

SIKA BUSINESS YEAR 2018

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BUILDING TRUST



SUSTAINABILITY REPORT

ENHANCING CUSTOMER VALUE, REDUCING ENVIRONMENTAL IMPACTS,
AND ASSUMING SOCIAL RESPONSIBILITY

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

SIKA'S SUSTAINABILITY STRATEGY

Sika continued to implement its 2014-2018 sustainability strategy during the year under review. With the aim of "enhancing utility and reducing impacts", the company continued to pursue its six strategic target areas, focusing on economic performance, sustainable solutions, local communities/society, energy, waste/water, and occupational safety. Through its products, systems, and solutions, Sika strives to create long-term benefits and added value for all its stakeholders, and to significantly reduce resource consumption and the impacts associated with production processes.

Included among the tactics employed to globally implement the sustainability strategy were the "More Value – Less Impact" campaign, and the introduction at a local level of the target and reporting system in line with the Global Reporting Initiative (GRI) standards. A summary of the key results and findings is presented on the following pages. Full details are available online at www.sika.com/gri.

MATERIALITY ASSESSMENT

Sika has taken a long-term perspective on the development of its business. Through its products, systems, and solutions, Sika seeks to generate benefits for stakeholders that outweigh the negative consequences of the production process and resource consumption. An effective strategy, trust in the company, and the dedication of all employees are the pillars of Sika's success. The Sika journey to global leadership is founded on the company's entrepreneurial philosophy and the Sika Spirit, which is a synonym for the strong set of five values and principles that make up the DNA and culture of the company: customer first, courage for innovation, sustainability & integrity, empowerment & respect, and manage for results.

The goal of sustainable development requires the involvement of all participants along the entire value chain and the identification of shared topic areas of significance to all those involved. Sika considers the materiality analysis, which assesses the importance of sustainability issues for the company and its exter-

nal stakeholders, to be an important tool for identifying the most relevant economic, environmental, and social aspects that are consistent with its business strategy, and to define the contents of the sustainability strategy according to the GRI-Standards. In terms of sustainability reporting, the aspects deemed as material (or relevant) are those that have a significant impact on the economic, social, and environmental performance of the company, or that may substantially influence stakeholders' perceptions and decisions. Accordingly, the materiality analysis is two-fold, as it takes into account the standpoint of the company and its stakeholders.

Sika originally developed its sustainability materiality matrix in 2013 to identify and prioritize strategic target areas based on extensive consultation with all stakeholders, through surveys and interviews with employees, customers, suppliers, investors and analysts, and NGOs, and additional desk research. This shaped the six strategic target areas for the sustainability strategy.

Sika regularly reviews the materiality matrix to ensure the sustainability agenda remains relevant, as the business and the external context may be subject to changes. In 2018, Sika reviewed the materiality analysis which was last conducted in 2015. A stakeholder online survey was sent to 1,000 internal and external stakeholders. Based upon the insights of this survey, and on some additional desk research, Sika has reviewed the materiality matrix of 2015 and updated the identification and prioritization of topics and strategic target areas for the time beyond 2018.

The survey largely confirmed the results of the 2015 materiality analysis. Product-related topics, such as sustainable solutions, quality, reliability, safety, and innovation are leading the field in terms of stakeholder perception. Sika Group Management and employees tend to be more demanding with regards to topics considered to be material, particularly in relation to social and economic topics. Customers are prone to put emphasis on product-related topics. Especially the automotive industry tends to prioritize environmental issues. The megatrends in vehicle manufacturing and the sustainability demand to reduce emissions lead to a requirement for high-strength bonding systems that produce lighter, stronger, safer, quieter, and greener vehicles, all of which can be achieved with the aid of Sika products.

More detailed information about the materiality analysis can be found in the GRI report at www.sika.com/gri.

The materiality assessment has been shaping the strategic target areas for the sustainability strategy beyond 2018. The revised strategy will deliver the reference values for sustainability-related action in the period 2019 to 2024.

SUSTAINABILITY: TARGETS AND IMPLEMENTATION

MORE VALUE – LESS IMPACT TARGETS AND PERFORMANCE: VALUES FOR 2018 AND 2014–2018

As part of its “More Value – Less Impact” sustainability strategy, Sika has been measuring six parameters for the last five years. In 2018, the targets for sustainable solutions, local communities/society, and energy were met, while in terms of waste utilization, water consumption, and occupational safety, the goals were not achieved. The higher number of accidents in the year under review has negatively impacted the 5-year result, whereas between 2014 and 2017 there was a significant decrease of 27%. Overall Sika was able to reduce the amount of waste per ton sold in 2018 by 1.6%. Considering all acquisitions since 2013, Sika could keep the waste rate per ton sold at the same level. The increase in water consumption is mainly caused by acquisitions processed in 2017 which were taken into account in 2018. In the period of 2014 to 2018, the water consumption was reduced by 42%. For a visual representation please see page 15 of the download version of this report.

