

GRI REPORT

2017



# SUSTAINABILITY ON TRACK

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

## MORE VALUE – LESS IMPACT

With its sustainability strategy geared to "More Value – Less Impact", Sika's aim – through its products – is to maximize long-term benefits and added value for all stakeholders and, at the same time, reduce resource consumption and the environmental impacts associated with production. In this way, Sika's future will be secured through sustainable, profitable growth.



# STRATEGY

As part of its “More Value – Less Impact” sustainability strategy, Sika has been measuring six parameters for the last four years. In 2017, the “More Value” and occupational safety targets were met, with waste utilization, energy and water consumption falling short of their goals. The increase in energy is mainly due to acquisitions of factories with very energy intensive production processes. However, overall energy consumption was reduced by 17% (target 12%) from 2013 to 2017. From 2016 to 2017 there was no change in the water consumption, but overall, the water consumption was significantly reduced by 52% between 2013 and 2017 (target 12%). With an increased production volume and newly enforced regulations in the USA in regard to the discharge of sewage water, the overall waste amount was increased. Measures are being taken to bring about an improvement.

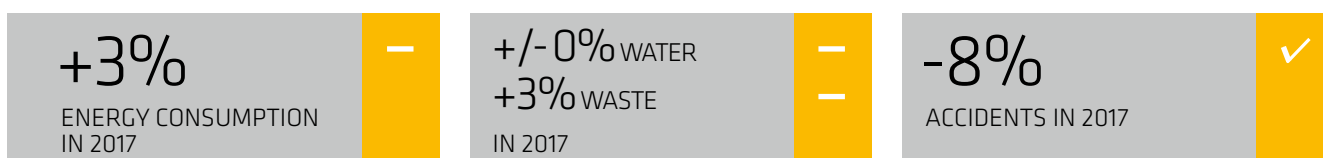


## MORE VALUE

<p><b>ECONOMIC PERFORMANCE</b></p> <p>Our success directly benefits all stakeholders.</p> <p><b>TARGET</b>  <b>Operating profit (EBIT)</b>  <b>14-16% of net sales.</b></p>	<p><b>SUSTAINABLE SOLUTIONS</b></p> <p>We are leading the industry by pioneering a portfolio of sustainable products, systems, and services.</p> <p><b>TARGET</b>  <b>All new projects are assessed in accordance with Sika's Product Development Process. All local key projects are implemented.</b></p>	<p><b>LOCAL COMMUNITIES/SOCIETY</b></p> <p>We build trust and create value – with customers, communities, and with society.</p> <p><b>TARGET</b>  <b>5% more projects per year.</b></p>
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## LESS IMPACT

<p><b>ENERGY</b></p> <p>We manage resources and costs carefully.</p> <p><b>TARGET</b>  <b>3% less energy consumption per ton and year.</b></p>	<p><b>WATER/WASTE</b></p> <p>We increase water and material efficiency.</p> <p><b>TARGET</b>  <b>3% less water consumption and waste per ton and year.</b></p>	<p><b>OCCUPATIONAL SAFETY</b></p> <p>Sika employees leave the workplace healthy.</p> <p><b>TARGET</b>  <b>5% less accidents per year.</b></p>
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April 2018

The information contained in this report has been prepared in accordance with the GRI Standards option «core». This is Sika's fifth GRI report, and it covers the calendar year of 2017. Sika will continue reporting on an annual basis. The GRI Standards are also available online: [www.sika.com/en/group/sustainability/gri-standards.html](http://www.sika.com/en/group/sustainability/gri-standards.html)

# GRI 102: GENERAL DISCLOSURES

# 1. ORGANIZATIONAL PROFILE

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

## DISCLOSURE 102-1: NAME OF THE ORGANIZATION

Sika AG

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

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

### THE SIKA BRAND

The Sika umbrella brand and some 851 Sika product trademarks, such as Sika® ViscoCrete®, SikaBond® or Sikaflex®, sharpen the company's competitive edge. Hence the crucial role of trademark protection as a management task, performed both globally at Group level and locally at national level. In total, Sika held 10,735 trademark registrations in 165 countries at the end of 2017. Sika AG continuously monitors its trademarks and takes consistent legal action in cases of infringement.

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

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

### SUSTAINABLE SOLUTIONS

Sika is an industry leader with a portfolio of sustainable products, systems, and services. The company makes an essential contribution to customers in construction and other industries to meet their sustainability targets, for example, energy and material efficient vehicles and buildings. Sustainability is a key component of the company's capacity for innovation and an important driver of product development. Sika strives to extend the service life of buildings and industrial applications, to reduce maintenance effort, to improve energy and material efficiency, and to further enhance user-friendliness and health and safety profiles. One of the company's main objectives is to reduce resource consumption, energy consumption, and the associated CO<sub>2</sub> emissions along the value chain – both internally and for partners and customers who place their trust in Sika products and solutions.

The Group goals are:

### TARGET 1: PRODUCT CREATION PROCESS

All new product developments are reviewed against sustainability criteria using a standardized methodology, including a documented sustainability profile and an appropriate improvement plan where necessary. In 2017, this target has been achieved.

### IMPLEMENTATION

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

In the year under review, the sustainability appraisal process was used to assess 105 new local and global product developments. Of these, 12% were identified as relevant and have undergone or are undergoing closer scrutiny as they offer an improvement over the existing product and are therefore of particular importance for the company's sustainability.

In 2017, a new one-component moisture triggered polyurethane roof waterproofing base coat (Sikalastic 631) was developed as part of the Sika® CoolRoof i-Cure / SikaRoof®i-Cure system. The product is based on a novel latent hardener that prevents gassing in the finished film, which can often be seen in conventional polyurethanes when applied in harsh environments. The new technology allows the final product to be formulated with reduced VOC's (volatile organic compounds), odor, and most importantly emissions to the environment. The Sika® CoolRoof i-Cure / SikaRoof®i-Cure system fulfills LEED v4 requirements and is a high end cool roof solution to help reduce the operational energy consumption of buildings.

Another example is Sarnafil® G410, a self-adhered thermoplastic roofing membrane which was successfully launched in North America. The membrane design includes a pre-applied adhesive, which is covered with a release liner at the factory, providing more consistent coverage versus adhesive applied on site and double the speed and ease of application on the roof. By eliminating the use of liquid membrane adhesives, VOCs and adhesive odors were eliminated from potentially harming applicators and entering the building. The membrane is ideal for any project, but especially for those buildings that are sensitive to adhesive odors and fumes, such as schools, healthcare facilities and office buildings.

#### TARGET 2: LOCAL SUSTAINABILITY ROADMAPS

The major Sika national subsidiaries prepare a sustainability action plan and implement all key projects planned in this context. The plan is aligned with local trends and with market requirements and encompasses the key projects and topics that are geared to the global initiative. In 2017, this target has been achieved.

#### IMPLEMENTATION

All of the major organizations in the key areas North America, Southern Europe, Northern Europe, Central Europe, and Eastern Europe further developed product sustainability roadmaps in the year under review. A priority in the year under review was to extend the scope of the roadmap activities into the Asia Pacific and Latin America region. In this regard, the newly created regional Sustainability Academy programs played an important role in involving further national subsidiaries and increasing the future number of projects and activities.

#### SUSTAINABILITY ACADEMY

The regional Sustainability Academy courses in Bangkok in July and Bogota in November have been attended by 37 employees from various business segments from 19 country organizations in the Asia/Pacific and Latin America region. The participants were empowered to draw up and implement local market-oriented roadmaps with the support of local teams. Here, the commercial and marketing oriented persons were nominated to be trained to be local Champions for "More Value" and Operations and EHS persons to be the local Champion for "Less Impact". On completion of the program, the "ambassadors" have a deeper understanding of Sika's Sustainability strategy, targets, principles and tools, the benefits of using sustainability as value creation concept and how to initiate, manage and coordinate local sustainability activities and projects from both perspectives.

Based on the learnings of the Sustainability Academy, initial action plans were locally developed for Japan, China, Vietnam, Indonesia, Malaysia, and New Zealand. Roadmaps for the major Latin America countries Mexico, Colombia, Brazil, Chile, Peru, Ecuador, Argentina, and Uruguay will follow in 2018.

#### TRANSPARENT INFORMATION ABOUT ENVIRONMENTAL PERFORMANCE

Customers, as well as legislature, increasingly demand that companies make the environmental performance or environmental impact of its products more transparent. This calls for sound data and knowledge about the effects of product manufacturing and the added value of finished products in their application and use phase. In the year under review, as in years before, Sika expanded the existing reference database for Environmental Product Declarations (EPD) for its products and systems in accordance with the international ISO and EN standards, which creates an increase in confidence by providing information on the environmental performance of Sika solutions. Examples include the preparation of various EPDs for major polyurethane liquid applied membranes for roof waterproofing solutions under the UK BRE standard. With this, Sika has published product-specific EPDs for all its major European single-ply and LAM (liquid applied membrane) roofing brands and technologies. Furthermore, Sika was the first company in the North American roofing market to publish third party certified Cradle to Grave Environmental Product Declarations (EPD). They include the full life cycle from resource extraction, to factory gate, through the use phase and end of life treatment. Thanks to the long life expectancy of the Sarnafil membranes and the company's recycling program to take back old membranes at the end of their service life, the figures show very good results. In 2018 the EPD Activities in the North American market will be further extended to other product categories utilizing local US EPD standards.

#### GREEN BUILDING AND ENERGY SAVINGS

The interest in EPDs has grown significantly since recent versions of the US Green Building Council's (USGBC) LEED, the Green Building Initiative's (GBI), Green Globes program and the UK's British Research Establishment Environmental Assessment Method

(BREEAM), amongst others, award credits for buildings incorporating products with EPD, which provide added value and comprehensive information for assessing buildings and other structures. With the increasing number of green building projects in commercial and public construction, and having a product portfolio that contributes to multiple green building requirements, Sika is in a good position to benefit.

With buildings having extensive direct and indirect impacts on the environment, operational energy efficiency is an essential aspect for the building design. In the reporting year, Sika has developed an "Energy Saving Calculator", which enables customers to quantify the contribution of the roof design on energy and cost savings during a building's use phase. Possible energy savings can be achieved through improved thermal insulation characteristics and/or reflectivity of roofing membranes. With this tool, our clients can interpret the benefits of selecting Sika's high quality roofing systems into economies of scale. The tool also allows a simulation of the effect of the roof design dependent on various climate conditions. With its energy saving approach, Sika strives to create value for its customers via customized sustainable and energy efficient roofs. The company plans to collect various case studies by introducing the new concept into a limited number of countries step by step in order to ensure the reliability of the tool.

#### **DISCLOSURE 102-3: LOCATION OF HEADQUARTERS**

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#### **DISCLOSURE 102-4: LOCATION OF OPERATIONS**

Please consult: Sika Annual Report 2017, page 135 et sqq.

#### **DISCLOSURE 102-5: OWNERSHIP AND LEGAL FORM**

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

#### **DISCLOSURE 102-6: MARKETS SERVED**

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

##### **CUSTOMERS**

The breakdown into seven target markets allows Sika to sharpen its customer focus, optimize its technical market support activities, and concentrate its research and development operations on key areas. Sika's target markets are concrete, waterproofing, roofing, flooring, sealing & bonding, refurbishment and industry.

##### **CONCRETE**

Sika develops and markets a complete range of admixtures and additives for use in concrete, cement, and mortar production. These products enhance specific properties of the fresh or hardened concrete, such as workability, watertightness, durability, load-bearing capacity, or early and final strength. The demand for admixtures and additives is currently on the rise, particularly due to the increased performance requirements placed on concrete and mortar, especially in urban areas and for infrastructure construction. Furthermore, the increasing use of alternative cementitious materials in cement, mortar, and therefore also in concrete, leads to a growth in the need for admixtures.

##### **WATERPROOFING**

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

##### **ROOFING**

Sika provides a full range of single-ply and built-up flat roofing systems incorporating both flexible sheet and liquid applied membranes as well as thermal insulation and various roofing accessories. A more than 50-year history has documented that Sika roofing solutions are outstanding performers, reliable, sustainable, and long-lasting. Demand in this segment is driven by the need for eco-friendly, energy-saving solutions such as green roof systems, cool roofs, and solar roofs, which simultaneously help to reduce CO<sub>2</sub>



emissions. While refurbishment projects continue to gain significance in the mature markets, the emerging markets are moving towards higher-quality roof solutions for new build structures.

