SIKA BUSINESS YEAR 2016

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BUILDING TRUST

SUSTAINABILITY REPORT

ENHANCING CUSTOMER VALUE AND REDUCING ENVIRONMENTAL IMPACTS WHILE ASSUMING SOCIAL RESPONSIBILITY

As a global company, Sika is especially committed to sustainable development. Sika honors its responsibilities by offering sustainable solutions for energy-efficient construction and economical vehicles. It implements numerous projects and measures aimed at boosting the Group's business, social, and ecological sustainability.

SIKA'S SUSTAINABILITY STRATEGY

Sika continued to implement its 2014–2018 sustainability strategy during the year under review. With the avowed aim of "enhancing utility and reducing impacts," the company continued to pursue its six strategic target areas that focus on economic performance, sustainable solutions, local communities/society, energy, waste/water, and safety. A recent survey of interested stakeholders revealed that these points of emphasis are the right ones and that the system of targets will remain correct in the future.

Through its products, systems, and solutions, Sika strives to create long-term benefits and added value for all its stakeholders and to reduce resource consumption and impacts associated with production significantly (see also "Sustainable Development" on page 37 et seq. of the download version of this report).

Among the main instruments again employed to globally implement the sustainability strategy in the year under review were the "More Value – Less Impact" campaign as well as the introduction at a local level of the target and reporting system in line with the Global Reporting Initiative (GRI) standards. A summary of the key results and findings is presented on the following pages. Full details are available on the Internet at www.sika.com/gri.

MANAGEMENT AND ORGANIZATION

Group Management tasked the department Environment, Health, Safety & Sustainability (EHS&S) with implementing the sustainability strategy. It is implemented and anchored locally by the line organization. A particular degree of responsibility lies with the general managers, target market managers, and operations managers, who drive the development and implementation of local action plans.

The existing network of local and regional EHS&S officers supports the local Sika companies in ideation, planning, and implementation of higher-level regional measures. Through the "More Value – Less Impact" communication campaign, Sika informed all internal stakeholders about the sustainability strategy and included them in planning and implementing respective measures. These activities were extended and intensified in 2016.

Sika has installed a Sika Sustainability Advisory Board (SAB) which has taken up its work in 2016. The SAB 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 the Sika Management with further impulses with regard to the direction and implementation of Sika's sustainability strategy. The expert panel consists of five independent experts from business, public administration, science, and research. Where necessary, additional external and internal experts are consulted on specific sustainability issues.

STANDARDS AND COMPLIANCE

Sika continued to develop its compliance system in the reporting year. The Compliance Manager on Group level and four Compliance Managers on regional level adopt a holistic approach in planning and implementing the compliance system. In 2013, Sika introduced a strict Code of Conduct under which local line organizations are required to confirm implementation. The senior management teams at the individual subsidiaries are mandated to enforce compliance with the Code of Conduct and with all relevant laws and standards.

If Sika employees have doubts or questions about matters relating to the content of the Sika Code of Conduct and the company values and principles, they are required to contact their line manager, the Group Compliance Manager, Corporate Legal, or Corporate HR. Sika has also set up a central help desk.

Adoption of and compliance with the Code of Conduct by the General Managers and their management teams was reviewed at the end of 2016, and conformity confirmed in a reporting system. The 100% response rate and completeness of the details provided suggest absolute compliance. Moreover, in the year under review, all General Managers signed an extension to a compliance commitment agreement to cover the years 2016 and 2017. They thereby pledged to honor and actively support Sika's management culture, which demands integrity in respect of all work processes. A compliance checklist drawn up in this connection by Sika sets out all requirements pursuant to the Sika compliance system, and presents best-practice examples. In line with Sika's holistic approach to compliance, this checklist is relevant to the operations of all functional units in the Sika companies.

