

SIKA
BUSINESS YEAR

2021

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The 2021 reporting consists of the online report, the complete annual report including the sustainability report as PDF download, and the printed magazine "We add value for everyone". Through this multimedia approach, added value is being created.



More on the
2021 reporting

LETTER TO SHAREHOLDERS

Record results for sales and profit – EBIT margin increased to 15.0%

Dear Shareholders

Sika performed well in a challenging environment in 2021, once again demonstrating the strengths of its business model. Despite the ongoing COVID-19 pandemic and bottlenecks in the procurement of raw materials, sales rose significantly by 17.5% to a record CHF 9,252.3 million. Operating profit (EBIT) went up by an over-proportional 23.1%, hitting a new record figure of CHF 1,391.4 million. This equates to an EBIT margin of 15.0%. 2021 was expected to be a challenging year and it proved to be a very successful one for Sika. The company is able to harness the potential of various growth platforms to ensure success over the long term.

RECORD FIGURES FOR SALES AND PROFIT

Not only did Sika post record sales but profit also reached an all-time high despite an extremely steep increase in raw material costs. Thanks to price increases, rigorous cost management and economies of scale, efficiency gains, and synergies from acquisitions, Sika was not just able to offset the high raw material costs at EBIT level – it also managed to substantially improve EBIT. This came in at CHF 1,391.4 million, a 23.1% gain on the prior-year figure of CHF 1,130.5 million. The EBIT margin amounted to 15.0% (previous year: 14.4%). In keeping with this development, net profit rose sharply by 27.1% to an overall CHF 1,048.5 million (previous year: CHF 825.1 million). Operating free cash flow came to CHF 908.4 million (previous year: CHF 1,259.4 million) due to increased inventory value and a higher level of investments, and was therefore lower than in the previous year.

UPDATE ON ACQUISITION OF MBCC

Along with seven completed acquisitions in the past year under review, Sika was able to sign a binding agreement for the takeover of MBCC Group (BASF Group's former construction chemicals business) in November 2021. With sales of CHF 2.9 billion, MBCC Group is a leading supplier of construction chemicals and solutions worldwide. This acquisition will complement and broaden Sika's product and solutions offering in four of five core technologies and seven of eight Target Markets, while further strengthening the geographic footprint. The transaction will give rise to a major player supporting greater sustainability.

The market for construction chemical products and solutions is set to grow to around CHF 80 billion in the next years and,

CO₂eq emissions per ton sold (scope 1 and 2)

-10.1%

as it is heavily fragmented, will continue to offer substantial growth opportunities even after Sika's acquisition of MBCC. MBCC generates around 53% of its sales in the construction systems segment and the remaining 47% in the area of concrete admixtures. The acquisition is subject to approval by the authorities. Sika is confident it will receive all required clearances in a timely manner and will cooperate closely with the authorities to this end. The closing of the acquisition remains targeted for the second half of 2022.

SIKA WAS ABLE TO GROW IN ALL REGIONS

In general, the economy in 2021 recovered more quickly than expected from the impact of the pandemic. The fast-growing construction sector played a considerable part in this. In 2021, Sika was able to grow in all regions. Moreover, distribution business posted significant gains in all regions.

The EMEA region (Europe, Middle East, Africa) reported a sales increase in local currencies of 16.1% (previous year: 4.4%).

As in 2020, growth in distribution and refurbishment business outstripped growth in the other business segments. Nearly all countries in the region achieved double-digit growth rates. The United Kingdom and the countries in Africa, the Middle East, and Eastern Europe benefited from an upsurge in growth. In general, sales of Sika product solutions via e-commerce platforms saw an above-average increase.

Increase Gross Dividend in CHF

+0.40

The Americas region recorded growth in local currencies of 21.0% (previous year: 1.0%). In the USA, Sika gained substantial momentum. Growth was driven by large-scale refurbishment and new-build projects in the area of distribution and data centers. Strong growth rates were achieved in Mexico, Colombia, Brazil, Peru, and Chile. In the Americas region the strategic focus of business activities on big cities and metropolitan areas again paid off, as did the concentration on major infrastructure projects and the targeted realization of cross-selling potential.

In the USA, Sika gained substantial momentum. Growth was driven by large-scale refurbishment projects and new-build projects in the area of distribution and data centers

Sales in local currencies in the Asia/Pacific region increased by 19.4% (previous year: 12.6%). China in particular benefited from the ongoing strong growth momentum with double-digit organic growth rates, and successfully expanded its infrastructure and distribution business. India continued to see a dynamic development, while the countries in Southeast Asia recovered from the severe lockdowns in the last quarter of the year. The trend in Japan remains challenging. Investment activity in the country's construction market is still subdued.

In the Global Business segment, Sika posted growth in local currencies of 4.3% (previous year: -11.4%), thus outperforming the market. The automotive industry experienced major bottlenecks in the electronic parts supply chain. Whereas forecasts at the beginning of the year predicted a strong recovery in the volume of new vehicles manufactured compared with the previous year, particularly in the second half there was a sharp decline owing to the lack of availability of semiconductors. Nevertheless, Sika anticipates continued strong growth stimuli from the megatrends evident in modern automotive production: electromobility and lightweight construction. In particular, the transition from traditional drive systems to electromobility gained momentum during the pandemic and is benefiting from various government support programs in a number of countries.

SIKA AS AN ENABLER OF SUSTAINABLE CONSTRUCTION AND ENVIRONMENTALLY-FRIENDLY MOBILITY

Climate change is presenting society with major challenges. In its growth strategy, Sika has committed to reducing its CO₂eq emissions (scope 1 and 2) by 12% by 2023. In 2021 it was once again able to clearly surpass this target, cutting its CO₂eq emissions per ton sold by a further -10.1% (previous year: reduction of -25.9%). At the Capital Markets Day scheduled for September 30, 2022, the Group will announce its new sustainability targets, including a net zero roadmap.

Sika sees itself as an enabler: a supplier of innovative products that enable its customers to lower their CO₂ emissions, build in a way that conserves resources and make structures safer. Thanks to Sika solutions, they are able to enhance many aspects of their products and processes. These range from admixtures for low-emission concrete, to facade systems for energy-efficient buildings, and adhesives for environmentally-friendly vehicles.

DIVIDEND INCREASE AND OUTLOOK

Given the record results, the Board of Directors will be proposing a 16.0% increase in the gross dividend to CHF 2.90 per share (previous year: CHF 2.50) at the Annual General Meeting on April 12, 2022.

Thanks to its innovative technologies, Sika is the partner of choice for many customers in the construction and industrial sectors. Government-supported investment programs running into the billions will provide further impetus for its business in the coming years. In addition, Sika is making targeted use of the megatrends that drive its key markets.

For fiscal 2022, Sika expects sales to rise by well over 10% in local currencies – surpassing CHF 10 billion for the first time – and is anticipating an over-proportional increase in EBIT.

None of these achievements would have been possible without the countless initiatives and great dedication shown by our employees around the world. We are highly appreciative of their excellent performance, and are most grateful for their tireless efforts and close identification with our company.

Dear shareholders: Sika has managed to generate lasting added value in a challenging year, and we are doing our utmost to build on this impressive performance for the future. On behalf of the Board of Directors, the Sika Group Management, and the 27,000 Sika employees, we thank you most warmly for your trust and loyalty.

Sincerely



DR. PAUL HÄLG
Chair of the Board



THOMAS HASLER,
CEO



Dr. Paul Hälg,
Chair of the Board



Thomas Hasler,
CEO

AT A GLANCE

FACTS & FIGURES 2021

Another year of record results

In 2021, Sika once again posted record results for sales and profit. With a strong economic, environmental, and social performance, added value was generated to all stakeholders.

in CHF mn

change in %

Net sales

9,252.3
+17.5%

EBIT

1,391.4
+23.1%

Net profit

1,048.5
+27.1%

ROCE

20.1%¹
+3.5% points

¹ Adjusted for acquisitions, ROCE in 2021 would be 29.5%.

² Besides the seven acquisitions, Sika has signed a definitive agreement to acquire MBCC Group. The closing of the acquisition is targeted for the second half of 2022.

per ton sold

CO₂eq emissions (scope 1 and 2)

-10.1%

Water consumption -9.7%

Waste -9.6%

Employees 27,059
+8.9%

Proportion of women employees 23.2%

Proportion of women Group Management 25.0%

Community engagement projects +32.2%

Acquisitions 7+²

New / expanded factories 4

New subsidiary 1

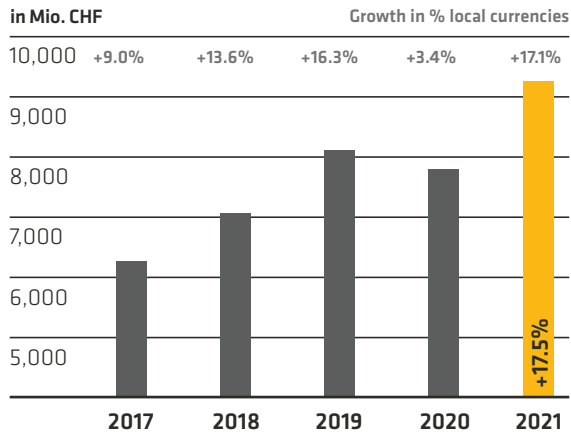
New patents 99

Inventions 150

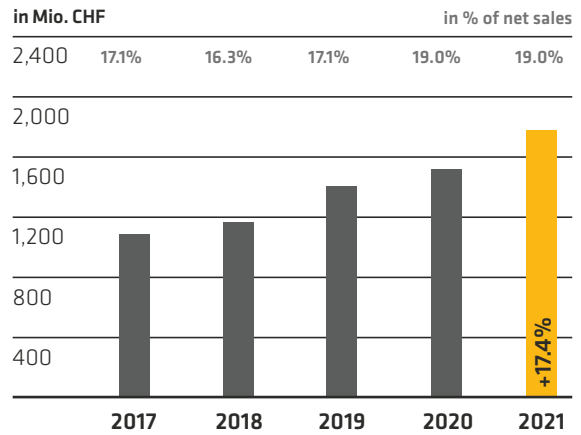
Employees in R&D 1,240

Global Technology Centers 21

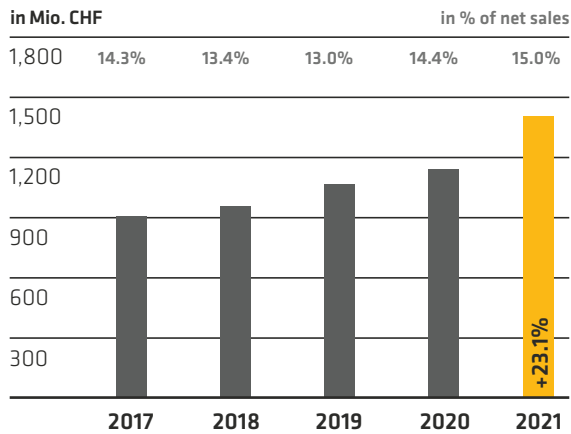
NET SALES (Consolidated)



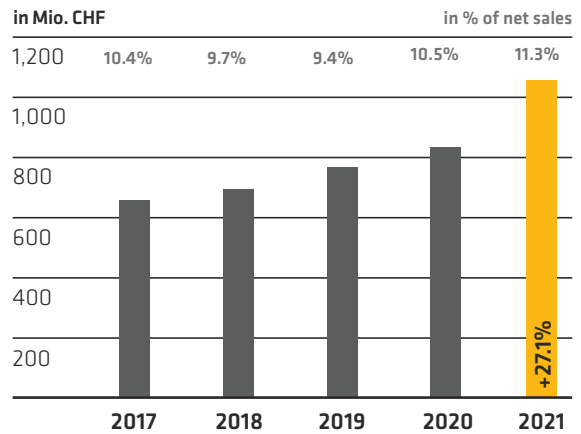
OPERATING PROFIT BEFORE DEPRECIATION (EBITDA)



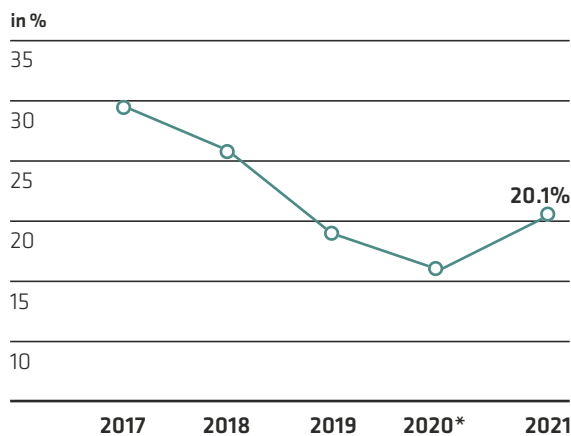
OPERATING PROFIT (EBIT)



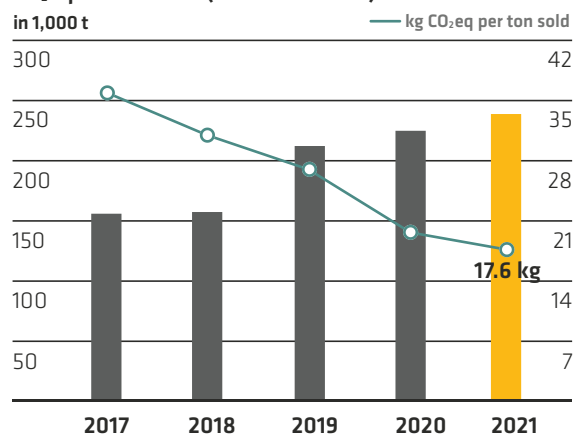
NET PROFIT



ROCE

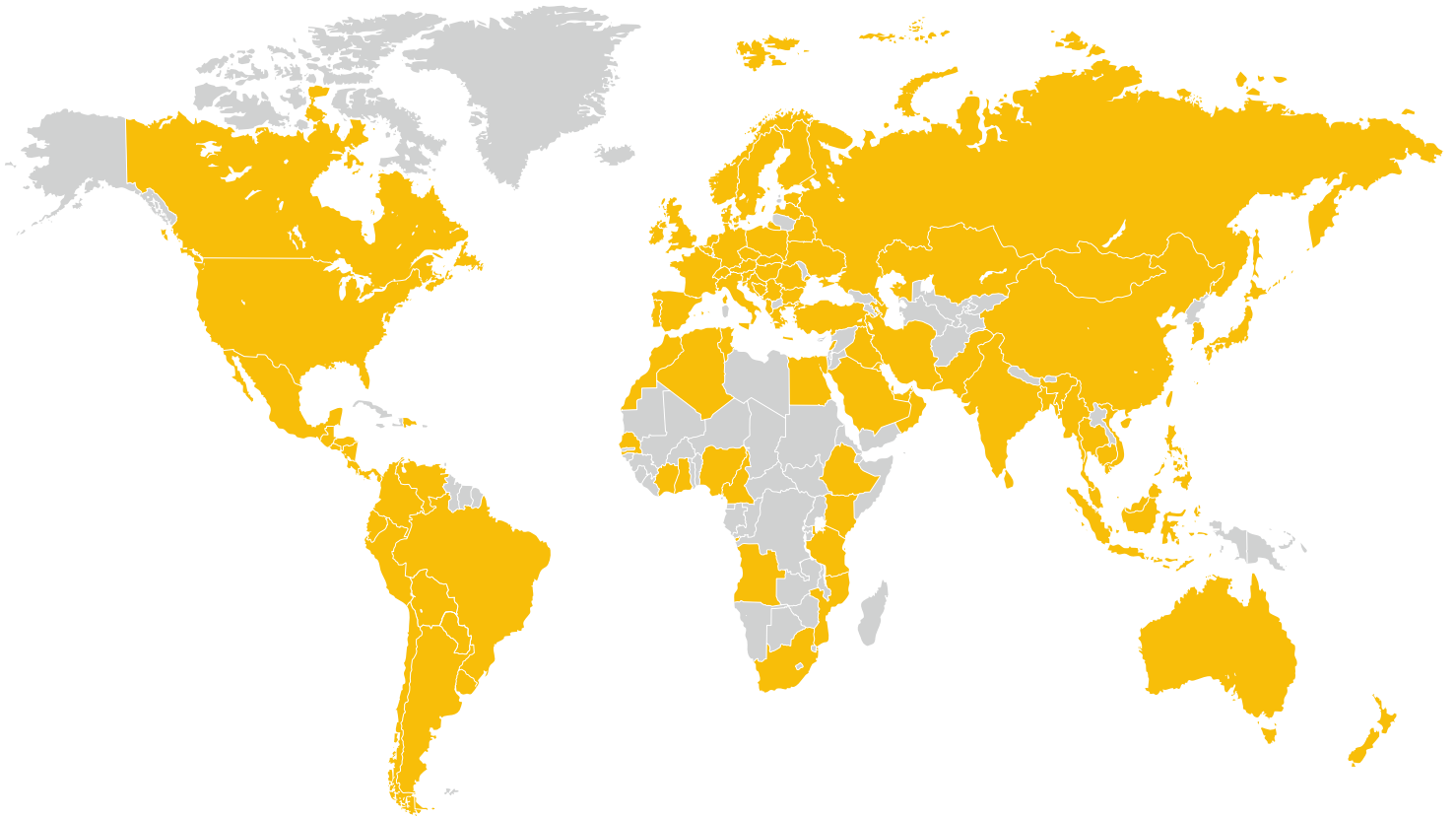


CO₂eq EMISSIONS (SCOPE 1 AND 2)



* Adjusted for acquisitions, ROCE in 2021 would be 29.5%.

GLOBAL PRESENCE



National subsidiaries

101

Sika's know-how is available in **101 countries on all continents** – in mature and emerging markets.

Sika's high-performance products have been proven on the biggest job sites in the world throughout a global network of over **200,000 distributors**.

A huge range of products for sealing, bonding, damping, protecting, and reinforcing reflects **more than a century of experience**, gained on innumerable construction sites worldwide.

