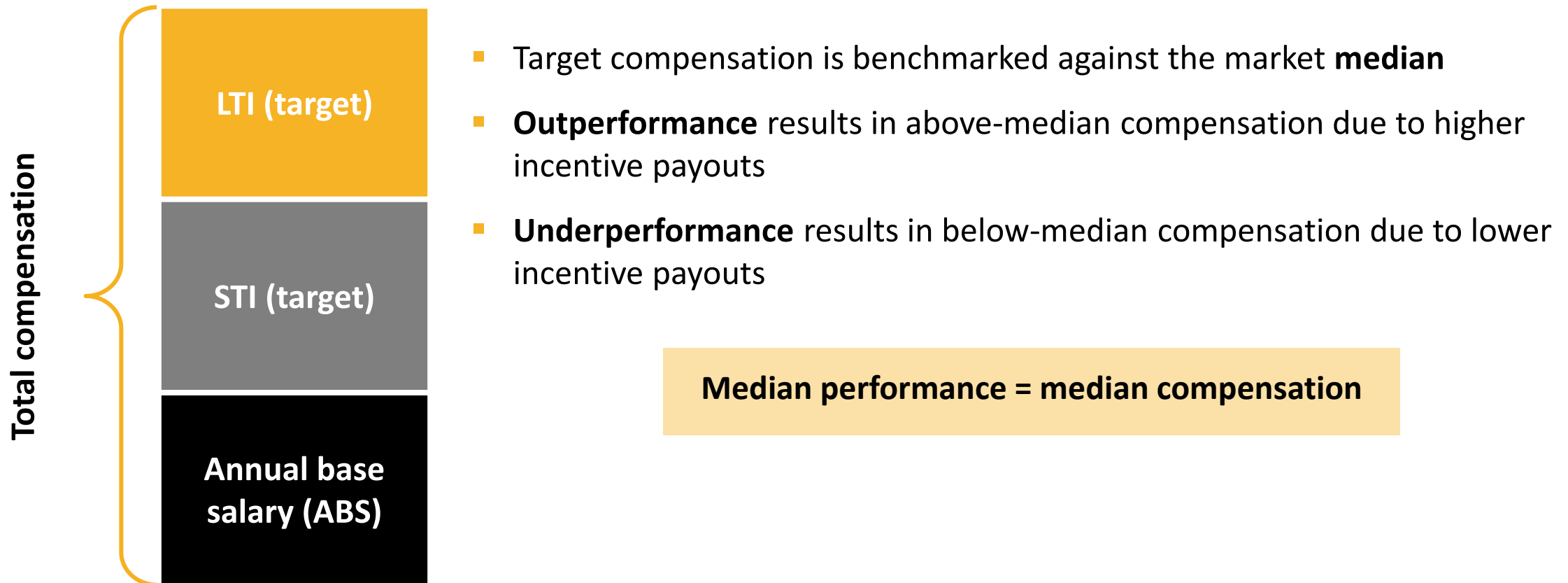
The compensation system is **well-balanced** and **unique** in terms of performance measurement (high proportion of STI and LTI based on performance relative to peers)

	Time horizon			Vehicle	Performance measurement	Mitigators
Long-term incentive	1	2	3	Equity	Absolute + relative	<ul style="list-style-type: none"> • Cap on incentives • Clawback and malus provisions on incentives • Shareholding requirements
Short-term incentive	1			Cash	Absolute + relative	
Annual base salary	1			Cash		
Years	1	2	3			

TOTAL COMPENSATION APPROACH

BoD AND GROUP MANAGEMENT

Compensation decisions are made on the basis of a **total compensation approach** where **target** compensation is paid for **target** performance