Sika's Code of Conduct states, among other things, that Sika under no circumstances tolerates any form of corruption or human rights infringements. Absolutely no leeway is allowed in

respect of any breaches of these values. Integrity, ethical, and principled conduct, and adherence to the law are the foundation on which Sika's impeccable reputation is built. This is what customers and all other stakeholders – most notably, the Sika staff and shareholders – have rightly come to expect. During 2016, progress was made with the implementation of a localized Gift & Entertainment Policy in all Sika's companies. This policy, which integrates and reinforces the principles of the Code of Conduct, provides employees with a clear and detailed framework on how to deal with gifts and entertainment in their daily business and defines – for each company/country – different levels of authority depending on the gift value.

Forming the core of Sika's corporate culture, these values and principles relate to the following aspects: "Customer First," "Courage for Innovation," "Sustainability & Integrity," "Empowerment & Respect," and "Manage for Results."

These internal standards summarize the key principles of the Sika management style, which is based on mutual trust, personal responsibility, and full transparency at all levels. To preserve Sika's strong compliance culture and ensure that the Code of Conduct's principles are understood and adhered to by all employees, Sika has developed an animated e-learning program on the Code of Conduct that is used in addition to regular class-training events. This training program and a new Web-based reporting platform, the Sika TrustLine, will be available in more than 20 languages throughout the organization as part of an awareness-raising campaign on Compliance. The Sika TrustLine is an externally hosted reporting channel where Sika's employees may raise legitimate complaints regarding serious misconduct and/or breaches of Sika's Code of Conduct in a safe and confidential environment if reporting to other more immediate existing resources, like line management or other superiors, is not feasible or adequate. As part of the rollout of the Sika TrustLine, an ad hoc policy ("Sika Trust Policy") will be made available to Sika's employees to provide clear rules and appropriate training on rights and obligations with regard to internal misconduct reporting. A defined reporting procedure and an effective organization-wide communication campaign on the use of the Sika TrustLine will help to preserve and foster Sika's strong culture of trust, integrity, and transparency. In the year under review, the SikaTrustLine rollout and e-learning program started and was implemented in the UK, South Africa, Singapore and New Zealand, with training provided for 1,100 employees. No incidences of misconduct were reported via the Sika TrustLine in 2016.

A new, company-wide intranet, launched in the year under review, includes designated content areas for informing all employees about the Sika compliance system, while at the same time giving impetus to an enduring feedback culture. It also provides a framework for the systematic presentation of all corporate policies and manuals, which are now readily accessible by the entire workforce.

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

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

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.

INSPECTIONS AND AUDITS

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 as to whether all activities 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. The process for internal audits is centrally organized and is overseen by the Audit Committee of the Board of Directors. All audits are approved by Group Management and the results presented at the Audit Committee. In all, Sika conducted 138 audits of corporate functions in the reporting year and implemented associated improvements wherever necessary. The audits covered all aspects of Sika's global business activities: quality, environment, safety, health, risk, technology, compliance, IT security, suppliers, and products.

To ensure that suppliers also meet the official requirements and labor standards, Sika calls on them to perform self-assessments and conducts supplier audits itself. In the year under review, all new suppliers were assessed according to the new vendor evaluation process.

To improve supplier qualification, Sika trains sales teams in planning and performing supplier audits themselves. Most of these inspections are overseen by safety, quality, or technology experts. This makes it possible to work on improvements together with the suppliers, including improvements in sustainability.

As a supplier to major customers – particularly from the automotive and industrial sectors – Sika is itself often subject to external audits. These audits are designed to ensure compliance with international labor standards and prescribed quality, environment, safety, and health criteria.

INVOLVEMENT OF ALL STAKEHOLDERS

The goal of sustainable development requires the involvement of every participant along the entire value chain and the identification of shared topic areas of significance to all those involved. A new relevance (materiality) analysis covering the most important internal and external stakeholder groups was performed in 2015. The survey endorsed the strategies adopted under the "More Value – Less Impact" banner. This, in turn, prompted Sika to intensify its existing ties and partnerships with important stakeholders – including customers, suppliers, associations and sponsorship partners/communities – by engaging in numerous projects and collaborations at various levels in the year under review. The focus was on key issues, such as occupational health and safety, customer health and safety, sustainable solutions, and energy/water/waste.