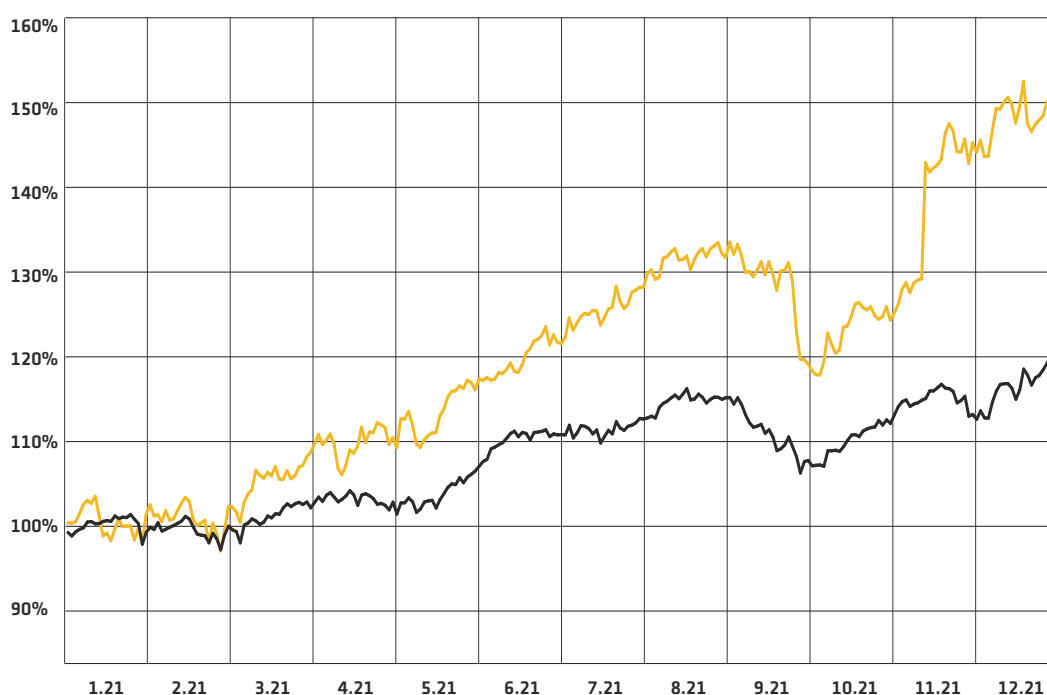
THE SIKA SHARE

Stock market on the upswing

Viewed over the year, the Sika share – boosted by the Group’s strong results – saw a very positive development against a friendly market backdrop, gaining considerable value by the end of the year. The share price reached a new high, ending the year up 52.9%.

SIKA VERSUS SMI

1.1.2021–31.12.2021



52.87%

With a share price increase of 52.87%, the Sika stock performed better than the SMI Index.

CHF 380.20

Closing price of the Sika share in 2021

Sika share
SMI

GLOBAL SHARE INDICES

in percent

2021

SMI	+19.90
DAX	+15.72
Dow Jones	+20.23
Nikkei	+5.63
Sika share	+52.87

STOCK EXCHANGE RATIOS SIKA

in CHF

2021

Market capitalization as at 31.12.2021 in CHF mn	54,385.70
Yearly high	382.20
Yearly low	240.20
Year end	380.20
Dividend 2020	2.50
Dividend 2021 ¹	2.90
Earnings per Share (EPS) ²	7.39

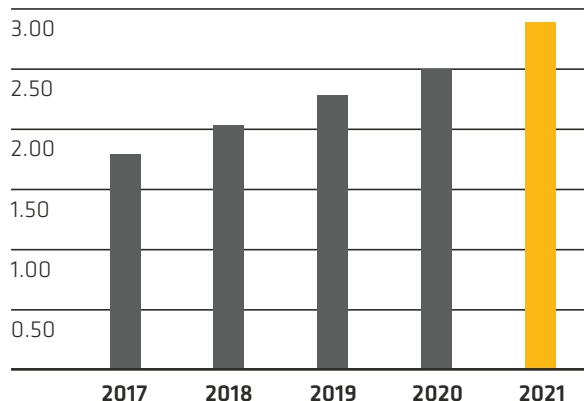
¹ Pursuant to proposal to Annual General Meeting
² Undiluted

DIVIDEND PAYOUT

Dividend increase by 16.0%

Sika's growth strategy is sustainable and guarantees good results. Profits have continuously increased over the past few years. Shareholders also benefit as Sika has been able to raise the dividend year after year. The Board of Directors will be proposing a 16.0% increase in gross dividend to CHF 2.90 per share (2021: CHF 2.50) to shareholders at the Annual General Meeting of April 12, 2022.

DIVIDEND CHF/share



Dividend increase

16.0%

2021: Pursuant to proposal to Annual General Meeting CHF 2.90.
Due to the split, the dividend per share for 2017 has been adjusted by a factor of 60 to ensure comparability.

STRATEGIC REPORT

BUSINESS ENVIRONMENT

Growth thanks to future-oriented business model, megatrends, and products for sustainable construction and mobility

Despite another challenging market environment overshadowed by COVID-19, Sika performed impressively in 2021, demonstrating once again the strengths of its business model.

Attractive industries and markets

As a company operating in the field of specialty chemicals, Sika has a leading position in the development and production of systems and products for bonding, sealing, damping, reinforcing, and protecting in the building sector and automotive industry. It is active in eight target markets: building finishing, concrete, waterproofing, sealing & bonding, roofing, flooring, refurbishment, and industry. The cumulative total volume of construction market sales in 2021 was estimated at more than CHF 70 billion, despite the persistent impact of the COVID-19 pandemic. According to forecasts, the volume of this market should rise to around CHF 80 billion by 2025. In other words, Sika is active in substantial markets with solid medium-term and long-term growth rates. Moreover, the pronounced fragmentation of these markets provides the company with additional potential to expand its business volume in attractive segments. For example, the combined market share of the ten largest internationally active companies in the construction chemicals sector is less than 40%. Sika's global market share amounts to 10%, and the aim is to increase this to 12% by 2025. In many cases, the individual markets and countries are characterized by numerous small and medium-sized companies with a very small market share and a modest market position. Sika uses its reputation and strong distribution organization to steadily extend its market position. The key strategic levers are cross-selling activities relating to Sika's comprehensive portfolio of solutions for construction and industrial applications, targeted key project management, and the expansion of distribution channels, which now increasingly include e-commerce platforms. Thanks to the strong Sika brand, which stands for first-class service, customer proximity, and durable, high-quality technologies, the company's market penetration is being driven forward even further.

External growth through acquisitions in fragmented markets

Sika's acquisition strategy should also be viewed against this background. Seven acquisitions were made in the past business year, namely Kreps (Russia), DriTac (USA), BR Massa (Brazil), Hamatite (Japan), American Hydrotech (USA), Bexel (Mexico), and Landun (China). On November 11 Sika signed a definitive agreement to acquire MBCC Group, the former BASF Construc-

tion Chemicals. The acquisition will complement and broaden Sika's product and solution offerings in four of five core technologies and seven of eight Sika Target Markets. The transaction gives rise to a key player dedicated to greater sustainability. The combined business will be a key accelerator in enabling both Sika's and MBCC Group's customers and the construction industry to drive the sustainable transformation further and faster. The closing of the acquisition is targeted for the second half of 2022. The basic prerequisite for any acquisition is for a company to have a complementary product portfolio with innovative technologies so that added value can be offered to clients, or if an acquisition would enable Sika to expand its distribution channels and market access. Expanding market leadership in strategically important business areas is a further criterion used by Sika to evaluate acquisitions. New growth platforms spring up for both Sika and the acquired company. Last year's takeover of American Hydrotech was a good example of this, as it enabled Sika to expand its offering in the area of roofing systems and the waterproofing of buildings, and in particular to position itself as a leading player in the rapidly growing green roof systems segment.

Strong business model for all phases of a building's life cycle

Sika offers solutions for all phases in the life cycle of a building and is superbly positioned in both emerging and mature markets thanks to its global network of 101 national subsidiaries, along with its first-class products and system solutions that are specifically tailored to customer needs. This enables the company to market technologies for all stages of a construction object's life cycle – from new-builds through to refurbishment projects.

Given the very different stages of economic development of the countries in which it is active, Sika can supply products to a wide range of construction projects. This gives the company a highly diversified business model that proved itself to once again be crisis-resistant in 2021, thanks to its strong distribution and e-commerce activities, unwavering customer focus, and high-performance portfolio. Generally speaking, Sika distinguishes between three levels of maturity in its construction markets:

The dominant feature of activity in emerging markets is the expansion of infrastructure in the form of transportation projects such as roads, airports, and ports, energy projects such as power plants, and the construction of public buildings and facilities such as hospitals.

Markets at a later stage of maturity tend to attract greater investment in advanced building standards and high-quality solutions. The products sought after in this context are those that offer greater safety, targeted fire protection, higher energy

efficiency and better environmental compatibility, and greater efficiency in their application.

In mature markets, the refurbishment of structures as part of renovation projects takes center stage. Many such structures are decades old and in a dilapidated state. In such situations, refurbishing the existing building fabric is often the most sustainable and cost-efficient solution. For example, renovation projects may encompass the waterproofing and reinforcement of bridges or commercial and private residential buildings.

In addition, crucial growth stimuli for the global building economy will result from various state infrastructure investment programs of an extraordinary magnitude. Specifically, around CHF 10 trillion of spending is either planned or has been approved for construction projects in order to stimulate the economy. The expansion of transportation infrastructure, the construction of public buildings such as schools and hospitals, the expansion of IT infrastructure, the exploitation of renewable energy sources, and the overhaul of bridges and roads (such as in the US) are just some of the key goals being pursued with public-sector funds in the long term. As the international leader in the construction chemicals market, Sika is outstandingly positioned to benefit from this development.

Structural growth through new forms of construction and mobility

The world is in flux. Overarching megatrends – led by digitalization and climate change and the corresponding scarcity of resources – are determining the future and therefore also social and economic developments. These megatrends serve as a logical starting point for Sika's own strategic planning. Together with the requirements emerging from the ongoing COVID-19 pandemic, they are accelerating the company's structural growth opportunities. These include new forms of transportation with alternative drive concepts, novel construction techniques with automated and digital construction processes, and sustainable building concepts. The overriding objective here is to reduce greenhouse gases and develop a future-proof approach to construction and modernization that is both resource-sparing and environmentally-friendly.

For example, Sika has developed a new polyurethane technology, which it has launched under the brand name Sika Purform®. The new technology is integrated into Sika's top seller Sikaflex®, as well as into other construction and industrial applications. This innovation brings important benefits for customers – the products have an improved performance profile, are even more enduring, and have less of an impact on the environment. Another declared objective of the company is to help the construction materials industry reduce its CO₂ emissions in cement pro-

duction and therefore also in concrete through the use of new admixtures. Sika's special cement and concrete admixtures make it possible to reduce the volume of clinker content by up to 50% yet retain the features of conventional concrete in terms of water consumption, workability, curing, and durability.

As a leading player in the specialty chemicals area, Sika plays an active role in shaping the current social and economic paradigm shift and is successfully positioning itself as an enabler of sustainable construction and environmentally-friendly mobility. The company possesses the product solutions, technologies, and necessary innovative strength to drive forward this transformation in the construction and automotive sectors together with its customers, thereby generating added value for its stakeholder groups, society, future generations, and the environment.

Sika recorded another success in the year under review in the area of concrete recycling by developing a new, ground-breaking procedure for recycling used concrete. This involves breaking down the old concrete into its individual components of gravel, sand, and limestone in a simple and efficient process, which also binds about 60 kg of CO₂ per ton of crushed concrete demolition waste. This innovation, which goes by the brand name "reCO₂ver®", guarantees the incorporation of concrete into the closed-loop economy and will make a significant contribution to reducing the construction industry's environmental footprint. Moreover, with the announced takeover of MBCC, Sika is positioning itself as a key player in the area of sustainability. Looking to the future, it will allow Sika to drive forward sustainable transformation in an even more consistent and rapid way – and not just for its own customers, but also for those of MBCC Group and the entire construction industry.

Lightweight construction and e-mobility

Despite the coronavirus-related weakness of sales figures in 2021 and severe shortages in the supply chain of electronic building components, Sika is expecting ongoing growth stimuli through megatrends in modern automotive construction, e-mobility, and lightweight construction. In particular, the transition from traditional drive systems to electromobility with a high degree of safety and comfort accelerated further during the pandemic thanks to various support programs in a number of countries.

MEGATRENDS AS THE BASIS FOR CORPORATE SUCCESS

Sika aligns its medium to long-term growth strategy with six important megatrends: digitalization, rising growth momentum, climate change, demographic change, urbanization, and technological progress. The company identifies entrepreneurial opportunities in fundamental social and economic development trends, thereby actively shaping the process of change.

Digitalization

Digitalization is a radical leap in development with implications for all walks of life. The rise in digital networking is not only leading to exponential growth in communication possibilities, it also has a deep-rooted impact on market dynamics and social structures. Companies are confronted with the challenge of tapping into new, digital business areas alongside the successful expansion of their existing core competencies, while at the same time including their employees, customers, and business partners in the transformation process.

The COVID-19 pandemic has boosted the significance of comprehensive and rapid digital transformation. Thanks to Sika's determination to press ahead with digitalization, the company succeeded in continuing along its success and growth trajectory and has benefited from the surge in demand in e-commerce, despite being faced with pandemic-related obstacles. The network of computing centers that forms the backbone of the digital economy is continuously being expanded. Sika has developed solutions for modular construction, is active in 3D concrete printing, and has been driving innovations in both these areas.

Rising growth momentum

Many developing and emerging markets have significantly increased economic output in recent years. Whereas these countries used to be primarily manufacturers of goods and trading places for the industrialized nations, they have now become key sales markets for consumer goods and services in their own right. A number of emerging markets – such as China, India, and Brazil – have now become very important to the global economy. Over the coming years, it is likely that developing and emerging market nations will generate impressive growth. The entire world economy will benefit from this dynamic development. Many companies from the industrialized world are exporting to these up-and-coming countries and have established the corresponding production capacity.

Sika too is continually strengthening its position in developing and emerging markets through a combination of internal and external growth. With its numerous solutions, the company is contributing to the advancement of local economies and infrastructures, thereby supporting progress in these regions. Especially in the countries of Africa, Sika sees significant business potential: Strong population growth, urbanization, and the associated urgent requirement for infrastructure expansion, are all factors that speak in favor of investments in these markets. At the same time, Sika is benefiting from the great dynamism of African markets.

Climate change

The repercussions of climate change are preoccupying the political establishment, the private sector, and society in general all around the world. Given the backdrop of natural catastrophes, melting ice masses, rising sea levels, and decreasing biodiversity, themes such as sustainability, environmental protection, and climate change are no longer niche subjects – they are burning topics of debate in media, politics, society, and the economy.

At Sika, initiatives, measures, and products that contribute to decarbonization and therefore the reduction of CO₂ emissions are given the highest priority. The company has consistently aligned its organization with sustainable development. It makes resource-efficient solutions available to its clients and strives to reduce its own CO₂ footprint on an ongoing basis.

Demographic change

Whereas in 2017 the world contained eight economically active persons for every pensioner, the equivalent figure by 2050 will be just four. The rapidly growing proportion of older people in the population will reduce the pool of specialist workers in the labor market.

Sika's solutions for increasing the efficiency of construction and production processes can significantly help cushion the shortage of personnel resources.

Urbanization

Employment, education, medical provision, infrastructure: In many different spheres, cities have more to offer than rural areas, which is why they are attracting an increasing number of people. By 2050, around 70% of the world population is expected to be living in an urban center. The expansion of existing large cities and surrounding agglomerations, as well as the emergence of new megacities, will require massive investment in the expansion of transportation, healthcare, and education systems, sporting and cultural facilities, and of course accommodation.

Sika is using urbanization to increasingly offer not only products and systems but also complete solutions from all its Target Markets.

Technological progress

Alongside digitalization, automation has also provided a powerful boost. An increasing number of processes, decisions, functions, and systems can now be transferred to algorithms and robots. Machines are taking over certain activities traditionally carried out by humans, and are therefore either already dramatically changing the world of work in many sectors or will do so in the future.

The modular approach to construction is of great importance to Sika. This increases the degree of automation and therefore efficiency in the realization of construction projects, while at the same time simplifying compliance with rigorous safety standards. With its products, systems, and solutions, Sika is able to both support and accelerate technological change on construction sites.

STRATEGY 2023

Sustainable and profitable growth

The corporate strategy was developed and launched in 2019. In addition to ambitious financial targets, important elements include a focus on operational efficiency, an increase in market penetration, and the targeted orientation on environmentally-friendly products and sustainability. The new Strategy 2028 will be presented in 2023.

THE SIX PILLARS OF THE STRATEGY

SUSTAINABILITY

With its defined sustainability targets for the reduction of energy and water consumption, as well as waste, Sika will be minimizing its need for resources and the environmental impacts of the production process. Sika's overriding goal is to reduce CO₂eq emissions per ton sold by 12% by 2023.

MARKET PENETRATION

One strategic pillar of Strategy 2023 is to increase market penetration. Growth drivers include targeted sales of a comprehensive product portfolio with complete systems, increased presence in the distribution channels, key project management, and the continued expansion in emerging markets.

INNOVATION

By 2023 the company aims to generate 25% of sales with products that have been launched on the market in the last five years. Innovation at Sika is always determined by the needs of customers. These needs feed into both fundamental and applied research. Furthermore, the company has committed itself to ensuring that every new product must offer a higher performance as well as additional sustainability benefits. Already today, Sika offers its clients a broad spectrum of environmentally-friendly product technologies.

OPERATIONAL EFFICIENCY

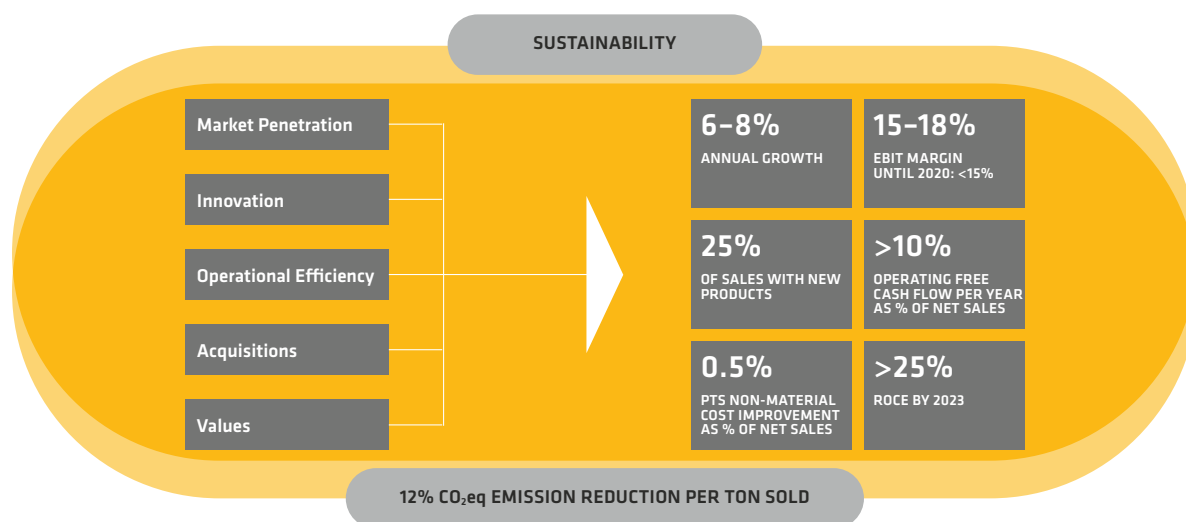
To a significant extent, the improvement in margins will be achieved through operational efficiency. Projects in the areas of operations, logistics, procurement, and product formulation should result in an annual improvement in operating expenses equivalent to 0.5% of sales.