MORE VALUE OR ENHANCING UTILITY

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

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

In the year under review, regional Sika organizations initiated, managed, and coordinated local sustainability activities and projects which were planned in the 2016 and 2017 regional Sustainability Academy programs. The Sustainability Academy will be repeated in the future and is set to be an integral part of the Sika Business School’s training program. The goal is to initiate even more activities in the area of sustainability and achieve further progress.

MANAGEMENT AND ORGANIZATION

In the year under review, the further development and the implementation of the sustainability strategy has been assigned to the newly defined department “Sustainability and Operations Technology” (S&OT). This department encompasses Product Sustainability, Environment, Health and Safety, as well as Factory KPI Reporting. Other areas of S&OT are Quality Assurance, Risk Management, and Operations Technology. The sustainability strategy is implemented and anchored locally by the line organization. A particular degree of responsibility lies with the General Managers, Target Market Managers, R&D Managers, and Operations Managers, who drive the development and implementation of local action plans.

The existing network of local and regional EHS and sustainability resources supports Sika companies in ideation, planning, and implementation of higher-level regional measures. Through the “More Value – Less Impact” program, Sika regularly informed all internal stakeholders about sustainability activities.

Sika established a Sustainability Advisory Board (SAB) in 2016. An independent expert opinion aims to provide Sika management with additional guidance regarding the direction and implementation of Sika’s sustainability strategy. In 2018, the SAB met four times, in March, June, August, and November. The focus topics concentrated on the target areas “Local Communities/Society” (March), “Compliance” (June), “Sustainable Solutions” (August), and “Less Impact” (November). In November, the SAB met in Cerano (Italy), where Sika Polyurethane Manufacturing S.R.L organized a factory tour, highlighting in particular work place safety.

ECONOMICAL: PERFORMANCE

STANDARDS AND COMPLIANCE

Sika is pursuing a holistic approach to compliance, and its compliance management system involves the whole organization throughout hierarchies, functions, and geographical areas. The Sika compliance management system aims to ensure that governance, risk management, and other structures and processes within the Group are not only compliant with regulatory requirements, but are also as effective as possible within the organization to mitigate risks and prevent financial losses.

STRENGTHENING OF THE SIKA COMPLIANCE ORGANIZATION: During 2018, Sika further strengthened the Compliance organization, and the Compliance Officer held the annual Compliance Circle at Sika's headquarters in August. The purpose of this meeting was to align the team, exchange experiences and develop shared knowledge, with the aim to implement a consistent program throughout the Group.

As of January 1, 2019, a new Head of Legal & Compliance for Global Business & Industry was appointed and joined the Compliance team. Complementary to the regional and area level, Local Compliance Officers support compliance initiatives and give guidance to business in compliance-related matters on local level. The Compliance Team provides guidance to the Group on compliance matters, develops new tools and procedures, addresses compliance cases with the support of other corporate functions having compliance responsibilities (HR, Controlling, EHS, Quality, Procurement, etc.), always in close cooperation with line management. Regional Compliance Officers and Local Compliance Ambassadors operate in close cooperation with the Regional Managers, Area Managers and General Managers.

GLOBAL AWARENESS-RAISING CAMPAIGN ON COMPLIANCE: In 2018, as part of the internal Global Awareness Raising Campaign on Compliance, Sika continued the rollout of the internal Global Awareness Raising Campaign on Compliance, covering an additional 24 countries, and training more than 7,000 employees in different regions. The Global Awareness Campaign focuses on a Code of Conduct e-learning program, and the Sika Trust Line, an internal web-based platform for reporting serious misconducts.

AWARDS FOR BEST COMPLIANCE TRAINING: In 2018, the Code of Conduct e-learning program won the "Silver" Brandon Hall Award in the "Best Compliance Training" category. It was a great way to benchmark the effectiveness of Sika's compliance training against peers through an independent jury. The award confirms Sika is right to be focusing investment on its employees through high quality compliance training, in order to preserve Sika's strong ethical culture.

COMPLIANCE CASES: For the first time, Sika has consolidated an overview of all compliance cases addressed in 2018, at any level, throughout the organization. The total number of compliance cases in 2018 totaled 30 (3 are still under investigation), which is a very low number considering the size of the Group. Our employees are the most effective channel to detect violations, which proves that transparency is a key value at Sika and

needs to be preserved. Dismissals (and two resignations) confirm a zero tolerance culture and consistency in remediation. Conflict of interest and internal fraud are the most recurrent types, and (local) management being the most exposed group. Out of five alleged misconduct cases submitted through the Sika Trust Line in 2018, two were not substantiated. There has been no case of abuse or misuse of the new reporting platform.

CODE OF CONDUCT: In the year under review, Sika has increased the number of languages in which the Code of Conduct is available from 32 to 36. All 36 official translations of the Code of Conduct are available and accessible internally on the Corporate Policies and Manuals page on SikaConnect (internal collaboration platform) and SikaWorld (intranet).