SUSTAINABILITY: TARGETS AND IMPLEMENTATION

MORE VALUE OR ENHANCING UTILITY

Sika takes a long-term perspective on the development of its business, and acts with respect and responsibility toward all internal and external stakeholders. Sika maintains a strong focus on safety, quality, environment, fair treatment, social involvement, responsible growth, and value creation during all business activities.

Sustainability has always been part of Sika's identity. The company aims to continually measure and improve sustainable value creation and communicate activities and progress. "More Value – Less Impact" refers to Sika's obligation to maximize the value of its solutions and contributions for all stakeholder groups, while simultaneously minimizing the risks and resource consumption associated with value generation.

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

SUSTAINABLE SOLUTIONS

Sika is the industry leader with a portfolio of sustainable products, systems, and services. They make an essential contribution to customers in the construction and other industries to meet their sustainability targets, e.g., energy-efficient vehicles and buildings. Sustainability is a key component of the company's capacity for innovation and an important driver of product development. Sika strives to extend the service life of buildings and industrial applications, to reduce maintenance effort, to improve energy and material efficiency, and to further enhance user-friendliness. One of the company's main objectives is to reduce resource consumption, energy consumption, and the associated CO_2 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: All new product developments are reviewed against sustainability criteria using a standardized methodology, including a documented relevance audit and an appropriate improvement plan where necessary. In 2016, this target has been achieved.

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

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

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

All of the larger countries in the key regions North America, Southern Europe, Northern Europe, Eastern Europe, UK, Germany, and Turkey further developed product sustainability roadmaps in the year under review in conjunction with the Corporate EHS&S team. A further priority in 2016 was to extend the scope of the roadmap activities into the Latin America region. With the technical support of the Corporate EHS&S team, action plans were locally developed for Mexico, Colombia, and Peru. The plans are exchanged and managed, activities and progress

discussed, and the details of successful projects and local action shared at periodic presentations involving the local, regional, and global functions.

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

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

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

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

The focus here is on the further rollout and local introduction of the sustainability sales tools in the roofing and flooring segments in additional target countries, e.g., in the wake of the roadmap activities. Priority will be given to services related to sustainable construction, e.g., LEED and BREEAM, to the contribution of roof systems, to the energy efficiency of buildings, to the local adaption of the newly developed target market sustainability packages, and to the better integration of sustainability with the local companies' business priorities.

This underscores Sika's aim to move further in the direction of a solution supplier, providing customers with innovative solutions to decisively enhance the efficiency, durability, and aesthetic appeal of buildings, infrastructure facilities, and installations. The integrated concepts and solutions address the entire life cycle of a built structure, from initial construction and maintenance through refurbishment or expansion to demolition.

Brochures, product and project case studies, and videos from a range of target markets containing detailed information can be found at www.sika.com/sustainability. They show how Sika solutions support sustainable construction and help to save energy, raw materials, and water, and reduce CO_2 emissions while meeting sustainable building standards.

SOCIAL RESPONSIBILITY

Social, economic, and environmental issues are closely intertwined. Social responsibility is a necessary component of success. Mindful of its obligations, Sika actively engages in sustainable and humanitarian development projects, either as a member of international organizations or directly on the spot. Sika's social involvement also embraces the sponsorship of organizations and initiatives in the fields of science, culture, and sport.

Sika aims to build trust and create value – with customers, local communities, and society as a whole. The Group goal is:

TARGET: 5% MORE SOCIAL PROJECTS PER YEAR. Social projects benefit all noncommercial stakeholder groups of local companies and their neighborhoods. They encompass monetary benefits or material donations, local projects and community engagement programs, dialog with stakeholder groups, communal consultation procedures, social activities and programs, training, environmental projects, or recovery programs. In 2016, this target has been achieved.

IMPLEMENTATION: Sika sponsored 90 projects during the year under review (previous year: 83 projects). This equates to a year-on-year increase of roughly 8%.

Total expenditure for project sponsorship and donations ran to 0.8% of net profit. The projects can be classed under the headings "social" (including donations), "ecological," "scientific," and "sports and cultural."