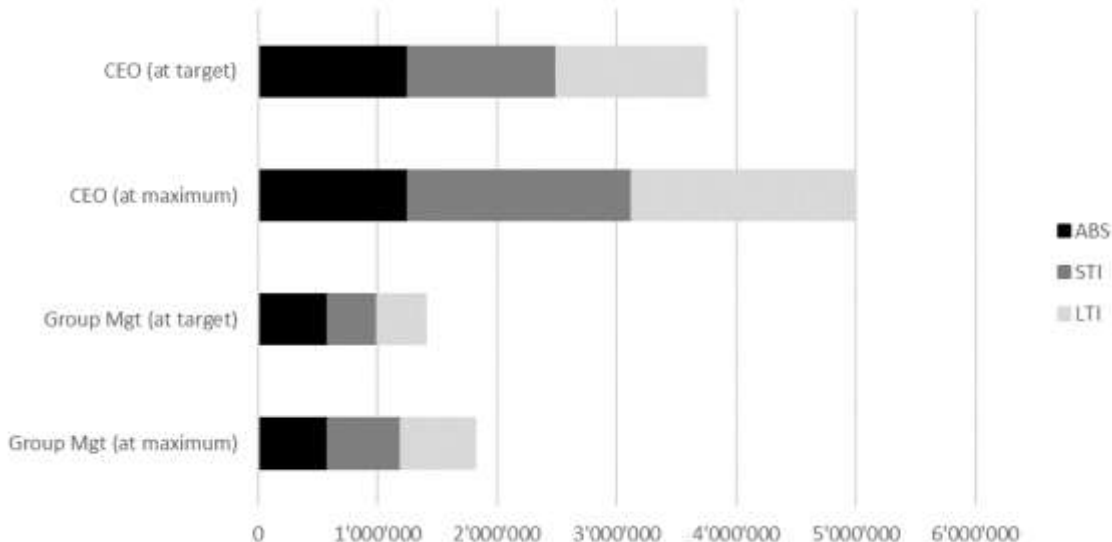


COMPENSATION MIX

GROUP MANAGEMENT

The compensation system **aligns pay with performance** without incentivizing excessive risk taking or encouraging unintended behaviors

Pay-for-performance



Notes:

- Group Management calculated as an average
- Maximum compensation does not take into consideration the share price evolution between the grant date and the vesting date (LTI)

Mitigators

Cap on incentives (maximum potential at 150% of target)

Claw-back and malus provisions in case of fraudulent behavior or financial restatement due to non-compliance with accounting standards

Shareholding requirements of 500%¹ of ABS for the CEO and 200% of ABS for the other members of Group Management within five² years of nomination

¹ increased from 300% to 500% in 2022 / ² extended build-up period from four to five years

SHORT-TERM INCENTIVE GROUP MANAGEMENT

The short-term incentive is an **annual cash incentive** plan rewarding for company and regional performance. A Group sustainability objective was introduced in 2020 (CO2 emissions reduction target) and a safety target (accident reduction) will be implemented in 2023 instead of the individual goals in place until 2022.

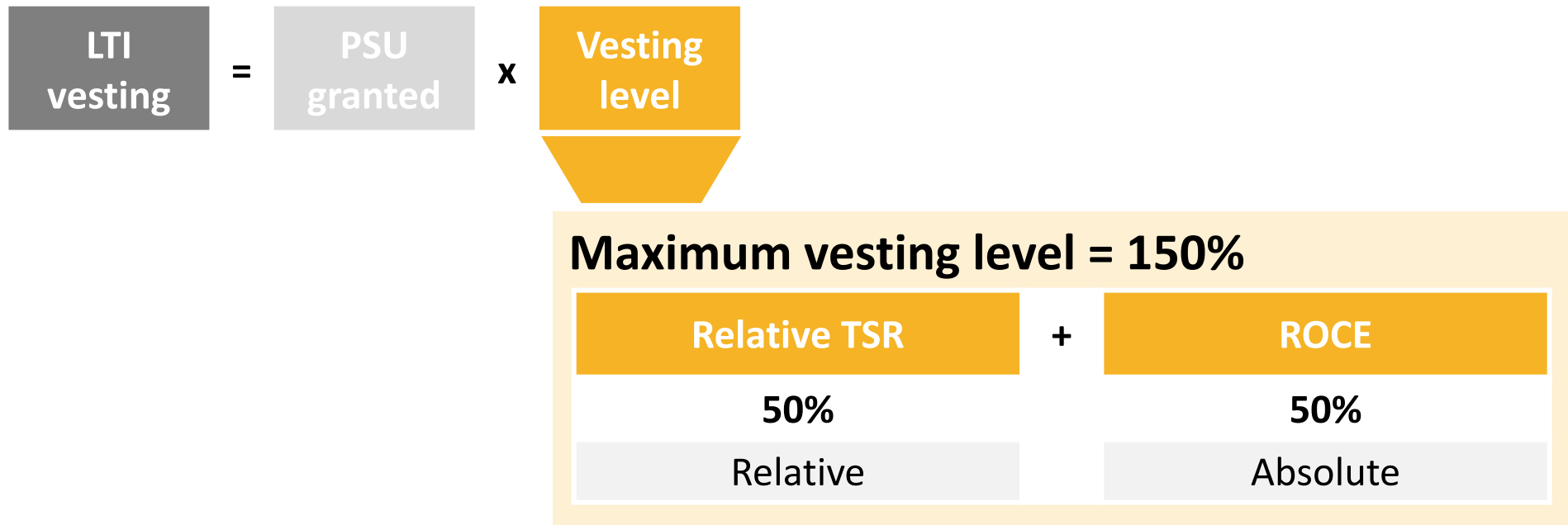
$$\text{STI payout} = \text{STI target} \times \text{Payout factor}$$