#### FLOORING

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

#### SEALING & BONDING

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

#### REFURBISHMENT

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

#### INDUSTRY

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

### DISCLOSURE 102-7: SCALE OF THE ORGANIZATION

#### PAGE IN ANNUAL REPORT 2017

Number of employees	p. 145
Group companies	p. 135 seq.
Net sales	p. 4
Total capitalization	p. 11
Risk management	p. 33
Group strategy	p. 16 seq.

**DISCLOSURE 102-8: INFORMATION ON EMPLOYEES AND OTHER WORKERS**

The total number of employees at the end of the reporting period was 18,484 associates. Female employees in the Group account for around 23% of the total workforce.

REGION	% FEMALE OF TOTAL REGIONAL WORKFORCE
EMEA	22.8
Asia/Pacific	22.7
Latin America	25.5
North America	18.1

REGION	% OF TOTAL WORKFORCE
EMEA	53.1
Asia/Pacific	21.9
Latin America	13.4
North America	11.6

ITEM	% OF TOTAL WORKFORCE
<b>Age Groups</b>	
< 30 years	15.0
30-50 years	61.0
> 50 years	24.0
<b>Male employees</b>	<b>77.4</b>
Staff (clerks, lab, production staff incl. shift team leaders)	60.6
Middle management	12.5
Local Company management team	3.4
Top management (Senior Management)	0.9
<b>Female employees</b>	<b>22.6</b>
Staff (clerks, lab, production staff incl. shift team leaders)	18.7
Middle management	3.1
Local Company management team	0.7
Top management (Senior Management)	0.1

Internal promotions within the reporting period (%): 0.8

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

CONTRACT	% OF TOTAL WORKFORCE
Permanent	96.2
Temporary	2.8
Apprenticeship/internship	1.0

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

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

Contract	Permanent(%)	Temporary(%)
EMEA	50.1	2.0
North America	11.6	0
Latin America	13.0	0.4
Asia/Pacific	21.4	0.4

Apprenticeship/internship (%): 1.0

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

CONTRACT	NUMBER EMPLOYEES
Full time	17,755
Part time	729
Total	18,484

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

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

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

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

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

Due to the seasonality of the construction business, the workforce may increase in the main season, e.g. the summer months in the Northern hemisphere. In 2017, Sika employed 515 additional temporary laborers as part of Sika's workforce to adapt to peak demand.

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

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

### DISCLOSURE 102-9: SUPPLY CHAIN

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

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

In Sika factories, the raw materials are converted into higher value goods, usually through mixing, blending, compounding, and suitable form-giving. From Sika's finished goods warehouses, products are distributed within the respective country and partly exported. Sika today collaborates with around 15,000 direct material suppliers, out of around 20,000 supply locations, for both local and global sourcing. The company strives to work together with local suppliers wherever possible, to reduce lead time, risk, and transport, as well as to increase availability and control quality. Sika's purchasing spend corresponds to 46% of total net sales and is comprised of direct materials, indirect materials and services. Total global spend for direct materials and trading goods amounts to CHF 2,849.2 million at average exchange rates for the year 2017. The regional split for direct materials is as follows: EMEA 49%, Asia/Pacific 19%, North America 20%, LATAM 7%, and Automotive 5%.

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

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

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

In February 2017, Sika acquired Bitbau Dörr, a leading waterproofing system manufacturer, headquartered in Innsbruck, Austria. The product portfolio includes complete waterproofing systems for roofs, buildings and civil engineering applications. With this acquisition Sika is able to offer its customers a wider range of durable, high-grade waterproofing systems based on polymer-modified bitumen membranes

In August 2017, Sika acquired ABC Sealants, a leading Turkish-based manufacturer of sealants and adhesives headquartered in Istanbul. The acquisition will strengthen Sika's market position in Turkey and further establish Sika as a comprehensive supplier of solutions for interior finishing applications.

Sika has agreed in September 2017 to acquire KVK Holding a.s, headquartered in Prague, Czech Republic, a leading manufacturer of waterproofing and roofing systems as well as a wide range of mortar products. This acquisition allows Sika to strengthen its production platform and expand its geographical footprint in the growing Czech market.

The acquisition of Butterfield Color, Inc. a US-based market leader in the production of decorative concrete floor products and systems, in November 2017 has accelerated Sika's growth by bringing the most comprehensive range of solutions for concrete contractors in the North American construction market.

In November 2017, Sika has agreed to acquire Faist ChemTec Group, a leading manufacturer of high-performance engineered, structure-borne acoustic solutions for the automotive industry headquartered in Worms, Germany. The acquisition brings technology and know-how that will accelerate Sika's growth and drive market penetration via the strong synergies between the two companies.

In December 2017, Sika acquired certain assets of Grupo Industrial Alce in Mexico. As a result, Sika will extend its range of solutions for roofing and waterproofing customers, and further expand its manufacturing footprint in Mexico to better serve the Mexico City metropolitan area.

In December 2017, Sika has acquired Emseal Joint Systems, Ltd., a US-based market leader in the development and manufacturing of structural expansion joint products for new construction and refurbishment. With the acquisition, Sika is able to offer the most comprehensive range of sealing and bonding solutions available in the North American construction market.

In 2017, the following Sika production facilities were opened:

- 5<sup>th</sup> plant in Mexico (Coatzacoalcos, March 2017)
- New and expanded site in Kazakhstan (Almaty, May 2017)
- 1<sup>st</sup> plant in Tanzania (Dar es Salaam, June 2017)
- 5<sup>th</sup> plant in Russia (Lobnya, July 2017)
- New and expanded site in Pakistan (Lahore, October 2017)
- 2<sup>nd</sup> plant in Angola (Luanda, October 2017)
- New fiber plant for EMEA (Troisdorf, Germany, November 2017)
- 1<sup>st</sup> plant in Cameroon (Douala, December 2017)
- 22<sup>nd</sup> plant in the USA (Houston, December 2017)

In the year under review, Sika opened new subsidiaries in Senegal (April 2017), El Salvador (September 2017) and Bangladesh (December 2017). The company is now present in 101 countries with own national subsidiaries.

#### **DISCLOSURE 102-11: PRECAUTIONARY PRINCIPLES OR APPROACH**

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

Sika employs a risk-based management approach for its own operations, the supply chain, and the products it sells and distributes. Major operations are regularly screened by experts according to a loss prevention methodology, with frequent support of our insuring partners. Results are translated into improvement plans together with management. This results in an overall low loss rate due to events such as major supply disruptions, and ensures that customers will receive their goods from Sika in time. Through various audits and inspections of its own operations and suppliers as well as external audits by customers and certification bodies in Sika facilities, the company adheres to a preventative approach and to continuous improvements. Sika companies are certified to the international management system standards ISO 14001:2015 (Environmental Management) and ISO 9001:2015 (Quality Management) in all operations. The company aspires to fully implement OHSAS 18001 (Occupational Health and Safety Assessment) in major operations, and is starting to introduce ISO 50001 (Energy Management) in the bigger facilities.

Regarding the supply of raw materials, Sika has introduced a supplier qualification process for new vendors in 2014 and expanded this approach in the last years. This process encompasses three main elements: supplier code of conduct, supplier self-assessment and supplier visit. It can be complemented by supplier audits when necessary. The process covers all new suppliers. In addition, existing suppliers will be evaluated by using similar criteria like supplier evaluation, supplier code of conduct, and material specifications. A clear process description of the supplier qualification is defined in the Procurement Manual and followed by Sika companies. On the side of products and services, Sika follows a Product Development Process (PCP) to manage functional, safety, environmental, and commercial product risks. Regarding the life cycle of commercial products, Sika runs a comprehensive Product Stewardship program including preparation of customer instructions, information on proper use, registration, labelling, packaging and transportation, disposal, as well as improvement of product groups. Sika actively assumes responsibility for sustainability along the entire supply chain, from supplier qualification to production, distribution to the use phase and the disposal of its products.

#### **DISCLOSURE 102-12: EXTERNAL INITIATIVES**

Sika commits itself to genuinely added sustainable value along the entire value chain. Sika's principles are the foundation for the strategic management. The company has bound itself by signature and is therefore committed to aligning its operations and strategies with the universally accepted principles in the areas of human rights, labor, environment, and anti-corruption established by the United Nations Global Compact Initiative.

## DISCLOSURE 102-13: MEMBERSHIP OF ASSOCIATIONS

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

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

ASSOCIATION	ACRONYM	WEBSITE
American Chemistry Council	ACC	<a href="http://www.americanchemistry.com">www.americanchemistry.com</a>
American High Performance Building	AHPBC	<a href="http://www.betterbuildingstandards.com">www.betterbuildingstandards.com</a>
Coalition Spanish National Association for Concrete and Mortar Additive Manufacturers	ANFAH	<a href="http://www.anfah.org">www.anfah.org</a>
Portuguese Association of Paint Producers	APFAC	<a href="http://www.apfac.pt">www.apfac.pt</a>
Spanish National association of industrial Mortar Manufacturers	ANFAPA	<a href="http://www.anfapa.com">www.anfapa.com</a>
Spanish National Association of Waterproofing	ANI	<a href="http://www.ani.es">www.ani.es</a>
Spanish National Association of Concrete Repair, Protection and Reinforcement Association	ARPHO	<a href="http://www.arpho.org">www.arpho.org</a>
Portuguese Association of Paints	APT	<a href="http://www.apintas.pt">www.apintas.pt</a>
Adhesive and Sealant Council	ASC	<a href="http://www.ascouncil.org">www.ascouncil.org</a>
American Society of Testing Materials	ASTM	<a href="http://www.astm.org">www.astm.org</a>
British Adhesives and Sealants Association	BASA	<a href="http://www.basaonline.co.uk">www.basaonline.co.uk</a>
British Precast Concrete Federation	BPCF	<a href="http://www.britishprecast.org">www.britishprecast.org</a>
Cement Admixtures Association	CAA	<a href="http://www.admixtures.org.uk">www.admixtures.org.uk</a>
Center for Environmental Innovation in Roofing (US)	CEIR	<a href="http://www.roofingcenter.org">www.roofingcenter.org</a>
European Paint and Printing Ink Council	CEPE	<a href="http://www.cepe.org">www.cepe.org</a>
Chemical Fabrics and Film Association	CFFA	<a href="http://www.chemicalfabricsandfilm.com">www.chemicalfabricsandfilm.com</a>
Italian National Research Council	CNR	<a href="http://www.cnr.it">www.cnr.it</a>
Italian National Association of Industrial Flooring Concrete Society	CONPAVIPER	<a href="http://www.conpaviper.it">www.conpaviper.it</a>
Deutsche Bauchemie	CS	<a href="http://www.concrete.org.uk">www.concrete.org.uk</a>
German Sustainable Building Council	DBC	<a href="http://www.deutsche-bauchemie.de">www.deutsche-bauchemie.de</a>
European Federation of Concrete Admixtures Association	DGNB	<a href="http://www.dgnb.de">www.dgnb.de</a>
European Cool Roof Council	EFCA	<a href="http://www.efca.info">www.efca.info</a>
European Federation for Construction Chemicals	ECRC	<a href="http://www.coolroofcouncil.eu">www.coolroofcouncil.eu</a>
Hellenic Organization for Standardization	EFCC	<a href="http://www.efcc.eu">www.efcc.eu</a>
European Single Ply Waterproofing Association	ELOT	<a href="http://www.elot.gr">www.elot.gr</a>
Association of European Adhesive and Sealant Industry	ESWA	<a href="http://www.eswa.be">www.eswa.be</a>
Forschungsgesellschaft für Strassen- und Verkehrswesen	FEICA	<a href="http://www.feica.com">www.feica.com</a>
Fachverband Schweizerischer Hersteller von Betonzusatzmitteln	FGSV	<a href="http://www.fgsv.de">www.fgsv.de</a>
Green Building Council España	FSHBZ	<a href="http://www.fshbz.ch">www.fshbz.ch</a>
Italian Green Building Council	GBCe	<a href="http://www.gbce.es">www.gbce.es</a>
Hellenic Association of Chemical Industries	GBCI	<a href="http://www.gbitalia.org">www.gbitalia.org</a>
UK Liquid Roofing & Waterproofing Association	HACI	<a href="http://www.faci.gr">www.faci.gr</a>
National Federation of Roofing Contractors, UK	LRWA	<a href="http://www.lrwa.org.uk">www.lrwa.org.uk</a>
Polyurea Development Association Europe (Italian Committee)	NFRC	<a href="http://www.nfrc.co.uk">www.nfrc.co.uk</a>
Spanish Technology Platform for Construction	PDA Europe	<a href="http://www.pda-europe.org">www.pda-europe.org</a>
Swiss Plastics	PTEC	<a href="http://www.construccion2030.org">www.construccion2030.org</a>
Swiss Engineer and Architect Association	-	<a href="http://www.swiss-plastics.ch">www.swiss-plastics.ch</a>
Single Ply Roofing Association	SIA	<a href="http://www.sia.ch">www.sia.ch</a>
Single Ply Roofing Industry	SPRA	<a href="http://www.spra.co.uk">www.spra.co.uk</a>
Verband der deutschen Lack- und Druckfarbenindustrie e.V.	SPRI	<a href="http://www.spri.org">www.spri.org</a>
Institute Construction and Environment	VdL	<a href="http://www.lackindustrie.de">www.lackindustrie.de</a>
International Concrete Repair Institute	IBU	<a href="http://www.ibu-epd.com">www.ibu-epd.com</a>
British Adhesives and Sealants Association	ICRI	<a href="http://www.icri.org">www.icri.org</a>
Concrete Society of Southern Africa	BASA	<a href="http://www.basaonline.co.uk">www.basaonline.co.uk</a>
Athens Chamber of Commerce & Industry	CSSA	<a href="http://www.concretesociety.co.za">www.concretesociety.co.za</a>
Precast Concrete Institute	ACCI	<a href="http://www.acci.gr">www.acci.gr</a>
National Ready Mix Association	PCI	<a href="http://www.pci.org">www.pci.org</a>
Interlocking Concrete Pavement Institute	NRMCA	<a href="http://www.nrmca.org">www.nrmca.org</a>
	ICPI	<a href="http://www.icpi.org">www.icpi.org</a>