SOCIAL SPONSORSHIP AND DONATIONS

Main goals, among others, are to support communities in infrastructure development for social projects, to promote training in construction professions and trades, and to provide emergency aid to disaster-stricken regions. Sika seeks to promote on-the-ground self-help. The local Sika companies thus put forward specific aid applications and, working with local partners, supervise the projects on site up to completion. Sika endeavors to

provide intelligent support for projects through the application of company-specific expertise, through voluntary work by its employees, and through long-term collaboration with partners. Here are some examples of the projects sponsored by Sika in the year under review:

JUAN PABLO MAGNO CHILDREN'S HOME, PERU: Sika supported the Juan Pablo Magno children's home in Lurín, Peru, in the reporting year. Working with Sika employees, the children and adolescents built a garden with hydroponic plants. Further hydroponic gardens were set up at the Sika site in Lurín and in the municipality of Lurín itself. The harvested food was distributed to people in need. At the same time, Sika gave young people from the home the opportunity to gain their first work experience at the Sika Lurín site.

COMMUNITY CENTER YOUTH CAN, USA: In the reporting year, Sika and its partner institution Rebuilding Together Metro Chicago provided assistance for the non-profit organization YOUth CAN, USA. This organization supports self-help schemes aimed at improving the lives of socially disadvantaged young people and providing impulses for a better future. 50 volunteers from Sika helped to renovate a community center in Chicago. In the last 24 years, Rebuilding Together Metro Chicago has rehabilitated over 1,500 residential buildings and 200 non-profit institutions.
www.youthcan.net

SAMRAKSHANA ORPHANAGE, INDIA: Sika supports the Samrakshana orphanage and home for the handicapped, India. The Samrakshana charitable institution was founded in 2013 to assist people in need, such as street children, people with disabilities, orphans, illiterate people, poor families, single parents, the aged, and the sick. In the year under review, Sika cofinanced a new school building for 200 children in the state of Telangana.

CHARITABLE ORGANIZATION ASSOCIAZIONE CATERINA ONLUS, ITALY: In 2015, Sika began sponsoring Associazione Caterina Onlus, Italy, a charitable organization that has been aiding the poorest and weakest members of society in southern Naples since 2006. Sika's support consists of three pillars: financial support, provision of Sika products and expertise, and volunteer work. June 2016 saw the official inauguration of the medical center with outpatient clinics sponsored by Sika. This center and its volunteer doctors are providing permanent medical services for families in the region.
www.caterinaonlus.it

NON-PROFIT ORGANIZATION OPERATION SMILE, VIETNAM, THAILAND, SOUTH AFRICA: Sika has supported the activities of the non-profit organization Operation Smile in Vietnam since 2010, in Thailand since 2014, and in South Africa since 2016. Thanks to the assistance of committed volunteers, the organization has, since 1989, arranged operations for some 220,000 children and youths with cleft lips and palates or similar facial disfigurements. In 2016, as in previous years, in addition to the financial support provided by Sika, Sika employees did volunteer work, 336 hours in Thailand, over 420 hours in Vietnam, with the aim of providing organizational support for the hospital work.
www.operationsmile.org

UPSV ORPHANAGE, ROMANIA: Sika supported the UPSV orphanage in Brasov, Romania, in the reporting year. The institution not only offers a home for children and adolescents, but has also helped over 200 young people to find work and establish a foothold in society. In addition to giving financial support, Sika also helped to renovate one of the buildings.
www.upsv.org

LIBRARY PROJECT, CHINA: In China, Sika supports the Library Project, a nationwide initiative to sponsor libraries in public schools. In the year under review, Sika donated 19,000 books to establish libraries at 20 schools. Overall, Sika has set up 41 school libraries since 2015, benefiting some 6,500 children. Sika was also involved in work to renovate several schools in mountainous regions of the Chongqing and Sichuan provinces in the south of the country.
www.library-project.org

SCHOOL FOR GIRLS, MADAGASCAR: In the year under review, Sika supported the construction of a new school for girls and young women in Madagascar. The school prepares the young women for a job in education. Sika specialists contributed their expertise to the construction work, and Sika is also providing financial support for the building project. The school is located in Tulear, a city of 150,000 inhabitants, over 900 kilometers southwest of Antananarivo.