Maximum payout factor = 150%

	Group performance	+	Group/region performance
	80%		20%
Top line	Relative sales growth (20%)		
Bottom line	Relative EBIT growth (40%)		EBIT Group or region (20%)
Sustainability	CO ₂ emissions (10%) Accident reduction (10%)		

LONG-TERM INCENTIVE GROUP MANAGEMENT

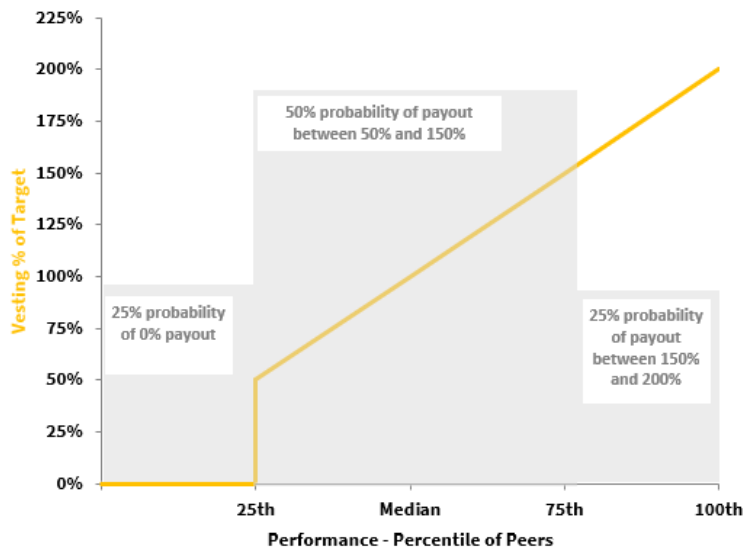
Our long-term incentive is a **Performance Share Unit (PSU) plan with 3-year cliff vesting** conditional upon ROCE and relative TSR performance



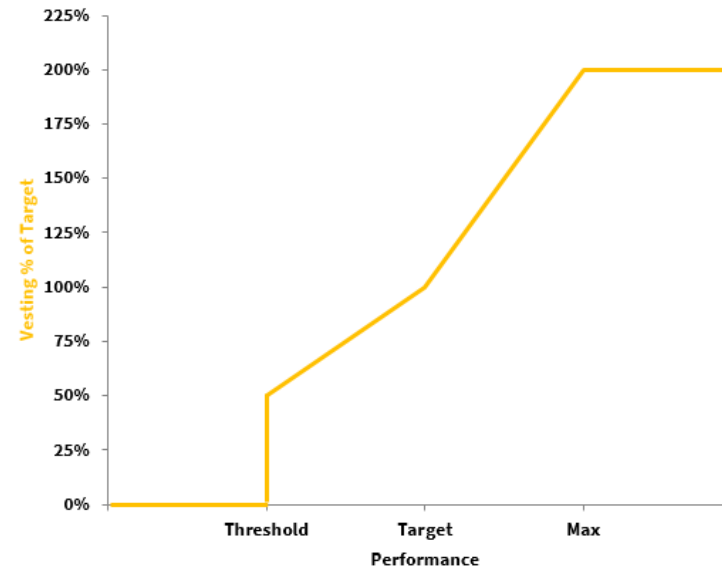
LONG-TERM INCENTIVE PERFORMANCE MEASUREMENT