## 2. STRATEGY

- Comprehensive sustainability strategy
- “More Value, Less Impact” refers to Sika’s commitment to maximize the value of solutions and contributions to all stakeholders while reducing risks and resource consumption
- The “More Value” and occupational safety targets were met in 2017, with waste utilization, energy and water consumption falling short of their goals.

### DISCLOSURE 102-14: STATEMENT FROM SENIOR DECISION-MAKER

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

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

Sika is continually improving its environmental protection and safety performance through its routine investment planning and maintenance activities. During 2017, Sika spent CHF 6.5 million on technical equipment to prevent accidents and illness. This corresponds to roughly 4% of total investments of CHF 163.4 million. Sika also implemented numerous further health, safety, environment, and sustainability measures during the year under review. Expenditures in these areas came to CHF 26 million (previous year: CHF 24 million). The total worldwide headcount in this field runs to over 100. Sika employs environment, safety, and sustainability specialists at all its major sites.

### MORE VALUE FOR ALL STAKEHOLDERS

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

### SUSTAINABILITY AS BUSINESS DRIVER

In this sense, Sika regards sustainability as a business enabler and business driver, with growing relevance in our construction and industrial target markets, and with special relevance in the transportation target market. We strive to be an industry leader by pioneering a portfolio of sustainable products, systems, and services. These products and systems are designed for energy, material, water efficiency, durability, and safe use. Leadership and innovation in technology and sustainability are core elements of the Sika strategy. On the other hand, we strive to improve our own environmental and safety footprint, reducing energy, water, and material demand per product unit, and work without injuries. To achieve these ambitions, we have set mid-term targets for safety and efficiency, holding line management responsible for implementation. As a basis, Sika honors the principles of the UN Global Compact and has adopted the widely used GRI system for its reporting activities.

### VALUE CREATION

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

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

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

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

**Compliance:** Legal and regulatory compliance, anti-corruption, and human rights in the supply chain are the foundations of our business wherever we operate.

**Increase Value:** Leading the industry by pioneering a portfolio of sustainable products, systems, and services for energy, material and water efficiency, durability, and safe use.

**Reduce Impacts:** We improve our environmental and safety footprint, reducing energy, water and material demand per product unit, and work without injuries.

**Social Progress and Integration:** We build trust and create value with communities and society.

To integrate with other stakeholders and to reinforce our commitments, we have been signing on to the UN Global Compact.

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

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

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

### GROUP MANAGEMENT AND BOARD OF DIRECTORS

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

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

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

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

### SUPPLIER MANAGEMENT AND RAW MATERIAL PROCUREMENT

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

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

Sika's purchasing specialists and technical experts work closely with suppliers' technical units to fully understand the raw material flows and continually optimize costs, quality, availability, and sustainability.

Potential suppliers are closely screened by Sika. Before working with the company, they are required to sign the Supplier Code of Conduct, which covers all principles of sustainability.

Suppliers are regularly evaluated by a comprehensive supply risk management process to achieve continuous uninterrupted material availability, quality and cost competitiveness and compliance essential for the business success. The corresponding findings are incorporated into the risk assessment, along with the suppliers' self-appraisals and data available in the public domain. If a relevant risk is identified, Sika will conduct an audit of the supply company in question to ensure the functionality of the latter's internal risk management system. Potential risks are systematically identified and addressed, particularly in the case of local suppliers.

Raw materials are systematically evaluated within Sika to assess possible risks relating to quality and availability, and to determine relevant measures such as maintaining safety stocks or securing long-term supply contracts. Risk mitigation actions are actively developed in collaboration with R&D and Operations to ensure approval of potential alternate suppliers or solutions to mitigate an overall risk. 2017 was marked by an unusually high number of incidents caused by Force Majeure, as well as reduced availability of materials as a result of stricter environmental audits in China. Thanks to the processes and measures described above, Sika was able to mitigate the impacts and avoid disruptions in supplying its customers.

### PRODUCTION AND LOGISTICS

Sika sets defined standards for risk provisions that are binding for its production and logistics operations. These standards form part of the Group-wide "Sika Corporate Management System" and determine, for example, processes and guidelines in the areas of purchasing, quality, environment, health, and safety. Following the launch in 2016 of Sika's new intranet platform (SikaWorld), the "Sika Corporate Management System" is now accessible to employees all around the world. Together with the statutory regu-

lations, the standards are also documented in the management systems of local Sika companies. Additionally, Sika production companies are certified to ISO 14001:2015 (environmental protection) and ISO 9001:2015 (quality), and many also to OHSAS 18001 (safety and health). A growing number of larger facilities are also certified to ISO 50001 (energy management). The current certification status of individual Group companies is shown in the annual report on page 135 et seq. of the download version of this report.

Inspections and audits are core elements of Sika's comprehensive management system. They provide management at Group, regional, and local company level with a regular, independent assessment on whether activities in scope comply with official requirements, as well as with Sika's own internal guidelines, principles, and risk management specifications. The inspections and audits thereby ensure the effectiveness of the relevant processes and controls at Sika.

Audits are performed by various assurance functions across the group covering quality, environment, safety, health, risk, technology, application, legal and compliance, branding, IT security, suppliers, and products. The results and subsequent corrective actions of these audits are regularly presented to the Group Management. Besides those assurance functions, an independent Corporate Internal Audit function, reporting to the Audit Committee of the Board of Directors, validates the effectiveness of internal controls in both legal entity audits and reviews of group processes and functions. In total, Sika conducted 117 audits in the reporting year and implemented associated improvements wherever necessary.

Supplier audits are carried out by the purchasing and quality assurance departments on the basis of the risk assessment, and the number of reviews is steadily being increased. In 2017, two supplier audit trainings for 45 purchasing and quality assurance employees were conducted.

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

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

#### PRODUCT DEVELOPMENT AND MARKETING

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

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

#### CUSTOMERS AND MARKETS

Sika has a policy of strategic diversification to limit market and customer-related risks. Geographical diversification is tremendously important in the locally based construction industry given the sometimes contrary business trends witnessed in this sector in different regions of the world. Customer diversification – with no single customer accounting for more than 2% of Sika's turnover – is another stabilizing factor. As a further safeguard against economic fluctuations, Sika operates both in the new-build sector and in the less cyclical renovation and maintenance market.

#### FINANCIAL RISKS

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

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



## INTERNAL AUDIT

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

SIKA NEW ZEALAND -  
TEAM R&D AND CONCRETE  
"Our lab team's skills ensure our concrete  
team can deliver the rock-solid certainty  
our customers demand."



# 3. ETHICS AND INTEGRITY

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

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

The values and principles of the Sika Code of Conduct was reviewed and edited in 2014 by the Group Management and the Board of Directors. The Code of Conduct is available in more than 30 languages and has been distributed to all Sika employees through their line organizations. Trainings have been delivered to all subsidiaries. All employees pledged with their signature to uphold these values, and the General Managers assure every year with their signature to enforce and train the values and principles in their organizations. Furthermore, Sika has developed a document stating Sika Values and Principles. These Values and Principles have been rolled out and trained throughout the global subsidiaries of Sika.

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

## **SUSTAINABILITY AND INTEGRITY**

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



# 4. GOVERNANCE

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

## **DISCLOSURE 102-18: GOVERNANCE STRUCTURE**

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

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

[www.sika.com/en/group/investors/corporate-governance/group-structure-and-shareholders.html](http://www.sika.com/en/group/investors/corporate-governance/group-structure-and-shareholders.html)

### SIKA SOLUTIONS

The forthcoming Hai Phong International Container Terminal include Sika concrete admixtures for high durability.



# 5. STAKEHOLDER ENGAGEMENT

- Stakeholders regularly reviewed and consulted
- Materiality considerations driven by stakeholder responses
- Sustainability Advisory Board has intensified its consultancy work

## **DISCLOSURE 102-40: LIST OF STAKEHOLDER GROUPS**

The identified relevant stakeholder groups of Sika are:

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

## **DISCLOSURE 102-41: COLLECTIVE BARGAINING AGREEMENTS**

In the reporting year, no data was available regarding the percentage of total employees covered by collective bargaining agreements. Sika is present in 100 countries with both small and large subsidiaries. In many of the smaller companies the number of employees is small and no collective bargaining agreements exist. However, in many big countries e.g. USA, Germany, France etc., collective bargaining agreements for workers are the rule, and the majority of workers is covered in these geographies.

## **DISCLOSURE 102-42: IDENTIFYING AND SELECTING STAKEHOLDERS**

In the reporting year, Sika did not review the stakeholder groups identified in the sustainability strategy development process 2013. The company had reviewed the material aspects and topics to detect any changes of priority or needs for re-evaluation the last time in 2015.

The stakeholders were selected and prioritized / categorized according to the potential impact of Sika on the stakeholder and the stakeholder's ability to impact Sika. The results were verified in 2015 with different entities within Sika (Board of Directors, Management etc.) and found to be still valid. In the same year, the most relevant stakeholder groups were consulted for their contribution to the materiality process.

## **DISCLOSURE 102-43: APPROACH TO STAKEHOLDER ENGAGEMENT**

Sika entities regularly engage with their relevant stakeholders on local and national level, though not in a formalized manner. The first steps to develop and test respective guidelines in pilot projects were taken in 2014/2015. In 2015, the results were reviewed and confirmed by an online survey. Combined with the framework of the reviewed ISO 14001:2015, a guidance document for stakeholder engagement of local companies was developed in 2015. The framework will be gradually implemented with the renewal of the local ISO certificates over the next few years.

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

## **DISCLOSURE 102-44: KEY TOPICS AND CONCERNS RAISED**

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

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

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

# 6. REPORTING PRACTICE

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

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

A full list of companies is included in the annual report 2017, page 135 seq.

Please consult: [www.sika.com/en/group/Publications/annual\\_reports01.html](http://www.sika.com/en/group/Publications/annual_reports01.html)

## **DISCLOSURE 102-46: DEFINING REPORT CONTENT AND TOPIC BOUNDARIES**

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

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

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

The relative importance of the topics was rated according to the two criteria "influence on stakeholder assessments and decisions" (importance to stakeholders) and "significance of economic, environmental and social impacts" (importance to Sika).

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

Furthermore, Sika has installed a Sika Sustainability Advisory Board (SAB) which became operational in 2016. The SAB consists of 5 members of academia, advisory and NGO background and has been established to further reduce the company's environmental footprint along the whole supply chain, and to support a business model based on sustainability. An independent expert opinion aims to provide Sika management with further impulses regarding the direction and implementation of Sika's sustainability strategy.