SUSTAINABILITY LAB, IRAN: In its first partnership with the Amirkabir University of Technology, Iran, the non-profit organization myclimate held an interdisciplinary YES (Youth Encounter on Sustainability) lab in Iran between December 4 and 17, 2016. Apart from sponsoring the seminar attended by 30 young researchers, Sika actively participated in the program, which focused on challenges such as changes in the energy system, urban and rural infrastructure, and resource consumption.
www.myclimate.org

ECOLOGICAL SPONSORSHIP

The focus of Sika's ecological sponsorship is on water, building, infrastructure, and renewable energy projects. The main sponsorship partner in this field is the Global Nature Fund (GNF). Sika has supported the GNF and its international Living Lakes environmental program since 2004. Comprising over 100 partner organizations from various lake regions across the globe, the Living Lakes network sets out to promote sustainable development and the protection of drinking water, lakes, and wetlands. The initiative uses concrete projects to demonstrate how, with the involvement of the local population, positive social and economic developments can be achieved in different regions and societies without any threat to nature and the environment. In the reporting year, Sika sponsored drinking water and environmental projects in Ivory Coast and South Africa. New drinking water projects were also launched at Lake Tanganyika in Burundi and Tanzania. Sika supported the construction of green filters (plant-based water treatment facilities) in Colombia, Mexico, Nicaragua, Paraguay, South Africa, and the Philippines with the aim of improving local sanitary and hygiene conditions. This also significantly improved the living conditions of impoverished groups in rural areas.
www.globalnature.org

SCIENTIFIC SPONSORSHIP

As project sponsor, Sika engages in a lively dialog with ETH Zurich (Swiss Federal Institute of Technology in Zurich), the University of Fribourg, EPFL (Swiss Federal Institute of Technology in Lausanne), the ESPCI ParisTech (School of Industrial Physics and Chemistry of the City of Paris), the University of Burgundy, Princeton University, the Beijing University of Chemical Technology, the University of Tokyo, and many similar institutions across the globe. Sika's local subsidiaries cooperate with research institutes and provide mutual support.

ETH ZURICH, SWITZERLAND: Sika continued to support the chair in Soft Materials at the ETH Zurich in the year under review. Research interests focus on soft materials – i.e., materials that are thermally deformable at room temperature – such as gels, molten polymers, and rubber and their boundary surfaces. Research into composites made of soft materials as well as colloid systems and bacteria are further main aspects. Furthermore, at the Swiss Innovation Forum in Basel, the "Mesh Mould" building technology won the Swiss Technology Award 2016 in the category "Inventors." Developed by researchers at ETH Zurich in collaboration with Sika experts, this technology allows the production of concrete elements in any shape without formwork. 2016 was the seventh year in which the Sika Master Award was presented to the author of an outstanding master's thesis in the field of applied chemistry, based on the recommendation of ETH's Department of Chemistry and Applied Biosciences. Sika also participates in ETH Zurich's Partnership Council Sustainable Construction. This interdisciplinary forum promotes dialog on current research topics, supports resources and knowledge transfer, and encourages the launch of joint research projects in the field of sustainable construction.
www.softmat.mat.ethz.ch

UNIVERSITY OF FRIBOURG, SWITZERLAND: A research group on management in emerging markets was established at the Faculty of Economics and Social Sciences in 2014. Since then, the University of Fribourg and Sika have carried out work to address the growing significance of emerging markets for the strategies of western companies. In the year under review, Professor Dirk Morschett became an active member of Sika AG's newly formed Sustainability Advisory Board.
www.unifr.ch/ses/ses2015/index.php

UNIVERSITY OF ST. GALLEN (HSG), SWITZERLAND: In the reporting year, Sika sponsored the 8th International HSG Alumni Conference in Davos, Switzerland, on the subject of "Bridging Cultures." Speakers from business, education, research and design approached this theme from a wide variety of perspectives. HSG Alumni is an organization for former students of the University of St. Gallen. It takes the form of an independent, non-profit association and has a membership of around 24,000.
www.hsgalumni.ch/en/home

