

GRI REPORT

2015

SUSTAINABILITY TARGETS: 2 YEARS ACHIEVEMENTS

ECONOMIC PERFORMANCE:

**OPERATING
PROFIT (EBIT)
OF 12.3 % OF
NET SALES**

ENERGY:

**15 % LESS
ENERGY
CONSUMPTION
PER TON**

SUSTAINABLE SOLUTIONS:

**SUSTAINABILITY
EVALUATION
PROCESS INTRO-
DUCED, LOCAL
SUSTAINABILITY
ROADMAPS
IN MAJOR
COUNTRIES
DEVELOPED AND
IMPLEMENTED**

LOCAL COMMUNITIES/SOCIETY:

**50 % MORE
PROJECTS**

WATER/WASTE:

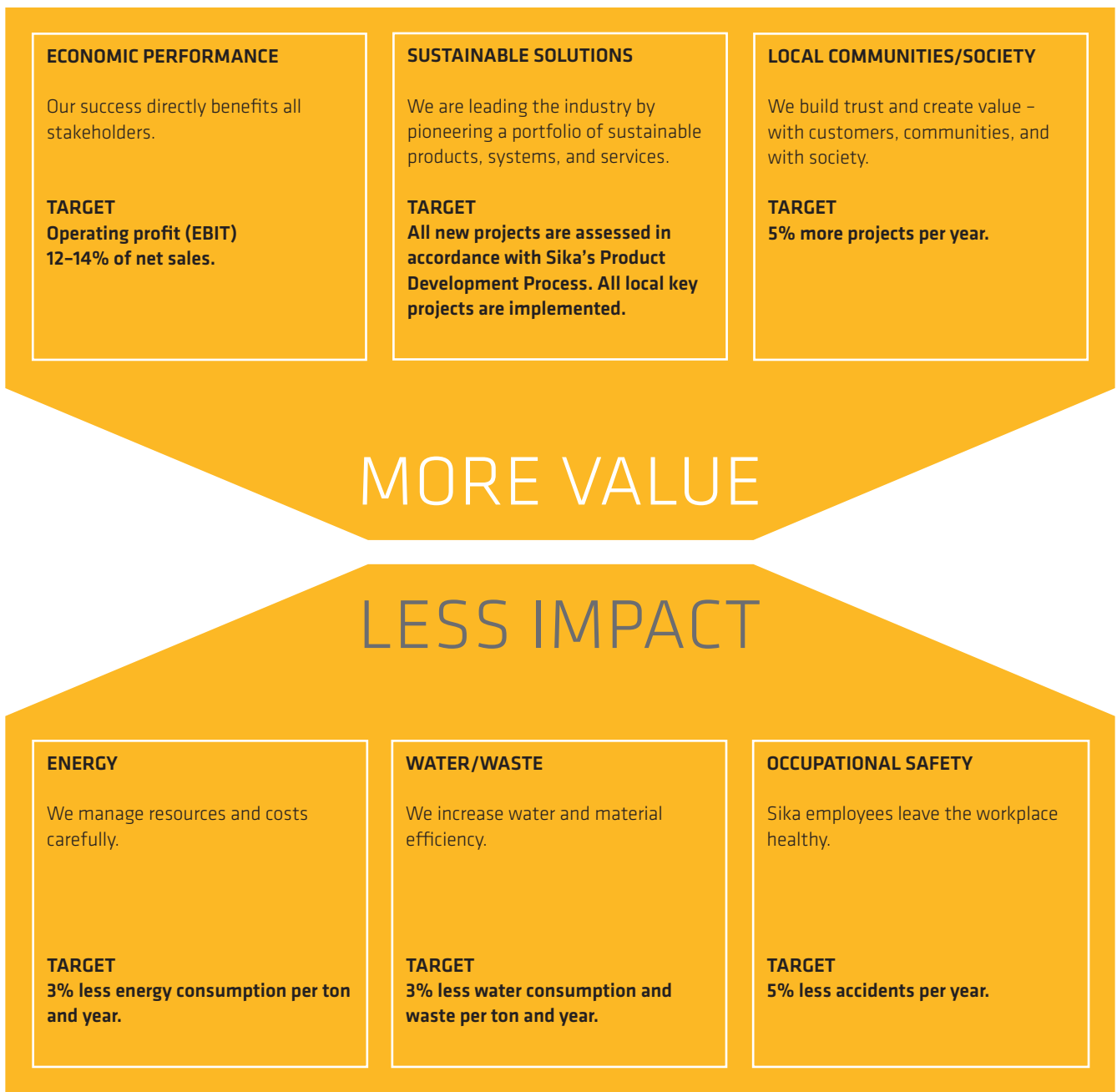
**43 % LESS WATER
CONSUMPTION AND
3.3 % LESS WASTE
PER TON**

OCCUPATIONAL SAFETY:

**17.8 % LESS
ACCIDENTS**

SIX SUSTAINABILITY TARGETS

Sika defines six target indicators with the largest potential effect. They cover the economic, environmental, and social dimensions of Sika's business.



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March 2016

The information contained in this report has been prepared in accordance with the GRI G4 guidelines option “core”. This is Sika’s third GRI report, and it covers the calendar year of 2015. Sika will continue reporting on an annual basis.



GENERAL STANDARD DISCLOSURES

GENERAL STANDARD DISCLOSURES

G4-1: STRATEGY AND ANALYSIS

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

Sika has been successful as a technology company for more than 100 years. Over this long time, sustainability has always been a core element of the company’s strategy. Throughout these years, the entrepreneurial spirit, the innovative power, the cautious financial conduct, the risk balancing approach, and also the care for people and the environment have turned the company into a global business with sales of around 5.5 billion Swiss francs and a deep-rooted presence in more than 93 countries.

Today, the term “sustainability” has certainly taken on a much wider meaning, bridging economic health, social accountability and environmental responsibility. In addition, Sika regards legal and regulatory compliance, anti-corruption and human rights as the foundations of its business wherever it operates. And we are working to build trust and create value within communities and societies, because we believe this will be to our mutual benefit.

GLOBAL CHALLENGES

However, this is not enough, because the world and societies face challenges which businesses also need to actively address. Climate change, population growth, energy, raw materials and water scarcity – these are some of the global megatrends and challenges that are set to change the markets in the years and decades ahead. At the same time, these challenges act as powerful drivers for novel technologies and solutions. Markets will therefore demand solutions that are different from traditional ways of building and construction, infrastructure or mobility.

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, especially in transportation. 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 innovations 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 G4 Guidelines, 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, 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.

G4-3: NAME OF THE ORGANIZATION

Sika AG

G4-4: ORGANIZATIONAL PROFILE – PRIMARY BRANDS, PRODUCTS, AND SERVICES

The umbrella brand Sika together with some 838 Sika product trademarks 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 10'469 trademark registrations in 163 countries at the end of 2015. Sika AG continuously monitors its trademarks and takes consistent legal action in cases of infringement.

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

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

G4-5: LOCATION OF THE ORGANIZATION'S HEADQUARTERS

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sikagroup@ch.sika.com
www.sika.com

G4-6: COUNTRIES WHERE THE COMPANY OPERATES

www.sika.com/gri

G4-7: NATURE OF OWNERSHIP AND LEGAL FORM

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

G4-8: MARKETS SERVED

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.

TARGET MARKETS

As global market leader in the construction chemicals sector, Sika continuously leverages new growth potential in all its target markets through innovation, quality and service. It provides its customers with innovative solutions that boost the efficiency, durability and esthetic appeal of buildings, infrastructure facilities, installations and vehicles throughout production and use. Close attention is paid to product safety, easy application and total cost management. The fully integrated concepts offered by Sika address the entire life cycle of a facility, from design and initial construction up to the point in time when repair, refurbishment or extension become necessary. The prolongation of a facility's service life, through appropriate maintenance and modernization, makes sense from both an economic and an environmental point of view. Sika's seven target markets are:

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, water tightness, durability, load-bearing capacity or early and final strength. The demand for admixtures and additives is currently on the rise, particularly due to the increased performance requirements placed on concrete and mortar, especially in urban areas and for infrastructure construction. Furthermore, the growing use of alternative cementitious materials in cement, mortar, and therefore also in concrete, increases the need for admixtures.

WATERPROOFING

Sika's solutions cover the full range of technologies used for below and above ground 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). Watertight systems are faced with increasingly stringent requirements regarding sustainability, easy application and total cost management. Therefore the selection of appropriate waterproofing systems to suit the needs and requirements of the owner as well as the detailing of the solution are key for long-lasting and watertight structures.