COMPLIANCE CONFIRMATION, COMMITMENT, AND CHECKLIST 2018 (COMPLIANCE AUDITS): Each fiscal year General Managers of all Sika companies confirm compliance of the corresponding Sika company with the Code of Conduct, including informing and training all staff. This annual confirmation allows Sika to receive assurance that business throughout the organization has been conducted in compliance with the principles of the Code of Conduct, with particular focus on the following specific topics: environment, anti-corruption, anti-trust, and human rights assessments. New General Managers and new Sika Senior Managers have confirmed their pledge to lead with integrity by signing the "Compliance Commitment 2019". All General Managers and Sika Senior Managers have to renew their Compliance Commitment every two years.

TRAINING: More than 300 managers have been trained by the Group Compliance Officer. With regard to compliance training, Sika continues to align the content of the Sika Business School to enhance ethical leadership. In 2018, several regional and local cross-functional training initiatives provided information on the importance of the Code of Conduct, an introduction into the new compliance organization, and the main tools available to support management in mitigating risks. To enhance the post-acquisition integration on Compliance of two large acquisitions closed in 2018, approximately 1,000 employees of the FAIST Group and Index in Italy were aligned with Sika's compliance policy framework, and were trained in compliance risks and available tools.

COMPLIANCE AUDIT PROGRAM: A proposal to introduce a Compliance Audit Program covering anti-corruption, antitrust, third parties screening and ethical leadership is under review. In 2019, the Compliance function will define the most effective plan, tailored to the organization's needs, in close cooperation with Group Management and subject to the approval of the Audit Committee.

INSPECTIONS AND AUDITS

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

Audits are performed by various assurance functions across the Group covering quality, environment, safety, health, risk, technology, application, legal and compliance, branding, IT security, suppliers, and products. The results and subsequent corrective actions of these audits are regularly presented to Group Management. Besides those assurance functions, an independent Corporate Internal Audit function, reporting to the Audit Committee of the Board of Directors, validates the effectiveness of internal controls in both legal entity audits and reviews of Group processes and functions. In total, Sika conducted 182 audits, including local supplier audits, and implemented associated improvements wherever necessary.

To ensure that suppliers also meet the official requirements and labor standards, they are asked to perform self-assessments. Sika also performs supplier audits when required. In the year under review, all new suppliers were assessed according to the vendor evaluation process, and most of these audits are reviewed by safety, quality, or technology experts. This enhances continuous improvements in collaboration with suppliers, including sustainability aspects.

Being a key supplier in the automotive and industrial sectors, Sika is regularly subjected to external audits. These audits are designed to ensure compliance with international labor standards, and quality, environment, safety, and health requirements.

TAX APPROACH

Through its tax principles, internal policies, and actions, Sika is committed to being a "good corporate fiscal citizen" in pursuit of a long-term sustainable tax strategy, while fully and efficiently complying with national and international tax laws and regulations. Sika's tax approach is in line with OECD/G20 guidelines and their general objectives.

By following a business-oriented approach based on functions, assets, and operating risks when determining processes and transactions, Sika has a market-based outcome where a fair amount of taxes is paid in each jurisdiction in which the company operates. The outcome of the business-oriented approach is always checked for its compliance with all applicable laws. Such an approach results in an effective Group tax rate which reflects Sika's global footprint, the decentralized nature of the business, and the Group's successful local operations.

Starting in the 2016 business year, Sika was one of the first companies to submit an annual country-by-country Report to the Swiss Federal Tax Administration on a voluntary basis. This new OECD/G20 standard comprises pertinent information such as profit, taxes paid, and other factors of relevance to taxation per country in which companies are active.

In line with the OECD's intention, the Federal Tax Administration passes this report on to the tax authorities in the other countries in which Sika is subject to taxation. This demonstrates to these countries that Sika is duly complying with its tax obligations and paying its fair share of tax. Through its tax principles, internal policies, and actions, Sika is committed to being a "good corporate fiscal citizen" in pursuit of a long-term sustainable tax strategy, while fully and efficiently complying with national and international tax laws and regulations.

SUSTAINABLE SOLUTIONS

Sika aims to be an industry leader with a portfolio of sustainable products, systems, and services. The company makes an essential contribution to customers in construction and other industries to meet their sustainability targets, such as energy- and material-efficient vehicles and buildings. Sustainability is an important component of the company's capacity for innovation and an important driver of product development. Sika strives to extend the service life of buildings and industrial applications in order to reduce maintenance effort, to improve energy and material efficiency, and to further enhance user-friendliness and health and safety profiles. One of the company's main objectives is to reduce resource consumption, energy consumption, and the associated CO₂ emissions along the value chain, both internally and for partners and customers who place their trust in Sika products and solutions. The Group goals are:

TARGET 1: All new product developments are reviewed against sustainability criteria using a standardized methodology, including a documented sustainability profile and an appropriate improvement plan where necessary. In 2018, this target was achieved.