Same approach as in the STI: realistic objective setting and a fair payout formula should align pay and performance and motivate executives to perform outstandingly

Payout curve for relative TSR



Payout curve for ROCE



No vesting below threshold performance

No vesting below threshold performance

Cap of 200% for each KPI

Cap of 200% for each KPI

Overall vesting cap of 150%

COMPENSATION SYSTEM SUMMARY

The BoD is convinced that the current compensation system is appropriate for Sika

Governance

The Board of Directors and the NCC adhere to solid governance principles in all compensation-related decisions

Compensation of the Board of Directors

The compensation system of the Board of Directors strengthens their independence and is aligned with prevalent market practice in Switzerland

Compensation of the Group Management

The compensation system of Group Management is **well-balanced** and supports the long-term interests of shareholders:

- ✓ It motivates management to **outperform the market**, both in the short-term and in the long-term, as a large portion of the STI and LTI depend on relative performance – this is unique in the Swiss market
- ✓ It does not encourage excessive risk taking or short-term optimization at the expense of the long-term success, because the plan design is **reasonable and stable** in terms of leverage – no “all or nothing” plans
- ✓ It has worked effectively in the last 10 years in terms of **performance alignment** and in terms of **supporting a strong corporate culture (Sika spirit)**

LINKS & ANNEX

LINKS

PUBLICLY AVAILABLE INFORMATION (NON-EXHAUSTIVE)

Governance

- [Board of Directors](#)
- [Group Management](#)
- [Code of Conduct](#)
- [Supplier Code of Conduct](#)
- [Board Composition and Succession Planning](#)
- [Risk Management and TCFD Recommendations](#)

Corporate culture

- [Values & Principles](#)
- [Diversity](#)

Growth and Sustainability Strategy

- [Business Growth Strategy](#)
- [Sustainability Strategy](#)

Materiality analysis

- [Sika Materiality Analysis 2022](#)

Sika and the UN SDGs

- [UN SDGs](#)

Reporting

- [Reports](#)

Partnerships

- [Partnerships and Collaborations](#)
- [Together for Sustainability \(TfS\)](#)
- [TfS PCF Guideline 2022](#)
- [WBCSD SOS 1.5](#)
- [Guidance on Avoided Emissions](#)
- [Biodiversity and Nature](#)

Net zero

- [Sika Capital Markets Day 2022](#)
- [Sika's Way to Net Zero](#)
- [Climate Change](#)
- [Emissions](#)

Product sustainability

- [Sustainability Portfolio Management \(SPM\)](#)
- [Chemical Industry Methodology for Portfolio Sustainability Assessments \(PSA\)](#)

Social responsibility

- [Health and Safety](#)
- [Community Relations](#)