The SAB analysed the Sika sustainability practices step by step and has issued a number of recommendations during 2017, which were reviewed by management. This will lead to an adaptation of the measuring and reporting structure. As a consequence, Sika will refine the training and education structure as well as the target setting principles for sustainability for line managers. In addition, a more detailed monitoring of the many social projects will be initiated, so that the company will have an insight into the benefits delivered.

## **SUSTAINABILITY CONTEXT**

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



#### MATERIALITY

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

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

#### MATERIALITY COMPLETENESS

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

#### STAKEHOLDER INCLUSIVENESS

Stakeholder inclusiveness is ensured by considering feedbacks from stakeholder engagement.

## DISCLOSURE 102-47: LIST OF MATERIAL TOPICS

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

Upstream/downstream: topics are listed below.

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



**DISCLOSURE 102-48: RESTATEMENT OF INFORMATION**

No restatement of the 2016 report was made.

**DISCLOSURE 102-49: CHANGES IN REPORTING**

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

**DISCLOSURE 102-50: REPORTING PERIOD**

The reporting period is the calendar year.

**DISCLOSURE 102-51: DATE OF MOST RECENT REPORT**

This is Sika's fourth GRI report and covers the 2017 calendar year.

**DISCLOSURE 102-52: REPORTING CYCLE**

Sika will continue reporting on an annual basis.

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

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

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

**DISCLOSURE 102-55: GRI CONTENT INDEX**

Please consult: [www.sika.com/en/group/sustainability/gri-standards/gri-102-general-disclosure/disclosure-102-55.html](http://www.sika.com/en/group/sustainability/gri-standards/gri-102-general-disclosure/disclosure-102-55.html)

**DISCLOSURE 102-56: EXTERNAL ASSURANCE**

Sika's GRI Report 2017 has not been externally assured.

**MANAGEMENT COMPETENCE**

Sika's Group Management is made up of experienced managers who have been active at Sika companies across the globe. Thanks to the diversity of their careers and their many years with the company, the members of Group Management have vast expertise that allows them to lead Sika successfully and steer the company toward the future. Urbanization with high levels of population density, high-rises, and infrastructure investments is one of the megatrends where Sika is capturing the full potential for its business.



# GRI 200: ECONOMIC

# GRI 201: ECONOMIC PERFORMANCE

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

## 1. MANAGEMENT APPROACH DISCLOSURES

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

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

By evaluating economic impacts, risks and opportunities deriving from investments in assets and innovation, Sika strives to focus on the most promising opportunities that deliver optimized value for its customers, in the form of durable solutions, and create returns that benefit shareholders. Further, economic health enables Sika to share value created with its various stakeholders, be a reliable employer, an attractive long-term investment opportunity, a responsible taxpayer, and a good corporate citizen, helping communities to flourish. Eventually, economic value creation simultaneously helps improve the economic, environmental, and social conditions of Sika and its stakeholders and is therefore an aspect of high importance.

### DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS

The Sika Growth Model is synonymous with long-term success and profitable growth. By focusing on market penetration, innovation, emerging markets, and acquisitions, and driven by its strong corporate values, Sika is growing successfully. Along with its annual growth target of 6–8%, Sika is seeking to achieve an EBIT margin of 14–16% and operating free cash flow of more than 10% of net sales by 2020. At the same time, the return on capital employed (ROCE) should amount to more than 25%.

The Group's international expansion is to be further driven forward over the same period by 21 additional factories and five new national subsidiaries. The unknown outcome of Saint-Gobain's hostile takeover attempt remains an element of uncertainty for the future.

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

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

### GOALS AND TARGETS

Sika has defined financial targets that are tailored to the Group's strategy of growth. These targets include net sales growth, profit, cash flow, and return on capital employed. With regard to the More Value – Less Impact campaign, Sika's 5-year target plan for 2014–2018 has been defined in 2013. At group level it includes the following target for profitability, which enables the company to distribute economic value: Net Profit > 6% = sustainable profitability (Baseline 2013).

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

- **Key investments** in the accelerated expansion of the supply chain in growth markets, new national subsidiaries, and acquisitions drive growth and margins. Since 2015, Sika has filed 217 new patents, invested in 26 new plants, 10 new national subsidiaries, and 17 acquisitions.
- **Investments in R&D** lead to the launch of a large number of new products in all target markets every year. Sika spends approximately 3% of sales on R&D annually.
- **Globally organized procurement** coordinates purchasing in all regions, resulting in more price efficient sourcing.
- **Focus on pricing** with global pricing tools and monthly pricing reporting.
- **Transparent performance management** focused on well-defined KPIs.
- **Strict cost management.** Fast efficiency measures in countries which are not growing.
- **Operating leverage:** Sales growth of 6–8% generates higher margins as costs increase at a disproportionately lower rate.

### RESPONSIBILITIES

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

### DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH

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

## 2. TOPIC SPECIFIC DISCLOSURES

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### DISCLOSURE 201-1: DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

#### Economic Performance

Sika creates sustainable value for its customers, the supply chain and other stakeholders. The company distributes the derived economic value to various stakeholders. This includes governments through taxes, employees through compensation and benefits, shareholders through dividends, suppliers and service providers through raw material and service prices, and society through taxes and local community projects. Part of the value earned is retained in the company for further development of novel technology, acquisitions, capital investments, and to maintain a certain amount of independence from capital market fluctuations.

TABLE 1

The following table indicates the net value added including depreciation and changes in provisions (see Annual Report, p. 146)

Item	mn CHF	%
Total sales	6,248	100.0
To suppliers	3,994	63.9
Net value added	2,092	33.5

TABLE 2

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

Item	mn CHF	%
To employees	1,245	58.08
To Sika	403	19.26
To shareholders	246	11.76
To governments	213	10.18
To lenders	15	0.72
<b>Total</b>	<b>2,092</b>	<b>100.00</b>

Sika donated and supported local communities in the amount of CHF 3 million which accounts for 0.15% of the net value added.

# GRI 205: ANTI-CORRUPTION

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

## 1. MANAGEMENT APPROACH DISCLOSURES

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

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

The broad presence of corruption has led to an increase in regulation such as the most recent introduction of a new French Anti-corruption law (Sapin II) which entered into force on June 1, 2017. Sika has formally appointed the local legal in-house counsel as Compliance Responsible for France, who will support and enhance the implementation of the Sika's compliance program at local level, according to the new local law requirements. A similar initiative has been launched in Brazil, with the support of the local legal in-house counsel and external experts to ensure Sika Brasil's compliance with the local anticorruption "Clean Act" requirements.

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

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

### **DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS**

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

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

#### *NO BRIBERY, NO CORRUPTION*

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

*Bribery and corruption can take many forms: It may be cash, but also any other favor, like trips or gifts of any kind, which is intended to influence the receiving person's decision to obtain an improper advantage for the person or entity offering the favor. Except for ordinary gifts and entertainment which do not aim at an improper advantage, it does not matter how big or small the favor or the advantage is, it still is bribery or corruption and is strictly forbidden.*

#### *GIFTS, ENTERTAINMENT AND DONATIONS POLICY*

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

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

The adoption in all Sika's companies of a localized Gift & Entertainment Policy has been fully accomplished. This policy, which integrates and reinforces the Code of Conduct principles, provides employees with a clear and detailed framework on how to give and accept gifts and entertainment in their daily business and defines - for each company/country - different levels of authorization depending on the gift value. Training for employees on practical cases has become more important in 2017, also through the Regional Compliance Officers. Role modelling by management, integrity, and continuous reminders of Sika's principles are important. Training initiatives will continue to multiply and will include additional "Train the Trainer" sessions with class-room training and webinars addressed to Compliance, HR, Procurement, Controlling and the Legal team members across the various Regions.

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

#### COMMITMENT

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

#### GOALS AND TARGETS

Sika does not tolerate any incident of corruption.

#### RESPONSIBILITIES

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

#### POLICIES

- Code of Conduct (PDF) – translated into more than 30 languages, please consult:  
[www.sika.com/content/dam/Corporate/01\\_General/publications/Policies/sika\\_code\\_of\\_conduct\\_final\\_en\\_20131018.pdf](http://www.sika.com/content/dam/Corporate/01_General/publications/Policies/sika_code_of_conduct_final_en_20131018.pdf)
- Localized Gift & Entertainment Policies
- Supplier Code of Conduct, please consult:  
[www.sika.com/en/group/Aboutus/SikaProfile/suppliers/sourcing\\_governance/code\\_of\\_conduct.html](http://www.sika.com/en/group/Aboutus/SikaProfile/suppliers/sourcing_governance/code_of_conduct.html)
- Procurement Manual (Ethics Reports)

### SPECIFIC ACTIONS

Compliance Confirmation: As part of their duties and responsibilities, General Managers at Sika ensure that their companies operate in compliance with applicable laws and Sika's internal regulations. All General managers renewed also in 2017 their commitment to lead with Integrity by signing a "Compliance Commitment/pledge", which explains and details what this implies in their daily business.

The Compliance Confirmation provides a brief definition of Corruption as "*the abuse of entrusted power for private gain. Corruption includes practices such as bribery, facilitation payments, fraud, extortion, collusion, and money laundering. It also includes an offer or receipt of any gift, loan, fee, reward, or other advantage to or from any person as an inducement to do something that is dishonest, illegal, or a breach of trust in the conduct of the enterprise's business or provides an improper advantage or that may result in moral pressure to receive such an advantage*". No corruption cases have been reported in any of the more than 100 Confirmations submitted which comprise all of Sika's legal entities.

- **Compliance Commitment 2018–2019:** To take it a step forward, also all Sika Senior Managers – who are not GMs – have signed the Compliance Commitment 2018–2019. Furthermore, the General Managers have been asked to propose the Compliance Commitment also to their local management team members to cascade a consistent message and awareness throughout the organization.
- **Compliance Checklist 2018:** Sika has reviewed and released a new Compliance Checklist (2018) to support General managers to accomplish their compliance duties and guide them on Sika's minimum requirements and best practices they should be aware of and implement – in different areas – to minimize compliance risks (i.e. Procurement, Controlling, HR, etc.). The new list incorporates certain new requirements/improvements as corrective actions and responses to certain risks, which have been identified as a result of case investigations or audits (i.e. cyber-maturity). This tool allows General Managers to measure his/her Company's compliance with Sika's Code of Conduct, to monitor identified risks and plan corrective actions.
- **Group Audits:** Compliance with Sika's Code of Conduct and other Corporate Policies and Manuals is monitored through regular Group audits (117 in 2017) and legal supervision of the local companies and General Managers.
- **Supplier Management:** Sika's Supplier Code of Conduct requests suppliers to respect Sika's zero-tolerance policy concerning bribery and corruption and avoid any active or passive corruption. Suppliers are required to have systems in place to ensure the proper instruction, training, and auditing of its personnel and sub-contractors to ensure compliance with these principles. Sika performs supplier audits and evaluations to monitor and assess their compliance with Sika's requirements and the Code of Conduct. Suppliers are obliged to immediately inform Sika of any known violation of the Code of Conduct.
- **Training/new e-learning:** Anti-corruption is part of the Code of Conduct training for all employees and General Manager briefings. Employees are regularly reminded, at least once a year, of these rules. Corporate functions regularly conduct training sessions and audits. To preserve Sika's strong compliance culture and to ensure that the Code of Conduct's principles are understood and

adhered to by all employees, Sika has developed an animated e-learning program in addition to regular class training events. The program includes a specific section on Gifts & Entertainment and bribery risk. It is rolled-out in 10 languages throughout the organization as part of the Awareness Raising Campaign on Compliance.

- **Internal Reporting Tool:** To preserve and foster Sika's strong culture of trust, integrity and transparency, Sika has developed a new web-based reporting platform, the Sika TrustLine (available in more than 20 languages). It has been rolled-out throughout the organization as part of an Awareness Raising Campaign on Compliance together with the new e-learning program. The Sika TrustLine is an externally hosted reporting channel where Sika's employees may raise legitimate complaints regarding serious misconduct, such as corruption incidents, and/or breaches of Sika's Code of Conduct, in a safe and confidential environment, whenever reporting to other most immediate existing resources, like line management or other superiors, is not feasible or adequate. As part of the roll-out of the Sika TrustLine, an ad hoc policy ("Sika Trust Policy") will be made available to Sika's employees in order to provide clear rules and appropriate training on rights and obligations with regard to internal misconduct reporting.