PERFORMANCE: A uniform sustainability assessment process (including guidelines and tools) addresses relevant sustainability indicators and forms part of the official Sika product development process. The objective of the sustainability assessment process, which is established throughout the company, is to evaluate relevant sustainability aspects of a new development over its entire life cycle, compared to the company's own or competitive solutions. Economic, environmental, and social aspects are assessed and serve as the basis for understanding risks and opportunities and thus deciding what measures are feasible to improve the sustainability profile of a development. If a new solution fails to provide an improvement over the existing product, it may not be worthwhile to further pursue a particular development. On the other hand, if a significant improvement over the existing product is achieved, the relevant projects must be prioritized for special attention.

In the year under review, the sustainability assessment process was used to evaluate 108 new local and global product developments. Of these, 15% were identified to offer an improvement over the existing product and are therefore of importance to the company's sustainability.

Example 1: New process for high-quality recycling concrete

One example of sustainable innovation is a new process for recycling 100% of concrete/mortar demolition waste, which significantly reduces the embodied footprint of buildings and structures. Sika has developed a new patented recycling process which allows the extraction of secondary raw material from old concrete at the quality level of primary material. This enables the production of high quality recycling concrete by using 100% secondary aggregates, which saves limited natural resources such as sand and gravel. Sika's new recycling technology exploits the synergy from a chemo-mechanical treatment of concrete demolition waste. The process focuses on sequestering approximately 50 kilograms of CO₂ per ton of crushed concrete demolition waste. It involves a superficial carbonation of the cementitious matrix that is softened and removed upon attrition. The freshly exposed surfaces are able to further carbonate until aggregates which are free from cementitious material are obtained. In this way, concrete/mortar demolition waste can be separated into "secondary aggregates" for recycling at a quality level of primary material, and a powdery by-product that can be used as secondary raw materials in a broad application spectrum, such as partly replacing primary cement raw meal for cement clinker production, or as an inert filler for cement plants and building materials in general. Once implemented at an industrial scale, this new process can also significantly help decarbonize the cementitious sector as well.

Example 2: New i-Cure-technology-based polyurethane waterproof coating system for balcony range

Resin flooring developments continue to focus on high-performance products that meet sustainable building requirements. To complement the existing balcony range, a new moisture triggered polyurethane waterproof coating system was developed, consisting of Sika® Concrete Primer LO, Sikafloor®-425 (waterproofing layer) and Sikafloor®-420 (protection layer). All system components are i-Cure-technology-based, a novel latent hardener that prevents gassing in the finished film, which can often be seen in conventional polyurethanes when applied in harsh environments. The new technology allows the final products to be formulated with higher solid content, reduced VOC's (volatile organic compounds), lower odor, lower hazard, and most importantly, reduced emissions. The system is protected by the water-based polyurethane Sikafloor®-418 W top sealer, which allows the design of a new generation of best-in-class highly durable and aesthetically attractive balcony system buildups.

Example 3: Innovative injection material that sets a new standard in post applied waterproofing applications

Conventional acrylic injections are supplied as three part systems, including liquid resin, accelerator, and hardener, which have to be packed and kept separately to prevent preliminary curing. The hardener requires special handling as it is classified as dangerous good. On construction sites the components have

to be applied according to a comparatively complex procedure that includes dosing of the accelerator, mixing with water, preparing premixes, and finally their homogenization. Sika® Injection-310 is based on Sika proprietary technology, which is regarded as a game changing material as it overcomes the aforementioned limitations. It combines all components in only one powder which is simply mixed with water in order to obtain the injection solution. As the product comprises all components of a reliable cure in one part, the risk of injecting wrongly mixed and unreactive chemicals into soil and ground is eliminated, which contributes to an efficient consumption of waterproofing material, and reduces the release of chemicals into the environment. Due to its product design, Sika® Injection-310 also allows for improvements in the supply chain and environmental footprint. As the material is not labelled as dangerous goods, no precautionary measures have to be taken for shipping, and no limitations concerning transportation apply. In contrast to the conventional acrylic injections, Sika® Injection-310 is provided as bagged goods that results in a reduction of plastic packaging material of 80% and packaging waste reduction on site to the same extent.

Example 4: New solution for sealing ventilation ducts

Buildings equipped with tight and well-functioning ventilation systems save energy, help avoid spreading disturbing odors, and ensure a good indoor climate, which is important for the occupant's health. Sikaflex®-404 Inliner, an innovative new solution, has been developed in collaboration with an external partner to help reduce energy losses, by sealing and insulating ducts and leaking ventilation channels. A flexible, fire-protected, and airtight composite-inliner is cured on-site in the existing ventilation, adjusting to all surface irregularities, offsets, and narrowings. The on-site curing allows the inliner to follow the shape of the channels and seal leaking ventilations, regardless of shape, diameter, and ventilation material, and without the inhabitant having to leave the residence. Sealed, air-tight channels allow for significant energy savings, safety improvements, and cost savings, ensuring installation costs are paid back in less than ten years.