ANNEX

RISK MANAGEMENT ALONG THE ENTIRE VALUE CHAIN

Top Risk	Description	Risk Mitigation	Trend	Status
CATEGORY: STRATEGIC				
Pressure on margins	Supply chain disruptions, raw material price increases may lead to pressure on margins.	<ul style="list-style-type: none"> – Sika actively manages the material margin through value and system selling, continued sales price increases, and product formulation optimizations, combined with a Group-wide coordinated procurement process. – Sika maintains Group-wide systems to monitor raw material prices and sales prices to measure and manage the material margin. 	↗	Mature
Changing EHS requirements and regulations for products	Changing EHS-related customer requirements and regulations for products, product solutions and production processes. Net zero commitments of regions and countries will drive regional and local compliance.	<ul style="list-style-type: none"> – Close monitoring of regulatory changes with the help of a global network of experts and the close involvement of relevant commercial and technical functions. – Regular communication to global/regional/local functions. – As part of the due diligence process for acquisitions, potential targets are examined to ensure that they operate in full compliance with prevailing laws and regulations. – As part of the capital investment process, attention is given to zoning compliance, production processes and regulatory requirements. – Ensure compliance of raw materials and products to regional and local laws and regulations. – Sustainability targets are aligned with accepted practice and a clear improvement path, including the net zero commitment. 	↗	Mature
Country risks	Political and economic instability.	<ul style="list-style-type: none"> – Constant monitoring of development in the critical countries. – Implement risk-reducing measures. – Review investment/acquisition strategy in affected countries. 	↗	Mature

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RISK MANAGEMENT ALONG THE ENTIRE VALUE CHAIN

Climate change risk	Climate change is increasing the frequency and severity of extreme weather events and reducing the availability of natural resources. Increasing awareness about the severe consequences of climate change will lead to changes in consumption and investment behavior, which can lead to increased business costs for additional transparency, due diligence, reporting, R&D, and innovation.	<ul style="list-style-type: none"> – Sika committed to the Science Based Targets initiative to achieve net zero by 2050. The company is currently developing a CO₂ emissions reduction roadmap (scopes 1, 2 and 3) with mid-term (2030) and long-term (2050) targets. – Ongoing company-wide initiative to systematically identify and calculate emissions from material scope 3 GHG categories in accordance with the requirements of the Greenhouse Gas Protocol (GHGP). – Reporting in accordance with TCFD recommendations to assess and quantify the impact of climate change on Sika's business. – Operational efficiency programs implemented worldwide to reduce CO₂ emissions, energy, and water consumption. – Sika cooperates with its suppliers to improve factory resource efficiency, which can help maintain production capacity and manage costs through regional water and energy shortages. – Sika focuses its research on better understanding how consumers may be affected by environmental change, and therefore, the company can better anticipate needs and offer sustainable solutions. 	 Mature
Multipolar world	Geopolitical instability and a rise in protectionism may impact international trade and the global economy.	<ul style="list-style-type: none"> – Maintain and reinforce geographical balance of the businesses across regions and countries. – Maintain an agile supply chain to mitigate single source supply and to react rapidly to supply chain disruptions, changes in tariffs and sanctions. – Centralization of key technologies and intellectual proprietaries at Sika Technology to protect Sika's core values. – Strengthen capabilities of local organizations to maintain know-how locally. 	Emerging

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RISK MANAGEMENT ALONG THE ENTIRE VALUE CHAIN

CATEGORY: OPERATIONAL

Product-related claims	Selling of products carries the risk of product-related claims.	<ul style="list-style-type: none">– To properly control risk, a strict Product Creation Process (PCP) is established within Sika (including the SPM framework).– Long-term behavior of products is tested in technical service depending on the real application.– Proper quality control is set up in production.– Regular training of employees ensures the necessary competence.– Corporate technical services define the needs of the regional and local organizations, and check compliance with specifications.– To avoid the risk of customers using Sika's products incorrectly, Sika provides systematic instructions, application training, and support to customers.– Sika is continuously improving systems and processes to have proper and up-to-date product documentation across multiple channels.	→ Mature
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RISK MANAGEMENT ALONG THE ENTIRE VALUE CHAIN

Talent shortage	Challenge to attract and retain talent. Sika's growth and the diversification of the markets will require a strong pipeline of future successors for business-critical key positions.	<ul style="list-style-type: none">– Sika's Talent Management across global, regional, and local levels prepares its workforce for challenging tasks. Solid performance, succession, and development processes foster a high-performance organization and a unique leadership culture.– Embed the Sika employer brand in all recruitment activities and redefining the recruitment strategy of talent at all hierarchy levels.– Conduct an annual talent review of Corporate/Regional Management with a focus on succession planning for business-critical key positions.– Conduct an annual talent review of Corporate/Regional Management with a focus on succession planning for business-critical key positions.– Policies for international assignments should provide more flexibility and adapt to the business needs.– Integrate SuccessFactors as a global HRIS database to enhance people analytics and provide cross-regional alignment across the talent population.	→	Mature
Business interruption	Business interruptions can jeopardize daily business continuity and impact operational business profit.	<ul style="list-style-type: none">– Implement Crisis Management on country level for a swift adaptation to meet country-specific events and regulations.– The Corporate Crisis Management organization steers and monitors execution on local level.– Ensure sufficient liquidity of the Sika Group and subsidiaries with diverse sources of funding from either capital markets or local banks.– Maintain a corporate insurance program with worldwide coverage.	↓	Mature