ROOFING

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

FLOORING

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

SEALING & BONDING

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

REFURBISHMENT

This segment features concrete protection and repair solutions, e.g. repair mortars, protective coatings, grouts and structural strengthening systems. It also includes products for interior finishing, specifically cementitious leveling compounds, tile adhesives and tile grouts. Market trends are dictated by the rising quality requirements placed on products and services, with global customers

expecting uniform standards worldwide. 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 countries also fuel demand in the interior refurbishment sector.

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 (leisure and shipbuilding), 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. As example, Sikas 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.

G4-9: SCALE OF THE ORGANIZATION

PAGE IN ANNUAL REPORT 2015

Number of employees	p. 56
Group Companies	p. 126-129
Net sales	p. 3
Total capitalization	p. 81f.
Risk Management	p. 19
Group strategy	p. 10

G 4-10: EMPLOYEES

The total number of employees at the end of the reporting period was 17,281. Female employees in the Group account for around 22 % of the total workforce (EMEA and APAC: 22 %, North America: 19 %, LATAM: 25 %)

REGION	% OF TOTAL WORKFORCE
EMEA	52.5
APAC	23.8
LATAM	14.1
North America	9.6

The portion of self-employed workers is not significant. Due to the seasonality of the construction business slight increases in the workforce during summer months in the Northern hemisphere may happen in some years. Sika employed 490 temporary labors to adapt to peak demand.

ITEM	% OF TOTAL WORKFORCE
Age Groups	
< 30 years	16.2
30-50 years	62.4
> 50 years	21.5
Contract	
Full time	95.7
Part time	4.4
Permanent	96.2
Temporary	2.8
Apprenticeship / Internship	0.9
Male employees	77.7
Staff (clerks, lab, production staff incl. shift team leaders)	61.5
Local Company management team	3.4
Middle management	12.0
Top management	0.8
Female employees	22.3
Staff (clerks, lab, production staff incl. shift team leaders)	19.1
Local Company management team	0.6
Middle management	2.5
Top management	0.1

Internal promotions within the reporting period: 163

G4-11: EMPLOYEES COVERED BY 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 93 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 are covered in these geographies.

G4-12: SUPPLY CHAIN

Sika local companies source raw materials both locally and internationally. Some materials are only available from international suppliers and have to be imported. In Sika factories these 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 exported.

Sika today collaborates with around 12,000 direct material suppliers, out of around 14,000 supply locations, for both local and global sourcing. The company strives to work together with local suppliers where possible, to reduce lead time, risk, and transport, as well as to increase availability and quality.

Sika's purchasing spend correspond 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 2,518 million at average exchange rates for the year 2015. The regional split for direct materials is as follows: EMEA 49%, APAC 19%, North America 18%, LATAM 8%, and Automotive 6%.

Sika employs a risk management approach for supply chain of raw materials. This approach is described in the Annual Report 2015 and under G4-14.

G4-13: SIGNIFICANT CHANGES IN SIZE, STRUCTURE, OWNERSHIP OR SUPPLY CHAIN

Sika made several acquisitions in 2015 and therefore gained further offices and manufacturing sites:

- Sika made several acquisitions in 2015 and therefore gained further offices and manufacturing sites: In January 2015, Sika agreed to acquire the assets of the Mozambican company Duro-Moza, which manufactures and sells specialized mortar and tile adhesives. This transaction will accelerate Sika Mozambique's development and market penetration.
- In March 2015, Sika acquired BMI Products of Northern California Inc., which is active in the manufacture and distribution of mortar products and systems for the construction industry. This takeover has enabled Sika to step up production capacity and increase market penetration in the western United States.
- In March, Sika also took over Axson Technologies, a leading producer of polyurethane and epoxy resins for design, prototyping and tooling. Axson Technologies also manufactures structural adhesives, composites and dielectrics (encapsulates) for the automotive, aerospace, shipbuilding, renewable energies, sports and leisure sectors as well as the construction industry. This takeover will enable Sika to expand its global portfolio of tooling and composites.
- Moreover, in March the company agreed to acquire Construction Technologies Australia Pty Ltd (CTA™), a leading Australian producer of tile adhesives and mortar products.
- In June, Sika purchased the remaining shares in Addiment Italia from its joint venture partner, Buzzi Unicem. Addiment is active in the manufacture and sale of concrete admixtures and grinding aids for cement production.

In 2015, the following Sika production facilities were opened:

- 2nd plant in United Arab Emirates, Dubai, March 2015
- 1st plant on Reunion Island, March 2015
- 1st plant in Sri Lanka, Ekala, March 2015
- 1st plant in Paraguay, Asuncion, May 2015
- 4th plant in Russia, Volgograd, August 2015
- 2nd plant in Argentina, Cordoba, September 2015
- 1st plant in Nigeria, Lagos, September 2015
- 1st plant in Ivory Coast, Abidjan, September 2015

G4-14: PRECAUTIONARY APPROACH OR PRINCIPLE

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 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. Through various audits and inspections of its own operations and suppliers as well as external audits by customers and certification bodies in Sika facilities, the company adheres to a preventative approach and to continuous improvements. Sika companies are certified to the international management system standards ISO 14001 (Environmental Management) and ISO 9001 (Quality Management) in all operations. The company aspires to fully implement OHSAS 18001 (Occupational Health and Safety Assessment) 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. 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 will cover all new suppliers. In addition existing suppliers will be evaluated by using similar criteria like supplier evaluation, supplier code of conduct and material specifications. In 2015 the majority of procurement employees were trained using the supplier audit approach.

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

G4-15: ECONOMIC, ENVIRONMENTAL AND SOCIAL CHARTERS, PRINCIPLES, AND OTHER INITIATIVES

Sika commits itself to genuinely added sustainable value along the entire value chain. Sika's principles are the foundation for strategic management. The company is 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. Furthermore, Sika is a member of manifold industry associations and initiatives on the local, national and multi-national level e.g.

- World Business Council for Sustainable Development
- Responsible Care
- United Nations Global Compact
- Carbon Disclosure Project
- Green Building Councils Network and Sustainable Construction Switzerland

G4-16: ASSOCIATIONS

Sika is member of manifold industry associations and initiatives on local, national and multi-national level where the company holds a position on the board or actively participates in projects or committees. Here an extract:

ASSOCIATION	ACRONYM	WEBSITE
American Chemistry Council	ACC	www.americanchemistry.com
American High Performance Building Coalition	AHPBC	www.betterbuildingstandards.com
Spanish National association for Concrete and Mortar Additive Manufacturers	ANFAH	www.anfah.org
Portuguese Association of Paint Producers	APFAC	www.apfac.pt
Spanish National association of industrial Mortar Manufacturers	ANFAPA	www.anfapa.com
Spanish National Association of Waterproofing	ANI	www.ani.es
Spanish National Association of Concrete Repair, Protection and Reinforcement Association	ARPHO	www.arpho.org
Portuguese Association of Paints	APT	www.aptintas.pt/Index.aspx
Adhesive and Sealant Council	ASC	www.ascouncil.org
American Society of Testing Materials	ASTM	www.astm.org
British Adhesives and Sealants Association	BASA	www.basaonline.co.uk
British Precast Concrete Federation	BPCF	www.britishprecast.org
Cement Admixtures Association	CAA	www.admixtures.org.uk
Center for Environmental Innovation in Roofing (US)	CEIR	www.roofingcenter.org
European Paint and Printing Ink Council	CEPE	www.cepe.org
Chemical Fabrics and Film Association	CFFA	www.chemicalfabricsandfilm.com
Italian National Research Council	CNR	www.cnr.it
Italian National Association of Industrial Flooring	CONPAVIPER	www.conpuviper.it
Concrete Society	CS	www.concrete.org.uk
Deutsche Bauchemie	DBC	www.deutsche-bauchemie.de
German Sustainable Building Council (Deutsche Gesellschaft für Nachhaltiges Bauen e.V.)	DGNB	www.dgnb.de

(continued on page 12)