TARGET 2: The major Sika national subsidiaries prepare a sustainability action plan and implement all key projects planned in this context. The plan is aligned with local trends and with market requirements, and encompasses the key projects and topics that are geared towards the global initiative. In 2018, this target was achieved.

PERFORMANCE: All of the larger countries in North America, Southern Europe, Northern Europe, Central Europe, and Eastern Europe further developed product sustainability road maps in the year under review. As a result of the regional Sustainability Academy programs in 2017 for Asia/Pacific and Latin America, a priority in the year under review was to extend the scope of the road map activities into the Asia/Pacific and Latin America regions. In this regard, the Sustainability Academy programs played an important role in involving additional national subsidiaries, and increasing the future number of projects and activities to currently 39 countries.

Customers, as well as building and construction standards, increasingly demand that companies declare the environmental performance or environmental impact of its products in a transparent manner. This calls for sound data and knowledge about the impacts of product manufacturing and application, and the added value of finished products in their application and use phase. In 2018, Sika expanded the existing reference database for Environmental Product Declarations (EPD) for its products and systems in accordance with the international ISO and EN standards, which increases the customer's choice when it comes to product selection and decision making by providing information on the environmental performance of Sika solutions. Examples include the preparation of EPD for Pulastic® multifunctional sportsfloor and Sikafloor® product range under the German IBU standard, whereby Sika has published EPDs for all of its major European flooring products and technologies. Furthermore, Sika has been developing third-party certified EPDs for the North American construction market, covering sealing and flooring products and liquid applied membranes for roof waterproofing solutions, utilizing local US standards. In 2019, EPD activities in European and North American markets, and active involvement in association work, will continue to be key activities.

Customer interest in EDPs has grown significantly alongside the increase in green building projects. Green building schemes, such as the US Green Building Council's (USGBC) LEED, the UK's British Research Establishment Environmental Assessment Method (BREEAM) and the German Sustainable Building Council's (DGNB), amongst others, award credits for buildings incorporating products with EPD, which provide added value and comprehensive information for assessing buildings and building structures/elements. In the year under review, the existing LEED product portfolio was expanded to include a large number of adhesives and sealants, as well as flooring products, with a particular focus on Europe and North America (USA, Canada). With the increasing number of green building projects in commercial and public construction, and having a product portfolio that contributes to multiple green building requirements, Sika is in a good position to be able to benefit. With know-how built up over the years in local companies, and with the comprehensive product portfolio, a number of LEED and BREEAM projects were successfully acquired in several European countries, such as Greece, Serbia, Slovakia, or Poland.

With buildings having extensive direct and indirect impacts on the environment, embodied and operational energy and CO₂ efficiency is an essential aspect for building design. In the reporting year, Sika has introduced an "energy-saving calculator" for its roofing business, which enables the user to quantify the contribution of the roof design on energy and cost savings during a building's use phase. Possible energy savings can be achieved through improved thermal insulation characteristics and/or reflectivity of roofing membranes. Dedicated trainings were held in countries including Spain, Portugal, Netherlands, and the UK, amongst others. In Spain, for example, the acquisition of first projects was successfully supported by quantifying the benefits of reflectivity of highly reflective roofing membranes in warm climates. In 2019 the focus will be to further introduce the energy saving concept in other key countries in EMEA, Latin America, and Asia/Pacific in order to support sales of insulation and cool roof solutions.

Another initiative in Refurbishment is the development and introduction of a complete range of sustainable cementitious mortars for repairing, waterproofing, levelling, tiling, and flooring. The main characteristic of these products is the significant reduction of portland cement by replacing part of it with supplementary cementitious materials, which may otherwise be disposed of in a landfill. In direct comparison with a cement based mortar of equivalent performance, reducing the amount of portland cement results in a significant reduction in the embodied energy and carbon footprint. As an example, the existing concrete repair product range will be extended with Sika MonoTop®-910 Eco, a new high-performing one-component ready mix, bonding and corrosion inhibitor primer, which was developed in 2018.

Sika innovates to increase the efficiency of products and solutions along the entire value chain, and therefore responds to the market demand for sustainable solutions. Sika is transitioning into a supplier of innovative solutions which enhance the efficiency, durability, and the aesthetic appeal of buildings, infrastructure, and installations. The integrated concepts and solutions address the entire life cycle of a built structure, from initial construction and maintenance, through to refurbishment, expansion, or ultimately demolition.

More detailed information on how Sika solutions support sustainable construction and help to save energy, raw materials, and water, and reduce CO₂ emissions, while meeting sustainable building standards, can be found at www.sika.com/sustainability.

SOCIAL: PEOPLE

SOCIAL RESPONSIBILITY

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

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

TARGET: 5% more social projects per year. Social projects benefit all non-commercial stakeholder groups of local companies and their neighborhoods. They encompass monetary benefits or material donations, local projects and community engagement programs, dialog with stakeholder groups, communal consultation procedures, social activities and programs, training, environmental projects, or recovery programs. In 2018, this target was achieved.