ST. GALLEN SYMPOSIUM, SWITZERLAND: The St. Gallen Symposium is a conference held each year in early May to encourage dialog between representatives of business, the government and society. In the year under review, Sika sponsored the work of the International Students' Committee (ISC), which involves dialog between 600 leaders and 200 dedicated young entrepreneurs and students selected to participate on the basis of their entries in the St.Gallen Wings of Excellence Award competition.
www.symposium.org

SPORTS AND CULTURAL SPONSORSHIP

Sika supports sports and cultural projects throughout the world. The focus of sponsorship in Switzerland is on the Lucerne Symphony Orchestra, the EV Zug ice hockey club, the Oberwil Rebells, and the Swiss Sliding sports association. Sika France sponsors the French national handball team, who won the world championship 2017.

LUCERNE SYMPHONY ORCHESTRA (LSO), SWITZERLAND: Sika has been a partner of the Foundation for the Lucerne Symphony Orchestra for several years now. The associated sponsorship agreement was renewed in the reporting year. The foundation sets out to promote the artistic reputation of the LSO at regional, national, and international level. It supports outstanding creative projects undertaken by the LSO and fosters the innovative development of the orchestra. As Switzerland's oldest symphony orchestra, the LSO enjoys international acclaim.
www.sinfonieorchester.ch

EV ZUG ICE HOCKEY CLUB, SWITZERLAND: Featuring on the club kit, stadium banners, and even the ice rink, the Sika logo is now a part of EV Zug's public identity. EV Zug and Sika – a strong partnership.
www.evz.ch

OBERWIL REBELLS, SWITZERLAND: Following the success of the 2015 Street Hockey World Championship, Sika intends to continue its support for innovative sports by sponsoring the Oberwil Rebells, a club that competes in the Swiss street hockey championship every year. In the reporting year, Sika signed a general sponsorship agreement with the team, which is based in the Swiss Canton of Zug.
www.rebells.ch

SWISS SLIDING, SWITZERLAND: Sika is a sponsor of Swiss Sliding, the association for the Winter Olympic disciplines of bobsleigh, luge, and skeleton. Swiss Sliding is committed to both top-level competitive and grass-roots sport, with the development of young talent as a key priority. As Jürg Möckli, Swiss Sliding CEO, points out: "Apart from the financial support, Swiss Sliding also benefits from Sika's know-how and products."
www.swiss-sliding.ch

LESS IMPACT: REDUCING THE NEGATIVE FOOTPRINT

The following details relate to all business operations of the Sika Group, including the activities of the newly acquired companies, and focus on the core themes of energy, water/waste, occupational safety, and CO_2 emissions at the more than 190 Sika production sites.

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

ENERGY

Global megatrends, such as energy and raw materials shortages, urbanization, and population growth are confronting companies and communities with major economic, social, and ecological challenges. Availability and efficient use of energy and resources are crucial to sustainable development and poverty reduction. Sika sees it as its responsibility to minimize the impact on climate change by reducing energy consumption from nonrenewable sources with the positive effect of lowering costs and increasing competitiveness. The Group goal is:

TARGET: 3% LESS ENERGY CONSUMPTION PER TON AND YEAR. This includes the total energy produced and consumed by all Sika operating companies and units, both industrial and nonindustrial sites. In 2016, this target has been achieved.

IMPLEMENTATION: Sika consumed 1,779 terajoules in 2016 (previous year: 1,833 terajoules) of energy. Approximately 56% of Sika's energy requirements were met by electrical power from the local grid. The remaining demand was mainly covered by natural gas and liquid fuels.

Energy consumption per ton sold came to 428 megajoules (previous year: 455 megajoules). Apart from energy-efficiency projects, this significant drop of 5.9% is primarily due to the change in product mix and strong growth in less energy-intensive product technologies.