ACQUISITIONS

Acquisitions are an important element of Sika's growth strategy, enabling the company to enhance its core business with complementary technologies, improved market access, or expanded distribution channels. The focused approach allows Sika to establish the acquired businesses as platforms for additional growth.

VALUES

Sika's strong corporate culture lays the foundation for its success. Customer First, Courage for Innovation, Sustainability & Integrity, Empowerment & Respect, and Manage for Results – these are the values that drive business activity and are put into action by employees every single day, all around the globe.



SIKA PURPOSE & BRAND

Sika stands for quality, innovation, and service – building trust every day

The Sika purpose

Sika's purpose is to anticipate and meet future challenges by providing reliable, innovative, sustainable, and long-lasting solutions in the construction, building, and manufacturing industries. In everything we do, we provide a seal of quality which our employees, customers, and all stakeholders can rely on – building trust every day.

The Sika brand

Branding lends products a distinct identity and associates them with a specific set of values. This fact was recognized early in Sika's history by founder Kaspar Winkler, who coined the company's name and designed its logo. Having changed only slightly since its creation, the logo epitomizes continuity and solidity, and it is recognized across the world as synonymous with innovation, quality, and customer proximity. The combined word/picture trademark has proven to be a valuable global asset during the Sika Group's decades-long expansion and is readily accepted across all cultural boundaries. Customers throughout the world can rest assured that they will receive Sika quality and service wherever they see the Sika logo.

WORLDWIDE TRADEMARK PROTECTION

Given the heightened awareness of the Sika brand, particularly the graphic word trademark, the company attaches high priority to a consistent and standardized use of the logo and the associated corporate image guidelines and verifies compliance with them. The various attempts, in recent years, to copy the logo only serve to underline its enormous intangible value for the company.

The Sika umbrella brand, and some 1,392 Sika product trademarks, such as Sika® ViscoCrete®, SikaBond®, or Sikaflex®, sharpen the company's competitive edge. Hence the crucial role of trademark protection as a management task, performed both globally at Group level and locally at national level. In total, Sika held 9,258 trademark registrations in 152 countries at the end of 2021. Sika continuously monitors its trademarks and takes appropriate legal action in cases of infringement.

CORPORATE IDENTITY

The strong Sika corporate identity gives the company's public face a consistent and modern look. The aim of the corporate identity is to achieve a clear-cut positioning of the brand based on uniform corporate design guidelines. Inspired by Google's Material Design, a visual language and system that unifies the user experience across all digital platforms was introduced, focusing on the digital development of the brand. The main initiative in 2021 was the global rollout and implementation of the co-branding guidelines that allows for a solid brand integration process for all acquired companies and brands.

CORPORATE CULTURE – MAKING AN IMPACT ON THE OUTSIDE AND THE INSIDE

The second core element of the Sika brand, alongside its positioning, is the brand personality. The three attributes that form the backbone of this personality are pioneering, team-oriented, and committed. Today they shape the awareness of Sika employees worldwide. To ensure that internal collaboration remains strong in the digital age, Sika's already well-established social intranet was further developed. In addition, an information and "onboarding" platform has been initiated in order to welcome employees of acquired companies into the Sika Family and to provide them with important information.

BUILDING TRUST

Sika successfully integrates the "Building Trust" tagline into its communication strategy. The implications of this claim for Sika's brand positioning can be described as follows:

"Specialty chemicals are our business and trust is the foundation of our success. For more than a century, we have focused on the quality of our products while constantly bringing to our industry a spirit of reinvention. We are committed to delivering reliable, innovative, and long-lasting solutions to our customers in the construction, building, and manufacturing industries. This truly represents the value and impact of the full range of Sika's core competencies: sealing, bonding, damping, reinforcing, and protecting. Willing and able to meet future challenges of our clients and partners, we provide innovative products with added value, comprehensive services, expert answers, well-founded training, and custom-designed solutions. We're proud of our achievements and eager to prove ourselves that Sika provides a seal of quality you can rely on.

**Committed to excellence.
Inspired by innovation.
Building Trust."**

STRATEGIC TARGET MARKETS

Customer focus

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 fresh or hardened concrete, such as workability, watertightness, durability, load-bearing capacity, and early and final strength. The demand for admixtures and additives is currently on the rise, due to the increased performance requirements placed on concrete and mortar, especially in urban areas and for infrastructure construction. Furthermore, there is a growing need for Sika additives and admixtures as they enable the use of alternative materials, such as processed aggregates (sand) and materials with cementitious properties in cement and mortar – and therefore also in concrete – to reduce the use of clinker and natural sand. This in turn helps to increase sustainability and significantly reduce CO₂ emissions in the construction industry.

Roofing

Sika provides a full range of flat roofing systems, incorporating both flexible sheet and liquid-applied membranes. In recent years, bituminous technologies have been acquired in markets where bitumen dominates. Sika is recognized as a global prime brand in roofing markets with the longest history for single-ply membranes. In 2022, Sika celebrates 60 years of roofing excellence with Sika Sarnafil® roofing systems. History has proved 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. Also in roofing there is a push towards digitalization where Sika offers an efficient system for leak monitoring and detection. While refurbishment projects continue to gain significance in mature markets, emerging markets are moving towards higher-quality roofing solutions for newbuild structures. For both market segments, Sika's innovative roofing systems comprise all elements needed, including vapor control layers, adhesives, insulation, fixation, roof drainages, and all kind of accessories.

Waterproofing

Sika's system solutions for waterproofing cover the full range of technologies used for below, and above-ground waterproofing: flexible membrane systems (polymeric sheets, modified bitumen sheets), liquid applied membranes, joint waterproofing systems (waterstops, swelling profiles, adhered tapes), waterproofing mortars and mortar admixtures, and injection resins and grouts. Key market segments are commercial and residential basements, tunnels, bridges, and all types of water-retaining structures, such as reservoirs, storage basins, and storage tanks. Waterproofing systems face increasingly stringent requirements regarding speed and ease of application, as well as total cost management. The selection of the appropriate system in line with the needs and expectations of the end customer, as well as well-trained and competent specialized waterproofing contractors, are key for long-lasting and watertight structures.

Building Finishing

Building Finishing encompasses ceramic tiles and natural stones installation, facade protection and decoration systems, as well as interior wall finishing – for both residential and commercial buildings. Sika is a global leader in Building Finishing and provides one of the most comprehensive sets of solutions such as tile adhesives and grouts, systems for under-tile waterproofing and sound reduction, as well as renders and decorative finishes for both exterior and interior walls, and Facade Exterior Insulation Finish Systems (EIFS).

Global trends such as urbanization, the strong demand for home improvement, fuel the market growth. Reducing the energy needs and CO₂ footprint of the building stock will for example foster the further expansion of facade insulation systems. Sika's market leadership and global presence offers strong potential to roll out and locally adapt its Building Finishing products and systems portfolio to additional Sika countries. Building Finishing is reinforcing Sika's comprehensive portfolio of complementary technologies for the building envelope from basement to roof and growing its presence in distribution channels.

Flooring

Sika's flooring solutions are based on synthetic resin and cementitious systems for industrial and commercial buildings, such as pharmaceutical and food-sector production plants, public buildings such as educational and healthcare 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), electrostatic conductivity, 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 fast and efficient solutions for the refurbishment of existing flooring systems. Sika has a leading global position in the development of fast-curing systems in various market segments and will extend this strategy to other technologies. Sika offers a comprehensive range of low-emission, durable, low-maintenance, easy-to-apply flooring solutions which can be adapted to specific customer needs.

Engineered Refurbishment

This segment features repair, strengthening, and protective solutions for concrete structures, such as repair mortars, shrinkage compensated high-strength grouts, anchoring adhesives, protective coatings, corrosion control, and structural strengthening systems. Especially in developed markets, many structures are decades old and need to be refurbished. Sika engineered refurbishment systems enable lifetime extension of structures and buildings which is often a more sustainable solution than tearing down or building anew. Sika provides technologies for the entire a life cycle of commercial buildings, and infrastructure constructions, as well as design and calculation strengthening software for structural engineers and designers. The present uptrend in demand is attributable to a rising volume of infrastructure rehabilitation projects in the transport, water management, and energy sector, such as the construction and maintenance of wind energy farms.

Sealing & Bonding

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

Industry

The markets served by Sika include automobile and commercial vehicle assembly (structural bonding, direct glazing, acoustic systems, reinforcing systems), automotive aftermarket (auto glass replacement, car body repair), marine vessels, industrial lamination, renewable energies (solar and wind), home appliance, 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 as well as composite- and casting resins. World's leading industrial manufacturers rely on Sika's solutions to enhance product performance and durability, while increasing manufacturing efficiency.

For example, Sika's solutions address key megatrends in vehicle design, leading to lighter, stronger, safer, quieter, and more fuel-efficient vehicles, while fast-processing materials and compatibility with automation increase productivity. Sika's fire-protection and thermal conductive materials support the trend towards e-mobility.

ACQUISITIONS & INVESTMENTS

Supporting growth in the Target Markets

Acquisitions are an important element of Sika's growth strategy, enabling the company to enhance its core business with related technologies, as well as to improve access to certain markets or additional distribution channels. Through capacity expansion fine-tuned to market demands and investment in plant efficiency, the Group ensures the consolidation of its global growth potential. Acquisitions thus become a platform for further growth.

Acquisition strategy

Organic growth, i.e., growth driven by entrepreneurial endeavor, is at the core of Sika's corporate strategy. This organic growth is enhanced by carefully targeted external growth, which offers a useful way of closing existing gaps to gain access to target markets and consolidating fragmented markets. Particularly in North America, Asia, and parts of Europe and Latin America, Sika pursues this policy as a means of steadily improving its market position. At the same time, however, the company seeks to strengthen or extend its core business through the selective acquisition of related technologies and continues to expand its market leadership in sustainability and solution offerings for construction and industrial applications. Sika finds such technologies mainly in medium-sized enterprises in Europe, the USA, and some Asian countries. The fact that such acquired businesses are usually unable to market their systems worldwide sooner or later proves a barrier to growth, and by acquiring such companies, the Sika Group, as a global player, can leverage their full potential.

When evaluating a takeover offer, Sika relies on the expertise and experience it has already gained, as well as on clearly defined processes that are in place across the Group. Since acquired companies are usually fully incorporated in the Group, Sika places great value on a smooth integration process, and therefore pays particular attention to the corporate culture of all takeover candidates prior to any acquisition.

The regions generally assume responsibility for the business aspect and integration of an acquisition, but the whole process is supervised and coordinated at Group level.

2021 acquisitions

In March 2021, Sika took over the flooring adhesives business of DriTac, a US-based floor covering adhesives company with an especially strong position in wood floor bonding. The acquisition contributes to Sika's increased presence among floor covering installers and distributors, while accelerating Sika's expansion in the interior finishing market in the USA. In 2020, DriTac reported sales of CHF 20 million.

In April 2021, Sika acquired Kreps LLC, a leading mortar manufacturer in Russia. The company offers a wide range of mortar products for interior and exterior finishing, complementing the existing portfolio and geographical footprint. Kreps generates annual sales of CHF 15 million and operates production plants in Saint Petersburg and Yekaterinburg.

In May 2021, Sika acquired Supermassa do Brasil Ltda, a mortar manufacturer which operates under the brand BR Massa in the Brazilian market. The acquisition enhances Sika's position in the region of Minas Gerais, one of the strongest economic regions in Brazil, and complements the production footprint. The enhanced access to the distribution channel, supported by the expanded local supply chain, contribute to the continued penetration of the Brazilian market.

Sika acquired American Hydrotech Inc. in the USA and its affiliate Hydrotech Membrane Corporation in Canada in July 2021. Hydrotech is an experienced and highly regarded liquid membrane manufacturer and provider of full-system roofing and waterproofing solutions. In the fast-growing green/garden roof segment, Hydrotech is the clear North American market leader. The acquisition strengthens Sika's roofing and waterproofing portfolio and complements Sika's sustainability focus. The acquired company reported sales of CHF 83 million in 2020.

In August of the previous business year, Sika took over Bexel Internacional S.A. de C.V., a leading manufacturer of tile adhesives and stuccos in Mexico. The acquisition strengthens Sika's position in the large, fast-growing Mexican mortar market and significantly extends its manufacturing footprint. In 2020, Bexel generated sales of CHF 35 million.

In October 2021, Sika finalized the acquisition of Shenzhen Landun Holding Co., Ltd., a manufacturer of waterproofing systems in China. The company offers a comprehensive range of waterproofing products and technologies, perfectly complementing Sika's existing portfolio. The combined offering provides new growth opportunities in the fast-growing Chinese waterproofing market.

In early November 2021, Sika agreed to acquire Hamatite, the adhesives business of The Yokohama Rubber Co., Ltd. Hamatite is a market leader in Japan, offering adhesives and sealants to the automotive and construction industries. The acquisition significantly strengthens Sika's market position in Japan, increases market access to all major Japanese OEMs, and notably extends the product offering for sealing and bonding applications in the Japanese construction industry. Headquartered in Tokyo, the business generates annual sales of CHF 160 million.

Also in November 2021, Sika signed a definitive agreement to acquire MBCC Group, one of the most recognized companies in construction chemicals worldwide with sales of approximately CHF 2.9 billion (EUR 2.7 billion). The acquisition of former BASF construction chemicals is expected to generate annual synergies of CHF 160-180 million. The transaction is highly complementary across almost all of Sika's core technologies, applications, and solutions. The combined company will drive the sustainability transformation of the construction industry further and faster. The transaction is subject to regulatory approvals. Sika is confident it will obtain all clearances and will actively engage with the authorities. The closing of the acquisition is targeted for the second half of 2022.

2021 investments

In 2021 Sika increased its capital expenditure after a year that was impacted by COVID-19 which led to a substantial reduction in investment spent. Key investments in 2021 were the establishment of a new national subsidiary in Ghana, the expansion of production sites in Stockholm, Sweden, and Doha, Qatar, as well as the commissioning of two new production sites in Jjaxing City, China, and Pune, India. For the coming year the focus will be on continuing the investment strategy, which is geared towards consolidating the global presence Sika has built up over the last few years, and, to this end, unlock new markets or expand its activities. To encourage focused growth, selected markets, customers, technologies, and products are prioritized. Additionally, Sika will invest in innovation and operational efficiency to strengthen its current footprint and commitment to reduce CO₂ emissions.

In the year under review, Sika invested CHF 170.8 million (2020: CHF 131.8 million), which is equivalent to 1.8% of net sales. The breakdown of the investments are as follows: expansion of production capacity at 23% (2020: 29%), 46% (2020: 39%) was needed for maintenance and upgrades in existing facilities, 24% (2020: 23%) was used for rationalization, efficiency improvements, and digitalization, and 7% (2020: 9%) was spent on environmental protection, health and safety, and quality control. The share of investment in the emerging markets was 38% (2020: 30%).

RISK MANAGEMENT AND TCFD RECOMMENDATIONS

As a global player, Sika is exposed to a variety of risks. Ensuring the Group's freedom of action, safeguarding its reputation, and protecting the capital invested in Sika requires the timely analysis of potential risks and their integration into strategic decision-making processes. Sika also recognizes that climate change will have an impact on the world it is operating in, and it therefore needs to be addressed in the risk management process and the strategic planning. Evaluating climate-related risks and opportunities related to its business and developing appropriate response measures, as required by the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, are of vital importance to ensure long-term sustainable performance and the business continuity of Sika. Disclosures recommended by the TCFD are presented in different sections throughout this Annual Report 2021. The following "TCFD Mapping Table" shows the sections in which the relevant information can be found. In accordance with the recommendations of the TCFD, the table is divided into the four areas of governance, strategy, risk management, key figures and targets, as well as the eleven recommended disclosures.

TCFD MAPPING TABLE

Areas	Recommended Eleven Disclosures	Sections
Governance Disclose the organization's governance around climate-related risks and opportunities	a) Describe the board's oversight of climate-related risks and opportunities	"Risk Management and TCFD Recommendations" chapter, p.24-25.
	b) Describe management's role in assessing and managing climate-related risks and opportunities	"Risk Management and TCFD Recommendations" chapter, p.25.
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	"Risk Management and TCFD Recommendations" chapter, p.28, 36-44.
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	"Risk Management and TCFD Recommendations" chapter, p.32. Sustainability Report 2021, "Products" chapter, p.127-137.
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	"Risk Management and TCFD Recommendations" chapter, p.33-36.
Risk management Disclose how the organization identifies, assesses, and manages climate-related risks	a) Describe the organization's processes for identifying and assessing climate-related risks	"Risk Management and TCFD Recommendations" chapter, p.25-26. Sustainability Report 2021, "Suppliers" chapter, p.98-101, "Planet" chapter, p.111-113, 118-126.
	b) Describe the organization's processes for managing climate-related risks	"Risk Management and TCFD Recommendations" chapter, p.24-26.
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	"Risk Management and TCFD Recommendations" chapter, p.26, 28.

Areas	Recommended Eleven Disclosures	Sections
Metrics and Targets¹ Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	“Risk Management and TCFD Recommendations” chapter, p.24. Sustainability Report 2021, “Strategic Foundation” chapter, p.59-60.
	b) Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas (GHG) emissions, and the related risks	Sustainability Report 2021, “Planet” chapter, p.121-124.
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	Sustainability Report 2021, “Strategic Foundation” chapter, p.59-60. Compensation Report 2021, p.174-175.

1 In the TCFD publication Guidance on Metrics, Targets, and Transition Plan (available at https://assets.bbhub.io/company/sites/60/2021/07/2021-Metrics_Targets_Guidance-1.pdf) the Task Force has identified seven categories of climate-related metrics from the eleven recommended disclosures and guidance for all sectors that all organizations should disclose, recognizing that for some categories, implementation may take time as data and methodologies evolve. These categories are: GHG Emissions, Transition Risks, Physical Risks, Climate-related Opportunities, Capital Deployment, Internal Carbon Prices, and Remuneration. For this year, Sika has decided not to further develop the “Metrics & Targets” table published in 2020 and instead refers to those sections of the Annual Report 2021 which fully or partially cover five of the seven categories identified by the Task Force: GHG Emissions, Transition Risks, Physical Risks, Climate-related Opportunities, and Remuneration.

GOVERNANCE: BOARD OF DIRECTORS, GROUP MANAGEMENT, AND RELEVANT BODIES

The Board of Directors (BoD) is Sika’s highest governing body and is responsible for the assessment of risk management. Its duties include the annual re-assessment of the risk situation at Group level. All risks, namely both financial and non-financial ones, are assessed based on the following key questions:

- Does the risk persist on a global or regional level?
- What implications does the risk have for the Group?
- What is the probability of losses occurring?
- What measures need to be implemented to prevent the risk or mitigate its consequences?

If a risk is rated critical in the overall assessment, effective measures are then taken to reduce the probability, prevent its occurrence, or limit its implications. Sika pursues a risk-based management approach for Group-wide risks and along the entire value chain, from procurement and production to marketing and sales.