ASSOCIATION	ACRONYM	WEBSITE
European Federation of Concrete Admixtures Association	EFCA	www.efca.info
European Federation for Construction Chemicals	EFCC	www.efcc.eu
Hellenic Organization for Standardization	ELOT	www.elot.gr
European Single Ply Waterproofing Association	ESWA	www.eswa.be
Association of European Adhesive and Sealant Industry	FEICA	www.feica.com
Forschungsgesellschaft für Straßen- und Verkehrswesen	FGSV	www.fgsv.de
Fachverband Schweizerischer Hersteller von Betonzusatzmitteln	FSHBZ	www.fshbz.ch
Hellenic Association of Chemical Industries	HACI	www.faci.gr
UK Liquid Roofing & Waterproofing Association	LRWA	www.lrwa.org.uk
National Federation of Roofing Contractors, UK	NFRC	www.nfrc.co.uk
Polyurea Development Association Europe (Italian Committee)	PDA Europe	www.pda-europe.org
Spanish Technology Platform for Construction	PTEC	www.construccion2030.org
Swiss Plastics	-	www.swiss-plastics.ch
Swiss Engineer and Architect Association	SIA	www.sia.ch
Single Ply roofing Association	SPRA	www.spra.co.uk
Single Ply Roofing Industry	SPRI	www.spri.org
Verband der deutschen Lack- und Druckfarbenindustrie e.V.	VdL	www.lackindustrie.de
Institute Construction and Environment	IBU	www.construction-environment.com
International Concrete Repair Institute	ICRI	www.icri.org
British Adhesives and Sealants Association	BASA	www.basaonline.co.uk/home.aspx
Concrete Society of Southern Africa	CSSA	www.concretesociety.co.za
Athens Chamber of Commerce & Industry	ACCI	www.acci.gr
Precast Concrete Institute	PCI	www.pci.org
National Ready Mix Association	NRMCA	www.nrmca.org
Interlocking Concrete Pavement Institute	ICPI	www.icpi.org

G4-17: FINANCIAL STATEMENTS

Link to <http://www.sika.com/en/group/investors.html>

G4-18: REPORT CONTENT

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

Sika has reviewed in the reporting year the materiality analysis which was accomplished 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, by taking into account:

- GRI G4 aspects
- relevant topics for peers, customers and suppliers
- expert knowledge

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

The 2015 review of the prioritization from a stakeholder perspective was determined through an online survey, whereas the prioritization with regard to "significance of economic, environmental and social impacts" was reviewed through the results of a series of workshops. The identified material aspects and findings were set against the results of the first analysis in 2013 which were validated by Sika's Group Management and the Board of Directors.

SUSTAINABILITY CONTEXT

The context in which Sika operates at global as well as local level was taken into account when determining the long-list of relevant topics as well as during the prioritization activities.



MATERIALITY

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

- The main sustainability topics raised by Sika's stakeholders (see G4-24-27)
- 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

COMPLETENESS

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

STAKEHOLDER INCLUSIVENESS

The stakeholder inclusiveness was implemented by taking into account the stakeholder views resulting from the stakeholder engagement activities.

G4-19/20/21: ASPECTS OF MATERIAL IMPORTANCE TO SIKA

The following aspects have been identified as material for Sika in the process for defining the report content. The aspects occur within Sika's operations and can also affect market participants outside the organization along its value chain, upstream and downstream on a global scale.

Upstream: the most relevant upstream entities on which the aspects have an impact are raw material and trading product suppliers (except Diversity and Equal Opportunity: temporary employment agencies).

Downstream: the aspects are material for building-systems customer groups such as owners, architects, designers, specifiers and contractors, cement and concrete customers and automotive customers.

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

G4-22-23, 28-33: ABOUT REPORT

ABOUT OUR REPORT (G4-22-23, 28-33)

The information contained in this report has been prepared according to the GRI G4 sustainability reporting guidelines "in accordance - core". This is Sika's third GRI report and covers the 2015 calendar year. Sika will continue reporting on an annual basis.

Changes from previous reporting (full year 2014) were made as mentioned below:

Tons sold reporting from 2014 was adapted to unreported volume within the fiscal year 2014, from two legal entities acquired in 2015: LCS Optiroc Singapore, Optiroc Malaysia. In addition some smaller amendments to local volume reports were made. This accounted for 8.4% of additional volume in 2014.

The GRI report takes into account impacts within and outside the organization. With regard to Sika's entities, it covers all entities that are included in Sika's consolidated financial statement, unless otherwise stated.

Sika has adapted the rule of consolidating newly acquired companies due to necessary efforts in aligning new Group companies to the reporting structure throughout diverse geographies. Sika will fully consolidate these entities in the second annual report after the closing date.

Sika's GRI Report 2015 has not been externally audited.

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G4-24-27: STAKEHOLDER ENGAGEMENT

STAKEHOLDER IDENTIFICATION AND PRIORITIZATION

Sika has reviewed in the reporting year the stakeholder groups which were identified in 2013 for the sustainability strategy development process to critically re-evaluate the material aspects and detect any changes of priority.

Based on the GRI definition, stakeholders are defined broadly as those groups or individuals:

- (a) that can reasonably be expected to be significantly affected by the organization's activities, products, and/or services; or
- (b) whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives.

The stakeholders were 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.). The most relevant stakeholder groups were consulted for their contribution to the materiality process.

IDENTIFIED STAKEHOLDERS

The identified stakeholder groups of Sika are:

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

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 planned for 2014/2015. Combined with the framework of the reviewed ISO 14001:2015, a guidance document for stakeholder engagement within the local company was developed in 2015. The framework will be gradually implemented in the renewal of the local ISO certificates over the next few years.

As part of the sustainability strategy development process in 2013 and materiality analysis review in 2015, Sika specifically engaged with selected principal internal and external stakeholder groups. The following groups were approached in the reporting year via online survey, to provide input into defining the report content: employees, customers, academia, financial analysts, Sika Management, suppliers and sponsoring partners. The results were integrated in the materiality analysis.

The review confirmed the findings from 2013 and did not detect relevant changes of priority.

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 target area “Local Communities” has been approached by Sika Group and by local subsidiaries individually, this target will be managed systematically in a later step within the above mentioned ISO framework on local level. So far 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 has been notified about the findings.

G4-34: GOVERNANCE

See <http://www.sika.com/en/group/investors/corporate-governance.html>

G4-56: ETHICS AND INTEGRITY

VALUES, PRINCIPLES, STANDARDS AND NORMS

The edition of the Code of Conduct was reviewed and edited in 2014. The Code of Conduct is available in more than 10 languages and has been distributed to all Sika employees. 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.

SPECIFIC STANDARD DISCLOSURES

SPECIFIC STANDARD DISCLOSURES

G4-EC ECONOMIC

G4-EC ECONOMIC PERFORMANCE

Sika creates sustainable value for its customers and 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, 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. 135)

Item	mn CHF	%
Total sales	5,489	100.00
To suppliers	3,572	65.00
Net value added	1,755	32.00

TABLE 2

From the net value added the capital flows to the various stakeholders and to the Sika group as follows

Item	mn CHF	%
To employees	1,112	63.34
To Sika	282	16.06
To shareholders	183	10.42
To governments	157	8.94
To lenders	22	1.24
Total	1,755	100.00

Sika donated and supported local communities in the amount of 3 mn CHF which accounts for 0.17% of the net value added.

ENVIRONMENTAL PERFORMANCE

G4-EN1 MATERIALS USED BY WEIGHT OR VOLUME

Sika uses raw materials such as polymers, additives, resins, colors, plastic articles, sand, cement, packaging materials, the volume of which totals 3.6 million tons, excluding trading goods and water (previous year: 3.0 million tons). These numbers are reported in Sika's operational reporting system.

The company uses only a small amount of renewable raw materials like castor oil or alcohols. This fact is mainly due to unavailability, economic viability, in effective application of formulation as compared to non-renewable feedstock. However, the company constantly explores ways 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 for 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 resource consumption in construction, vehicles or for the cement industry, where Sika solutions enable customers to increase the use of recycled input materials.

G4-EN2 PERCENTAGE OF MATERIALS USED THAT ARE RECYCLED INPUT MATERIALS

For direct materials, the proportion of recycled materials is around 1.2 % (previous year: 1.3 %), 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 the recycling systems in place in many countries today.

G4-EN3: ENERGY CONSUMPTION

ENERGY CONSUMPTION WITHIN THE ORGANIZATION

Sika used 1'833 terrajoule (TJ) of energy (previous year: 1'671 TJ), 46.7% directly from non-renewable primary energy conversion and 53.3% from purchased electricity. The fuel types used for direct energy (856 TJ) are light liquid fuels (48 %), coal (7%) in China, and natural gas (45 %).

Total Energy Consumption	1 833 TJ	
Non-renewable	856 TJ	Light liquid fuels, coal (in China), natural gas
Electricity	977 TJ	From renewable and non-renewable sources, depending on local power generation
Renewable Electricity	1.5 %	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 47% 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 is a major driver 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 302 TJ (295 TJ in 2014) of energy and business travel amounted to 202 TJ (205 TJ in 2014). The leased car fleet figure is derived from a sample of 65 % of the leasing contracts and the figure for business travel is derived from a sample of 40 % of the travel contracts.