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RISK MANAGEMENT ALONG THE ENTIRE VALUE CHAIN

Supply chain – direct material sourcing	Sourcing of critical direct materials could be at risk due to single-sourced material, supplier discontinuity and capacity shortage.	<ul style="list-style-type: none">– All materials are systematically evaluated within Sika to identify potential risks and to develop mitigation plans accordingly. These plans contain short-term mitigation strategies, such as safety stocks, and long-term crisis management plans including approval of alternatives and closer collaboration with suppliers.– In the case of key raw materials with limited availability or large purchase volumes, Sika mandates at least two suppliers whenever possible.– For unique, highly innovative technologies, Sika seeks to manufacture raw materials itself, or source them in close collaborative partnerships with innovative suppliers.– Sika's procurement specialists and technical experts work closely with suppliers' technical units to fully understand the raw material flows, and continually optimize costs, quality, availability, and sustainability.– To reduce its dependency on crude oil, Sika is increasingly relying on renewable raw materials, such as sugar derivatives, bioethanol derivatives, and natural oils. Moreover, recycled raw materials are used wherever possible, and many production plants implement their own, or externally operated, recycling loop systems.– In respect of all the materials used, compliance with the relevant statutory registration requirements (e.g., REACH or TSCA) is monitored and ensured by a network of global and local specialists, as well as external consultants.	↗ Mature
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RISK MANAGEMENT ALONG THE ENTIRE VALUE CHAIN

Cyber security risk	International Corporations are exposed to cyberattacks which can be any type of an offensive maneuvers that target computer information systems, infrastructures, computer networks, and/or personal computer devices by various means of malicious acts.	<ul style="list-style-type: none">– Sika has established a comprehensive Cyber Incident Management Framework and processes for effective cyber response and IT Continuity Planning.– The company constantly assesses its cyber maturity.– Building up internal cyber security skills that are backed up by support from external specialists.– Regular training of the Sika workforce on developments in cyber risks and the correct way to counter these risks.	→ Mature
Technology risk for PU & SMP sealant products	The risk that innovations or other market developments would have a severe effect on the product offering.	<ul style="list-style-type: none">– Develop technologies with the same performance and better EHS or sustainability footprint.– Sika is well-positioned with future-proof Purform technology, water-based systems, and sustainability initiatives.	→ Mature

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RISK MANAGEMENT ALONG THE ENTIRE VALUE CHAIN

CATEGORY: FINANCIAL

Impairments	The risk that tangible and intangible assets may be impaired with a corresponding negative P&L impact. In volatile markets, there is a risk that acquisitions will not perform according to the business plan/ valuation, and therefore, finances may be impaired.	<ul style="list-style-type: none"> – Sika focuses on continued strong cash flow generation of all operational entities aligned with the strategy and Group targets. – Group-wide reporting and controlling systems are used to track business development, to quickly identify shortcomings and to swiftly initiate corrective actions. – The integration of acquisitions is monitored very closely by a dedicated integration management team. 	↗	Mature
Currency fluctuation/ FX risk	Volatility of foreign currencies and uncertainty in financial markets.	<ul style="list-style-type: none"> – Report and constantly monitor the FX exposure of Sika Group. Appropriate actions taken whenever required. – FX exposures related to IC Financing are fully hedged. – Group internal transactions are netted monthly and hedged at the corporate level. – All other FX exposures are kept at a minimum. 	→	Mature
Tax risk	Uncertainty associated with tax matters, liabilities resulting from changes in legislation, interpretation of existing tax rules and regulations, and/or audits or litigations. Government authorities in the countries where Sika operates may increase or impose new taxes or revise the interpretations of existing tax rules.	<ul style="list-style-type: none"> – Risks are assessed on a regular basis considering ongoing developments with tax audits and tax cases, as well as any changes in legislation and tax laws. – Sika's Tax Policy provides binding rules for all countries where Sika operates. These rules are aligned with the Organisation for Economic Cooperation and Development (OECD) and local arm's-length standards. – The Group Tax team continuously works with Internal Control on aligning, improving, and implementing processes and controls within Group Tax and countries. It also continuously develops the right skills in-house. 	→	Mature