The BoD is also the highest governance level of climate-related risks and opportunities. It is responsible for reviewing and endorsing the development and implementation of sustainability policies and strategies and the Chair of the Board steers and oversees climate-related topics by receiving regular updates from the Group Management. The Chair of the Board is permanently invited to add climate-related topics to the agenda of the Chief Executive Officer (CEO) and the BoD. The Board of Directors has approved the Group’s climate ambition to reduce scope 1 and 2 CO₂eq emissions by 50% until 2030 and to achieve net zero greenhouse gas emissions by 2050. Please see the box: “Scope 3 assessment and Net Zero Target” at p.124 of the Sustainability Report 2021 for more information on Sika’s development and projects in this area.

The Board of Directors relies on two committees:

- 1) **The Audit Committee (AC)** approves the annual audit plan and Internal Audit conducts audits accordingly. The AC then reviews the results of internal and external audits, as well as the enterprise risk management report, and monitors the implementation of corrective actions. Internal Audits cover a broad set of processes in the areas of sales, accounts receivable and accounts payable management, product development, purchasing, production, quality control, inventory management, financial and operational reporting, compensation and benefits, and IT management. Furthermore, conducting internal audits focused on non-financial information, the AC verifies the company’s alignment with its sustainability strategy “More Value – Less Impact”. The Internal Audit function reports to the Audit Committee. The governance structure, compliance with the Code of Conduct, and the internal control system are assessed at Group level. In addition to audits of the operating companies, regular in-depth audits are carried out in headquarter functions and Group-wide support processes. Internal Audit is an instrument of the Board of Directors and reports to the Audit Committee. The committee convenes at the request of its chairperson as often as business demands. Customarily, the Chair of the Board of Directors and the Chief Financial Officer (CFO), as well as the CEO, take part in these meetings in an advisory capacity. Meetings are generally held every

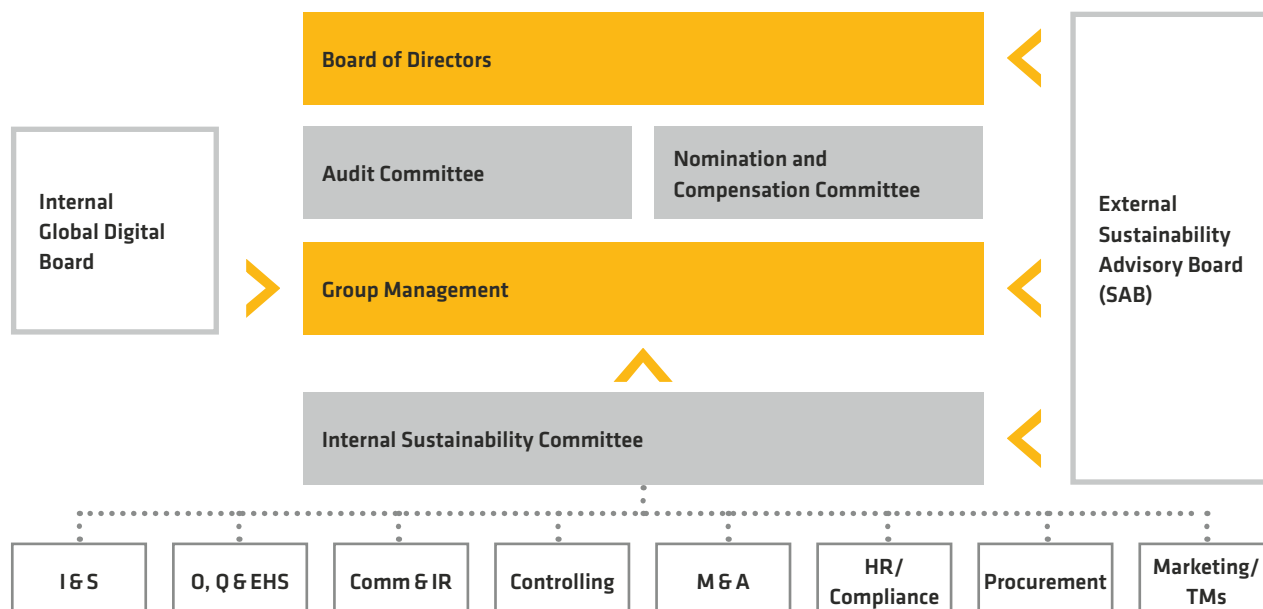
two to three months, lasting between three and five hours. In the year under review, the Audit Committee met five times, with all members present at all meetings. The Chair of the Board of Directors, the CEO, CFO, and the Head of Internal Audit participated in all five meetings. The auditor participated in three of the five meetings.

- 2) **The Nomination and Compensation Committee (NCC)** is responsible for succession planning and assessments as well as the compensation strategy and remuneration system at the level of the Board of Directors and Group Management. More information is provided in the Corporate Governance Report on p.159-160. How the Group Management’s performance is evaluated based on achievements related to strategic targets, incl. ESG (environmental, social, and governance) targets such as climate performance, is explained in the Compensation Report on p. 173.

In February 2022, the Board of Directors decided to install a Sustainability Committee which will consist of three Board members with expertise in different areas of ESG. The group will prepare sustainability-related topics for discussion and decision-making in the Board. The Sustainability Committee will focus on the following areas: assure a formal ESG risk and opportunity assessment, including the materiality analysis; ensure measurable goals which are aligned with the strategy; assure the proper organization and allocation of resources; and assure appropriate reporting and stakeholder communication. The Sustainability Committee plans to meet two to three times per year and to hold the first meeting in April 2022. After each meeting, a report will be issued to the full BoD.

Group Management regularly reviews the processes underlying risk management, and it is responsible for the development and implementation of initiatives and actions addressing risks (incl. climate change-related risks) in line with the defined sustainability strategy and targets. Group Management is responsible for risk management at the highest executive level and gives regular updates to the Board. Risk management (incl. climate change-related risks) falls under the domain of the Corporate Finance department, headed by the CFO. Climate-related issues have been assigned to the CFO because he oversees financial and non-financial information and data. Regarding Mergers & Acquisitions (M&A), those reviews and consultations take place as part of the due diligence process.

RISK GOVERNANCE



Three bodies ensure that sustainability-related aspects are considered in the Group's strategy and operations:

- 1) **The external Sustainability Advisory Board (SAB)**, established in 2016, provides an independent expert view regarding the direction and implementation of Sika's sustainability strategy and gives further input on sustainability issues to Sika's Group Management and to the internal Sustainability Committee. The SAB consists of four members with academic, consultancy, and NGO backgrounds and was initially created to further reduce the company's environmental footprint along the whole supply chain. The Chair of the Board is permanently invited to attend the meetings of the Sustainability Advisory Board. In 2021, the SAB met three times (in April, September, and November) with the corporate functions – Innovation and Sustainability, Communication & Investor Relations, Operations, Quality & EHS, and Human Resources & Compliance. During these meetings, the main topics discussed, among others, were the scope 3 assessment project and net zero roadmap; sustainable solutions and the circular economy; the topic of "biodiversity"; the updated Supplier Code of Conduct; Sika's performance in ESG assessments; the TCFD framework, the outcome of COP26 in Glasgow, and Sika's contributions to the United Nations Sustainable Development Goals (UN SDGs).
- 2) **The internal Sika Sustainability Committee**, established in 2021, steers and coordinates all sustainability-related projects aimed at achieving sustainability targets and monitoring proper implementation of the sustainability strategy throughout the Group. It also prepares the decision-making of Group Management on such topics. The Committee is chaired by the Chief Innovation and Sustainability Officer and meets monthly. It includes the following corporate functions: Innovation and Sustainability, Operations, Quality & EHS (O, Q&EHS), Communications & Investor Relations, Controlling, Mergers & Acquisitions, Human Resources and Compliance, Procurement, Marketing and Target Markets.
- 3) **The internal Global Digital Board** was established in 2020, in response to the increasing relevance of the topics "digitalization" and "cyber security risks". Digitalization is one of the three major societal challenges of the 21st century, alongside climate change and growing social inequalities. For this reason, it has become a major topic of responsible investment and environmental, social, and governance (ESG) analysis. The Board is composed of the CEO, CFO, Head of Region EMEA, Head of Region Americas, Head of Corporate Construction, Head of Operations, Quality & EHS, and the Head of IT Sika Group. It oversees the alignment of initiatives in five digital building blocks – "Customer Centricity", "Operational Efficiency", "New Business Models & Innovation", "Effective Knowledge Worker" and "IT Excellence" – with Sika's Growth Strategy 2023. The Global Digital Board's main responsibilities are the approval of digital strategies and roadmaps as well as Sika's digital architecture. To facilitate global digital activities, it can grant funds to projects that demonstrate high potential for Sika's digital transformation. It ensures that digital initiatives adhere to the application and data strategy defined for effective global implementation. And it nominates the team leads and core members of the global teams that drive the activities in the five digital building blocks. A dedicated cyber security organization – Cyber Defense Team (CDT) – has been set up to continuously monitor and improve Sika's security posture by preventing, detecting, analyzing, and responding to cybersecurity incidents worldwide. This includes tooling, processes, and people. CDT defends against security breaches based on newest industry relevant threat intelligence, and actively participates in the vulnerability management programs that help reduce cyber security risks. Additionally, Sika has set up an Incident Response retainer contract with an external partner. The effectiveness of Sika's cyber security framework is tested regularly. The Group Management monitors and approves actions and progress, and reports on cyber security activities to the Audit Committee.

SIKA'S RISK MANAGEMENT FRAMEWORK

Sika has a comprehensive risk management system structured at Group level and effective for all its subsidiaries. Risks are identified at an early stage and integrated into strategic decision-making processes. Risk management assists in the identification of new opportunities and thereby helps to generate added value to the business performance. Sika's Risk Management Framework is in line with the Enterprise Risk Management (ERM) framework, and it provides reasonable assurance that business objectives can be achieved and obligations to customers, shareholders, employees, and society can be met. Identification, assessment, and management of climate-related risks are integrated into the ERM framework since unexpected environmental, climate-related disasters, and economy fluctuation might have an impact on global and local markets. Locally, climate-related risks are assessed and evaluated by EHS and Operations Managers in collaboration with Regional Operations Managers and General Managers (GMs). GMs consolidate all risks falling under their domain and report to Area Managers who in turn report to Regional Managers. All Regional Managers are part of the Sika Group Management. The information is consolidated at corporate level and aligned with the overall strategy.

TRAININGS DEDICATED TO RISK MANAGEMENT

The governance structure fosters the build-up of expertise to catch and evaluate the impact of unexpected risks. In 2021, regular risk management education was ensured at various levels within the company.

FOR EXECUTIVE MANAGERS

- **Business ethics and anti-corruption:** Sika's Senior and General Managers (GMs), are invited regularly to participate in anti-corruption trainings. The targeted trainings are delivered either face-to-face or online (via virtual workshops or focused e-learnings). In 2021, Sika organized 14 training courses for 112 GMs and 13 Area and Regional Managers.
- **Sustainability and climate change:** during 2021, several official meetings were organized to allow Sika's management to discuss the topic of sustainability and climate change, for example the Group Management scope 3 emissions workshop held in July with external and internal experts, and the Sika Senior Management Meeting (SSMM), held in September, where the Board of Directors, Group Management, and all Sika Senior Managers took part in several sessions focusing on ESG-related topics, scope 1, 2, 3 emissions and the development of the net zero roadmap. Furthermore, in 2021, the Chief Innovation and Sustainability Officer completed the course "Circular Economy and Sustainability Strategies" from the University of Cambridge. The program has been designed to help business professionals understand the growing business case for sustainable solutions and what the future of business looks like with sustainability in mind.

FOR ALL EMPLOYEES

- **Business ethics and anti-corruption:** all sales, procurement, finance, and R&D employees are regularly invited to participate in anti-corruption trainings. The targeted trainings are delivered either face-to-face or online (via virtual workshops or focused e-learnings). In 2021, the Corporate Compliance team launched a global anti-bribery and anti-corruption e-learning course, addressed to employees mostly exposed to such risk (roughly 15,000 employees). The pass rate was extremely high.
- **Ethical Leadership, speak-up culture, incident Management:** in 2021, Sika organized 12 training courses for 450 employees including procurement managers, HR managers and regional and local compliance officers.
- **Innovation and sustainability:** in 2021, Sika organized a series of internal "Innovation and Sustainability" webinars in conjunction with the global Sika Technology Centers, to discuss and further develop topics and projects in the domain of innovation, technology, and sustainability. The program range encompassed aspects like Safety at Work, Formulation Efficiency, Sustainability Portfolio Management, Talent Management ("The Sika Global Innovation Challenge"), and Strategic Performance Management.
- **Product development and marketing:** Sika has a global program in place to minimize the risks in advisory and sales activities that could provide grounds for product complaints. Thanks to a host of measures, including the regular training of employees, clearly formulated standards, detailed causal analyses, and stricter controls, expenditure for product-related claims is steadily being reduced. To avoid the risk of customers using Sika's products incorrectly, Sika provides systematic instructions, application training, and support to customers, as well as extensive documentation and quality control.
- **Cyber security risks:** Sika provides its staff with the requisite training, and it has reinforced its IT organization within the Group accordingly. The measures to combat and defend against such attacks are continually reviewed with the help of external specialists and adapted in line with any new situations that may arise. In 2021, the new anti-fraud online training was launched, aiming to raise awareness about cyber fraud, primarily among those employees most exposed to cyber risks. All Sika employees had to complete the training, and all new joiners are expected to do it.
- **Supplier engagement and assessment:** in 2021, internal trainings were provided to around 80 employees working in the procurement function to improve their skills in fostering suppliers' engagement and implementing supplier sustainability assessments within the framework of the "Together for Sustainability" (TfS) initiative.
- **Supplier auditor training program:** the program is an internal initiative conducted over two days of training for procurement, technical experts, and quality responsible. It is part of the Sika Audit Charter and covers the following: scope, procurement process, supplier audit process, audit technique, audit checklist, reporting, and a personalized workshop on audit planning. In 2021, four online training courses were executed covering all regions and business units. A total of over 300 Sika employees successfully concluded this training.

TOP RISKS

Sika's risk management process is reviewed and updated on a regular basis, allowing the company to better identify potential risks and secure well-structured mitigation practices. Sika continues to use this risk management process stringently to ensure that any potential impact on the company and its customers is mitigated. The list of top risks was approved by the Board of Director and Audit Committee in October 2021.

Top Risk	Description	Risk Mitigation	Trend
CATEGORY: STRATEGIC			
Pressure on margins	Supply chain disruptions may lead to pressure on margins	<ul style="list-style-type: none"> – Sika actively manages the material margin through value and system selling, continued sales price increases, and product formulation optimizations, combined with a Group-wide coordinated procurement process. – Sika maintains Group-wide systems to monitor raw material prices as well as sales prices to actively measure and manage the material margin. 	↗
Changing EHS requirements and regulations for products	Changing EHS-related customer requirements and regulations for products, product solutions, and production processes	<ul style="list-style-type: none"> – Close monitoring of regulatory changes with the help of a global network of experts and the close involvement of relevant commercial and technical functions. – Regular communication to global/regional/local functions. – As part of the Due Diligence process for acquisitions, a special focus is placed on whether potential targets are in full compliance with prevailing laws and regulations. – As part of the capital investment process, a specific focus is placed on zoning compliance, production processes, and regulatory requirements. – Ensure compliance of raw materials and products to regional and local laws and regulations. – Sustainability targets are aligned with accepted practice and clear improvement path. 	→
Country risks	Political and economic instability	<ul style="list-style-type: none"> – Constant monitoring of development of critical countries. – Implement risk reducing measures. – Review investment/acquisition strategy in affected countries. 	→
Climate change risk	Climate change brings increased frequency and severity of extreme weather events and might lead to reduced availability of natural resources. Increasing awareness of the severe consequences of climate change will lead to changes in consumption and investment behavior	<ul style="list-style-type: none"> – Operational efficiency programs are implemented worldwide to reduce CO₂ emissions, energy, and water consumption. – Sika is an active member of Together for Sustainability (TfS), a global, industry-driven initiative including major chemicals companies. – Sika cooperates with its suppliers to improve factory resource efficiency, which can help maintain production capacity and manage costs through regional water and energy shortages. – Sika focuses on research efforts to better understand how consumers' lives and decisions may be affected by environmental change and to anticipate needs related to climate change and offer sustainable solutions. – Sika initiated a company-wide initiative to systematically identify and calculate emissions from its material scope 3 GHG categories in accordance with the requirements of the Greenhouse Gas Protocol (GHGP). – Since 2020, Sika has been reporting in accordance with TCFD recommendations to assess the impact of climate change on its business. 	↗

Top Risk	Description	Risk Mitigation	Trend
CATEGORY: OPERATIONAL			
Product-related claims	Selling of products carries the risk of product-related claims.	<ul style="list-style-type: none"> – To properly control the risk, a strict Product Creation Process (PCP) is established within Sika. – Long-term behavior of products is tested in technical service depending on the real application. – Proper quality controls set up in production. – Regular trainings of employees assure the necessary competence. – Corporate technical services define the necessities in the regional and local organizations and check and audit the compliance with the specifications. – To avoid the risk of customers using Sika's products incorrectly, Sika provides systematic instructions, application training, and support to customers. – Sika is continuously improving systems and processes to have proper and up-to-date product documentation across multiple channels. 	→
Talent shortage	Challenge to attract and retain talent. Sika's growth will require a strong pipeline of future successors for business-critical key positions.	<ul style="list-style-type: none"> – Sika's Talent Management on a global, regional, and local level prepares future generations of the workforce for challenging tasks. Solid performance, succession, and development processes pave the way to a high-performance organization and a unique leadership culture. – Embedding Sika employer branding concept in all recruitment activities and redefining recruitment strategy of talents at all hierarchy levels. – Conducting an annual talent review on regional and functional level among Corporate/Regional Management with a focus on succession planning of business-critical key positions. – Policies for international assignments to provide more flexibility and adapting to the business needs. – Integrating SuccessFactors as a global HRIS database to enhance people analytics and provide cross-regional alignment across talent population. 	→
Business interruption	Business interruptions can jeopardize daily business continuity and impact operational business profit.	<ul style="list-style-type: none"> – Crisis management on a country level allows for a swift adaptation to meet country-specific events and regulations. – Corporate Crisis Management organization steers and monitors execution on local level. – Ensure sufficient liquidity of the Sika Group and subsidiaries with diverse sources of funding from either capital markets or local banks. – Existence of a corporate insurance program with worldwide coverage. 	↓