PERFORMANCE: Sika sponsored 128 projects during the year under review (previous year: 118 projects). This equates to a year-on-year increase of 9%. The projects can be classed as "social" (including donations), "ecological", "scientific", and "sports and cultural".

SOCIAL SPONSORSHIPS AND DONATIONS

The main goals, among others, are to support communities in infrastructure development for social projects, to promote training in construction professions and trades, and to provide emergency aid to disaster-stricken regions. Sika also seeks to promote on-the-ground self-help. Local Sika countries therefore put forward specific aid applications and, working with local partners, supervise projects from site to completion. Sika endeavors to provide intelligent support for projects through the application of company-specific expertise, voluntary work by its employees, and long-term collaboration with partners.

Support of children and young people: Projects sponsored by Sika in the year under review include initiatives like the continued support of the non-profit organization Operation Smile in Vietnam and Thailand. Sika has supported the activities of Operation Smile in Vietnam since 2010, and in Thailand since 2014. Thanks to the assistance of committed volunteers, the organization has, since 1989, arranged operations for some 230,000 children and youths with cleft lips and palates or similar facial disfigurements. Likewise, in 2018 Sika continued the support of children's homes throughout the world, including in Lurín (Peru), Brasov (Romania), Langbos (South Africa) and in Querétaro (Mexico). The project in South Africa, for example, is to build a shelter for orphans and vulnerable children in the settlement of Langbos. Langbos represents the poorest among rural communities in greater South Africa.

Education and schooling: Another focus was to support schools. In China, Sika supports the Library Project, a nationwide initiative to sponsor libraries in public schools. Between 2015 and 2018 the Sika team helped to create reading rooms and corners in 73 schools, donating more than 67,000 books and providing comfortable and safer learning environments for more than 18,000 children. In 2018, Sika also continued its support of a new school for girls and young women in Madagascar. The school prepares young women for careers in education and is located in Tulear, a city of 150,000 inhabitants over 900 kilometers southwest of Antananarivo.

Sika Tanzania is supporting "ProjeKt Inspire", a youth based and youth led initiative, aimed at opening career options to younger generations. The program helps students choose the best courses in universities, as well as providing extra curricular activities that prepare them with knowledge and skills needed in the global market. ProjeKt Inspire aims to improve the quality of education through organizing fairs that enhance the learning environment.

Improving the lives of people with disabilities: In the year under review, Sika increased its engagement for improving the lives of people with physical or intellectual disabilities. In 2018, for example, the team from Sika Spain, in collaboration with the Gil Gayarre Foundation, organized a volunteering program, "Sika Solidaria", which focuses on improving the living conditions of people with intellectual disabilities. A group of thirty volunteers from Sika Spain worked side by side with disabled people, and professionals from the Gil Gayarre Foundation, in the reform and energy adaptation of the original buildings of the San José Farm facilities in San Sebastián de los Reyes. Thanks to this activity, it was possible to renovate old buildings and to reduce energy costs for the organization. At Sika's facility in Gournay-en-Bray, France, a partnership with the local governmental initiative "ESAT" ("Centre d'Aide par le Travail") supports the professional reinsertion of disabled people.

Volunteering: Sika aims to vigorously support volunteering work in relation to social activities and personal development. In the year under review, Sika teams in Switzerland continued to provide a group of refugees with an enjoyable and productive outing and brought help and assistance to mentally impaired working individuals. Volunteering work was carried out by Sika teams in all regions: Sika employees in the USA, for example, participated in a community service event at the Howell Nature Centre in Michigan in May 2018. It was a joy and a highlight for employees to know they were helping an organization that gives back to the community by rescuing and rehabilitating wildlife, and providing day and overnight summer camps for kids. Members of the Sika team in the USA, along with other supplier and Home Depot volunteers, gathered for a community building event in support of US veterans. The Home Depot Foundation is dedicated to serving homeless, senior and combat-wounded veterans, as well as those affected by natural disasters such as Hurricane Harvey and Maria, the wildfires in California, and the recent earthquake in Mexico.

ECOLOGICAL SPONSORSHIPS

The focus of Sika's ecological sponsorship is on water, building, infrastructure, and renewable energy projects. The main sponsorship partner in this field is the Global Nature Fund (GNF). Sika has supported the GNF and its international Living Lakes environmental program since 2004. Made up of over 100 partner organizations from various lake regions across the globe, the Living Lakes network aims to promote sustainable development and the protection of drinking water, lakes, and wetlands. The initiative uses concrete projects to demonstrate how, with the involvement of the local population, positive social and economic developments can be achieved in different regions and societies, without any threat to nature and the environment. In 2018, Sika sponsored projects to ensure drinking water in Africa, focusing on initiatives in Tanzania, South Africa, Burundi, and Ivory Coast. Furthermore, community development projects were planned and implemented in Colombia and India. In Colombia, the objective has been to empower and strengthen ASO-MUCARE, the Association of Women from Bocas del Carare. The construction of a social center for women is an example of a communitarian participation process and serves as a catalyst for the empowerment of women in the rural areas of Colombia. In India the focus of the project was to enable traditional tribal farmers to establish organic horticulture.