- **Anti-fraud:** Thanks to the cross-functional Fraud Awareness Initiative launched in 2017 by the Controlling function, Sika was able to mitigate cases of attempted external fraud, such as Social Engineering (CEO-fraud or "President" Fraud) and the receipt of Fraudulent Invoices. Though the overall risk is growing due to an improved level of sophistication and an increased number of external cyber-attacks, Sika's employees have been trained with ad hoc sessions and provided with material to help them identify and report at Regional and Corporate level fraud attempts at an early stage.

With regard to internal fraud, the above training initiative has introduced prevention techniques to avoid potential key fraud risk events and detection techniques to uncover fraud events when preventive measures fail or unmitigated risks are realized, through checklists, which list typical red flags to support the monitoring and auditing activities in identifying fraud schemes. In 2017, the Regional Controller/Compliance Officers have cascaded within the organization to all Area and Local Controllers their first training.

- **Awareness Campaign on Compliance:** Sika progressed in the joint roll-out of (i) the new digital module on the Code of Conduct and (ii) the new internal web-based reporting system for serious misconducts (the Sika Trust Line), covering additional 25 countries and training more than 5,000 employees in the different Regions. The response and engagement of employees was very positive and the campaign has been perceived as engaging, easy to understand/follow and tailored to Sika's business.

So far, only 2 alleged cases for minor misconduct (1 HR and 1 Conflict of Interest) have been submitted through the Sika Trust Line and no case of abuse or misuse of the new reporting platform. This proves that the tool has been properly placed in the communication/roll out of the campaign, along simple messages and principles, as set forth in the materials distributed to all employees. Moreover, Sika has regularly monitored since the pilot launch the number of accesses to the platform (Sika Trust Line) by its employees, to measure the interest of the trained employees to explore the new reporting tool. The number of accesses increased regularly with peaks along the launch of the campaign in the various countries. As of the end of January 2018, we have registered more than 2,400 accesses (page visits), which represent more than 1/3 of the total trained employees (6,000) and almost 480 clicks on the "Make a Report" button. This result highlights the successful communication campaign and the engagement/interest of the local organization on transparency and ethical conduct.

Based on the available languages (English, Spanish, German and French) of the digital module on the Code of Conduct and the additional 4 translations in progress (Chinese, Portuguese, Arabic and Italian), the next wave countries for 2018 will cover, at least, additional 5,000 employees and will include several major countries, like Germany (with almost 2,000 employees), Brazil (700), Australia (300), Italy (350) and the UAE (90), as a pilot country for the Middle East Area.

- **A defined procedure on reporting** and an aligned communication campaign throughout the organization about the Sika Trust-Line support a speak-up culture and deter misconduct.
- **Support of Transparency International:** Sika financially supports Transparency International in its global fight against corruption.

### DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH

Sika evaluates its management approach through:

- **Monitoring:** Sika investigates reported cases of corruption and any corrective action to be taken according to a defined incident response process (see below). Confirmed cases and actions taken are followed up by the Compliance function and reported annually to the Audit Committee of the Board of Directors. Management approaches are adapted accordingly.
- **Evaluation of results from audits:** Group Audit results are implemented in the management system, and regular follow-up reports are presented to monitor improvements.
- **Investigations:** Internal Audit conducts audits on a regular basis and in case of suspected corruption or fraud. All reports of potential corruption cases within Sika are investigated and properly followed up according to applicable laws. A standard incident reporting and response process has been developed to provide guidance to Sika's management on the procedures to be followed in case a criminal act or a material misconduct is suspected or detected. Highly sensitive incidents and criminal acts, such as corruption cases, must be reported and escalated to the Group Compliance Officer irrespective of the source. Corruption reports generated via the Sika TrustLine are automatically forwarded to the Group Compliance Officer who shall conduct and/or supervise the investigation process.



- **Overview of compliance cases:** Sika's Group Compliance Officer regularly reports to the Audit Committee of the Board of Directors about known compliance cases and corrective action taken.
- **General Managers' briefings:** General Managers are regularly instructed and briefed about anti-corruption requirements in the companies.

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

## 2. TOPIC SPECIFIC DISCLOSURES

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

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

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

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

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

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

Please consult: [www.sika.com/en/group/sustainability/StrategyandManagement/transparency.html](http://www.sika.com/en/group/sustainability/StrategyandManagement/transparency.html)

Adoption of and compliance with the Code of Conduct by the General Managers and their management teams was reviewed again in 2017, and conformity confirmed in a reporting system, the "Compliance Confirmation". The 100% response rate and completeness of the details provided suggest absolute compliance. No incidences of corruption or other misconduct were reported via the Sika TrustLine in 2017.

# GRI 206: ANTI-COMPETITIVE BEHAVIOR

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

## 1. MANAGEMENT APPROACH DISCLOSURES

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

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

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

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

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

### **DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS**

In order to support General Managers to fulfill their compliance duties, a "Compliance Checklist 2018" has been developed and distributed. The checklist contains minimum requirements and best practices to minimize compliance risks. It is a tool for General Managers to measure compliance of their companies with Sika's Code of Conduct, monitor identified risks, prevent and detect misconduct, and plan corrective actions. The checklist will be regularly reviewed and improved to make it as effective as possible.

### **DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH**

Sika evaluates its management approach through:

- **Monitoring:** Sika investigates reported cases of anti-competitive behavior and any corrective action to be taken according to a defined incident response process (see below). Confirmed cases and actions taken are followed up by the Compliance function and reported annually to the Audit Committee of the Board of Directors. Management approaches are adapted accordingly.
- **Evaluation of results from audits:** Group Audit results are implemented in the management system and regular follow-up reports are presented to monitor improvements.
- **Investigations:** Internal Audit conducts audits on a regular basis and in case of suspected anti-competitive behavior. All reports of potential anti-competitive behavior within Sika are investigated and properly followed up according to applicable laws. A standard incident reporting and response process has been developed to provide guidance to Sika's management on the procedures to be followed in case a criminal act or a material misconduct is suspected or detected. Highly sensitive incidents and criminal acts, such as anti-competitive behavior cases, must be reported and escalated to the Group Compliance Officer irrespective of the source. Corruption reports generated via the Sika TrustLine are automatically forwarded to the Group Compliance Officer who shall conduct and/or supervise the investigation process.
- **Overview of compliance cases:** Sika's Group Compliance Officer regularly reports to the Audit Committee of the Board of the Board of Directors about known compliance cases and corrective action taken.
- **General Managers' briefings:** General Managers are regularly instructed and briefed about anti-competitive behavior requirements in the companies. To support the preparation on the roll-out of the Awareness Campaign on Compliance, the Compliance Manager has trained in 2017 more than 220 managers of which more than 100 Sika Senior Managers and 40 GMs

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

## 2. TOPIC SPECIFIC DISCLOSURES

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

No violations, fines or legal actions for anti-competitive behavior, anti-trust and monopoly practices are to be reported for 2017. For the third year and as part of his/her duties and responsibilities, each General Manager at Sika has signed and submitted the annual "Compliance Confirmation" to Group Compliance, which allows Sika to monitor and get assurance that business throughout the organization has been conducted in compliance with applicable laws and the Code of Conduct, including anti-trust regulations.

### **ETHICAL CONDUCT**

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



# GRI 300: ENVIRONMENTAL

# GRI 301: MATERIALS

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

## 1. MANAGEMENT APPROACH DISCLOSURES

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

Sika converts raw materials to value added finished products and solutions relying mainly on non-renewable input materials. Direct materials are Sika's major cost factor corresponding to approximately 46% of sales. Almost all materials used in production – e.g. for polyurethane adhesives, epoxy resins products, polymeric roofing and waterproofing membranes, cementitious mortars, polymer concrete admixtures – are based on crude oil or crude oil derivatives (downstream products), or require some amount of fuel for conversion. Other large contributors are sand, minerals, cement, and water.

Sika is exposed to the price volatility of oil and raw materials from chemical conversion or natural provenience, like chalk, titan dioxide, etc. Amplified by the industrialization of developing countries, global demand for material resources is expected to increase in the long term, leading to rising prices, price volatilities as well as supply uncertainties. However, in the past year crude oil derivatives were moderately priced, and Sika was not exposed to major price fluctuations.

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

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

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

### **DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS**

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

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

#### COMMITMENT

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

#### GOALS AND TARGETS

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

#### RESPONSIBILITIES

The responsibility with regard to material management is split between technology and the supply chain. While technology creates better conversion methods or less material-intensive products and solutions, the supply chain influences conversion efficiency and waste reduction. Efficiency targets have been set for both functions. The responsibility for securing supply and minimizing the exposure to price volatilities lies with Sika Global Procurement, which is responsible for the worldwide, reliable, and on-time supply of raw materials. Ultimate responsibility lies with the CEO.

## SPECIFIC ACTIONS

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

Sika evaluates its management approach through:

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

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

## 2. TOPIC SPECIFIC DISCLOSURES

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### DISCLOSURE 301-1: MATERIALS USED BY WEIGHT OR VOLUME

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

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

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

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

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

**DISCLOSURE 301-2: RECYCLED INPUT MATERIALS USED**

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

SIKA SUSTAINABILITY ACADEMY IN THE REGION ASIA PACIFIC  
Sika employees work on a project for coral reforestation in Thailand.



# GRI 302: ENERGY

- Acquisitions of factories with very energy intensive production processes
- Reduction of energy consumption per ton sold of 4.25% p.a. during the last 4 years

## 1. MANAGEMENT APPROACH DISCLOSURES

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

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

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

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

Sika products, like grinding aides in cement production and admixtures in concrete preparation and application, can contribute considerably to savings. Sika's sustainable solutions contribute to the reduction of energy use in these sectors.

### **DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS**

On the one hand, Sika's management approach is aiming at reducing energy consumption and resulting CO<sub>2</sub> emissions from Sika's own operations, for both direct and indirect energy. On the other hand, Sika is constantly improving its products and systems to reduce energy consumption and resulting CO<sub>2</sub> emissions in their application and use phase, and in the production processes of its customers.

#### COMMITMENT

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

#### GOALS AND TARGETS

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

- 3% less energy consumption per ton and year.

#### RESPONSIBILITIES

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

### **SPECIFIC ACTIONS**

- **Life Cycle Assessment (LCA):** Sika sets out to carry out objective, transparent, and comparative assessments of the sustainability of its products – not only in manufacturing, but throughout their life cycle in accordance with internationally recognized standards. These analyses may pinpoint potential improvements for existing products. They may also deliver important insights into resource management (raw materials, energy, water, and waste), production processes, or application efficiency and thereby promote innovation and optimize the development of new products and systems.
- **Energy management system according to ISO 50001:** Some Sika entities are in the process of building energy management systems according to ISO 50001, which allow for continuous improvements in energy efficiency. Sika Germany, accounting for around 7% of net sales and 7% of total headcount of Sika Group, is certified to ISO 50001.
- **Evaluation of results from environmental management system ISO 14001:** Sika production facilities are certified to ISO 14001 and perform impact assessments, target setting, and management reviews of the effectiveness of the management system regarding energy use.
- **Sustainable solutions:** Sika seeks to enhance the outstanding and widely appreciated usefulness of its products by optimizing their sustainability profile, and thus to create added value for customers.



**DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH**

Sika evaluates its management approach through:

- **Monitoring:** Sika measures its energy use on a regular basis. Energy use is reported quarterly to the internal Environment, Health, Safety & Sustainability department where results are followed up and management approaches adapted accordingly.
- **Evaluation of results from LCA:** Sika carries out life-cycle assessments (LCA) during the product development process. These serve to quantify energy demand, resource efficiency, greenhouse gas emissions, or water demand during each phase of a product’s life cycle and measure the associated possible impacts on the environment.
- **Evaluation of Results from energy management system ISO 50001:** The entities have implemented energy management systems according to ISO 50001, allowing for continuous efficiency improvement by evaluating and acting upon the outcome from the certifications. Sika reviews all audit results to improve the management approach and integrates improvements.
- **Evaluation of results from environmental management system ISO 14001:** Sika production facilities are certified to ISO 14001 and perform impact assessments, target setting, and management reviews of the effectiveness of the management system regarding energy use.
- **Benchmarking:** Sika started to compare energy consumption per product unit internally through factory reporting and to benchmark with other similar companies.