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RISK MANAGEMENT ALONG THE ENTIRE VALUE CHAIN

CATEGORY: ORGANIZATIONAL

Reputation risk	Reputation damage due to any substantial incident or personal misconduct.	<ul style="list-style-type: none"> – The Sika Code of Conduct and Sika's Values and Principles provide clear standards for employee integrity and ethical conduct. All employees and new joiners are trained on the Code of Conduct and on how to use the Sika Trust Line (whistleblower line). – A comprehensive, Group-wide compliance program is in place. – External tools support the monitoring and managing of potential reputational issues. – There is zero tolerance for compliance violations. Compliance violations lead to consequent imposition of sanctions. 	↗	Mature
Hostile takeover/activism	Companies are increasingly targeted by unfriendly actions of investors or third parties to influence the strategic direction of the company or launch hostile take-over attempts.	<ul style="list-style-type: none"> – Continuously monitor the market, maintain close contact with investors, review of Sika's performance and rely on crisis management plans in an emergency to reduce risk. 	→	Mature

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RISK MANAGEMENT ALONG THE ENTIRE VALUE CHAIN

Loss of Sika's unique culture/ entrepreneurship

Sika's unique corporate culture can be defined as a Unique Selling Proposition (USP). The fast pace of acquisitions brings new employees on board regularly. This constantly changing work environment requires proactive and dynamic management to mitigate the risk of diluting the corporate culture. Factors that accelerate the immediate need for actions are, amongst others, an increasing digitalization of the workplace and business model (remote work, less travelling), the need to align working environments among various cultures and to engage different generations.

- Preserve Sika's unique culture and the high employee engagement through global initiatives: e.g., rollout and implementation of the new Global Leadership Commitment Campaign; annual, global celebration of the Sika culture on the Sika Day.
- Embed Sika's Values and the Leadership Commitment Framework in the entire employee life cycle.
- Regular training of all Sika managers to "walk the talk" within their departments through designated workshops on the Leadership Commitment pillars on a country level.
- Hire, reward, and promote people based not only on traditional measures, but also on qualitative criteria that demonstrate the Sika Spirit.
- Ensure an inclusive work environment and a clear communication about the Sika culture/values/leadership when welcoming and onboarding acquired employees.
- Continue to invest in employees' learning and development, internal promotions/careers, and international professional exposure/assignments.



Mature



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FORWARD-LOOKING STATEMENT

This presentation contains certain forward-looking statements. These forward-looking statements may be identified by words such as ‘expects’, ‘believes’, ‘estimates’, ‘anticipates’, ‘projects’, ‘intends’, ‘should’, ‘seeks’, ‘future’ or similar expressions or by discussion of, among other things, strategy, goals, plans or intentions. Various factors may cause actual results to differ materially in the future from those reflected in forward-looking statements contained in this presentation, among others:

- Fluctuations in currency exchange rates and general financial market conditions
- Interruptions in production
- Legislative and regulatory developments and economic conditions
- Delay or inability in obtaining regulatory approvals or bringing products to market
- Pricing and product initiatives of competitors
- Uncertainties in the discovery, development or marketing of new products or new uses of existing products, including without limitation negative results of research projects, unexpected side-effects of pipeline or marketed products
- Increased government pricing pressures
- Loss of inability to obtain adequate protection for intellectual property rights
- Litigation
- Loss of key executives or other employees
- Adverse publicity and news coverage

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