Top Risk	Description	Risk Mitigation	Trend
Supply chain – direct material sourcing	Sourcing of critical direct materials could be at risk due to single sourced material, supplier discontinuity, and capacity shortage.	<ul style="list-style-type: none"> – All materials are systematically evaluated within Sika to identify potential risks and to develop risk mitigation plans accordingly. These plans contain short-term mitigation strategies, such as safety stocks, and long-term crisis management plans including approval of alternatives and closer collaboration with suppliers. – In the case of key raw materials with limited availability or large purchase volumes, Sika mandates at least two suppliers whenever possible. – For unique, highly innovative technologies, Sika seeks to manufacture raw materials itself, or source them in close collaborative partnerships with innovative suppliers. – Sika's procurement specialists and technical experts work closely with suppliers' technical units to fully understand the raw material flows, and continually optimize costs, quality, availability, and sustainability. – To reduce its dependency on crude oil, Sika is increasingly relying on renewable raw materials, such as sugar derivatives, bioethanol derivatives, and natural oils. Moreover, recycled raw materials are used wherever possible, and many production plants implement their own, or externally operated, recycling loop systems. – In respect of all the materials used, compliance with the relevant statutory registration requirements (e.g., REACH or TSCA) is monitored and ensured by a network of global and local specialists, as well as external consultants. 	↗
Cyber security risk	International corporations are exposed to cyber-attacks which can be any type of offensive maneuver that targets computer information systems, infrastructures, computer networks, and/or personal computer devices by various means of malicious acts.	<ul style="list-style-type: none"> – Sika has established a comprehensive Cyber Incident Management Framework and processes for effective cyber response and IT Continuity Planning. – The company constantly assesses cyber maturity. – Sika builds up internal cyber security skills that are backed up by support from external specialists. – Regular training of the Sika workforce on developments in cyber risks and the correct way to counter these risks. 	↗
Technology risk for PU & SMP sealant products	The risk that innovations or other market developments would have a severe effect on the actual product offering.	<ul style="list-style-type: none"> – Development of technologies with the same performance and better EHS or sustainability footprint. – Sika is well positioned with future-proof Purform® technology, water-based systems, and sustainability initiatives. 	↓
CATEGORY: FINANCIAL			
Impairments	Risk of impairments of tangible and intangible assets with corresponding negative P&L impact. In phases of volatile markets there is a risk that acquisitions will not perform according to the underlying business plan/valuation parameters and thus would lead to an impairment.	<ul style="list-style-type: none"> – Sika focuses on continued strong cash flow generation of all operational entities aligned with the strategy and group targets. – Group-wide reporting and controlling systems are used to track business development, quickly identify shortcomings, and swiftly initiate corrective actions. – The integration of acquisitions is monitored and steered very closely by a dedicated integration management team. 	→
Currency fluctuation/ FX risk	Volatility of foreign currencies and uncertainty in today's financial markets.	<ul style="list-style-type: none"> – Group-wide FX exposure reporting and constant monitoring in place. Appropriate actions taken whenever required. – FX exposures related to IC Financing fully hedged. – Group internal transactions netted monthly and hedged at corporate level. – All other FX exposures kept at minimum level. 	→

Top Risk	Description	Risk Mitigation	Trend
Tax Risk	Uncertainty associated with tax matters, liabilities resulting from changes in legislation, interpretation of existing tax rules and regulations, and/or audits or litigations. Governmental authorities in the countries where Sika operates may increase or impose new income or indirect taxes, or revise interpretations of existing tax rules and regulations.	<ul style="list-style-type: none"> – Risks are reviewed and assessed on a regular basis considering ongoing developments with respect to tax audits and tax cases, as well as ongoing changes in legislation and tax laws. – Sika's Tax Policy provides binding rules for all countries where Sika operates, in line with the Organisation for Economic Cooperation and Development (OECD) and local arm's-length standards. – The Group Tax team continuously works with the Controlling team on aligning, improving, and implementing processes and controls within Group Tax and countries. It is also continuously developing the right in-house skills. 	→
CATEGORY: ORGANIZATIONAL			
Reputation risk	Reputation damage due to any substantial incident or personal misconduct.	<ul style="list-style-type: none"> – The Sika Code of Conduct as well as Sika's Values and Principles are the guiding principles of integrity and ethical conduct. All employees and anybody joining the company are trained on the Code of Conduct and on how to use the Sika Trust Line (whistleblower line). – Comprehensive Group-wide compliance program is in place. – External tools support the monitoring and managing of potential reputational issues. – Zero tolerance for compliance violations. Compliance violations lead to consequent imposition of sanctions. 	→
Hostile takeover/activism	Companies are increasingly targeted by unfriendly actions of investors or third parties to influence the strategic direction of the company or launch hostile take over attempts.	<ul style="list-style-type: none"> – A continuous monitoring of the market, close contact with investors, review of Sika's performance, and an emergency organization reduce the risk. – Best protection against hostile takeover/activism is good performance and an appropriate valuation of the company. 	→
Loss of Sika's unique culture/entrepreneurship	Sika's unique corporate culture can be defined as a "Unique Selling Proposition (USP)". The high pace of acquisitions bringing new employees on board, and a constantly changing working environment requires proactive and dynamic management measures to mitigate the risk of diluting the corporate culture. Factors that accelerate the immediate need for actions are, among others, an increasing digitalization of the workplace and business model (remote work, less travelling), the need to integrate working environments with various cultures. And to adequately attract different generations and engage with their needs.	<ul style="list-style-type: none"> – Preserve Sika's unique culture and the high employee engagement through global initiatives: e.g., rollout and implementation of the new Global Leadership Commitment Campaign; annual, global celebration of the Sika culture on the Sika Day. – Embed Sika's Values and the Leadership Commitment Framework in the entire employee lifecycle. – Regular training of all Sika managers to "walk the talk" within their departments through designated workshops on the Leadership Commitment pillars on a country level. – Hire, reward, and promote people based also on qualitative criteria that demonstrate the "Sika Spirit". – Ensure an inclusive environment and a clear communication about the Sika culture/values/leadership when welcoming and on-boarding acquired employees. – Continue to invest in employees' learning and development, internal promotions/careers, and international professional exposure/assignments. 	↗

FOCUS: CLIMATE CHANGE

As a specialty chemicals company with a leading position in the development and production of systems and products for bonding, sealing, damping, reinforcing, and protecting in the building sector and motor vehicle industry, Sika takes the impact of climate change and the underlying risks seriously. This chapter describes how climate change may impact our business and how transitioning to a lower-carbon economy by 2050 represents an opportunity for Sika. Thanks to the strategy, projects, initiatives, and the collaboration with internal and external experts across the globe, Sika's understanding of climate change and the challenges it brings to our business continuously evolves and improves. This further drives Sika's mitigation plans.

Climate change has been identified as a strategic risk for Sika. Within the Group, climate-related risks are divided into two categories:

- **Physical risks:** can be acute (event-driven, i.e., droughts, floods, extreme precipitation, and wildfires) and chronic (longer-term shifts in climate patterns, i.e., temperature, humidity, and precipitation). These risks may carry financial implications for companies, such as direct damage to assets, and indirect impacts from supply chain disruption. Companies' financial performance may also be affected by changes in water availability, sourcing, and quality; food security and extreme temperature changes affecting entities' premises, operations, supply chain, transportation needs, and employee safety.
- **Transition risks:** moving to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements relating to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputation risk to companies.

Sika operates its own facilities throughout the world and recent extreme weather events (e.g. heatwaves and droughts) have shown that low-, middle-, and high-income countries feel the impact of climate change more clearly than ever before. Effective climate change mitigation and adaptation is therefore mandatory for all Sika organizations worldwide.

Moreover, global climate change and related local, regional, and global regulations can impact Sika's day-to-day business in many ways and/or influence demand for our products. By offering products and solutions for durable, resource-saving construction and infrastructure, the company can help customers implement measures to prevent and mitigate adverse effects of climate change in all regions.

As a framework to disclose the impact of climate change on Sika's business and to increase the understanding of the related risks and opportunities, the Group has adopted the TCFD recommendations and structured the Risk Management chapter accordingly. The company's disclosure will continuously develop since managing climate-related risks and opportunities evolves and reporting frameworks regarding climate-related financial disclosures are reinforced. Thus, Sika is applying a phased approach to integrating the recommendations of TCFD over time. In 2020, the company committed to producing annual reporting that considers TCFD recommendations and to disclose a high-level analysis of two climate scenarios. In 2021, Sika presents its second annual disclosure by extending the analysis to three global warming scenarios and detailing the list of related risks and opportunities that may arise. This analysis demonstrates that all three scenario narratives present financial risks and market opportunities and that actions taken by Sika to mitigate risks and capture opportunities will contribute to the resilience of the organization's long-term performance.

For the future, Sika plans to improve its analysis by developing a regional perspective, by analyzing climate-related risks and opportunities in view of different time horizons (short-, medium-, and long-term), and by quantifying the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

The changes in the underlying scenarios will be monitored by a cross-functional team consisting of the following departments: Innovation and Sustainability, Operations, Quality & EHS, Procurement, Marketing and Target Markets, Controlling, and Communications & Investor Relations. The analysis will also be used in the strategy review process that will start in 2022 to improve Sika's resilience to the impact of climate change.

CLIMATE SCENARIOS

To face the global challenge, Sika is addressing climate change comprehensively in its strategic development with the goal of becoming a net zero company. Since 2019, Sika has defined a strategic target for reducing scope 1 and 2 CO₂eq emissions by 12% until 2023. Moreover, the compensation scheme of Top Management and Sika Senior Managers is linked to the CO₂ performance of the company (scope 1 and 2). In 2021, Sika performed its first scope 3 assessment based on 2020 data, which clearly demonstrated that scope 3 emissions are of great relevance for Sika. The company will keep analyzing and reporting on scope 1, 2, and 3 emissions with the aim to develop a net zero roadmap aligned with the objective of the Paris Agreement to limit the increase of global temperature to 1.5°C by 2050. For more information on Sika's roadmap, please see the Sustainability Report 2021 on p.54-57.

To have a realistic view on these goals, and capture the relationships between people's choices, emissions, and temperature change, Sika performed a high-level assessment of the following global warming scenarios:

- **“Most optimistic”**: 1.5°C scenario, in line with the Paris Agreement.
- **“Middle of the road”**: 2.7 °C scenario, relying on existing and planned policies without any additional measures taken to curb emissions.
- **“To avoid at any cost”**: 4.4°C scenario, consistent with continued dependence on fossil fuels.

These scenarios correspond to the temperature increase between the pre-industrial level (1900) and the long-term (2100). They allow Sika to explore and develop an understanding of how various combinations of climate-related risks and opportunities, both transition and physical, might impact Sika's business and the value chain.

The three scenarios' narratives are based upon assumptions which consider research done by organizations such as the International Energy Agency (IEA), the Food and Agriculture Organization (FAO), the Central Banks and Supervisors Network for Greening the Financial System (NGFS), and the Intergovernmental Panel on Climate Change (IPCC).

SCENARIO 1 – MOST OPTIMISTIC (1.5°C)

The sustainable and “green” pathway describes an increasingly sustainable world where global CO₂ emissions are cut to net zero around 2050.

Global commons are being preserved, and the limits of nature are being respected. More focus on human well-being and not exclusively on GDP growth per capita which would be higher at global level but medium in High Income Countries (HICs). The population growth is low and investments in education and health go up. Social standards are reinforced at a global scale through a higher level of international cooperation. Income inequalities between and within states are being reduced. Consumption is oriented towards minimizing material resources and energy usage. Circularity becomes mainstream.

In this scenario, global economies shift away from fossil fuel-based consumption. Decarbonizing the power sector is a central pillar and requires switching to alternative sources of energy such as solar, wind, or nuclear, as well as some targeted deployment of carbon capture and storage (CSS) for new and existing power plants. Complementary investments are needed in new grid management and storage solutions to ensure continued reliability. Fossil-fired power plants risk losing revenues and becoming stranded. As a result, electricity from renewables increases five-fold over the next three decades. Energy intensity decreases by almost 60% between 2020 and 2050. More than half of the energy for buildings, industry, and transport will be electric by 2050. Innovative technologies could be developed to electrify the production of steel, cement, and other industrial products.

Global economies switch to carbon neutral-fuels (i.e., green hydrogen, biofuels, and synthetic fuels) and 40% of gaseous, liquid, and solid fuels are carbon neutral in 2050. Investments and policy incentives are required to bring these fuels to scale. Additionally, investment strategies for companies will require an accelerated shift to innovative technologies that reduce or eliminate GHG emissions and therefore a portion of their capital expenditure budget will be allocated for GHG reduction.

Land use is strongly regulated to avoid environmental trade-offs. Agriculture, thanks to the restoration of biodiversity and more sustainable agricultural practices, experiences productivity increases, and due to effective international cooperation, there is a rapid diffusion of best practices. Increasing forest cover, as well as reversing deforestation and land clearing, become essential to meet net zero targets. People follow a low-meat diet.

This is the only setting where global economies meet the Paris Agreement's goal of keeping global warming to around 1.5°C above preindustrial temperatures, with warming hitting 1.5°C but then dipping back down and stabilizing around 1.4°C by the end of the century. Such an outcome implies that around 5 gigatons of CO₂ should be removed from the atmosphere every year. Physical and transition risks can be summarized as follows:

- **Physical risks:** a warming world has already led to the increased severity and frequency of many climate risks – including flooding, wildfires, extreme precipitation, coastal storms, rising sea level, and expanding ranges of tropical diseases and pests. Risk severity depends on the exposed environment, with coastal systems facing different risks than inland areas, for example, rising sea level and coastal flooding versus inland drought events. As a result of unfavorable working conditions, labor productivity decreases by around 4% on average globally. Nonetheless, the world has dodged the worst impacts of climate change.
- **Transition risks:** strong environmental regulations and policies are enforced around the globe, leading to a high price on carbon, strong incentives towards renewable energies and increased energy efficiency, high building energy costs, and tighter regulations of pollutants. Moreover, since material resource and energy usage must be minimized, raw material prices and manufacturing costs increase. Rapid low-carbon technology development and innovation, and high investments in low-carbon electricity, support the shift from a fossil fuel-based economy towards a low-carbon economy. Households' income might be affected since they bear some of the costs of the transition from higher taxes (e.g., on fuel), higher energy and/or food prices. Labor market frictions might result from a fundamental shift in energy and land-use distribution, affecting every sector of the economy (stranded assets). Behavioral changes in customer demand lead to a stringent focus on sustainable products and solutions in all sectors.

SCENARIO 2 – MIDDLE OF THE ROAD (2.7°C)

The "middle of the road" or medium pathway extrapolates the current global development into the future. CO₂ emissions hover around current levels before starting to fall mid-century, but do not reach net zero by 2100.

Socio-economic factors follow their historic trends, with no notable shifts. GDP growth per capita is moderate and unevenly distributed. Progress toward sustainability is slow, with development and income growing unevenly. The world faces a progressive degradation of environmental systems. Some regions suffer drastic environmental damage. Investments in education and technological development are decreasing. The population growth remains moderate, levelling off in the second half of the century. There is a certain cooperation between states, but it is barely expanded. As a result, global and regional institutions work toward the achievement of sustainable development goals but with slow progress and unimpressive results. The gap between globally cooperating developed societies and those stalling at a lower developmental stage with low income and a low level of education is widening. Income trends in different countries are diverging significantly and inequality is rising. A revival of nationalism and regional conflicts pushes global issues into the background. Policies increasingly focus on questions of national and regional security. The population is oriented towards material and energy intensive usage. Even if the economy is less dependent on fossil fuels, there is no radical innovation or technological breakthrough trend happening to push towards a low-carbon one. Fossil fuel-based resources are still commonly used, albeit with a slight decrease.

In this scenario, global economies are not reluctant to use fossil fuels. Land-use regulations are moderate, leading to a slow decline in the rate of deforestation. People follow a medium meat consumption diet. There is a medium pace of technological change in the agricultural sector and entry barriers to this market are reduced slowly.

Temperatures rise to 2.7°C by the end of the century. Physical and transition risks can be summarized as follows:

- **Physical risks:** greater severity and frequency of climate risks. Mean temperatures rise, showing a non-linear increase in severe and irreversible climate impacts. Labor productivity is significantly reduced by 12% on average globally due to hot and humid climate conditions. The global population is exposed to extreme events: 50 times more by heatwaves, eight times more by drought, four times more by crop failure, three times more by river floods, and almost two times more by wildfires as today. Impacts of climate change differ at regional and country levels depending on their latitude and local climate. Direct losses and associated damages from tropical cyclones are up to 45% compared to today (i.e., +45% in the US, +30% in Bangladesh, +16% in Japan, +12% in Philippines). Consequently, various disruptions occur, for instance, in companies' direct operation and their supply chain, and in economic activities and/or health systems which in turn negatively affect households' income. Overall, the world faces extreme and devastating impacts of climate change in some regions.
- **Transition risks:** more stringent environmental regulations arise and stronger market-based incentives towards renewable energy and energy efficiency improvements are implemented but in a disparate way, and would be successful in tackling local problems in some regions, but not in others. There is concern for local pollutants but only moderate success in implementation. Global systems and countries do not consistently rely on Carbon Dioxide Removal (CDR) in carbon policies. The world faces a lack of cooperation with certain areas still relying on lagging carbon pricing systems. Behavioral changes occur slowly and differ around the globe. Nonetheless, the intensity of resource and energy use declines and the demand for alternative materials increases.

SCENARIO 3 – TO AVOID AT ANY COST (4.4°C)

This is a future where there is no effort to mitigate emissions. Resources are devoted to adapting to the consequences of climate change. CO₂ emissions levels will double by 2050.

In the short term, the global economy grows quickly, GDP per capita is high and people experience a strong open economy where materialism as consumption-orientation is well established. International cooperation is effective for economic development, but not for environmental protection and conservation. Exploitation of fossil fuel resources is intensified with a high usage of oil, coal, and natural gas. Energy investments are directed towards fossil fuels and alternative sources are not actively pursued. Energy efficiency improves only slightly. High population growth and a lower rate of technology development and innovation result in an energy-intensive lifestyle worldwide. There is lower awareness of severe consequences of climate change, resulting in weaker and few environmental and sustainable development goals, decarbonizing trends, and no harmonized carbon taxes implementation. There are no stringent regulations to reduce climate change globally, air pollution, or toxic waste. In the medium and long term, due to the severe consequences of climate change, the global economy pathway declines and faces negative growth and drawbacks. Large scale displacements of populations take place, with consequences for human security, economic, and trade systems stability.

In this scenario, global economies do not shift away from fossil fuels. Land-use regulations are weak, leading to a slow decline in the rate of deforestation. The agricultural sector is highly exploited and animal pollination of both wild and cultivated plant species is under threat due to multiple environmental pressures acting in concert (use of pesticides, invasive species, land-use changes such as habitat fragmentation, and climate change). The use of cropland and grasslands increases, mostly driven by an increasing global population. People follow a meat-rich diet. Loss of biodiversity not only threatens natural ecosystems but also affects economic activities, such as the health sector which heavily relies on natural or synthetic products inspired by nature.