Sika uses conversion factors from the UK Department for Environment Food and Rural Affairs:

<http://www.ukconversionfactorscarbonsmart.co.uk/>

G4-EN 8: WATER

TOTAL WATER WITHDRAWAL BY SOURCE

Water is used as cooling water, cleaning water, in products, and for general purposes like sanitary facilities. Sika uses around 2.36 million m³ (previous year: 2.79 million m³) both from public supply (58 %) and groundwater wells (42 %). Cooling water is mainly derived in line with local permits from ground water wells in water-rich areas, like Switzerland, the UK, and Eastern USA. Cooling and process water makes up 52 % of Sika's water use. The company strives to increase water efficiency and has set a target of 3 % for the reduction of water consumption per ton of product sold.

Water sources:

- Surface water: 0.021 million m³ (previous year: 0.037 million m³)
- Ground water: 0.968 million m³ (previous year: 1.328 million m³)
- Public supply: 1.373 million m³ (previous year: 1.427 million m³)
- Rain water: A few factories have started to use rain water. There are no detailed data available.
- Waste water: No waste water is used

Sika uses water for the following purposes:

- Process and Cooling water: 1.24 million m³ (previous year: 1.75 million m³)
- Sanitary water: 0.42 million m³ (previous year: 0.34 million m³)
- Water in products: 0.71 million m³ (previous year: 0.69 million m³)

G4-EN15-16: EMISSIONS

DIRECT GREENHOUSE GAS (GHG) EMISSIONS (SCOPE 1)

Direct energy conversion results in local greenhouse gas emissions (CO₂). Sika uses various fuels for its own energy conversion, incl. coal in China. Around 47 % of the energy is converted in Sika sites amounting to CO₂ emissions of around 53'000 tons (previous year: 47,000 tons).

INDIRECT GREENHOUSE GAS (GHG) EMISSIONS (SCOPE 2)

Indirect energy conversion results in greenhouse gas emissions (CO₂) depending on the primary energy used in the country's electric power generation mix. Therefore, a shift from the company's own power generation to purchasing electrical power may positively or negatively impact Sika's total carbon footprint.

To obtain an informed estimate we use the Greenhouse Gas Protocol calculator to quantify the scope 2 emissions. However, in some cases, e.g. Germany, we have contractual agreements with power suppliers to procure "green" power, e.g. from hydro-electrical conversion, which has a much lower carbon footprint than the average footprint in the country. In these cases Sika deducts the renewable amount from the total consumption in the country, before converting into CO₂. For the year under review, calculated CO₂ emissions from third party power supply amounted to around 107,000 tons for the Group (previous year: 102,000 tons).

ADDITIONAL INFORMATION ON LEASED VEHICLES AND TRAVEL

The company also evaluates the carbon emissions from travel and leased vehicles. Extrapolations of available data show a footprint of 21,000 tons for the leasing fleet and 13,800 tons for business travel for the entire Group in 2015 (previous year: 20,500 and 14,000 tons). Both figures are derived from a sample of 65 % of the Sika leasing and 40 % of the Sika travel contracts.

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

G4-EN22-23: EFFLUENTS AND WASTE

TOTAL WATER DISCHARGE BY QUALITY AND DESTINATION

Sika discharges around 1.6 million m³ of water (previous year: 1.7 million m³), in conformity with local legislation and permits. In most Sika factories, process water is collected in tanks, or cleaned in treatment facilities and tested before discharge as per local permits; it is then discharged 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: 0.54 million m³ (previous year: 0.48 million m³)
- Water to surface water bodies: 1.06 million m³ (previous year: 1.22 million m³)

TOTAL WEIGHT OF WASTE BY TYPE AND DISPOSAL METHOD

Waste consists of the 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, maintenance goods like oils and other utilities.

In total, Sika generated around 70,000 tons of waste (previous year: 62,000 tons), which accounts for around 1.7% of total ton sold (revised value previous year: 1.6%).

Three quarters of the waste is non-hazardous. The category of reuse describes waste which finds a secondary use at lower value. Sika manages the disposal of waste through management systems according to ISO 14001, which regulate the flow of materials and local documentation locally and are in place at all production sites.

Total weight:

- Non-hazardous: 50,000 tons (previous year: 47,000 tons)
- Hazardous: 20,000 tons (previous year: 15,000 tons)

Disposal method:

- Landfill: 21,000 tons (previous year: 18,000 tons)
- Incineration: 22,000 tons (previous year: 20,000 tons)
- Reuse: 27,000 tons (previous year: 24,000 tons)

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

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.

G4-EN27: PRODUCTS AND SERVICES

NEW PRODUCT DEVELOPMENTS ARE REVIEWED

New product developments are reviewed against key sustainability criteria and furnished with a documented, recognized relevance audit, imposing an appropriate improvement plan where necessary.

Sika has introduced a new sustainability evaluation process, including guidelines and tools as an integral part of the Sika product development process. The objective of the sustainability evaluation is to assess all sustainability aspects of a new development over its entire life cycle, compared with the company's own or competitive solutions.

In the year under review, Sika progressively implemented the sustainability evaluation process as part of the launch of the revised product development procedure as an obligatory part of the innovation process. The individuals responsible for the global rollout in the various business lines, regions and technology centers received training in the new procedures at a centralized event, where they were familiarized with the processes and methods. These individuals are responsible for the global rollout in all Group companies, which should be complete by the middle of next year.

ALL PLANNED SUSTAINABILITY PROJECTS ARE IMPLEMENTED

The larger Sika companies draw up a product sustainability plan geared to local trends and market demand and containing key projects and themes aligned with the global approach. All key projects are carried out in accordance with the approved plan.

In 2015, larger countries in the following regions drafted product sustainability plans in collaboration with the Corporate Product Sustainability department: North America, Southern Europe, Northern Europe, Eastern Europe, the UK, Germany, Turkey and Mexico. Regional and local product sustainability representative have facilitated the development, launch and handling of these plans. Quarterly meetings and annual in person meetings take place between the local, regional and global roles to manage plans, discuss progress and activities and share success stories. The focus 2016 in is on implementing planned activities locally and extending planning to Latin America and Asia/Pacific.

In the year under review, Sika added to the life-cycle data collected in previous years for its products, technologies and applications in accordance with the international Life Cycle Assessment (LCA) standard ISO 14040, with a primary focus on mortar and liquid roofing membranes 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 country affiliates. Examples include Environmental Product Declarations (EPDs) for roof membrane systems under the German, British and American standards, assessment tools for roof systems and polyurethane floor solutions for office, school and health care facilities.

As added value for the customer, these data enable project-specific quantitative assessment of the sustainability performance of the selected Sika systems in a standardized form that can be communicated in an easy-to-understand way that is focused on customer needs. Implementing the approach, a number of country affiliates in Northern and Southern Europe have successfully launched and tested new marketing initiatives. A first set of projects has thus been successfully gained in countries such as Spain,

Italy and Britain. In 2016, the focus will be on the continued rollout of the sustainability sales tools in additional target countries, on marketing services related to sustainable construction and energy efficiency in buildings, and on better integration of sustainability with the local affiliates' business priorities.

G4-EN29: COMPLIANCE

FINES AND SANCTION

In 2015 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 that helps them understand regulatory requirements and changes. These legal entities entertain certified management systems according to ISO 9001 (Quality) and, in addition, to ISO 14001 (Environment), in some cases according to OHSAS 18000 (Health & Safety) and ISO 50001 (Energy efficiency). Most of Sika's subsidiaries work together 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. Legal and internal audits screen the subsidiaries for business conduct. The General Managers are obliged to strictly adhere to applicable legislation and to supervise the subsidiary accordingly and have been required end of 2015 to verify and confirm, together with their management teams, the level of compliance of his/her company in a global reporting system (the Compliance Confirmation). This confirmation has not shown any deviation from the compliance standard. Sika implements an Internal Control System according to Swiss public company law in all its subsidiaries to ensure adherence to these standards.

SOCIAL

G4-LA6: OCCUPATIONAL HEALTH AND SAFETY

In 2015 Sika had a lost time rate of 9.7 accidents/1,000 employees (previous year: 10.8).

In the reporting year the company reported 176 accidents (> 1 day of absence from work) compared to 193 in the previous year. Of these, the EMEA region accounted for 114, North America for 12, Latin America for 37, and APAC for 13.

The rate includes temporary labor (1,147) not on Sika's payroll. Sika excludes construction and project work from the accident reporting. Sika experienced 17 contractor accidents on its premises (previous year: 21).

As accident data from the subsidiary is processed anonymously, it is not possible to give a breakdown by gender at Group level.