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

**RESULTS OF EVALUATION**

- Energy consumption within the organization:
- Direct greenhouse gas (GHG) emissions (Scope 1)
- Energy indirect greenhouse gas (GHG) emissions (Scope 2)

By reducing relative energy consumption per production unit (ton) over the past four years, Sika has slightly increased the carbon footprint of Sika’s operations. However, the footprint strongly depends on the energy mix and local companies are forced to choose, given the local supply options. Electricity usually increases the overall footprint due to conversion and grid losses. Sika uses the official conversion factors according to the Carbon Disclosure Project, which are national mean values. In some cases, e.g. in Germany, Sika sources electricity based on hydropower contracts resulting in a much lower carbon footprint compared to national mean values. The renewable portions are deducted before calculating the scope of the CO<sub>2</sub> footprint from purchased electricity.

**2. TOPIC SPECIFIC DISCLOSURES**

**DISCLOSURE 302-1: ENERGY CONSUMPTION WITHIN THE ORGANIZATION**

Sika used 1,961 terajoule (TJ) of energy (previous year: 1,779 TJ), 45% directly from non-renewable primary energy conversion and 55% from purchased electricity. The fuel types used for direct energy (891 TJ) are light liquid fuels (47%) and natural gas (53%).

<b>Total Energy Consumption</b>	1,961 TJ	
Non-renewable	891 TJ	Light liquid fuels, coal (in China), natural gas
Electricity	1,070 TJ	From renewable and non-renewable sources, depending on local power generation
Renewable Electricity	11%	Green electricity (water, wind, solar, etc.)

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

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

Therefore, the company has set a target at Group level for energy consumption to achieve efficiency gains of 3% each year in relation to production volumes. Some of our subsidiaries have started energy efficiency programs according to ISO 50001.

**ADDITIONAL INFORMATION ON LEASED VEHICLES AND TRAVEL**

In addition, the leased car fleet consumed 317 TJ (288 TJ in 2016) of energy and business travel amounted again to 234 TJ (202 TJ in 2016). The leased car fleet figure is derived from the fuel consumption rate of a sample of 72% of the leasing contracts and extrapolated to 100%. The figure for business travel is derived from a sample of 48% of the travel contracts and extrapolated to 100%. Sika uses conversion factors from the UK Department for Environment Food and Rural Affairs. Please consult: [www.ukconversionfactorscarbonsmart.co.uk/](http://www.ukconversionfactorscarbonsmart.co.uk/)

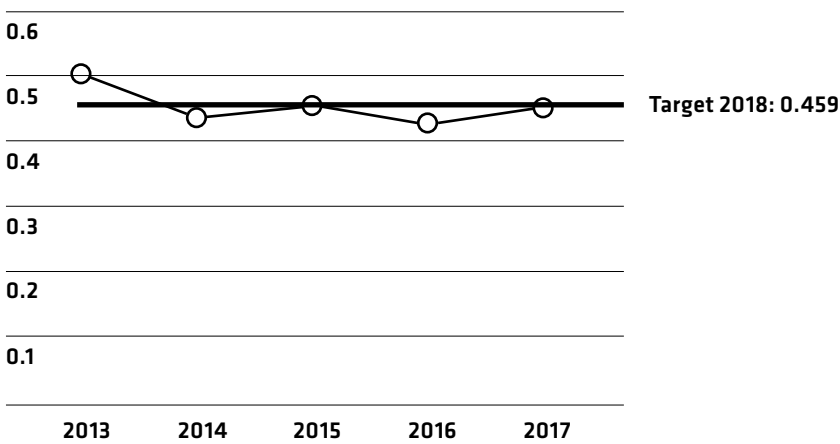
**DISCLOSURE 302-3: ENERGY INTENSITY**

Energy intensity is the ratio between the total energy consumed by the company and total tons sold. Energy consumption per ton sold added up to 450 megajoules (previous year: 428 megajoules). This increase is mainly due to acquisitions of factories with very energy intensive production processes (resulting in plus 2.5% of total energy consumption in comparison to last year, adjusted for acquisitions). It is part of the integration process to review and analyze the impact performance, such as energy consumption, of newly aquired sites. This will consequently initiate local improvement projects to align with Sika expectations and targets. However these improvements not only need time but also investments on shop floor level.

**DISCLOSURE 302-4: REDUCTION OF ENERGY CONSUMPTION**

Over the past 4 years Sika has reduced the per ton energy consumption by 17% (target 12%), which is an average of 4.25% per year.

**Energy (MJ) / ton sold**



# GRI 303: WATER

- Reduction of water consumption per ton sold of 53% over the past 4 years
- Sika Sustainable solutions can reduce water consumption in concrete production by up to 15%

## 1. MANAGEMENT APPROACH DISCLOSURES

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

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

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

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

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

### **DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS**

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

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

#### COMMITMENTS

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

#### GOALS AND TARGETS

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

- 3% less water consumption per ton and year

#### RESPONSIBILITIES

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

### **SPECIFIC ACTIONS**

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

**DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH**

Sika evaluates its management approach through:

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

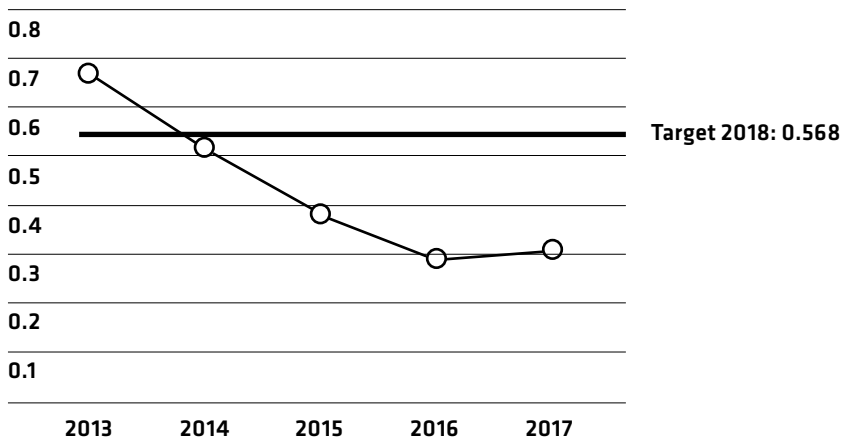
Furthermore, Sika monitors and evaluates the effectiveness of its management approach according to target achievement. The management approach has been reviewed and proven to be effective.

**2. TOPIC SPECIFIC DISCLOSURES**

**DISCLOSURE 303-1: WATER WITHDRAWAL BY SOURCE**

Water is used as cooling water, cleaning water, in products, and for general purposes like sanitary facilities. Sika uses around 2.1 million m<sup>3</sup> (previous year: 2.04 million m<sup>3</sup>) both from public supply (69%) and groundwater wells (31%). In water-rich areas, like Switzerland, the UK, and Eastern USA, cooling water is mainly obtained from ground water wells in line with local permits. Cooling and process water makes up 43% of Sika's water use. The company strives to increase water efficiency and has set the target to reduce water consumption by 3% per ton of product sold and year. This target has been achieved over the past 4 years with a total reduction of water consumption of 52.8%.

**Water (m<sup>3</sup>) / ton sold**



Water sources:

- Surface water: 27,000 m<sup>3</sup> (previous year: 29,000 m<sup>3</sup>)
- Ground water: 629,000 m<sup>3</sup> (previous year: 629,000 m<sup>3</sup>)
- Public supply: 1,444,000 m<sup>3</sup> (previous year: 1,387,000 m<sup>3</sup>)
- Rain water: A few factories have started to use rain water as part of their freshwater demand, specifically when public water supply is limited. There are no detailed data available.
- Reused Water: In many companies, water from rinsing and cleaning is reused. Some factories run own waste water cleaning facilities, e.g. through sedimentation, distillation, or filtration, and reuse filtrate or distillate for production or cleaning.

Sika uses water for the following purposes:

- Process and cooling water: 877,000 m<sup>3</sup> (previous year: 865,000 m<sup>3</sup>)
- Sanitary water: 461,000 m<sup>3</sup> (previous year: 459,000 m<sup>3</sup>)
- Water in products: 722,000 m<sup>3</sup> (previous year: 721,000 m<sup>3</sup>)

In some Sika sites ground water cooling capacity is used for secondary cooling cycles without removing water from the ground. This requires state permits, and the corresponding fees are accounted for as purchased cooling energy.

SIKA SUSTAINABILITY ACCADEMY IN THE REGION LATIN AMERICA  
Plant tour in Tocancipa with the participants.



# GRI 305: EMISSIONS

- GHG-rate reduction of 2%
- Sika reduces GHG emissions by managing energy consumption and avoids GHG emissions by promoting renewable energy sources

## 1. MANAGEMENT APPROACH DISCLOSURES

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

Please refer to GRI 302

## 2. TOPIC SPECIFIC DISCLOSURES

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

Direct energy conversion results in local greenhouse gas emissions (Sika only refers to CO<sub>2</sub>). Sika uses various fuels for its own energy conversion. Around 44% of the energy is converted in Sika sites amounting to CO<sub>2</sub> emissions of around 53,000 tons (previous year: 45,000 tons).

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

Indirect energy conversion results in greenhouse gas emissions (CO<sub>2</sub>) depending on the primary energy used in the country's electric power generation mix. Therefore, a shift from the company's own power generation to purchasing electrical power may positively or negatively impact Sika's total carbon footprint.

To obtain an informed estimate, we use the Greenhouse Gas Protocol calculator to quantify the scope 2 emissions. However, in some cases, e.g. Germany and the USA, Sika has contractual agreements with power suppliers to procure "green" power, e.g. from hydro-electrical conversion or solar suppliers, which have a smaller carbon footprint than the average footprint of energy generation in the country. In these cases, Sika deducts the renewable amount from total consumption, before converting into CO<sub>2</sub>. For the year under review, calculated CO<sub>2</sub> emissions from third party power supply amounted to around 102,000 tons for the Group (previous year: 109,000 tons).

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

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

The company also evaluates the carbon emissions from travel and leased vehicles. Extrapolations of available data show a footprint of 22,000 tons of CO<sub>2</sub> for the leasing fleet and 16,000 tons of CO<sub>2</sub> for business travel for the entire Group in 2017 (previous year: 20,000 and 13,800 tons respectively). Both figures are derived from samples of approximately 72% of total leasing car energy consumption and approximately 48% of total travel contracts both extrapolated to 100% of the fleet and travel, respectively.

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

### **DISCLOSURE 305-4: GHG EMISSION INTENSITY**

The company generates 44 kg CO<sub>2</sub> per ton sold from direct and indirect energy used for the conversion of raw materials into finished goods, including travel and own transportation.

### **DISCLOSURE 305-5: REDUCTION OF GHG EMISSION**

The company has set an energy efficiency target of 3% less energy consumed per ton sold and year. Cumulatively, the target has been achieved in the four past years. As Sika is not engaged in other CO<sub>2</sub> generation through, e.g. land use or conversions like cement production, we do not set separate CO<sub>2</sub> targets. The energy reduction efforts have resulted in a GHG-rate reduction of 2% from 45.2 kg in 2016 to 44.3 kg CO<sub>2</sub> per ton sold in 2017.

# GRI 306: EFFLUENTS AND WASTE

- Disposal of waste through management systems according to ISO 14001
- Newly enforced regulations in Pennsylvania, USA, regarding the discharge of sewage water

## 1. MANAGEMENT APPROACH DISCLOSURES

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

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

Waste resulting from Sika's production amounted to 80,000 tons in 2017, which represents around 2.0% of the material volume. Efficient use of input materials for production and recycling of materials resulting in a reduction of waste, is one of the key priorities for Sika. Water discharge is strongly regulated by local authorities at the Sika locations, and Sika adheres to permit limits and set standards.

As a supplier of products to the construction and transportation industry, Sika also has an impact on the waste production of its customers, through packaging material and in the after-use phase of its products. Sika sees it as its responsibility to contribute to reducing waste of its customers through better product durability, application methods, and optimization of packaging material, e.g. foil packs, mini-packs, plastic pails instead of metal, applicator tools, etc.

### **DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS**

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

#### COMMITMENT

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

Sika strives to reduce effluents by controlling and reducing water inputs. Locally, effluents are managed according to their constituents and parameters as permitted by the local authorities. For waste, Sika is committed to taking back products for recycling where possible and to increasing the durability of its products.