To maintain the positive trend, the following energy projects have been initiated:

At several Sika production sites (e.g., Zurich, Cerano), the company has improved the adhesive production process. Better energy consumption, time efficiency, and output have been achieved for the drying of fillers. Optimizations based on knowledge of filler characteristics yielded energy savings of around 35%, equivalent to an annual total of 828 gigajoules.

Significant energy savings were also achieved in mortar production at the Guangzhou factory in China by replacing wet-washed sand with dry sand. This substitution will allow 84,000 liters of diesel to be saved each year.

CO_2 EMISSIONS

CO_2 is a consequence of fossil energy consumption, and can only be limited within Sika by increasing energy efficiency. This is why Sika controls its CO_2 emissions via its energy target and has not set a specific reduction target at Group level.

CO_2 EMISSIONS (DIRECT): CO_2 emissions from energy consumed directly by all Sika operating companies and units, both industrial and nonindustrial sites, and by its own vehicles are calculated based on the reported fuel quantities. In 2016, CO_2 emissions from the use of primary energy sources ran to around 45,000 tons (previous year: 53,000 tons). Two factories in China still rely on locally sourced coal as a fuel. Overall, however, coal consumption was cut by approximately 50%. Coal has a low gross calorific value and entails higher CO_2 emissions than natural gas. Emissions were reduced at two plants by adjusting the product mix, partially replacing a coal-intensive process with a coal-free process.

CO_2 EMISSIONS (INDIRECT): CO_2 emissions from indirect energy consumption, i.e., emissions not due to Sika's own primary energy usage, including leased vehicles and business travel, are derived from the reported energy quantities. CO_2 emissions caused by purchased electricity are calculated using current emission factors from the Greenhouse Gas protocol (GHG), applying average values for electric power production in each particular country. In 2016, CO_2 emissions caused by electricity consumption were calculated at 109,000 tons (previous year: 107,000 tons), i.e., more than twice as high as direct CO_2 emissions. Leased vehicles and business travel caused additional CO_2 emissions of 20,000 and 13,800 tons, respectively (previous year: 21,000 and 13,800 tons). Sika's total CO_2 emissions run to around 187,000 tons.

Project case studies from around the globe detailing how Sika was able to reduce water consumption, save energy, and thereby reduce CO_2 emissions at its plants can be found at www.sika.com/sustainability.

WATER

Sika aims to boost the sustainability performance of its production sites by reducing water consumption and treating water locally. The company implements measures to reduce consumption or to use lower-grade water qualities, especially in geographic regions where water is scarce. Efficient production means closed loop cooling and switching from public to surface and ground water, reducing the amount of drinking water used in production. By reusing wastewater, Sika aims to reduce its water consumption on a larger scale. The Group goal is:

TARGET: 3% LESS WATER CONSUMPTION PER TON AND YEAR. This includes water consumed by all Sika operating companies and units, both industrial and nonindustrial sites, whether from public utilities or from ground or surface water sources. In 2016, this target has been achieved.

IMPLEMENTATION: In 2016, Sika used approximately 1.3 million cubic meters of water (previous year: 1.7 million cubic meters). With water consumption per ton sold down by around 22% to 0.32 cubic meters (previous year: 0.41 cubic meters), Sika significantly exceeded its target. Sika invested in various water efficiency projects at its plants worldwide during the year under review.

To reduce wastewater discharge at the Alcobendas plant in Spain, the existing wastewater treatment facility was upgraded with ceramic ultra- and nanofiltration membranes. This reduced tap water consumption by 200 m^3 per month (-25%) and achieved savings of EUR 6,000 per year. The quality of the treated water allows its reuse for cleaning the loading bulk station and in the water treatment plant.

Sika Colombia's large plant at Tocancipá implemented a completely closed water circulation that ranges from rainwater harvesting for production to the reuse of wastewater as sanitary water or, after cleaning, for crop irrigation. In addition, all organic materials are composted and used to fertilize the garden crops.