27 legal entities, including their headquarters, are certified according to OHSAS 18001.

In addition 13 operational units (plants, warehouses and technology centers) are certified individually according to OHSAS Certification 18001. The status of the legal entities can be found in Sika's Annual Report.

G4-LA9: TRAINING AND EDUCATION

With more than 17,000 employees globally, Sika regards training and education as an important instrument in retaining and grooming its workforce. The company is proud of a large share of long-time associates and recognizes the need to keep these valued associates up to date regarding their relevant knowledge and abilities.

Sika therefore maintains a broad range of internal and external training programs and its own training academies, e.g. for operations, sales and marketing, and technical faculties. Sika collaborates with universities to gain access to up-to-date knowledge. In 2015 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 with regard to training and education but strives to offer every Sika employee > 10 hours of training per year, and a fully-fledged training seminar for managers.

The total number of training hours reported by the local companies amounted to around 11.9 hours per employee on average (2014: 11.4 hours). As training data from the subsidiaries are processed anonymously, Sika does not provide a breakdown by gender at Group level yet.

G4-LA12: DIVERSITY AND EQUAL OPPORTUNITY

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.

EMPLOYEE CATEGORIES

The breakdown of employees per employee category, the internal promotion and leased labor number is given under

G4-10: Employees.

G4-HR9: HUMAN RIGHTS REVIEWS AND/OR IMPACT ASSESSMENTS

Human rights are part of the Code of Conduct and the Policies and Principles of the company. The General Managers are obligated to strictly adhere to legal practices and to supervise the subsidiary accordingly. Also, they are responsible for taking preventative action. Human rights reviews are included in annual compliance confirmation letters signed by the general managers, the internal audit program and the legal audits which are performed regularly in subsidiaries. Around 20 internal audits and 10 legal audits are performed annually, corresponding to around 20% of Sika's subsidiaries.

In 2015, Sika continued the review into all its auditing activities for Quality and EHS to extend quantitative coverage of this indicator. In addition, 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.

The audit scope regarding Human Rights includes following topics:

How does the organization effectively:

- Assure the protection of human rights?
- Assure the elimination of forced and child labor?
- Avoid the discrimination in respect of employment and occupation?
- Assure a precautionary approach to environmental responsibility and development of sustainable solutions?
- Assure the elimination of corruption in all its forms? Is an anti-corruption policy implemented and how is it controlled?

G4-HR10: SCREENED SUPPLIERS

Sika implemented the group-wide process in the reporting year that maps out the main sustainability principles (economic, social and environmental) for vendor qualification and evaluation. The multi-stage vendor qualification process has three central elements: It requires all suppliers to sign the Supplier Code of Conduct and to complete a self-assessment questionnaire. In unclear cases, the Purchasing department will follow up with audits before concluding a supply contract. In the year under review, most of the procurement employees in the company have been trained using a systematic supplier audit method. These procedures are designed to ensure compliance with international labor standards and prescribed quality, environment, safety and health criteria.

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

G4-S01: LOCAL COMMUNITIES

Sika employs more than 17,000 employees in 93 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 2015 Sika supported 83 projects (previous year: 67projects), a year-on-year increase of 29%. About 30 % of all Sika subsidiaries are running social and/or community projects

G4-S05, 7: ETHICS, SPECIFICALLY ANTI-CORRUPTION AND COMPLIANCE

Link to: <http://www.sika.com/en/group/sustainability/StrategyandManagement/transparency.html>

Integrity and ethical conduct have always been an inherent part of Sika's culture. Already in its earliest version in the 1970's, Sika Philosophy and Policies stated that "we apply high ethical standards to our work."

Ethical conduct is one of the cornerstones on which Sika's reputation is built. Sika's customers count on it, but also other stakeholders, most notably Sika's shareholders and all personnel working for Sika. Therefore there is no room for negotiation or interpretation when it comes to following Sika's rules on integrity and ethics .

In 2013 the Board updated Sika's internal rules and later adopted Sika's Code of Conduct. This Code of Conduct is an evolution of the principles and rules which have been strictly followed in Sika for years. Sika will continue this tradition and reinforce its highly ethical culture. Compliance with this Code of Conduct is the personal responsibility of all people working for Sika, no matter where they work and what their function is.

Compliance with these rules is ensured through e-learning tools, personal training sessions and various audits, managed by Group Management and the Compliance function. Investigations are launched into all cases of suspected misconduct. Confirmed violations are sanctioned and can lead to dismissal. In the reporting period Sika recorded no public allegation or sanctions of violations of its ethics rules.

In 2014, Group Management appointed a Group Compliance Officer to increase management attention on compliance and integrity. During 2015, compliance processes were streamlined and Sika has further strengthened its compliance organization appointing four part-time Regional Compliance Officers (RCO) having a functional reporting line to the Group Compliance Officer for compliance related matters.

To preserve Sika's strong compliance culture and ensure that the Code of Conduct's principles are understood and adhered to by all employees, besides regular class training events, Sika has developed an animated e-learning program on the Code of Conduct. This training program will be made available in more than 20 languages throughout the organization as part of an Awareness Raising Campaign on Compliance together with a new internal web-based reporting tool for non-compliance incidents (the SikaTrustLine).

In 2015, Sika has gained confidence in the local ethics and compliance process, through the verification by the management teams and the compliance confirmation letter from all legal entities, which will now form an integral part of the closing process annually.

G4-PR1: CUSTOMER HEALTH & SAFETY

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 of 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.

G4-PR5: PRODUCT AND SERVICE LABELLING

Sika evaluates customer satisfaction in surveys on local level. An overarching reporting system will not be established due to the local nature of customer satisfaction surveys.

Sika country organizations conduct surveys within their local customer base, language and with respect to the local offerings. In 2015 various customer surveys were conducted in Sika country organizations.

Findings regarding customer service improvement potential can be generalized and exemplified as follows:

- More direct contact with customer
- Better delivery times
- Product availability on stock

Customer surveys also reflect specific positive attributes when compared to the market. Examples for high performance ratings can be generalized as follows:

- Reliable organization; company and product certifications according to management and product standards
- Depth of product offering
- Product quality and brand image
- Professionalism and responsiveness
- Order handling

Sika strives to closely monitor customer reaction and feedback and improve the service level locally, based on the individual results in the country. We do not disclose the results of our surveys as this is competitive information.

G4-PR9: COMPLIANCE

Sika recorded no significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.

DISCLOSURES ON MANAGEMENT APPROACH

ECONOMIC PERFORMANCE

ECONOMIC PERFORMANCE

WHY IS ECONOMIC PERFORMANCE A MATERIAL ASPECT FOR SIKA?

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.

HOW DOES SIKA MANAGE ECONOMIC PERFORMANCE?

Sika's management approach for economic performance is intended to enhance positive impacts for its stakeholders.

The management of economic performance on group and local level is directed by the company's overall strategic outline. Further guidance and requirements derive from and have been translated into short-, medium- and long-term financial goals and targets for the Group and local entities.

One important cornerstone of Sika's management of economic performance is transparency. Sika reports and discloses its financial statements in accordance with international financial reporting standards (IFRS) and adheres internally to similar stringent accounting standards for its monthly reporting to management.

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.

Sika's 5-year target plan at group level for 2014-2018 includes the following target for profitability, which enables the company to distribute economic value: Net Profit > 6% = sustainable profitability (Baseline 2013).

RESPONSIBILITIES

Overall responsibility with regards 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.

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.

ENVIRONMENTAL PERFORMANCE

MATERIALS

WHY IS MATERIAL CONSUMPTION A MATERIAL ASPECT FOR SIKA?

Sika converts raw materials to value added products and solutions relying mainly on non-renewable input materials. Direct materials are Sika's major cost factor corresponding to more than 40% of sales. Almost all materials used in production – e.g. for polyurethane adhesives, epoxy resins products, polymeric roofing and waterproofing membranes, cementitious mortars, polymer concrete admixtures – are based on crude oil or crude oil derivatives (downstream products), or require some amount of fuel for conversion. 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 dramatically, leading to rising prices, price volatilities as well as supply uncertainties.

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.

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

HOW DOES SIKA MANAGE MATERIALS?

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 for their sustainability characteristics, using a systematic and comprehensive internal standardized methodology. As a result, these projects are geared towards 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 less dependency on raw materials.

RESPONSIBILITIES

The responsibility with regard to material management is split between technology and the supply chain. While technology creates better conversion methods or less material-intensive products and solutions, the supply chain influences conversion efficiency and waste reduction. Efficiency targets have been set for both functions.