By 2100, the average global temperature is 4.4°C higher, and physical and transition risks can be summarized as follows:

- **Physical risks:** exacerbated severity and frequency of climate risks. In the medium- and long-term, due to adverse working conditions, labor productivity decreases strongly at a global level. The mortality and morbidity rates of the world population increase strongly. Some parts of the planet might become unlivable during the hottest times of the year. Extreme weather events such as flooding, precipitation, wildfires, and coastal storms destroy properties and infrastructures around the world, with devastating effects on companies' direct operations and supply chain, as well as on the global economy. There is a decrease in natural capital availability due to disruptions of agricultural and other ecosystem services. Companies divert their financial resources and investments from usual business growth plans into reconstruction and replacement. The world faces the worst impacts of climate change on a global scale.

- **Transition risks:** environmental regulations and policies are enforced at local level, with little focus on global environmental issues. Climate change mitigation is not on the world agenda, and the global economy keeps relying intensively on fossil fuel in the short-term. Carbon Dioxide Removals (CDR) are rarely used. The scarcity of energy sources, natural resources, and land-use opportunities has an adverse impact on every sector of the economy and on geopolitical stability. Household incomes are dramatically hampered by climate change impacts and inequalities are strongly growing at global level. There is extremely low interest in purchasing sustainable products and solutions, and so is the demand for alternative raw materials. The focus is on products and solutions for climate change adaptation only.

PHYSICAL CLIMATE-RELATED RISKS AND OPPORTUNITIES

According to the latest IPCC Assessment Report (2021), physical risks related to global warming will continue for at least a few decades in every scenario. For instance, a warmer climate will intensify very wet and very dry weather and climate events and seasons, with implications for flooding or drought, sea levels will continue to rise for hundreds or thousands of years due to continuing deep ocean warming and ice sheet melting, and the Arctic will be practically free of sea ice in at least one summer in the next 30 years. But how quickly seas will rise and how dangerous weather events might get still depends on which path the world opts to take.

Drivers	“Most optimistic” 1.5°C	“Middle of the road” 2.7°C	“To avoid at any cost” 4.4°C
Global warming (chronic)	Global warming of 2°C is extremely unlikely to be exceeded.	Global warming of 2°C is extremely likely to be exceeded.	Global warming of 2°C, is exceeded during the 21 st century.
Global surface temperature (chronic)	Compared to 1850–1900, very likely to be higher by 1.0°C to 1.8°C.	Compared to 1850–1900, very likely to be higher by 2.1°C to 3.5°C.	Compared to 1850–1900, very likely to be higher by 3.3°C to 5.7°C.
Global water cycle (acute/chronic)	Precipitation: the average annual global land precipitation is projected to increase by 0–5%. Droughts: significantly reduced probability of droughts in some regions, particularly in the Mediterranean, Southern Africa, Central and South America, including the Amazon, and Australia.	Precipitation: the average annual global land precipitation is projected to increase by 1.5–8%. Droughts: the land area affected by increasing drought frequency and severity will expand with increasing global warming as warming over land drives an increase in evaporation which reduces soil moisture.	Precipitation: the average annual global land precipitation is projected to increase by 1–13%. Droughts: the land area affected by increasing drought frequency and severity will expand with increasing global warming as warming over land drives an increase in evaporation which reduces soil moisture.
Sea level rise (acute/chronic)	Continued sea level rise: 0.4 m relative to 1900.	Continued sea level rise: <0.5 m relative to 1900.	Continued sea level rise: >0.6 m relative to 1900.
Ocean and land carbon sink effectiveness (chronic)	CO ₂ concentrations peak and decline during the 21 st century, the land and ocean begin to take up less carbon in response to declining atmospheric CO ₂ concentrations and turn into a weak net source of CO ₂ emissions by 2100.	CO ₂ rates taken up by the land and ocean are projected to decrease in the second half of the 21 st century.	CO ₂ emissions are extremely high. Thus, the proportion of CO ₂ emissions taken up by land and ocean carbon sinks from the atmosphere is smaller, making them less effective. They will not turn into a source by 2100.

The physical risks described above are larger in frequency and intensity with every additional increment of global warming, but also depending on the time horizon. The more we move away from a short-term view, towards a medium- and long-term one, the more physical risks outnumber opportunities at a global level. It appears in fact that, in the short term, a company like Sika might be favored by a global economy highly impacted by climate-related events that requires, for instance, buildings and infrastructures to be continuously refurbished. On the other hand, diverging from the “most optimistic” scenario would increase the likelihood and severity of climate-related physical risks which might impact Sika’s business in the medium- and long-term in the following ways:

- **Global warming and related extreme weather events:** extreme weather events, such as wildfires, tropical cyclones, and storms, can cause physical damage to operational assets, value chain disruptions – partial or total – involving upstream and downstream suppliers and distribution networks, resulting in lower operational efficiency and production capacity, early retirement of existing assets, increased operational costs and capital expenditures, increased insurance premiums and reduced availability of insurance on assets located in high-risk areas, shortages and price increase of raw materials, and revenue losses.
- **Global surface temperature and water scarcity/droughts:** cities intensify human-induced warming locally, and further urbanization, together with more frequent hot extremes, will increase the severity of heatwaves and droughts. As a result, uncomfortable working conditions might affect workers’ health and safety, reducing productivity and operational efficiency, which would require further investments in offices and plants, leading to higher capital expenditures. Furthermore, if the company fails to improve working conditions, due to a lack of effective measures or inaction, this might also lead to reputation risks. Water stress would also affect the water supply, reducing production capacity in water stressed areas and jeopardizing the production of water-based product ranges of concrete admixtures, coatings, and adhesive solutions.
- **Global water cycle and sea level rise:** in coastal areas, the combination of more frequent extreme sea-level events (due to ice melting and heavy precipitation) and extreme rainfall/river flow events, will make heightened erosion, salinizing groundwater, enhanced storm surges, and flooding more probable. Urbanization also increases mean and heavy precipitation over and/or downwind of cities and resulting runoff intensity. Sika’s, suppliers’, and customers’ facilities located in coastal areas, close to rivers or in cities, would be greatly exposed, resulting in relocation costs, higher investments due to damages or potential damages to plants, offices, and shops. Thus, availability and distribution of products might be negatively affected, potentially resulting in customer losses.

TRANSITION CLIMATE-RELATED RISKS AND OPPORTUNITIES

Risks and opportunities arising from efforts to transition to a lower-carbon economy may lead to various policy, legal, technology, and market changes, such as abrupt or disorderly introduction of public policies, technological changes, shifts in consumer demand, investor sentiment, and disruptive business model innovation. Addressing mitigation and adaptation requirements related to climate change may pose varying levels of financial impact as well as reputation risks to the company. In the following tables, for each driver, potential high-level risks and opportunities arising from the three selected scenarios are described.

POLICY AND LEGAL

Drivers	"Most optimistic" 1.5°C	"Middle of the road" 2.7°C	"To avoid at any cost" 4.4°C
Pricing GHG emissions	<p>Risk:</p> <ul style="list-style-type: none"> Cost increase in sourcing of raw materials (fossil fuels, cement, sand, etc.), and in manufacturing and products distribution activities around the world which emit CO₂. <p>Opportunities:</p> <ul style="list-style-type: none"> Due to an extensive range of low-carbon products and solutions, Sika is barely impacted by carbon markets and benefits from greater financial indirect returns. Due to high carbon pricing and transportation costs, shipping of goods between continents is reduced. Sika's decentral organization and local production represent an important competitive advantage. 	<p>Risk:</p> <ul style="list-style-type: none"> Moderate costs increase in sourcing of conventional and carbon intensive raw materials, manufacturing, and distribution activities only in regions where strict carbon pricing systems have been implemented. <p>Opportunity:</p> <ul style="list-style-type: none"> Due to its range of low-carbon products and solutions, Sika can limit its participation in carbon markets and benefit from indirect financial returns. 	<p>Risk:</p> <ul style="list-style-type: none"> Low costs to transport goods across the globe lead to more fierce competition from companies operating in jurisdictions with weak EHS regulations. <p>Opportunity:</p> <ul style="list-style-type: none"> Minor additional costs in producing and distributing conventional and carbon intensive products and solutions.
Climate-related reporting requirements and standards	<p>Risk:</p> <ul style="list-style-type: none"> Increasing costs (employees, consulting services, IT investments) due to additional reporting requirements and more stringent due diligence processes. <p>Opportunity:</p> <ul style="list-style-type: none"> Access to cheaper capital as investors favor investing in companies that can provide detailed carbon data over the ones that are not transparent regarding non-financial data. 	<p>Risk:</p> <ul style="list-style-type: none"> Weak harmonization among international reporting requirements and standards that differ at local and regional level. As a result, Sika struggles to efficiently allocate resources and implement a consistent corporate reporting system which is pivotal for developing a group climate strategy. <p>Opportunity:</p> <ul style="list-style-type: none"> Increased transparency and sustainability commitments and related action plans allows Sika to be a pioneer/best in class vs competitors. 	<p>Risk:</p> <ul style="list-style-type: none"> Lack of internal awareness and capacity to rethink Sika's business model and improve its resilience to climate-related physical risks. <p>Opportunity:</p> <ul style="list-style-type: none"> There is no harmonization among international reporting requirements and standards. As a result, Sika does not have to cover any additional costs and/or face the pressure to keep a high-quality level in reporting compared to competition.

Drivers	“Most optimistic” 1.5°C	“Middle of the road” 2.7°C	“To avoid at any cost” 4.4°C
Sustainable products regulations	<p>Risk:</p> <ul style="list-style-type: none"> – Sika's business model must consider new megatrends, which will lead to additional costs for developing/applying innovative technologies and identifying/sourcing alternative raw materials. <p>Opportunities:</p> <ul style="list-style-type: none"> – Sika benefits from availability of public incentives to develop sustainable solutions. – Customer demand for Sika's sustainable solutions and products will enormously increase, resulting in higher revenues, new markets opening and related Unique Selling Propositions, creating new revenue streams. 	<p>Risks:</p> <ul style="list-style-type: none"> – Demand for Sika's sustainable solutions will stay low due to fragmented local and regional sustainable product regulations. – Additional R&D spending is needed to ensure that Sika products and solutions are in line with evolving product regulations that are not applicable to all/majority of markets. <p>Opportunity:</p> <ul style="list-style-type: none"> – Customers demand for Sika's sustainable solutions and products will vary among regions, still resulting in higher revenues and opening of new markets. 	<p>Risk:</p> <ul style="list-style-type: none"> – Companies that do not comply with sustainable product regulations do not have barriers to enter markets since there are no established minimum requirements, increasing competition. <p>Opportunity:</p> <ul style="list-style-type: none"> – Sika does not have to comply with sustainable products regulations. No extra costs or investment are needed.
Litigation liability	<p>Risks:</p> <ul style="list-style-type: none"> – Failure to meet the net zero goal, combined with a global transparency obligation, would cause great reputational damage, loss of investors and customers globally, and related financial losses. – Tighter regulations of pollutants increase the possibility of legal actions against Sika and its suppliers, negatively affecting sourcing of raw materials. – Due to the elevated risk of climate change litigation, Sika has to carefully select suppliers and cannot partner with those who are not fully aligned with the decarbonization plan. If suppliers face such climate litigations, Sika might have to terminate the partnership, incurring supply chain disruptions. 	<p>Risks:</p> <ul style="list-style-type: none"> – Failure to reduce CO₂ emissions and to accelerate its decarbonization plan would cause reputational damage, loss of investors and customers at a local and/or regional level, and related financial losses. There is a growing number of lawsuits related to climate change in specific regions. – Due to the risk of climate change litigation in specific regions, Sika has to carefully select suppliers and cannot partner with those who are not fully aligned with the decarbonization plan. 	<p>Risks:</p> <ul style="list-style-type: none"> – Regulations of pollutants are enforced at local level, where Sika might face legal action. – Due to the moderate risk of pollutant litigation, Sika might have to stop working with selected local suppliers. – Sika might face a high number of warranty claims from customers if Sika products and solutions underperform due to extreme climate events and conditions, impacting Sika's reputation.

Drivers	"Most optimistic" 1.5°C	"Middle of the road" 2.7°C	"To avoid at any cost" 4.4°C
TECHNOLOGY			
Products and product innovation	<p>Risks:</p> <ul style="list-style-type: none"> – To ensure that most of Sika's products become low-carbon and circular (extended product responsibility), Sika faces additional costs/expenditure in R&D, quality, manufacturing, marketing, and customer services. – Procurement spending goes up as the global demand for alternative raw materials increases. – Rapid transitioning to a low carbon economy highly depends on the availability of alternative raw materials. Therefore, Sika highly depends on its suppliers who might not move as fast as Sika. <p>Opportunities:</p> <ul style="list-style-type: none"> – The remarkably high increase in demand for low-carbon solutions reinforces Sika's market share for those solutions that help to prevent and mitigate adverse effects of climate change. – Regional and local public incentives for sustainable product innovation are available on a global scale. 	<p>Risk:</p> <ul style="list-style-type: none"> – Due to fragmented customer demand, scaling up the production capacity of low-carbon products and solutions could lead to reduced profitability. <p>Opportunities:</p> <ul style="list-style-type: none"> – Higher demand for products that mitigate adverse effects of climate change leads to additional market shares and revenues for Sika. – Regional and local public incentives for product innovation are available on a local/regional scale. 	<p>Risk:</p> <ul style="list-style-type: none"> – Competition from companies that sell products at lower prices without considering social and environmental standards/costs. <p>Opportunities:</p> <ul style="list-style-type: none"> – While innovating products, Sika can focus just on product performance and not on product sustainability, reducing costs/expenditure in R&D, quality, manufacturing, marketing, and customer services. – Market demand for products and solutions that facilitate adaptation to climate change increases at a global level due to the exacerbated severity and frequency of climate-related physical risks.

Drivers	“Most optimistic” 1.5°C	“Middle of the road” 2.7°C	“To avoid at any cost” 4.4°C
New and disruptive technologies	<p>Risks:</p> <ul style="list-style-type: none"> – Facing strong and aggressive competition from an increasing number of stakeholders (competitors, startups, universities, etc.) that can compete with Sika solutions might lead to market share losses in specific target markets. – Additional investments are needed (R&D, target markets, marketing, customer services) to secure Sika’s market position and keep the pace in this low-carbon innovation race. – Additional costs to scale up breakthrough/disruptive low carbon innovative technologies on a global scale to meet customer demand. <p>Opportunities:</p> <ul style="list-style-type: none"> – Possibility to benefit from regional and local public incentives for the development of low-carbon innovative technologies. – Strong in-house innovation and entrepreneurial culture foster the development of breakthrough innovative products and solutions relying on new low-carbon technologies (resource efficiency, carbon capture utilization, and storage technologies), helping customers to decarbonize and prevent and mitigate adverse effects of climate change. Sika’s revenues increase on a global scale. – By improving its image as a sustainable company, Sika attracts new talent and a skilled generation of young workers sensitive to environmental issues. – Availability of innovative technologies in the market facilitates the usage of recycled materials into product formulation, reducing procurement costs and improving product circularity. 	<p>Risk:</p> <ul style="list-style-type: none"> – Due to fragmented demand for low- carbon energy and sustainable product technologies, Sika struggles to plan investment in production, energy sourcing, and transportation on a global scale. Strategy diversification is pivotal. <p>Opportunities:</p> <ul style="list-style-type: none"> – Possibility to benefit from regional and local public incentives for the development of carbon-efficient production technologies. – By developing new and sustainable technologies, Sika’s product performance is improved and helps customers adapt/mitigate climate-related physical risks. Sika’s revenues increase at regional/ local level. 	<p>Risks:</p> <ul style="list-style-type: none"> – Facing strong and aggressive competition on innovation and technological progress regarding climate adaptation products and solutions from both disruptive and traditional competitors that might beat Sika products and solutions, causing a market share loss in specific target markets. – Additional investments are needed (R&D, Target Markets) to secure Sika’s market position in a strong open economy. <p>Opportunity:</p> <ul style="list-style-type: none"> – Reliance on Sika’s strong in-house innovation and entrepreneurial culture to further improve current products and solutions’ formulations and reinforce the durability of Sika’s product ranges with low additional investments.

Drivers	“Most optimistic” 1.5°C	“Middle of the road” 2.7°C	“To avoid at any cost” 4.4°C
MARKET			
Customer behavior and preferences	<p>Risk:</p> <ul style="list-style-type: none"> – Due to strong customer demand for low-carbon solutions, Sika has to shift its focus towards sustainable solutions very rapidly, which will lead to transitional R&D and operational costs. If the transition is too slow, customers will move to competitors, leading to a loss of market share for Sika. <p>Opportunity:</p> <ul style="list-style-type: none"> – Customers choose Sika over competitors due to its sustainable products and solutions offer. Market shares and revenues increase. 	<p>Risk:</p> <ul style="list-style-type: none"> – Due to fragmented customer demand, Sika’s product offering is diverse and varies from one region to another, leading to higher operational and R&D costs with limited economy of scale. <p>Opportunity:</p> <ul style="list-style-type: none"> – Being a decentralized company facilitates Sika to offer diversified products and solutions depending on regional/local customer demand. 	<p>Risk:</p> <ul style="list-style-type: none"> – Due to raw material scarcity, Sika has to develop/use alternative materials. However, it might be difficult to get the buy-in of customers for such alternative products since “sustainability” is not an added value for them in this scenario. <p>Opportunity:</p> <ul style="list-style-type: none"> – Strong customer preferences for durable buildings and infrastructures due to extreme weather events, increasing the demand for performant products and solutions in the construction sector, strengthening Sika’s positioning in the market.
Market signals	<p>Risks:</p> <ul style="list-style-type: none"> – The market wants to move to a low-carbon economy, higher investments are needed to decarbonize Sika’s processes (sourcing, manufacturing, and distribution), and higher spending on alternative raw materials, renewable energy, and low-carbon modes of distribution are needed. – Costs increase to produce and sell conventional and carbon-intensive products and solutions, putting corporate profitability at risks. <p>Opportunity:</p> <ul style="list-style-type: none"> – Possibility to benefit from low-carbon energy sources and transportation infrastructures, and from alternative raw material supplies at a global level which facilitate Sika’s business decarbonization. 	<p>Risks:</p> <ul style="list-style-type: none"> – Due to disparate market signals, operational and R&D investment plans cannot be standardized at a global scale but defined against regional or local market trends. The offering of an extensive product portfolio results in higher costs for Sika. – Difficulties to coordinate and steer Sika’s growth and acquisitions strategy due to a multitude of regulatory frameworks and highly differing market conditions on a local and regional level. – Access to low-carbon energy sources and transportation infrastructures varies among local and regional areas. <p>Opportunity:</p> <ul style="list-style-type: none"> – There is still demand for sustainable solutions, particularly in the construction sector, that will help maintain or gain selected market shares and increase revenues. 	<p>Risk:</p> <ul style="list-style-type: none"> – The global market is mostly focused on economic growth, and a strong open economy with lack of regulations leads to harsh competition and instability/lack of certainty regarding profitability.