WASTE

Efficient use of input materials is extremely important to all Sika companies, as production processes are material-intensive and use high volumes of nonrenewable resources. Efficient production in this context means reducing and reusing production scrap, reducing and reusing packaging materials, and improving packaging design, leading to higher productivity and lower material use. The Group goal is:

TARGET: 3% LESS WASTE PER TON AND YEAR. This includes all waste material sent to external contractors for disposal – except for materials returned to suppliers – and covers all Sika operating companies and units, including industrial and nonindustrial sites. In 2016, this target has not been achieved.

IMPLEMENTATION: With an increased production volume, the company generated some 74,000 tons of waste (previous year: 70,000 tons). This corresponds to 17.8 kilograms of waste per ton sold (previous year: 17.3 kilograms per ton sold) or an increase of 2.9%. Various factories producing concrete additives had to dispose of the rinsing water as waste due to a 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. Nevertheless, the total waste volume has decreased by -1.2% since 2013.

However, since 2013 the amount of waste has been reduced overall by -1.1%.

Material efficiency will continue to be a priority in 2017. A large part of the waste – particularly from polymer and adhesive production – is recycled by external companies. Extensive measures such as the efficient and economical use of raw materials, process optimizations, improved waste sorting, and the recycling of packaging materials have contributed to global waste efficiency. These measures and the reduction of waste in mortar production through recycling are set to further boost efficiency.

Reducing and reusing adhesive waste is one of the keys to efficient production. A mobile recycling machine was developed by Sika at the Düdingen plant in Switzerland for recycling adhesive residues from Unipacks and cartridges. The reduction in the manual workload and annual adhesive waste savings of 27 tons are likely to translate into savings of around CHF 90,000 per year.

Sika Thailand had already won a Silver Award in 2014 for its continuous improvements in waste management. In 2016, further refinements to its waste-handling system earned Sika Thailand a Gold Level Award.

Project case studies from around the globe detailing how Sika managed to reduce waste at its plants can be found at www.sika.com/sustainability.

OCCUPATIONAL SAFETY

The health, safety, and well-being of all Sika employees are essential to the success of the company's business and are core concerns throughout the organization. This requires focus and a systematic approach: occupational standards, management commitment, employee involvement, work site and risk analysis, hazard recognition and resolution, training and education are key components of Sika's health and safety framework. A culture of safety and a healthy work environment are at the center of everything the company does.

Sika has the ambitious goal of every employee leaving the workplace healthy. The Group goal is:

TARGET: 5% FEWER ACCIDENTS PER YEAR. This refers to the number of work-related accidents leading to injuries, covering all Sika employees, including temporary and subcontracted staff, at the company's operating companies and units, both industrial and nonindustrial sites. Construction projects are not factored in. In 2016, this target has not been achieved.

IMPLEMENTATION: The number of occupational accidents leading to lost work time of more than one day showed a year-on-year decrease of 2.7%. In the year under review, 9.5 occupational accidents per 1,000 employees were recorded (previous year: 9.7). In 2016, injuries again caused absences of an average of

around 22 days (previous year: 22). This figure was strongly influenced by longer absences due to injuries to the locomotor system caused by accidents while walking. Sika will continue to make constant improvements to safety in 2017, placing greater emphasis on employee participation.

In the United States, a comprehensive safety concept launched under the name "Sika Safe" led to a significant reduction in accident numbers in 2016.

At many Sika facilities, mixing operations are carried out in vessels on mezzanine levels. Solid or liquid materials have to be loaded onto the platform which means that mezzanine rails have to be opened. Sika subsidiaries like Sika Hong Kong, Sika Indonesia and Sika Austria increased safety by installing different types of safety gates in their production facilities. This solution eliminates a major hazard on platforms: falling from heights.

Sika Everbuild, United Kingdom, implemented a tank farm improvement project to reduce the risk of cross-contamination and uncontrolled reactions on delivery. This program includes the labeling of tanks, the fitting of locked caps, a new static discharge system with alarm, new dust control equipment, a new drain protection system when offloading, and the treatment and painting of silos to reduce corrosion.

Project case studies from around the globe detailing how Sika was able to reduce occupational accidents and days lost at the plants can be found at www.sika.com/sustainability.

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