SUPPLY CHAIN MANAGEMENT

The responsibility for securing supply and minimizing the exposure to price volatilities lies with Sika Global Procurement, which is responsible for the worldwide, reliable and on-time supply of raw materials. The ultimate responsibility lies with the CEO.

POLICIES

- Vision and Mission of Procurement
- Innovation Strategy

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 necessary 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 by 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 its customers and contribute to sustainable development.

SIKA SOLUTIONS FOR RESOURCE EFFICIENCY

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

EVALUATION OF MANAGEMENT APPROACH

Sika evaluates its management approach through:

- **Monitoring:** Sika measures its material use on a regular basis. Material use is reported quarterly to the Environment, Health & Safety 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 evaluates its management approach by target setting, achieving or missing the targets and measuring the effectiveness of the approach. The management approach has been reviewed and has been proven to be effective.

ENERGY AND EMISSIONS

WHY ARE ENERGY AND EMISSIONS MATERIAL ASPECTS FOR SIKA?

Sika's energy consumption is to a large extent based on 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 is a major driver of its overall efficiency effort and additionally contributes 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 can contribute considerably to savings in cement production. Energy for conversion processes is also a very important input parameter as a supplier of raw materials in the chemical industry. Sika's sustainable solutions contribute to the reduction of energy use in these sectors. (See part "Specific Actions")

HOW DOES SIKA MANAGE ENERGY AND EMISSIONS?

On the one hand, Sika's management approach is aiming at reducing energy consumption and resulting CO₂ emissions from Sika's own operations. On the other hand, Sika is constantly improving its products and systems to reduce energy consumption and resulting CO₂ emissions in the application and use phase and 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:

- Minus 3 % rate, per ton and year

RESPONSIBILITIES

Energy efficiency of Sika's operations is the responsibility of the regional 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 undertake 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 necessary improvements for existing products. They may also deliver important insights into resource management (raw materials, energy, water and waste), production processes or application efficiency and thereby promote innovation and optimize the development of new products and systems.
- **Energy management system according to ISO 50001:** As a start, some Sika entities are in the process of building energy management systems according to ISO 50001, which allow for continuous improvements in energy efficiency. Sika Germany, which accounts for around 6 % of personnel headcount is certified to ISO 50001.
- **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 its customers.

SIKA SOLUTIONS FOR ENERGY EFFICIENCY AND CLIMATE PROTECTION

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

EVALUATION OF 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 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 participate in the energy management systems according to ISO 50001, allowing for continuous improvement in efficiency by evaluating and acting upon the outcome from the certifications. Sika reviews all audit results to improve the management approach and integrates improvements.
- **Benchmarking:** Sika started to compare the energy consumption per product unit internally through factory reporting and to benchmark with other similar companies.
- **Internal reports:** The company developed a report for the production facilities on energy efficiency and consumption in 2014 and continued this in 2015.

Furthermore, Sika evaluates its management approach by target setting, achieving or missing the targets and measuring the effectiveness of the approach. The management approach has been reviewed and has been proven to be effective.

WATER

WHY IS WATER A MATERIAL ASPECT FOR SIKA?

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 in particular the case for production facilities in certain areas of the Middle East, Latin America, South East Asia and Australia.

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, process water, sanitary water, and product water.

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

HOW DOES SIKA MANAGE WATER?

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:

COMMITMENT

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:

- Minus 3 % rate, per ton and year

RESPONSIBILITIES

Water efficiency in Sika's operations is the responsibility of the regional management reporting to the CEO. At the local level, the operations manager is responsible helping 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 undertake 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 necessary 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 improvement in efficiency.
- **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 its customers.

SIKA SOLUTIONS FOR WATER EFFICIENCY AND ADEQUATE CLEAN WATER SUPPLY

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

EVALUATION OF 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 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 with regard to water use.
- **Benchmarking:** Sika started to compare the water consumption per product unit internally through factory reporting and to benchmark with other similar companies.
- **Internal reports:** The company developed a report for the production facilities on water efficiency and consumption in 2014 and continued this in 2015.

Furthermore, Sika evaluates its management approach by target setting, achieving or missing the targets and measuring the effectiveness of the approach. The management approach has been reviewed and has been proven to be effective.

EFFLUENTS AND WASTE

WHY ARE EFFLUENTS AND WASTE MATERIAL ASPECTS FOR SIKA?

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

The waste resulting from Sika's production amounted to 62,000 tons in 2014, which represents around 2% of tons sold. The efficient use of input materials for production and the 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 the standards set.

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 the waste of its customers through better product durability and optimization of packaging material.

HOW DOES SIKA MANAGE EFFLUENTS AND WASTE?

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

- Minus 3% rate, per ton and year

RESPONSIBILITIES

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

SPECIFIC ACTIONS

- **Life Cycle Assessment (LCA):** Sika sets out to undertake 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 necessary 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 improvement in efficiency.
- **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 its customers.

SIKA SOLUTIONS FOR RESOURCE EFFICIENCY

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

EVALUATION OF 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 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 with regard to effluents and waste.
- **Benchmarking:** Sika started to compare the waste generation per product unit internally through factory reporting and to benchmark with other similar companies.
- **Internal reports:** The company developed a report for the production facilities on material efficiency and consumption in 2014 and continued this in 2015.

The conclusion of the evaluation showed that even if it was a key priority Sika did not achieve the intended reduction in waste 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.

PRODUCTS AND SERVICES

WHY ARE PRODUCTS AND SERVICES A MATERIAL ASPECT FOR SIKA?

Sika is a provider of a wide range of products for specific target markets in the construction and transportation industry. Apart from the environmental impacts arising from production, Sika's strives to develop products that contribute to the reduction of environmental impacts throughout their application and use phase.

Sika regards sustainability as a business enabler and business driver, with growing relevance in the construction and transportation target markets. Sustainable solutions are seen as a value-creating concept and a differentiating factor from Sika's competitors. Sika creates value for its customers by designing, promoting, marketing and selling products and services that meet the market demand of efficient high performance solutions for sustainable construction. Sika aspires to improve existing and new products, systems and solutions by using life-cycle thinking.

Sika plays an active role in supporting its customers to tackle the big societal challenges of tomorrow (such as resource and energy efficiency, climate change, water efficiency, efficient infrastructure and urbanization) by pioneering a portfolio of sustainable products, systems and services. Therefore sustainable solutions are of the highest importance for Sika.

HOW DOES SIKA MANAGE PRODUCTS AND SERVICES?

Sika's management approach for products and services is intended to mitigate negative impacts over the entire life cycle of its products and to enhance positive benefits through its solutions during application and use. The management approach for products and services within Sika includes the following components:

COMMITMENT

Sika is leading the industry by pioneering a portfolio of sustainable products, systems and services.

GOALS AND TARGETS

Sika's 5-year target plan for 2014-2018 includes the following target for products, systems and services:

- **New product developments are reviewed:** New product developments are reviewed against key sustainability criteria and furnished with a documented, recognized relevance audit, imposing an appropriate improvement plan where necessary.
- **All planned sustainability projects are implemented:** The larger Sika companies draw up a product sustainability plan geared to local demand and containing key projects and themes aligned with the global approach. All key projects are carried out in accordance with the approved plan.

RESPONSIBILITIES

- The development of sustainable solutions is mainly managed at group and regional level. New product development projects are driven by the Target Market Managers and the Technology Heads. The long- and mid-term technology and product development programs are geared to technology roadmaps governed by megatrends such as demographics, urbanization, globalization, scarce resources and health & safety.
- New product developments are screened systematically with regard to the sustainability implications (impacts, benefits) over its entire life cycle, compared with the company's own or competitive solutions. Economic, social and environmental aspects are assessed and serve as a basis for any decision to improve a development. The evaluation is based on a systematic and comprehensive internal standardized methodology as an integral part of the innovation process in order to understand application and use phase effects and to optimize products and systems.
- At the regional/local level, 20 Global, 18 Regional and 60 Local Technology and Support Centers are responsible for the adaptation of products, systems and solutions to local market needs.
- The development and implementation of local product sustainability roadmaps is managed at the region/local level with the support of the Corporate Product Sustainability function. Regional and country product sustainability roles have been established to facilitate the implementation and roll-out of the roadmap elements. A global Product Sustainability Network covering Target Markets, Product Sustainability, Communications and R&D at the global and regional/ area level is managing, leading and supporting the activities and projects across the organization and regions.

EVALUATION OF MANAGEMENT APPROACH

Sika evaluates its management approach through:

- **Monitoring:** Sika measures its development regarding sustainable solutions on a regular basis. Sustainable solution targets are followed up on a quarterly basis by the Corporate Product Sustainability group 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 and benefits on the environment.
- **Evaluation of screened product developments:** All new product developments must be consistently screened for their sustainability implications, and actions must be defined as part of the product profile.