#### GOALS AND TARGETS

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

- 3% less waste per ton and year

#### RESPONSIBILITIES

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

### **SPECIFIC ACTIONS**

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

### DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH

Sika evaluates its management approach through:

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

The evaluation showed that although it is a key priority, Sika did not achieve the target on waste reduction and material efficiency. Programs to reduce waste typically involve process changes which cannot be implemented in a short period. Sika will enhance the efforts in the coming year to achieve the 5-year strategic target.

## 2. TOPIC SPECIFIC DISCLOSURES

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### DISCLOSURE 306-1: WATER DISCHARGE BY QUALITY AND DESTINATION

Sika discharges around 1.2 million m<sup>3</sup> of water (previous year: 1.2 million m<sup>3</sup>) in conformity with local legislation and permits. In many Sika factories, process water is collected in tanks, and cleaned in own or external treatment facilities. If collected and treated on site, water is tested as per local permits before discharge into either the sewage system or directly into a surface water body.

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

Discharge destination

- Water to sewer, sewage plant: 0.55 million m<sup>3</sup> (previous year: 0.59 million m<sup>3</sup>)
- Water to surface water bodies: 0.64 million m<sup>3</sup> (previous year: 0.62 million m<sup>3</sup>)

### DISCLOSURE 306-2: WASTE BY TYPE AND DISPOSAL METHOD

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

In total, Sika generated around 80,000 tons of waste (previous year: 74,000 tons), which accounts for around 2.0% of total volume handled by Sika (previous year: 1.8%).

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



**Total weight of non-hazardous waste:**

- Non-hazardous: 63,000 tons (previous year: 56,000 tons)

**Disposal method:**

- Landfill: 27,000 tons (previous year: 24,000 tons)
- Incineration: 7,000 tons (previous year: 7,000 tons)
- Reuse/Recycle: 25,000 tons (previous year: 26,000 tons)
- Others: 4,000 tons

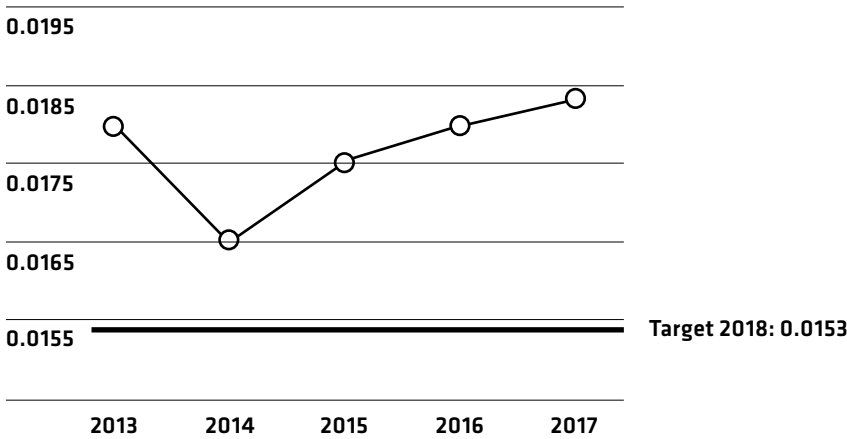
**Total weight of hazardous waste:**

- Hazardous: 17,000 tons (previous year: 18,000 tons)

**Disposal method:**

- Incineration: 17,000 tons (previous year: 18,000 tons)

**Waste (ton) / ton sold**



The company strives to increase material efficiency and has set a reduction target of 3% waste per ton of product sold and year. This goal was neither achieved in the current year nor cumulatively over the past 4 years. This is partly due to the change in the local sewage treatment plants acceptance conditions. Rinsing water, which contains even the smallest amounts of concrete additives, was thus recently declared as waste. In addition, the significant increase is mainly due to newly enforced regulations in Pennsylvania, USA, in regard to the discharge of sewage water. This has an impact of more than 8% of the total generated waste. As a consequence Sika is in the process of designing its own, local waste water treatment station in order to reduce the main amount of waste and to recycle regenerated water for its production processes.

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

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

**DISCLOSURE 306-3: SIGNIFICANT SPILLS**

Sika recorded 3 significant spills contained locally without environmental damage.

# GRI 307: ENVIRONMENTAL COMPLIANCE

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

## 1. MANAGEMENT APPROACH DISCLOSURES

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

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

### **DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENT**

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

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

### **DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH**

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

## 2. TOPIC SPECIFIC DISCLOSURES

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

In 2017, Sika incurred no significant fines for non-compliance with environmental laws and regulations. Sika strives for full legal and regulatory compliance, which are the foundation of its business. Therefore, all ISO-certified subsidiaries have a process in place to help them understand regulatory requirements and changes. They maintain certified management systems according to ISO 9001 (Quality), ISO 14001 (Environment), and in some cases OHSAS 18000 (Health & Safety) and ISO 50001 (Energy efficiency). Most of Sika's subsidiaries work with external advisors to stay informed about regulatory changes.

The management systems according to ISO 14001 and OHSAS 18001 require companies to follow up on new legislation and implement legal requirements accordingly. Subsidiaries are audited by Legal and Internal Audit for compliance. General Managers are obliged to strictly adhere to applicable legislation and to supervise the subsidiary accordingly. Each year they have to verify the level of compliance in their company together with their management teams, and confirm it through a global reporting system (the Compliance Confirmation). In 2017, the reporting has not shown any deviation from compliance standards. Sika implements an Internal Control System according to Swiss public company law in all its subsidiaries to ensure adherence to these standards.

# GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT

- The “Supplier Code of Conduct” is endorsed by a total of 5,165 suppliers
- No deviation from the compliance standard in 2017

## 1. MANAGEMENT APPROACH DISCLOSURES

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

Sika takes responsibility for sustainability along the value chain and includes suppliers. Since 2015, the “Supplier Code of Conduct”, introduced in 2013, is binding for all new suppliers and is gradually being extended to existing suppliers. End of 2017, the agreement was endorsed by a total of 5,165 suppliers. Sika thereby ensures that suppliers are informed of Sika’s ethical, environmental, and social expectations and guidelines and that they carry out their processes in compliance with the Sika sustainability criteria.

Sika introduced a new group-wide process that maps out the main sustainability principles (economic, social, and ecological) for supplier qualification and evaluation. The multistage supplier evaluation process has three central elements: It starts with the commitment to comply with the Supplier Code of Conduct and the completion of a self-assessment formulaire. In unclear cases, the purchasing department will follow up with sustainability audits before concluding a supply contract. Sika continued to implement this process globally in 2017 with a special attention to new suppliers in high-risk geographic regions and industries.

### **DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENT**

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

### **DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH**

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

## 2. TOPIC SPECIFIC DISCLOSURES

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

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

# GRI 400: SOCIAL

# GRI 403: OCCUPATIONAL HEALTH AND SAFETY

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

## 1. MANAGEMENT APPROACH DISCLOSURES

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

The 18,484 Sika employees and the leased labor worldwide stand at the center of Sika's success. Providing a healthy and safe work environment is a key commitment of Sika. As a specialty chemicals company with relatively labor-intensive production, small operations and large material throughputs, the production processes of Sika involve health and safety risks for its employees.

With 8,7 accidents per 1,000 employees Sika is further improving the safety performance. Occupational health and safety is still seen as a highly material issue for Sika and is treated with priority.

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

### **DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS**

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

#### COMMITMENT

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

#### GOALS AND TARGETS

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

- 5% less accidents per year (Baseline 2013)

#### RESPONSIBILITIES

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

#### POLICIES

- Guideline: Sika Site Safety System, in Corporate Management System
- Supplier Code of Conduct. Please consult: [www.sika.com](http://www.sika.com)

### **SPECIFIC ACTIONS**

- **OHSAS Certification:** 33 legal entities, including their headquarters, are certified according to OHSAS 18001. In some countries several locations of the same legal entity are certified according to OHSAS 18001, in total 66 operational units (plants, warehouses, and technology centers).
- **Sika has devised the Sika Site Safety Program** to reduce accident rates and promote prevention. This is a program for local companies, defining the preventive elements a Sika company must have in place. The local companies are in the process of implementing this program, and the audit scheme will follow up on the degree of implementation in the coming years.
- **Supplier audits:** Occupational health and safety is covered through Sika's Supplier Code of Conduct. Suppliers are audited regarding compliance with the Supplier Code of Conduct, which includes Environment, Health and Safety requirements, and corrective actions if necessary.

### **DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH**

Sika evaluates its management approach through:

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

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

## 2. TOPIC SPECIFIC DISCLOSURES

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

#### Injury rate per 1,000 employees, by region

- GROUP: 8.7
- EMEA: 13.0, Asia/Pacific: 2.7, North America: 3.0, Latin America: 10.3

#### Lost days rate per 1 million working hours

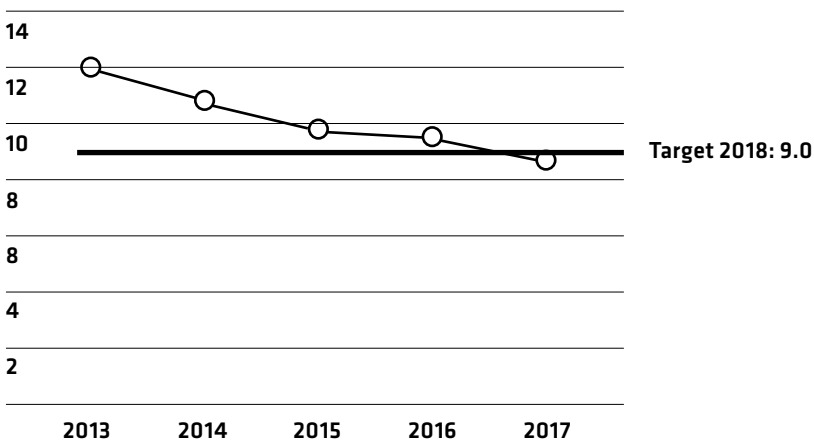
- GROUP: 77
- EMEA: 114, Asia/Pacific: 12, North America: 16, Latin America: 94

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

In 2017, Sika had a lost time rate of 8.7 accidents /1,000 employees (previous year: 9.5). The companies reported 169 accidents (> 1 day of absence from work, excluding the day of the incident) compared to 177 in the previous year. The EMEA region accounted for 121 accidents, North America for 6, Latin America for 30, and APAC for 12. The rate includes leased labor (1,881 heads) not on Sika's payroll. 11 contractor accidents occurred on Sika premises (previous year: 22). Sika excludes construction and project activities from the accident reporting. One fatality has been recorded in the production facility in Mauritius.

33 legal entities, including their headquarters, are certified according to OHSAS 18001. In some countries several locations of the same legal entity are certified according to OHSAS 18001, in total 66 operational units (plants, warehouses, and technology centers). The status of the legal entities can be found in Sika's Annual Report.

#### Accidents / 1,000 employees



# GRI 404: TRAINING AND EDUCATION

- Performance and talent management system
- Trainings offered by Sika Business School, and job specific trainings
- In total 238 thousand hours of training for employees

## 1. MANAGEMENT APPROACH DISCLOSURES

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

With more than 18,000 employees worldwide, Sika sees training and education as crucial for qualifying, retaining, and grooming the capabilities of its workforce. The company has a large proportion of longtime associates and is aware that it needs to keep these colleagues in particular up to date regarding their relevant knowledge and capabilities.

### **DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS**

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

#### COMMITMENT

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

#### GOALS AND TARGETS

Sika has no explicit target regarding training and education but strives to offer every Sika employee at least 10 hours of training each year, and managers a fully-fledged training seminar.