SCIENTIFIC SPONSORSHIPS

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

In the year under review, Sika continued to support the chair in Soft Materials at the ETH Zurich. Research interests focus on soft materials, i.e. materials that are thermally deformable at room temperature, such as gels, molten polymers, and rubber and their boundary surfaces. Research into composites made of soft materials, as well as colloid systems and bacteria, are further areas of focus.

2018 was the ninth year in which the Sika Master Award was presented to two authors of an outstanding master's thesis in the field of civil engineering, based on the recommendation of ETH's Department of Civil, Environmental, and Geomatic Engineering. Sika also participates in ETH Zurich's Partnership Council Sustainable Construction. This interdisciplinary forum promotes dialog on current research topics, supports resources, and knowledge transfer, and encourages the launch of joint research projects in the field of sustainable construction.

In 2014, a research group on management in emerging markets was established at the Faculty of Economics and Social Sciences of the Fribourg University, Switzerland. Since then, the University of Fribourg and Sika have carried out work to address the growing significance of emerging markets for the strategies of Western companies. Professor Dr. Dirk Morschett is an active member of Sika's newly formed Sustainability Advisory Board.

In the year under review, Sika supported the Lancashire Science Festival, a three-day extravaganza with hands on displays, lectures and demonstrations. The aim of the festival is for young visitors to leave filled with wonder and aware of the opportunities that are open to them through Science, Technology, Mathematics & Engineering (STEM). With the current STEM skills gap, Sika UK were involved in the festival, helping to engage, and inspire future generations, whilst explaining some of the science behind construction materials.

Sika Automotive sponsored the Rinspeed AG concept vehicle in 2018 for the sixth consecutive year. The Snap, Rinspeed's 2018 concept vehicle, is a self-driving car, packed with electronic components and cutting-edge features for an elaborate and unparalleled mobility ecosystem. As part of its sponsorship, Sika has provided technologies to support the design and construction of this concept vehicle, which is in line with the automotive industry megatrends e-mobility, lightweighting, and sustainability.

In the year under review, Sika supported NEST, an initiative of Swiss Federal Laboratories for Materials Science and Technology (Empa). Empa is an interdisciplinary research institute of the ETH Domain and conducts cutting-edge materials and technology research. NEST accelerates the process of innovation in the building sector. New technologies, materials and systems are tested, researched, honed, and validated in realistic conditions.

SPORTS AND CULTURAL SPONSORSHIPS

Sika supports sports and cultural projects throughout the world. In the year under review, the focus of sponsorship in Switzerland has been on the Lucerne Symphony Orchestra, the EV Zug ice hockey club, the Oberwil Rebels, and the Swiss Sliding sports association. Furthermore, Sika was a sponsorship partner of the Zug Sports Festival for the second time, where athletes and sports clubs have the opportunity to inspire the people of Zug, Switzerland. Throughout the weekend of August 18-19, 2018, the Zug Sports Festival offered a variety of activities for visitors to participate in or watch. In 2018, Sika began to support the organization of the Federal Swiss Wrestling & Alpine Festival in Zug, Switzerland. In August 2019, around 200 wrestlers from all over Switzerland and surrounding countries will battle it out for the crown and wreath.

OCCUPATIONAL SAFETY

Health, safety, and well-being of all Sika employees are essential to the success of the company, and are core concerns throughout the organization. This requires focus and a systematic approach: occupational standards, management commitment, employee involvement, work site and risk analysis, hazard recognition and resolution, training and education are all key components in the daily business.

Sika's goal is to ensure every employee feels comfortable and protected in the workplace. The Group goal is:

TARGET: 5% less accidents per year. This refers to the number of work-related accidents leading to injuries, and covers all Sika employees. This includes temporary and subcontracted staff. In 2018, this target was not achieved.

PERFORMANCE: The number of occupational accidents (lost working days >1) increased by 19.5% in 2018 compared to 2017. In the year under review, 10.4 occupational accidents per 1,000 employees were recorded (previous year: 8.7). In 2018, injuries caused absences, on average, of 18.4 days (previous year: 22).

Due to this unexpected result, Sika will process safety programs in 2019, covering all regions and countries, with the objective being to place greater emphasis on employee participation and to avoid small accidents due to lack of attention.

ECOLOGICAL: PLANET

LESS IMPACT: REDUCING THE ENVIRONMENTAL FOOTPRINT

The following details relate to all business operations of the Sika Group, including the activities of newly acquired companies, and focus on the core themes of energy, water/waste, occupational safety, and CO₂ emissions at the more than 200 Sika production sites.

Sika is continuously improving its environmental protection and safety performance, through its routine investment planning and maintenance activities. During the year under review, Sika spent CHF 14.3 million on technical equipment (previous year: 6.5 million). This corresponds to roughly 6% of total investments of CHF 238.6 million. In addition, Sika invested CHF 30 million (previous year: CHF 26 million) in environment, health, and safety measures, including waste treatment and protecting devices.