Furthermore, Sika evaluates its management approach by target setting, achieving or missing the targets and measuring the effectiveness of the approach. The management approach has been reviewed and has been proven to be effective.

COMPLIANCE

WHY IS COMPLIANCE A MATERIAL ASPECT FOR SIKA?

Compliance with local law and regulations including internal regulation such as the Code of Conduct is one of Sika's fundamental business principles and of paramount importance for the protection of Sika's brand and reputation. With Sika present with own subsidiaries in over 90 countries, changes in local legislation are an ongoing challenge for each company of the Group, which engages in constant monitoring of these developments.

Sika does not tolerate any non-compliance and has a strong compliance culture. For this reason it has a very low rate of serious compliance cases and fines. Alleged violations are carefully assessed and further investigated and, if confirmed, will have disciplinary consequences for the persons concerned (including dismissal where applicable), while reporting persons will be protected from retaliation. With around 25,000 active suppliers out of around 70,000 supply locations, Sika has a very broad and in many cases a local supplier base. Sika expects all its suppliers to comply with local laws and regulations and with the Supplier Code of Conduct.

HOW DOES SIKA MANAGE COMPLIANCE?

Sika's management approach with regard to compliance is intended to minimize to the possible extent the risk of non-compliance within its own operations and by its suppliers. The management approach for compliance includes the following components:

COMMITMENT

Sika does not tolerate non-compliance of its own local companies and its suppliers.

GOALS AND TARGETS

Sika strives for full compliance of all its subsidiaries.

RESPONSIBILITIES

The General Managers of each Sika entity are responsible for ensuring legal compliance in their area of responsibility, while corporate/regional functions provide the necessary tools and methods. The same applies for product responsibility and labelling, as every Sika country organization is responsible for the products it sells in its territory.

POLICIES

- Code of Conduct
- Supplier Code of Conduct
- Legal and Insurance Manual
- Localized Gift & Entertainment Policies
- Procurement Manual
- Product Creation Process (PCP Manual)

SPECIFIC ACTIONS

- **Monitoring of local legislative update:** Sika monitors the development of local legislation continuously through its participation in industry associations as well as through collaboration with consultants. The corporate management system as well as the local management systems require regular law updates to ensure the actuality of all documents.
- **Audits:** The compliance with Sika's Code of Conduct is monitored through regular Group audits (around 100 audits of various types per year) and the local companies and General Managers are supervised by Regional/Area Managers, legal counsels, corporate internal audit, environment, health & safety audits, local audits etc.
- **Compliance training:** Personnel in all companies is regularly trained about the principles set forth in the Code of Conduct. Corporate functions regularly conduct trainings and audits on specific topics.
- **Confirmation letters:** Letters confirming compliance with legislation, and Sika Code of Conduct Principles, including human rights, non-discrimination, anti-corruption and others are collected annually from management teams and general managers from each of Sika's legal entities.

EVALUATION OF MANAGEMENT APPROACH

Sika evaluates its management approach through:

Results from audits: The systems according to ISO 9001, 14001 and OHSAS 18001 require a follow up on new legislation and implementation of legal requirements accordingly. For business conduct, legal and internal audit screen the subsidiaries. The General Managers are obliged to strictly adhere to applicable legislation and to supervise the subsidiary accordingly, and report/escalate significant non-compliance incidents to the next level of management.

SOCIAL PERFORMANCE

OCCUPATIONAL HEALTH AND SAFETY

WHY IS OCCUPATIONAL HEALTH AND SAFETY A MATERIAL ASPECT FOR SIKA?

The approx. 17,000 Sika employees worldwide stand at the center of Sika's success, and the provision of a healthy work environment is a key commitment of Sika. As a specialty chemical company with relatively labor-intensive, small operations and large material throughputs, the production processes of Sika involve health and safety risks for its employees.

With 9,7 accidents / 1,000 employees Sika is further improving the safety performance. No severe accident was reported in 2015. 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.

HOW DOES SIKA MANAGE OCCUPATIONAL HEALTH AND SAFETY?

Sika's management approach for occupational health and safety is intended 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:

- Minus 5% accident rate (Baseline 2013)

RESPONSIBILITIES

Labor practices and safe work conditions of Sika's operations are the responsibility of the regional management reporting to the CEO. At local level the general manager, the operations manager and the line organization are responsible for helping reach Sika's targets with regard to 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

SPECIFIC ACTIONS

- **OHSAS Certification:** 27 legal entities, including their headquarters, are certified according to OHSAS 18001. In addition 13 operational units (plants, warehouses and technology centers) are certified individually according to OHSAS 18001.
- Sika has devised the **Sika Site Safety Program** to reduce accident rates and promote prevention. This is a program for implementation in the local companies, defining the preventive elements a Sika company needs to use locally. 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 with regard to compliance with the Supplier Code of Conduct, which encompasses Environment, Health and Safety requirements, and corrective actions are requested if necessary.

EVALUATION OF MANAGEMENT APPROACH

Sika evaluates its management approach through:

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

Furthermore, Sika evaluates its management approach by target setting, achieving or missing the targets and measuring the effectiveness of the approach. The management approach has been reviewed and has been proven to be effective

TRAINING AND EDUCATION

WHY IS TRAINING AND EDUCATION A MATERIAL ASPECT FOR SIKA?

With 17,281 employees worldwide, Sika sees training and education as crucial for retaining and grooming its workforce. The company has a large proportion of longtime associates and is aware that it needs to keep these valued colleagues in particular up to date regarding their relevant knowledge and abilities.

HOW DOES SIKA MANAGE TRAINING AND EDUCATION?

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, at the same time as accommodating 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 with regard to training and education but strives to offer every Sika employee 10 hours of training per year, and a fully-fledged training seminar for managers.

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 a number of 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.
- **Curriculums** 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.

EVALUATION OF MANAGEMENT APPROACH

Sika evaluates its management approach through:

Monitoring: Sika measures the quality of its training on a regular basis. Sika strives to record training hours on a regular basis. Training hours are reported quarterly internally to headquarters, where results are followed up on and necessary actions are being taken.

Furthermore, the management evaluates on an yearly basis the needs of its employees for training and development especially in the fields of management, sales, technical and functional competence. The management approach has been reviewed and has been proven to be effective.

DIVERSITY AND EQUAL OPPORTUNITIES

WHY IS DIVERSITY AND EQUAL OPPORTUNITY A MATERIAL ASPECT FOR SIKA?

Sika's worldwide presence makes the integration of widely differing cultures and the global exchange of knowledge and experience absolutely essential. This 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	27	40
Asia/Pacific	16	20
Latin America	9	9
North America	5	9
Corporate Organization	8	22

HOW DOES SIKA MANAGE DIVERSITY AND EQUAL OPPORTUNITY?

Diversity has until now 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 22.3% of total headcount (same as in 2014) and 16.6% of managers (2014: 16.4%). Sika is committed to provide equal opportunity for all our employees.

POLICIES

- Code of Conduct (PDF)

EVALUATION OF 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 of 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 (PCP) 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.

HUMAN RIGHTS ASSESSMENT / SUPPLIER HUMAN RIGHTS ASSESSMENT

HOW DOES SIKA SUPPORT HUMAN RIGHTS?

As a signatory of the UN Global Compact, Sika supports and respects the protection of internationally proclaimed human rights and ensures that it is not complicit in human rights abuses. With operations in over 90 countries, Sika is active in many regions ranking high on Human Rights Risks Indices, e.g. Egypt, Venezuela, Afghanistan, Iran, Pakistan, Mexico, and others and sees it therefore as its responsibility to assess its own operations with regard to potential human rights violations.

Sika's Code of Conduct ensures that it has a zero-tolerance policy with regard to human rights violations, and Sika has for this reason deemed the aspect as material. For the reporting year, Sika has had no indication or reports about human rights violations within its own entities. The General Managers are regularly instructed, briefed and signed on Sika's zero-tolerance policy regarding human rights.

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 that Group companies protect human rights. However, the company will implement a more comprehensive management approach in 2014 with regard to both topics.

HOW DOES SIKA MANGE HUMAN RIGHTS?

The Sika Group does currently not comprehensively assess its own operations with regard to potential human rights violations, but has given the General Managers, who are the company's legal representatives, the obligation to supervise and monitor the protection of human rights for their area of responsibility. In yearly discussions with the Corporate Legal Counsel, the local General Managers have to report on any incidents and actions taken.