#### RESPONSIBILITIES

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

### **SPECIFIC ACTIONS**

- **Management Development:** Sika's performance and talent management system has been the mainstay of management development activities for many years. Designed to identify and develop managers' skills, it facilitates systematic employee succession planning in the respective organizations, while promoting company growth by continually pinpointing new talent. Potential managers are developed at different levels, either through continuous training initiated by the respective national organization or provided by the Sika Business School.
- **Sika Business School:** The Sika Business School provides global, hands-on courses in the areas of management and talent development as well as marketing and sales. One key activity in the year under review was the development and launch of a regional Sustainability Academy program within the framework of the Sika Business School. This program sets out to train employees from national subsidiaries as sustainability experts to enable them to press ahead with implementing the "More Value - Less Impact" strategy at a local level. The first regional courses were attended by employees from various business segments from 19 country organizations in the Asia/Pacific and Latin America region. On completion of the program, the "ambassadors" have a deeper understanding of Sika's Sustainability strategy, targets, principles and tools, the benefits of using sustainability as value creation concept and how to initiate, manage and coordinate local sustainability activities and projects. The Sustainability Academy will be repeated in the future and is set to become an integral part of the Sika Business School's training program. The aim is to initiate even more activities in the sustainability focus areas and achieve further progress.
- **Curricula** include project assignments reflecting current everyday business situations. Members of Group Management and other line managers are involved in development activities to ensure that training remains relevant to practical needs. Product and application-based knowledge is delivered by academies whose course content and organization are defined by target market managers. With the focus on practical applications for Sika products, these training programs promote customer advisory skills.
- **Training Programs:** Training activities for each Sika employee are determined based on the evaluation by the line manager. Each employee should attend at least one training course per year (internal or external). All non-management functions are evaluated and managed by their line managers and Human Resources for training and development needs

**DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH**

Sika evaluates its management approach through:

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

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

**2. TOPIC SPECIFIC DISCLOSURES**

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

With more than 18,000 employees globally, Sika regards training and education as an important instrument in retaining and grooming its workforce. The company is proud of a large share of long-time associates and recognizes the need to keep these valued associates up to date regarding their relevant knowledge and abilities.

Sika therefore maintains a broad range of internal and external training programs and its own training academies, e.g. for operations, sustainability, sales and marketing, and technical faculties. Sika collaborates with universities to gain access to up-to-date knowledge. In 2017, we continued our cooperation with IMD business school where we trained our talents with potential to take over Senior Management positions.

Sika has no explicit Group target regarding training and education but strives to offer every Sika employee at least 10 hours of training each year, and managers a fully-fledged training seminar.

The total number of training hours reported by the local companies amounted to 12.9 hours per employee on average (2016: 12.4 hours). As training data from the subsidiaries are processed anonymously, Sika does not provide a breakdown by gender at Group level yet.

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

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

SIKA SUSTAINABILITY ACCADEMY IN THE REGION ASIA PACIFIC  
Local Sustainability Champions support the local management and teams in analyzing and prioritizing focus areas.





# GRI 405: DIVERSITY AND EQUAL OPPORTUNITY

- Sika is an equal opportunity employer
- Sika Senior Managers from 48 nations

## 1. MANAGEMENT APPROACH DISCLOSURES

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

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

Work region of Sika's senior managers	Nationalities	% of senior managers
EMEA	25	37
Asia/Pacific	15	16
Latin America	10	10
North America	6	10
Corporate Organization	13	27

### DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS

Until now, diversity has not been actively measured and managed. Based on the outcomes of the measurements in 2015, Sika will introduce relevant management processes. Sika strives in particular to increase the proportion of women in managerial and commercial positions. Women account for 22.6% of total headcount (2016: 22.7%) and 18.4% of managers (2016: 17.4%). Sika is committed to provide equal opportunities for all our employees.

#### POLICIES

- Code of Conduct. Please consult: [www.sika.com](http://www.sika.com)

### DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH

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

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

## 2. TOPIC SPECIFIC DISCLOSURES

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### DISCLOSURE 405-1: DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES

#### COMPOSITION OF GOVERNANCE BODIES

The Composition of the Board of Directors:

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

#### DIVERSITY

Sika's global presence and associated proximity to customers make it extremely important to integrate different cultures and share experience and know-how across national boundaries. The company firmly believes that the diversity experienced by employees on a daily basis is one of the factors of its success, especially at senior management level. At courses and seminars, Sika managers are encouraged to give high priority to diversity in team and project planning. Sika counts more 48 nationalities among its senior managers.

Women account for 22.6% of the total headcount (previous year: 22.7%) and 18.4% of managers (previous year: 17.4%). Sika is constantly working to increase these figures.

#### DIVERSITY AT SIKA

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



# GRI 412: HUMAN RIGHTS ASSESSMENT

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

## 1. MANAGEMENT APPROACH DISCLOSURES

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

As a signatory of the UN Global Compact, Sika supports and respects the protection of internationally proclaimed human rights and ensures that it is not complicit in human rights abuses. With operations in 100 countries, Sika is active in many regions ranking high on Human Rights Risks Indices and sees it therefore as its responsibility to assess its own operations with regard to potential human rights violations.

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

With a broad supplier base in many high-risk countries with regard to human rights violations as well as the sourcing from industries where in particular labor rights are potentially at risk, Sika considers the protection of human rights across its supplier base as an important issue that needs to be monitored and managed. Sika's Supplier Code of Conduct focuses in particular on human rights and labor laws. Sika regards protection of human rights as foundations of the business wherever it operates. Through mechanisms like audits and inspections, Sika assures and monitors that Group companies protect human rights. A cross-functional team, lead by Corporate Compliance and supported by Internal Audit and external experts will develop (in H1 2018) a proposal (scope, focus, timing and resources), to submit and discuss with the Audit Committee, on the introduction of Compliance Audits.

### **DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS**

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

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

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

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

## COMMITMENT

Sika is committed to aligning its operations and strategies with the universally accepted principles in the area of human rights and labor established by the United Nations Global Compact Initiative.

In 2014, Sika has integrated human rights reviews into its Quality and Risk Management process.

## RESPONSIBILITIES

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

### **Assessment of Sika's Own Operations:**

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

### **Sika's suppliers**

Sika's management approach to Supplier Human Rights Assessments is intended to avoid negative impacts caused by Sika's suppliers with regard to human rights.

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

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

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

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

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

- Procurement identifies suppliers with a hazard based on the results of the self-assessments.
- Suppliers that show a high risk of human rights violations are screened using desktop research and supplier audits through Sika personnel.
- Compliance with the set of human rights included in the Supplier Code of Conduct will be part of the contracts requirements.
- In case human rights violations are found, termination of the relationship with supplier is the only option.
- In addition to covering new suppliers, Sika also intends to monitor local suppliers specifically in "risk geographies"; where human rights violations are known or suspected and will include this in the scope of audit and evaluation of suppliers.

### **DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH**

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

## 2. TOPIC SPECIFIC DISCLOSURES

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

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

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

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

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

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

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

SIKA SUSTAINABILITY ACADEMY  
Intense discussions in a "Less Impact" workshop.



# GRI 413: LOCAL COMMUNITIES

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

## 1. MANAGEMENT APPROACH DISCLOSURES

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

Sika employs more than 18,000 people in 100 countries around the world. Through its local activities, Sika contributes directly to the economic and social development of the local communities by providing secure and safe workplaces, transferring knowledge through ongoing training activities to its local employees, and by introducing new technologies in the building sector improving the quality of local housing and infrastructure. Sika's economic impact on local communities is multiplied through its local sourcing structures.

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

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

### **DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS**

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

#### COMMITMENT

Sika is committed to building trust and creating value with its customers, communities, and society. Local Sika companies are required to put forward specific aid applications, and together with local partners, to supervise the projects on site until completion.

#### GOALS AND TARGETS

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

- 5% more projects per year (Baseline 2013)

#### RESPONSIBILITIES

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

#### POLICIES

Sika has developed a sponsorship concept with criteria for sponsorship.

#### **Sponsoring activities**

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

### **DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH**

Sika evaluates its management approach:

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

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

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

Sika monitors and evaluates the effectiveness of its management approach according to target achievement. The management approach has been reviewed and proven to be effective. The General Manager of each Sika subsidiary has to inform annually about quantity and quality of projects supported in the corresponding fiscal year.

## 2. TOPIC SPECIFIC DISCLOSURES

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

Sika employs more than 18,000 employees in 101 countries around the world. Through its local activities, Sika contributes directly to the economic and social development of the local communities by providing secure and safe workplaces, transferring knowledge through ongoing training activities to its local employees, and introducing new technologies in the building sector, improving the quality of local housing and infrastructure. Sika's economic impact on local communities is multiplied through its local sourcing structures.

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

In 2017 Sika supported 118 projects (previous year: 90 projects), a year-on-year increase of 31%. The projects can be split into the following categories: "social" (including donations), "ecological," "scientific," and "sports and cultural."

SIKA SUSTAINABILITY ACADEMY  
Activities with children in Colombia.



# GRI 414: SUPPLIER SOCIAL ASSESSMENT

- Supplier Code of Conduct, supplier qualification and evaluation process established
- 5,165 suppliers signed Supplier Code of Conduct, all new suppliers screened

## 1. MANAGEMENT APPROACH DISCLOSURES

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Regarding Management approach please refer to GRI 308

## 2. TOPIC SPECIFIC DISCLOSURES

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

Sika also assumes responsibility for the supply chain. Since 2015, the Supplier Code of Conduct, introduced in 2013, is binding for all new suppliers and is gradually being extended to existing suppliers. The agreement was endorsed by a total of 5'165 suppliers. Sika thereby ensures that suppliers are informed of Sika's ethical, environmental, and social expectations and guidelines and that they carry out their processes in compliance with the Sika sustainability criteria.

Sika introduced a group-wide process that maps out the main sustainability principles (economic, social, and ecological) for supplier qualification and evaluation. The multi-stage supplier evaluation process has three central elements: It starts with the commitment to comply with the Supplier Code of Conduct and the completion of a self-assessment formulaire. In unclear cases, the purchasing department will follow up with sustainability audits before concluding a supply contract. Sika continued to implement this process globally in 2017 with a special attention to new suppliers in high-risk geographic regions and industries.

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

Sika continued the implementation of its worldwide process that map out the main sustainability principles for vendor qualification and evaluation (multi-stage vendor qualification process). Also in 2017 procurement employees in the company have been trained using a systematic supplier audit method. These procedures are designed to ensure compliance with international labor standards and prescribed quality, environment, safety, and health criteria.

Sika has been implementing this process globally in 2015, collecting evidence and documents on a newly created globally available platform. However, as Sika applies a risk-based approach, companies reporting according to GRI on human rights criteria, and signatories of the UN Global Compact and the OECD Guidelines for multinational companies will not necessarily be screened.



# GRI 416: CUSTOMER HEALTH AND SAFETY

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

## 1. MANAGEMENT APPROACH DISCLOSURES

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

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

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

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

### **DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS**

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

#### COMMITMENT

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

#### GOALS AND TARGETS

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

#### RESPONSIBILITIES

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

#### POLICIES

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

## SPECIFIC ACTIONS

- **REACH, GHS / CLP:** The Sika Group has implemented a project approach for REACH and GHS / CLP and other relevant chemical registration and labelling requirements throughout its entire organization. Group Management has set up a central corporate REACH and Chemical Regulatory Department in order to coordinate all corporate activities regarding this legislation.
- **Assessment of Health and Safety impacts:** Legal requirements for construction chemicals suppliers regulates that health and safety impacts are managed along the value chain:
  - Raw materials supply to the factory,
  - Handling in factory (workplace safety of employees),
  - Manufacturing of products (workplace safety of employees),
  - Packaging of products (workplace safety of employees),
  - Shipping to customers (dangerous goods regulation),
  - Storage (customer safety),
  - Application (customer safety),
  - Use phase (customer safety),
  - End of life (customer safety).Customer health & safety is therefore crucial for Sika and is considered in chemical development work (formulation work, system design etc.) where product characteristics are determined. Customers and product users can participate in frequent application training sessions to learn the proper use of the products.
- **The Sika Banned Substance Policy** regulates the use of carcinogenic, mutagenic, and reprotoxic chemicals (CMR) in Sika operations and incorporation of CMR substances into sales products. In principle, Sika is not allowing CMR substances in sales products over a defined concentration, and use in production is subject to specific permits.
- **Update and review of product information:** All product information, specifically Safety Data Sheets and Product Data Sheets must be up to date and reviewed regularly.

## DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH

The company considers this management approach to be effective.

## 2. TOPIC SPECIFIC DISCLOSURES

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

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

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

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

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

# GRI 417: MARKETING AND LABELLING

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

## 1. MANAGEMENT APPROACH DISCLOSURES

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

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

### **DISCLOSURE 103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS**

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

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

Local tasks are:

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

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

### **DISCLOSURE 103-3: EVALUATION OF THE MANAGEMENT APPROACH**

The company perceives the management approach to be effective.

## 2. TOPIC SPECIFIC DISCLOSURES

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

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

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