ENERGY

Availability and efficient use of energy and resources are crucial to sustainable development. Therefore, Sika sees it as a global and local responsibility to minimize the impact on climate change by reducing energy consumption, with the positive effect of lowering costs and increasing competitiveness. The Group goal is:

TARGET: 3% less energy consumption per ton and year. This includes the total energy produced and consumed by all Sika companies. In 2018, this target was achieved.

PERFORMANCE: Energy consumption per ton sold was 424 megajoules (previous year: 450 megajoules), which leads to a reduction of 5.8% compared to the previous year. Overall energy consumption was reduced by 22% (target 15%) from 2013 to 2018, from 541 MJ/t to 424 MJ/t.

The decrease in energy consumption is a consequence of a global strategy: Sika continued to replace lighting solutions with the latest LED technology. This technology has led to substantial energy savings of up to 70% of total lighting electricity consumption in those locations where the technology was implemented. Furthermore, shorter batch time in production led to a higher output on existing production lines, resulting in increased energy efficiency. The replacement of technical equipment focuses on new energy efficient installations, such as motors, air conditioning, heating/cooling, and pressurized air systems. Further activities encompass energy efficient operation of electric motors with frequency converter, leakage detection and fixation of air losses in pressurized air systems, and energy efficient cooling of process water with use of cooling tower and optimized logistics. The modernization of the vehicle fleet in 2018 also resulted in fuel reduction. Energy audits and participation at energy networks promoted energy awareness throughout the company.

CO₂ EMISSIONS

CO₂ emissions are mostly a consequence of fossil fuel energy consumption, and can only be limited within Sika by increasing energy efficiency. This is why Sika controls its CO₂ emissions via its energy target and has not set a specific reduction target at Group level. In particular, in 2018 the total emission remained at the same level as in 2017, despite the decrease in energy consumption per ton sold. In fact, Sika's total CO₂ emissions were 191,000 tons compared to 193,000 tons in 2017, due to the increase in the overall produced volume.

CO₂ EMISSIONS (DIRECT): CO₂ emissions from burning fossil fuels by all Sika companies, and by its own vehicles, are calculated based on the reported fuel quantities. In 2018, CO₂ emissions from the use of primary energy sources amounted to approximately 48,000 tons (previous year: 53,000).

CO₂ EMISSIONS (INDIRECT): CO₂ emissions from electricity consumption and leased vehicles, as well as business travel, are derived from the reported energy quantities. CO₂ emissions caused by purchased electricity are calculated using current emission factors from the Greenhouse Gas protocol (GHG), applying average values for electric power production in each particular country. In 2018, CO₂ emissions caused by electricity consumption were calculated at 109,000 tons (previous year: 102,000 tons), i.e. more than twice as high as direct CO₂ emissions. Leased vehicles and business travel caused additional CO₂ emissions of 20,000 and 14,000 tons respectively (previous year: 22,000 and 16,000 tons).

WATER

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

TARGET: 3% less water consumption per ton and year. This includes water consumed by all Sika companies, whether from public utilities, or from ground or surface water sources. In 2018, this target was not achieved.

PERFORMANCE: In 2018, Sika used approximately 1.8 million cubic meters of water (previous year: 1.4 million cubic meters). The water consumption per ton sold was around 0.39 cubic meters (previous year: 0.32 cubic meters). This increase is mainly caused by acquisitions processed in 2017, which were taken into account in 2018.

Without considering acquisitions, the water consumption would remain at the same level as in the previous year. However, overall the water consumption was significantly reduced by 42% (target 15%) from 2013 to 2018 from 0.67 m³/t to 0.39 m³/t.

WASTE

Efficient use of entry goods is crucial to all Sika companies, as production processes are material intensive and use high volumes of non-renewable resources. Efficient production in this context means reducing and reusing production scrap and packaging materials. The Group goal is:

TARGET: 3% less waste per ton and year. This includes all waste material sent to external contractors for disposal – except materials returned to suppliers – and covers all Sika companies. In 2018, this target was not achieved.

PERFORMANCE: With an increased production volume, the company generated some 84,000 tons of waste (previous year: 80,000 tons). This corresponds to 18.1 kilograms of waste per ton sold (previous year: 18.4 kilograms per ton sold), or a decrease of 1.6%.

Overall, Sika could reduce the amount of waste per ton sold by putting in place activities such as optimization of the production planning, streamlining the production process layout, and the reuse of production waste. In addition, water from cleaning processes (tanks, bulk delivery trucks and gas scrubbers) was reused. Furthermore, filter dust from dosing and bagging stations was recycled into similar products in mortar production. Innovative warehouse management was also put in place to reduce the amount of expired products.

In conclusion, taking into account all acquisitions since 2013, Sika was able to keep the waste rate per ton sold at the same level.

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