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 will integrate 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 prepared a policy with a zero tolerance for human rights violations in its Code of Conduct. Sika has assessed compliance with human rights through its internal auditing activities, and also integrate it in the audit agenda of Quality and Risk Audits to achieve a broader coverage. The General Managers have given account of the local human rights situation and their observations in this regard through a confirmation letter in 2015. (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 and will be implemented in 2015.

Screening of new suppliers: Based on the requirements set out in the Supplier Code of Conduct. Sika requires its new suppliers to answer self-assessments.

- The procurement organization of a "risk geography" 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.

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

LOCAL COMMUNITIES

WHY ARE LOCAL COMMUNITIES A MATERIAL ASPECT FOR SIKA?

Sika employs more than 17,000 people in 93 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.

HOW DOES SIKA MANAGE LOCAL COMMUNITIES?

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 build trust and create 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:

- Plus 5% in the number of projects annually (Baseline 2013)

RESPONSIBILITIES

The General Manager of the country organization is responsible for the activities and spend in order to portray Sika as a good corporate citizen in the communities where it operates, including the wider society.

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).

SPECIFIC ACTIONS

- Local Community Projects

EVALUATION OF MANAGEMENT APPROACH

Sika evaluates its management approach through: Internal audits:

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

Sika evaluates its management approach by target setting, achieving or missing the targets and monitoring the effectiveness of the approach. The management approach has been reviewed and has been 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.

ANTI-CORRUPTION

WHY IS ANTI CORRUPTION A MATERIAL ASPECT FOR SIKA?

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 introduction of the UK Bribery Act in 2013.

As Sika operates in many countries with high levels of corruption and is active in the construction industry, known for its exposure to corruption, the subject is of considerable importance to Sika.

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

HOW DOES SIKA MANAGE CORRUPTION?

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

In order to avoid corruption, Sika's Code of Conduct states:

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 (trips, excessive gifts of any kind). It is always intended to influence the receiving person's decision to obtain an improper advantage for the person or entity offering the favor. It does not matter whether you offer or receive such a favor. It does not matter who the counter party is (government, company or private person). Except for ordinary gifts and entertainment which do not aim at an improper advantage (see section 3) it does not matter how big or small the favor or the advantage is. It still is bribery or corruption which is strictly forbidden.

Gifts, Entertainment and Donations

- 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 and markets reasonable gifts and entertainment (meals, sporting 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 companies must implement 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 this Code of Conduct. The rules must also provide for authority levels depending on the amount involved. Contributions to political parties or a political cause are subject to the approval of Group Management.

In 2015, the adoption in all Sika's companies of a localized Gift & Entertainment Policy has been completed. 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 authority depending on the gift value.

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 incidents of corruption.

RESPONSIBILITIES

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 and setting of local rules and training.

POLICIES

- Code of Conduct (PDF)
- Supplier Code of Conduct
- localized Gift & Entertainment Policies

SPECIFIC ACTIONS

- **Audits:** The compliance with Sika's Code of Conduct is monitored through regular Group audits and legal supervision of the local companies and General Managers.
- **Supplier Management:** Sika's Supplier Code of Conduct requests its suppliers to respect Sika's zero-tolerance policy concerning bribery and corruption and avoid any active or passive corruption. They demonstrate integrity in all their business activities. 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. To the extent Sika is directly concerned, suppliers are obliged to immediately inform Sika of any violations of this code of conduct detected.
- **Training:** 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, about these rules. General Managers of all Sika companies confirm for each fiscal year compliance of his/her company with these rules and have the duty to report about corruption cases to the Group Compliance Officer. Corporate functions regularly conduct training sessions and audits. To preserve Sika's strong compliance culture and ensure that the Code of Conduct's principles are understood and adhered to by all employees, besides regular class training events, Sika has developed an animated e-learning program on the Code of Conduct. This training program will be available in more than 20 languages throughout the organization as part of an Awareness Raising Campaign on Compliance.
- **New Internal Reporting Tool:** To preserve and foster Sika's strong culture of trust, integrity and transparency, Sika has enacted a new web-based reporting platform, the Sika TrustLine (available in more than 20 languages). It is rolled-out 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, 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 specialists, 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. A defined procedure on reporting and an aligned communication campaign throughout the organization about the use of the Sika TrustLine supports a speak-up culture and deter misconduct.
- **Support of Transparency International:** In order to support the international fight against corruption, Sika financially supports Transparency International.

EVALUATION OF MANAGEMENT APPROACH

Sika evaluates its management approach through:

- **Monitoring:** Sika investigates reported cases of corruption and any planned corrective actions to be taken on a regular basis. Confirmed incidents of corruption and actions taken are followed up by the Compliance function and reported annually to the Audit Committee of the Board of Directors. Cases are followed up, and management approaches adapted accordingly.
- **Evaluation of results from audits:** Audit results are implemented within the management system.
- **Investigations:** Through the audits carried out by Internal Audit on a regular basis, or if suspicion of corruption or fraud prevails, the relevant financial transactions are audited. 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 that must be followed when a criminal act or a material misconduct is suspected or detected. All high sensitive non-compliance incidents and criminal acts, such as corruption cases, have to be reported and

escalated to the Group Compliance Officer irrespective of the source. All corruption reports generated via Sika TrustLine will be received automatically by the Group Compliance Officer who shall conduct and/or supervise the investigation process.

- **Overview of compliance cases:** Sika's Group Compliance Officer prepares reports to the Audit Committee of the Board about any cases detected and the consequences.
- **General Managers' briefings:** On a regular basis annually, the General Managers are instructed and briefed about anti-corruption requirements in the companies. The last briefing was conducted during the Senior Management Meeting in 2014 in the term of a workshop discussion.

Sika evaluates its management approach by target setting, achieving or missing the targets and monitoring the effectiveness of the approach. The management approach has been reviewed and has been adapted accordingly .

CUSTOMER HEALTH AND SAFETY

WHY IS CUSTOMER HEALTH AND SAFETY A MATERIAL ASPECT FOR SIKA?

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: PR-1

HOW DOES SIKA MANAGE CUSTOMER HEALTH AND SAFETY?

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

POLICIES

- Supplier Code of Conduct,
- Product Stewardship Guidelines of the Group

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 on construction material suppliers requests that health and safety impacts are ensured along the value chain:
 - From raw materials supply to the factory
 - Handling in factory (work place safety of own people)
 - Manufacturing of products (work place safety of own people)
 - Packaging of products (work place safety of own people)
 - Shipping to customers (dangerous goods)

- Storage (customer safety)
- Application (customer safety)
- Use phase (customer safety)
- End of life (customer safety)

Customer health and safety is therefore crucial for Sika and is considered in R&D 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.

- **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.

PRODUCT AND SERVICE LABELING

WHY IS CUSTOMER SATISFACTION A MATERIAL ASPECT FOR SIKA?

The Sika brand stands for innovation, quality and service, and is a solid bond between the company and its customers. The power of the Sika brand, however, is that all Sika employees are committed to meeting and delivering the expectations of customers, business partners and other stakeholders. Sika is aware of the fact that a strong brand represents a promise kept. Customer satisfaction is therefore a key material aspect for Sika.

HOW DOES SIKA MANAGE CUSTOMER SATISFACTION?

Sika's management approach for product and service labeling regarding customer satisfaction is intended to understand the customer's experience of Sika's products and the company itself as something enhancing and positive while understanding any improvement potentials.

The management approach for customer satisfaction within Sika includes the following components: Analysis of the results of customer surveys in the country, deriving potential improvements, further interviews, details and analysis, improvement plan and implementation, confirmation of the positive impact.

RESPONSIBILITIES

Customer satisfaction surveys are done on a country level, and the marketing and sales organizations are responsible for ensuring overview. In addition the quality departments are responsible for inbound claims from customers and for coordinating the responses with sales and technical departments.

SPECIFIC ACTIONS

- **Customer Satisfaction Surveys:** Customer experience and satisfaction is measured locally by the country organization. The local companies use the locally available partners to survey their customer base, taking the local language, trade channels, customs and cultures into account.
- **Customer Services:** In all companies a comprehensive customer service has been established including personal, phone and online channels.

EVALUATION OF MANAGEMENT APPROACH

In order to evaluate the effectiveness of the management approach Sika is processing monitoring activities:

Monitoring: Sika measures its customer satisfaction on a regular basis. Customer satisfaction is followed up locally, results are followed up and management approaches adapted accordingly.

Sika evaluates its management approach by target setting, achieving or missing the targets and monitoring the effectiveness of the approach. The management approach has been reviewed and has been proven to be effective.

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