Drivers	“Most optimistic” 1.5°C	“Middle of the road” 2.7°C	“To avoid at any cost” 4.4°C
Raw materials	<p>Risks:</p> <ul style="list-style-type: none"> – Cost increases in sourcing raw materials that are scarce or CO₂ intensive. – Greater competitiveness over alternative raw materials and higher prices due to their scarcity. – Specific raw materials are stranded or limited in volume at global, regional, and local level, leading to disruptions in Sika’s value chain. <p>Opportunity:</p> <ul style="list-style-type: none"> – Development of products and solutions requiring less resources (such as recycled materials) results in cost savings and increased efficiency in production. 	<p>Risks:</p> <ul style="list-style-type: none"> – Due to fragmented regional demand, raw materials are unevenly available on the market. – Limited access to specific raw materials that only exist in certain regions, leading to value chain disruption. <p>Opportunity:</p> <ul style="list-style-type: none"> – Demand is mixed, and Sika can source both conventional/ carbon-intensive and alternative raw materials. Prices are more stable and so is competitiveness. 	<p>Risks:</p> <ul style="list-style-type: none"> – Exploitation of conventional/ carbon-intensive raw materials leads to raw material scarcity/ shortage and prices increase. – Due to fierce competitiveness in a strong open economy, Sika might face aggressive procurement practices from competitors that could affect Sika’s sourcing of raw materials. – Without a strong demand, suppliers do not market alternative raw materials, and Sika struggles to source material inputs needed to develop alternative products and solutions to reduce its dependency on conventional raw materials.

REPUTATION

Chemical sector perception	<p>Risks:</p> <ul style="list-style-type: none"> – Commercialization of fossil fuel-based products might damage the company’s reputation. – Sika’s acquisition strategy must be reviewed considering the net zero goal. Failure to do so would lead to extra costs and investments in newly acquired companies which are not aligned with Sika’s decarbonization path. <p>Opportunities:</p> <ul style="list-style-type: none"> – By diversifying its products’ portfolio towards more sustainable solutions, Sika reduces its dependencies on fossil fuel, and significantly increases its business resilience and reputation. – By offering sustainable solutions, Sika enables its customers to decarbonize and mitigate adverse effects of climate change. Thanks to that, the company will enjoy an exceptionally good reputation and demand for its products in the global market. – By being a leader in enabling the decarbonization of the construction and transportation industries, Sika attracts the best talents. 	<p>Risks:</p> <ul style="list-style-type: none"> – The acquisition of fossil fuel-based intensive companies is negatively perceived by some groups of stakeholders at a regional and local level. – Companies not following the decarbonization path do not attract the right talents in countries with high climate change awareness levels. <p>Opportunity:</p> <ul style="list-style-type: none"> – Sika enables customers from the building sector to prevent and mitigate adverse effects of climate change, leading to an established good reputation in regional markets. 	<p>Risk:</p> <ul style="list-style-type: none"> – “Sika as Enabler” is not perceived by stakeholders as a great advantage vs. competitors and does not contribute to Sika’s good or bad reputation. <p>Opportunity:</p> <ul style="list-style-type: none"> – Sika does not face any specific climate-related obstacle in executing its business growth strategy and it can focus on profitability, without having any negative impact on its reputation.
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Drivers	“Most optimistic” 1.5°C	“Middle of the road” 2.7°C	“To avoid at any cost” 4.4°C
Stakeholder dialogue	<p>Risk:</p> <ul style="list-style-type: none"> – Inability to identify relevant stakeholders and to establish a dialogue with them, can lead to activist actions against Sika or missed market opportunities due to poor alignment with stakeholders’ views. <p>Opportunities:</p> <ul style="list-style-type: none"> – Great cooperation with global, regional, and local stakeholders (customers, suppliers, institutions, universities, etc.) to develop low-carbon solutions for the construction, transportation, and automotive sectors. – Great cooperation with stakeholders along the entire value chain highly supports and contributes to the achievement of Sika’s net zero goal. 	<p>Risk:</p> <ul style="list-style-type: none"> – Fragmented and complex dialogue due to mixed stakeholders’ perception and engagement levels related to the topic of climate change. This reduces Sika’s efficiency and increases costs. <p>Opportunity:</p> <ul style="list-style-type: none"> – At a regional level, dedicated stakeholders’ groups focusing on climate change adaptation and mitigation help Sika develop tailored low-carbon products and solutions. 	<p>Risk:</p> <ul style="list-style-type: none"> – Fierce competition among companies and countries reduces the possibility to cooperate with global, regional, and local stakeholders (customers, institutions, universities, etc.) to develop solutions for the construction, transportation, and automotive sectors which improve performance and mitigate climate change impacts.

GROUP

PERFORMANCE 2021

GLOBAL

Sika achieved record results for sales and profit – EBIT margin increased to 15.0%

Sika performed well in a challenging environment in 2021, once again demonstrating the strengths of its business model. Despite the ongoing COVID-19 pandemic and bottlenecks in the procurement of raw materials, sales rose significantly to a record CHF 9,252.3 million. Operating profit (EBIT) went up by an over-proportional 23.1%, hitting a new record figure of CHF 1,391.4 million. This equates to an EBIT margin of 15.0%. 2021 was expected to be a challenging year and it proved to be a very successful one for Sika. The company is able to harness the potential of various growth platforms to ensure success over the long term.

Update on acquisition of MBCC

Along with seven completed acquisitions in the past year under review, Sika was able to sign a binding agreement for the takeover of MBCC Group (BASF Group's former construction chemicals business) in November 2021. With sales of CHF 2.9 billion, MBCC Group is a leading supplier of construction chemicals and solutions worldwide. This acquisition will complement and broaden Sika's product and solutions offering in four of five core technologies and seven of eight Target Markets, while further strengthening the geographic footprint. The transaction will give rise to a major player supporting greater sustainability.

The market for construction chemical products and solutions is set to grow to around CHF 80 billion in the next years and, as it is heavily fragmented, will continue to offer substantial growth opportunities even after Sika's acquisition of MBCC. MBCC generates around 53% of its sales in the construction systems segment and the remaining 47% in the area of concrete admixtures. The acquisition is subject to approval by the authorities. Sika is confident it will receive all required clearances in a timely manner and will cooperate closely with the authorities to this end. The closing of the acquisition remains targeted for the second half of 2022.

Sika as an Enabler of sustainable construction and environmentally-friendly mobility

Climate change is presenting society with major challenges. In its growth strategy, Sika has committed to reducing its CO₂eq emissions (scope 1 and 2) by 12% by 2023. In 2021 it was once again able to clearly surpass this target, cutting its CO₂eq emissions per ton sold by a further -10.1% (previous year: reduction of 25.9%). At the Capital Markets Day scheduled for September 30, 2022, the Group will announce its new sustainability targets, including a net zero roadmap.

Sika sees itself as an enabler: a supplier of innovative products that enable its customers to lower their CO₂ emissions, build in a way that conserves resources and make structures safer. Thanks to Sika solutions, they are able to enhance many aspects of their products and processes. These range from admixtures for low-emission concrete, to facade systems for energy-efficient buildings, and adhesives for environmentally-friendly vehicles.

Sika was able to grow in all regions

In general, the economy in 2021 recovered more quickly than expected from the impact of the pandemic. The fast-growing construction sector played a considerable part in this. In 2021, Sika was able to grow in all regions. Moreover, distribution business posted significant gains in all regions.

CO₂eq emissions per ton sold (scope 1 and 2)

-10.1%

The EMEA region (Europe, Middle East, Africa) reported a sales increase in local currencies of 16.1% (previous year: 4.4%). As in 2020, growth in distribution and refurbishment business outstripped growth in the other business segments. Nearly all countries in the region achieved double-digit growth rates. The United Kingdom and the countries in Africa, the Middle East, and Eastern Europe benefited from an upsurge in

growth. In general, sales of Sika product solutions via e-commerce platforms saw an above-average increase.

The Americas region recorded growth in local currencies of 21.0% (previous year: 1.0%). In the USA, Sika gained substantial momentum. Growth was driven by large-scale refurbishment projects and new-build projects in the area of distribution and data centers. Strong growth rates were achieved in Mexico, Colombia, Brazil, Peru, and Chile. In the Americas region the strategic focus of business activities on big cities and metropolitan areas again paid off, as did the concentration on major infrastructure projects and the targeted realization of cross-selling potential.

Sales in local currencies in the Asia/Pacific region increased by 19.4% (previous year: 12.6%). China in particular benefited from the ongoing strong growth momentum with double-digit organic growth rates, and successfully expanded its infrastructure and distribution business. India continued to see a dynamic development, while the countries in Southeast Asia recovered from the severe lockdowns in the last quarter of the year. The trend in Japan remains challenging. Investment activity in the country's construction market is still subdued.

In the Global Business segment, Sika posted growth in local currencies of 4.3% (previous year: -11.4%), thus outperforming the market. The automotive industry experienced major bottlenecks in the electronic parts supply chain. Whereas forecasts at the beginning of the year predicted a strong recovery in the volume of new vehicles manufactured compared with the previous year, particularly in the second half there was a sharp decline owing to the lack of availability of semi-conductors. Nevertheless, Sika anticipates continued strong growth stimuli from the megatrends evident in modern automotive production: electromobility and lightweight construction. In particular, the transition from traditional drive systems to electromobility gained momentum during the pandemic and is benefiting from various government support programs in a number of countries.

Record figures for sales and profit

Not only did Sika post record sales, but profit also reached an all-time high despite an extremely steep increase in raw material costs. Thanks to price increases, rigorous cost management and economies of scale, efficiency gains, and synergies from acquisitions, Sika was not just able to offset the high raw material costs at EBIT level – it also managed to substantially improve EBIT. This came in at CHF 1,391.4 million, a 23.1% gain on the prior-year figure of CHF 1,130.5 million. The EBIT margin amounted to 15.0% (previous year: 14.4%). In keeping

with this development, net profit rose sharply by 27.1% to an overall CHF 1,048.5 million (previous year: CHF 825.1 million). Operating free cash flow came to CHF 908.4 million (previous year: CHF 1,259.4 million) due to increased inventory value and a higher level of investments, and was therefore lower than in the previous year.

Higher dividend to be proposed

Given the record results, the Board of Directors will be proposing a 16.0% increase in the gross dividend to CHF 2.90 per share (previous year: CHF 2.50) at the Annual General Meeting on April 12, 2022.

Key balance sheet figures

The ratio of net working capital to net sales increased slightly in 2021 to 18.4% (previous year: 16.9%). The rise is attributable to the higher value of inventories due to increased raw material prices. At the end of 2021, cash and cash equivalents amounted to CHF 1,175.0 million (previous year: CHF 1,318.7 million). Net debt was reduced further to CHF 2,538.9 million (previous year: CHF 2,855.8 million), while gearing fell to 57.8% (previous year: 86.9%). The equity ratio increased again and now stands at 41.1% (previous year: 33.6%). Return on capital employed (ROCE) was significantly higher at 20.1%, and was back over 20% (previous year: 16.6%). Adjusted for acquisitions, ROCE for 2021 would be 29.5% (previous year: 29.3%).

Increase in the gross dividend in CHF

+0.40

REGIONS

Regional development is on track

In the 2021 fiscal year, Sika performed impressively in a challenging environment, recording significant growth in all regions. Despite the ongoing COVID-19 pandemic and general difficulties in procuring certain raw materials, business activities were continued at a high level.

EMEA (Europe, Middle East, Africa)

Following a phase of economic downturn, the Eurozone exhibited robust consumer-driven growth in the spring and summer when the pandemic-related restrictions were eased. However, the economic recovery lost some of its momentum from the third quarter onward as new waves of the COVID-19 virus weighed on consumer sentiment and certain manufacturing activities had to be scaled back. Sika performed well in this challenging environment, benefiting from – among other things – implemented and planned state investment programs. These will continue to stimulate the Eurozone construction economy over the coming years.

Sika's sales in the EMEA region (Europe, Middle East, Africa) were up by 16.1% in local currencies (previous year: 4.4%). As in 2020, growth in distribution and renovation business outstripped growth in the other business segments post double-digit growth.

Nearly all countries in the region achieved double-digit growth rates. The United Kingdom and the countries in Africa, the Middle East, and Eastern Europe benefited from an upsurge in growth. In general, sales of Sika product solutions via e-commerce platforms saw an above-average increase. In the period under review, Sika acquired a leading manufacturer of mortar products in Russia in the form of Kreps LLC, thereby further expanding both its existing product portfolio and its geographic presence.

Region EMEA sales growth in local currencies

+16.1%

Americas

An economic recovery took hold in the entire Americas region in 2021. Following a prolonged negative growth phase of -6.8% in 2020, Latin America bounced back with positive growth of 6.3% in 2021. Economic growth in the United States and Canada amounted to around 5% and 6%, respectively.

The Americas region recorded growth in local currencies of 21.0% (previous year: 1.0%). In the USA, Sika gained substantial momentum. Growth was driven primarily by large-scale refurbishment projects and new-build projects in the area of distribution and data centers. Furthermore, Sika has successfully positioned itself to participate in the large state-sponsored infrastructure projects.

E-commerce platforms and direct sales channels also recorded strong growth, as working from home increased and consumers were keen to invest in their apartments. Due to the strong demand for raw materials, the mining sector also developed dynamically.

Strong growth rates were achieved in Mexico, Colombia, Brazil, Peru, and Chile. In the Americas region the strategic focus of business activities on big cities and metropolitan areas again paid off, as did the concentration on major infrastructure projects and the targeted realization of cross-selling potential.

In the period under review, Sika acquired DriTac, a US-based company with a strong market position in wood floor bonding.

In addition, a manufacturer of mortar products in Brazil was brought into the Sika Group in the form of BR Massa. Thanks to this acquisition, Sika improved its position in one of the leading economic regions of Brazil, as well as expanding its production capacity.

The company also acquired American Hydrotech Inc. in the United States and its Canadian subsidiary Hydrotech Membrane Corporation in 2021. Hydrotech is an established manufacturer of liquid membranes and offers comprehensive solutions for roofing and waterproofing. It is also the clear market leader in North America in the rapidly growing green roof systems segment.

Sika also acquired the family-run company Bexel Internacional S.A. de C.V., a leading manufacturer of tile adhesives and stuccos in Mexico. With this acquisition, Sika is expanding its position in the rapidly growing Mexican market for mortar products and significantly increasing its production capacity with five strategically positioned factories.

Region Americas sales growth in local currencies

+21.0%

Asia/Pacific

Various countries in Asia/Pacific benefited from the onset of a wide-ranging recovery in the year under review. With economic growth of 8.1%, China developed positively thanks to a strong export economy. India likewise displayed positive momentum and was able to benefit from public sector stimuli in both infrastructure and manufacturing. Australia and New Zealand recorded GDP growth of 3.9% and 4.1%, respectively. The construction economy of Southeast Asia gained a certain momentum in the first half of 2021, although a number of countries in the region then recorded a slowdown in the second half as the COVID-19 pandemic took hold again.

Sika managed to increase sales in local currencies in the Asia/Pacific region by 19.4% (previous year: 12.6%).

China in particular benefited from the ongoing strong momentum with double-digit organic growth rates, and successfully expanded its infrastructure and distribution business. India continued to see a dynamic development, while the countries in Southeast Asia recovered from the severe lockdowns in the last quarter of the year. The trend in Japan remains challenging. Investment activity in the country's construction market is still subdued.

During the period under review, Sika acquired Hamatite, the adhesives division of Yokohama Rubber Co., Ltd. Hamatite is a market leader in Japan, offering adhesives and sealants for the automotive and construction industries. The acquisition significantly improves Sika's position in the Japanese market, giving it more comprehensive access to all major Japanese automotive manufacturers and a broader range of sealants and adhesives for the Japanese construction industry.

In China, Sika acquired Shenzhen Landun Holding Co., Ltd., a manufacturer of a comprehensive range of products and technologies for building waterproofing. The company operates two state-of-the-art production facilities that produce a range of membranes and coatings for different applications – especially for infrastructure and commercial projects.

Global Business

Following a year-on-year decline of 16.2% in 2020, the number of globally produced new vehicles rose by 2.5% in 2021, thereby recording a slightly positive growth figure for the first time since the start of the COVID-19 pandemic.

The automotive industry continued to experience major bottlenecks in the electronic parts supply chain. Whereas forecasts at the beginning of the year predicted a strong recovery in the volume of new vehicles manufactured compared with the previous year, particularly in the second half there was a sharp decline owing to the lack of availability of semiconductors.

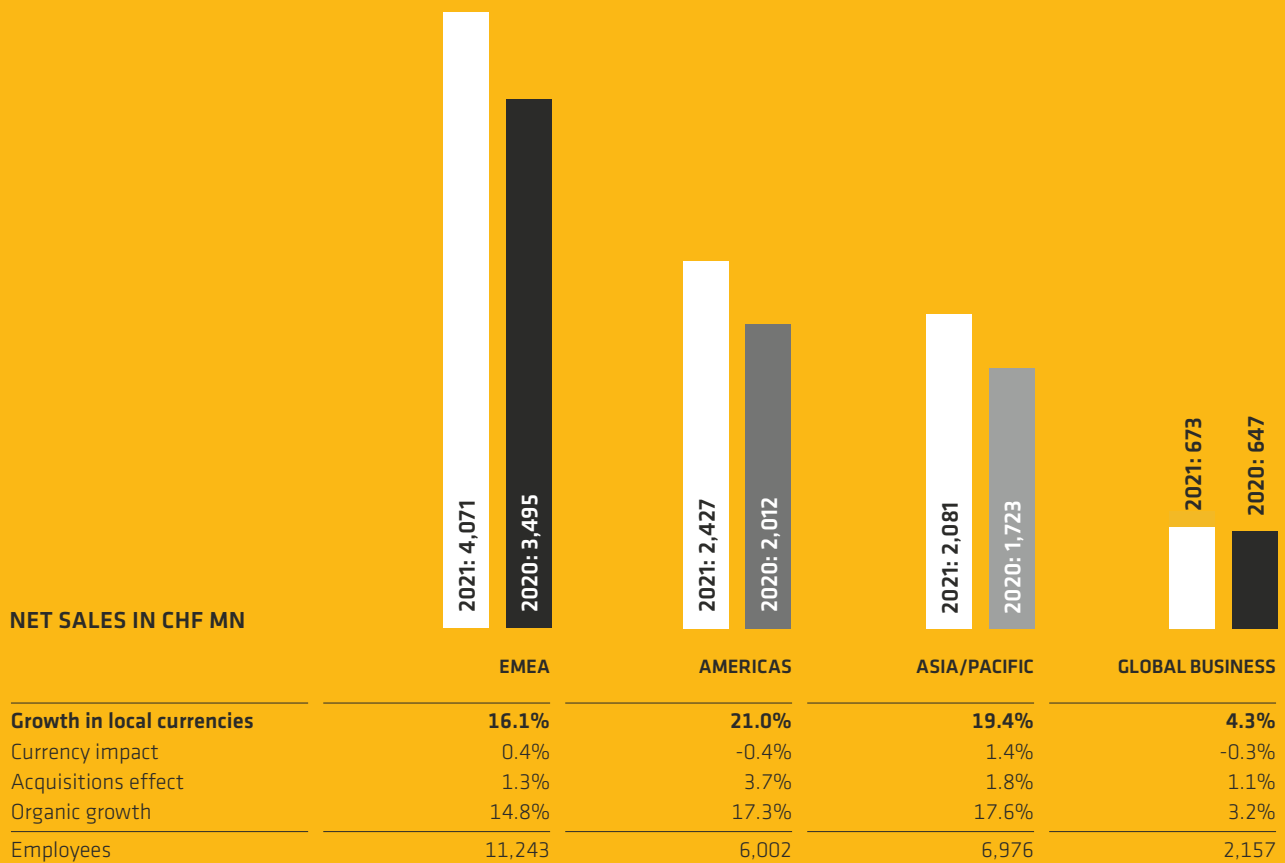
In the Global Business segment, Sika achieved growth in local currencies of 4.3% (previous year: -11.4%) while at the same time further expanding its position in a difficult automotive market. Sika grew faster than the market thanks to the marketing of its product range on new model platforms and an expansion of the share of Sika products in e-vehicles.

The company is anticipating continued growth stimuli from technological change and the megatrends in modern automotive construction. This will benefit lightweight construction techniques. Above all, however, the transition from traditional drive systems to electromobility gained momentum during the pandemic and is benefiting from various government support programs in a number of countries.

Region Asia/Pacific sales growth in local currencies

+19.4%

THE REGIONS IN BRIEF



OUTLOOK

Continuation of successful growth strategy

Thanks to its innovative technologies, Sika is the partner of choice for many customers in the construction and industrial sectors. Government supported investment programs running into the billions will provide further impetus for its business in the coming years. In addition, Sika is making targeted use of the megatrends that drive its key markets.

Based on these expectations, Sika is confirming its 2023 strategic targets. The company remains aligned for long-term success and profitable growth. With its focus on the six strategic pillars – market penetration, innovation, operational efficiency, acquisitions, strong corporate values, and sustainability – Sika is seeking to grow by 6%–8% a year in local currencies up to 2023. From 2021 onwards, the company is aiming to achieve an EBIT margin in the range of 15%–18%. Projects in the areas of operations, logistics, procurement, and product formulation should result in an annual improvement in operating costs equivalent to 0.5% of sales.

For fiscal 2022, Sika expects sales to rise by well over 10% in local currencies – surpassing CHF 10 billion for the first time – and is anticipating an over-proportional increase in EBIT.

Expected sales 2022

>10 Billions
CHF

SUSTAINABILITY REPORT

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STRATEGIC FOUNDATION

The world is changing. Economic challenges resulting from the pandemic persist, societies are growing dependent on digital systems, and greenhouse gas (GHG) emissions are rising. The performance of a company is no longer solely measured based on financial metrics, but ESG (Environmental, Social, and Governance) metrics are becoming equally important. This is a major opportunity for Sika, as it has the ability to drive the change towards a more sustainable society.

Sustainability is at the center of everything Sika does. As a technology leader with a global presence, Sika focuses on creating value for all stakeholders across the entire value chain – always considering economic, environmental, and social aspects in all its activities.

Sika can make the largest positive impact by developing and offering innovative technologies which allow the construction and transportation industry to be more sustainable – helping customers to construct healthier and safer buildings and vehicles with a lower carbon footprint. With its products and solutions and clearly defined strategic targets, Sika actively contributes to the United Nations Sustainable Development Goals (UN SDGs).

The outstanding engagement of its employees and their strong identification with the company are a key contributor to Sika's success. Its strong corporate culture promotes an inclusive work environment where everyone is treated fairly and has access to equal opportunities. Since the foundation of the company more than 100 years ago, social responsibility has been an integral part of the culture, with a long-standing commitment to community engagement in all the countries where Sika is active.

The progress made on strategic targets is closely monitored and measured. To make sure immediate action is taken and to increase engagement in the organization, there is a clear structure of accountability in place, whereby economic and ESG performance are transparently integrated into incentive programs for senior management.

The Sika Sustainability Report provides a comprehensive overview of the company's sustainability performance in 2021 across its six target areas. Simultaneously, it highlights the performance of the identified material topics, reflecting the sustainability impacts of Sika's operations, products and solutions, on employees, suppliers, customers, communities, and on the planet.

SIKA SUSTAINABILITY STRATEGY 2019–2023

The strong performance of Sika is founded on the company's entrepreneurial philosophy and the Sika Spirit, which is a synonym for the 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 Sika Growth and Sustainability Strategies were aligned in 2019 and are closely linked to each other:

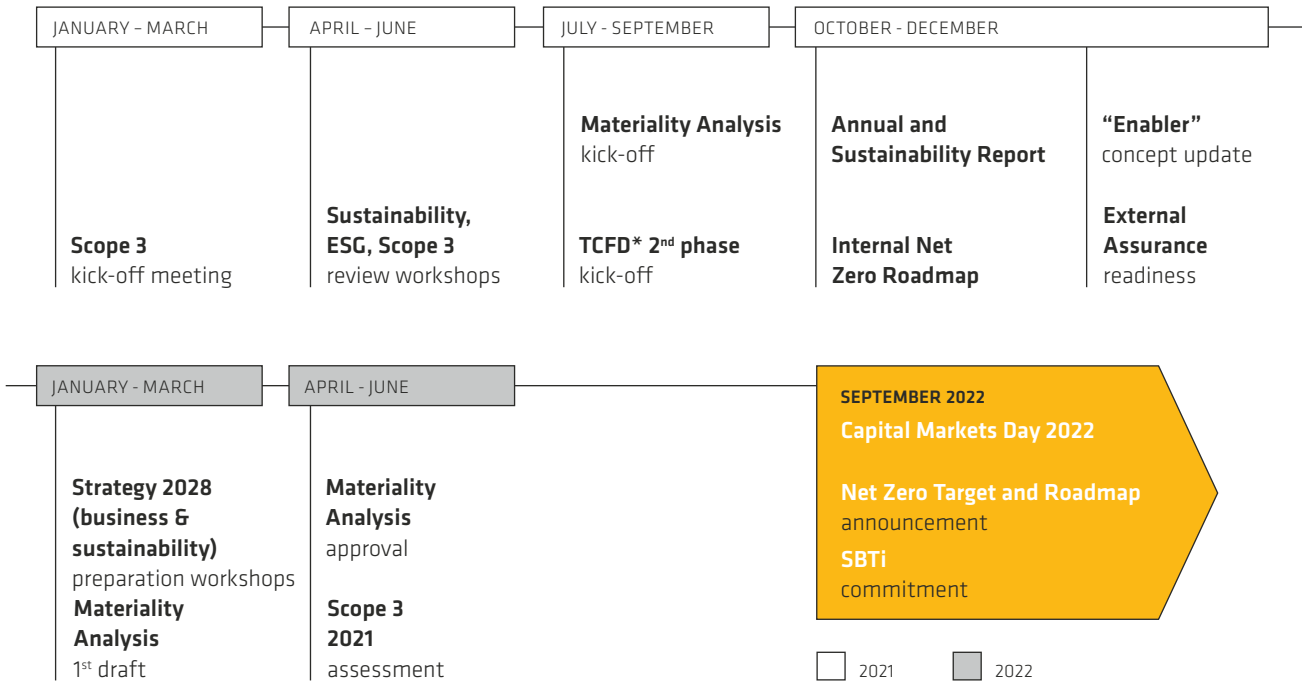
- The Sika Growth Strategy 2023 ensures long-term success and profitable growth. The company's innovative drive combined with sustainability is a key component. Sustainability is the overarching principle with the overall goal to reduce the CO₂eq emissions (scope 1 and 2) per ton sold by 12% until 2023.
- The Sustainability Strategy "More Value – Less Impact" 2023 integrates the results of the materiality analysis conducted in 2018 and the development of the Sika Growth Strategy. It refers to Sika's ambition 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. With the "More Value – Less Impact" Strategy, Sika pursues six strategic target areas, focusing on Climate Performance, Energy, Waste/Water, Community Engagement, Occupational Safety, and Sustainable Solutions.

At the Sika Capital Markets Day 2021 (available at <https://www.sika.com/en/investors/events/2021-capital-markets-day.html>), CEO Thomas Hasler presented the Sika Sustainability Roadmap which includes the milestones below that will be performed between 2021 and the second half of 2022:

- Scope 3 assessment: Sika initiated a company-wide initiative in 2020/2021 to assess and calculate the CO₂eq emissions from its material scope 3 GHG categories in accordance with the requirements of the Greenhouse Gas Protocol (GHGP). A second phase of this project started in 2021, and is currently ongoing, to consolidate the methodological approach and assess the scope 3 emissions for 2021. Based on this analysis, Sika will define its carbon reduction pathway which will contribute to reaching net zero by 2050.
- Sustainability, Scope 3, ESG workshops: three internal workshops have been organized for the Group management by internal and external experts to trigger a discussion on sustainability-related topics for the upcoming strategy review process.
- Materiality analysis: to align the sustainability strategy with stakeholder expectations, Sika regularly processes a materiality analysis. This analysis allows the company to identify the most important ESG/sustainability topics, opportunities, and risks for the business from two perspectives: their importance to Sika stakeholders and their impact on Sika's business. In 2021, the company has started to work on the Sika Materiality Analysis 2022 as an important basis for the imminent strategy review. The new materiality matrix will be reviewed by the Group Management in February 2022 and approved by the Board of Directors in the second half of 2022.
- TCFD: Sika is an official supporter of the TCFD recommendations. Since 2020, the company has started assessing climate-related risks and opportunities and their impacts on Sika's strategic resilience. In 2021, Sika has further advanced its analysis which has been included in the "Risk Management and TCFD Recommendations" chapter of the Strategic Report (p.23)
- Net zero roadmap: to address the global environmental challenge, Sika is tackling climate change comprehensively in its strategic development. Several activities were performed in the last years to foster the basis of Sika forthcoming net zero roadmap and commitment to the latest Net Zero Science-Based-Target initiative (SBTi) criteria.
- "Sika as Enabler": with clear commitment to sustainability, Sika is not only focusing on reducing its own CO₂eq emissions, but also emissions along its value chain. Sika has a strong focus on helping customers to reduce their CO₂eq footprint by providing innovative solutions and products. In many respects, Sika's technologies make the company an "enabler" that strongly contributes to the climate neutrality journey of the construction and automotive industries.
- External assurance: in 2021, Sika selected an external auditor that will perform a limited assurance of 2022 non-financial data and information.
- Strategy 2028: in February 2022, Sika will hold the first workshops to prepare the review process of the Corporate Strategy, further integrating sustainability with business growth.

In 2022, Sika will continue its sustainability journey as presented in the roadmap below, maintaining a focus on net zero with a Science Based Target initiative (SBTi) commitment in the second half of 2022.

Sika Roadmap



* Task Force on Climate-Related Financial Disclosures

In 2021, Sika nominated Patricia Heidtman as the new Chief Innovation and Sustainability Officer and member of Group Management. Combining leadership for Innovation and Sustainability will allow Sika to accelerate the integration of sustainability within the organization at all levels, and to become a leader within its industry. Please see the chapter “Products”, section “Products, Innovation and Sustainability” on p.127 for more information on how Sika combines innovation and sustainability with examples of sustainable solutions developed by the company.

Since 2020, a network of four Regional Sustainability Managers, coordinated by the Innovation and Sustainability team, has the objective to strengthen the rollout of the Sustainability Strategy at regional and local levels. The existing network of regional EHS managers, operations managers and sustainability experts supports local Sika companies in the identification, planning, and implementation of higher-level regional measures. Local operations managers are responsible for implementing initiatives helping Sika’s targets to be met and for setting and achieving local targets.

Until 2021, the sustainability activities across the Group were coordinated by the Communications & Investor Relations department. To facilitate the interaction and align the various initiatives, an internal Sika Sustainability Committee was established. This committee steers and coordinates all sustainability-related projects aimed at achieving sustainability targets and monitoring proper implementation of the Sustainability Strategy throughout the Group. It also prepares the decision-making of Group Management on such topics. The Committee is now chaired by the Chief Innovation and Sustainability Officer and meets monthly. It includes the following corporate functions: Innovation and Sustainability, Operations, Quality & EHS, Communications & Investor Relations, Controlling, Mergers & Acquisitions, Human Resources and Compliance, Procurement, Marketing and Target Markets.

Moreover, in 2021, Sika has allocated the responsibility for the ESG controlling to the corporate finance function which is led by the Chief Financial Officer (CFO) to further strengthen the collection process of non-financial data and information for the Sika Group. The holistic controlling system enables Sika to track finance, operations, quality, and sustainability performance in a coordinated way, thus improving the quality of non-financial data and information. Furthermore, the controlling activities are strengthened and management at all levels is supported in their short, mid, and long-term decisional process.

The implementation of the Sustainability Strategy across the Group is moving ahead and performance for year 2021 shows that Sika has improved in all six target areas – Climate Performance, Energy¹, Water/Waste, Community Engagement, Occupational Safety, and Sustainable Solutions. Please see the infographic “Identification of Strategic Targets” for more details on Sika’s strategic targets and related performance on p.59-60 of the Sustainability Report.

¹ Excluding the impact of leased vehicle fuel, see details in the “Energy Management” section on p.118








“Sustainability drives innovation and permeates our entire organization. It is both a mindset guiding us to be more respectful and resourceful in all our endeavors and a prerequisite for us to move towards the world of tomorrow. We aim to create added value for all stakeholders – with our sustainable solutions, close collaboration along the entire value chain, active community engagement, and our highly motivated and dedicated employees.”

Patricia Heidtman
Chief Innovation and Sustainability Officer



IDENTIFICATION OF STRATEGIC TARGETS

At Sika, sustainability has long been a core element of its strategy, business operations and corporate culture. Sika's Sustainability Strategy is therefore linked to its corporate strategy and encompasses six targets that cover the environmental, social, governance/economic dimensions. These targets were identified through the Materiality Analysis conducted in 2018 and contribute to eight of the 17 goals of the UN 2030 Agenda for Sustainable Development (UN SDGs).

MATERIAL TOPICS	ENVIRONMENTAL		
	<ul style="list-style-type: none"> Water Management Waste Management Circular Economy 	<ul style="list-style-type: none"> Materials Energy Management GHG Emissions 	<ul style="list-style-type: none"> Environmental Compliance Supplier Compliance
STRATEGIC TARGETS	TARGET 2023 (BASELINE: 2019)	PERFORMANCE 2021	UN SDGs
	Climate Performance We run our business in a responsible way and mitigate climate change and its impacts. -12% reduction of CO ₂ eq emissions per ton sold (scope 1 and 2)	-10.1% reduction of CO₂eq emissions per ton sold (scope 1 and 2)¹. The emission of greenhouse gases was reduced significantly to 17.6kg per ton sold, a reduction of 2.0 kg compared to 2020. Compared to baseline 2019: -34.6%	 
	Energy We manage resources and costs carefully. -15% less energy consumption per ton sold  Increase share of electricity from renewable energy sources	+7.7% increase in the energy consumption per ton sold. Energy consumption per ton sold increased by 22 MJ to 308.1 MJ, due to the inclusion of leased vehicle fuel. Compared to baseline 2019: -15.1% 52.3% of purchased electricity was derived from renewable sources. This was a significant rise compared to the prior-year figure (+28.2% points)	 
	Waste /Water We increase material and water efficiency. -15% less waste generation per ton sold +25% higher recycling rate of total waste -15% less water consumption per ton sold	-9.6% less waste per ton sold. The volume of waste was reduced to 11.2kg per ton sold. Compared to baseline 2019: -20.5% 33.9% of the waste generated was recycled, a stable figure compared to 2020 (35.3%). Compared to baseline 2019: +/-0% -9.7% reduction in water consumed per ton sold. The amount of water used per ton sold declined to 0.20 m ³ . Compared to baseline 2019: -42.6%	 

¹ Based on market-based GHG emissions.

SOCIAL

- Diversity
- Employee Education and Training
- Occupational Health and Safety
- Customer Health and Safety
- Human Rights and Labor Standards
- Supplier Compliance
- Local Community Engagement

TARGET 2023 (BASELINE: 2019)

PERFORMANCE 2021

UN SDGs

Community Engagement

We build trust and create value – with customers, communities, and society.

10,000 working days of volunteering work

+50% more projects

+50% more direct beneficiaries

1,392 working days of employees were dedicated to volunteering work, an increase of +24.4% compared to prior year.

242 projects were carried out in and for local communities, +32.2% more projects than in the prior year. Compared to baseline 2019: +63.5%

44,188 direct beneficiaries of the Community Engagement Program. Compared to baseline 2019: +469.1%



Occupational Safety

Sika employees leave the workplace healthy.

-50% Lost Time Accidents

0 fatalities

256 Lost Time Accidents, a +11.3% increase compared to prior year. Compared to baseline 2019: -1.9%

Zero fatalities among Sika employees and contractors.



STRATEGIC TARGETS

GOVERNANCE/ECONOMIC

- Business Integrity
- Customer Relationship and Satisfaction
- Sustainable Solutions and Innovation
- Product Quality and Reliability
- Economic Performance

TARGET 2023 (BASELINE: 2019)

PERFORMANCE 2021

UN SDGs

Sustainable Solutions

We are leading the industry by pioneering a comprehensive portfolio of customer-focused solutions, combining both higher performance and improved sustainability.



All new product developments with "Sustainable Solutions"

When it comes to product development, Sika combines **higher performance with additional sustainability benefits**.



STRATEGIC TARGETS



For more information, please visit www.un.org/sustainabledevelopment

SIKA AND THE UN SUSTAINABLE DEVELOPMENT GOALS (UN SDGs)

The ambitious UN SDGs are expected to be achieved by 2030 through concerted and immediate action taken by the public and private sector, all around the world. The table below summarizes how Sika has positively contributed to eight of the 17 goals through its 2021 activities.



SDG3 – GOOD HEALTH AND WELL-BEING

Ensure healthy lives and promote well-being for everyone at all ages

- The Group monitors environmental and safety aspects during development, production, and product-handling stages.
- The EHS minimum requirements are a set of 12 specific operational requirements which have been implemented between 2020 and 2021 in each Sika company in relation to workplace safety.
- Sika Life Saving Rules are in place to keep all Sika employees, contractors, and visitors safe from harm while at work. They apply to all Sika sites and to Sika employees when visiting clients or suppliers.
- Sika aims to eliminate substances hazardous to health or the environment from products and production processes wherever possible. An internal control system is in place to monitor the progress and complement local legal requirements. Sika constantly improves formulations and presents compliant solutions well ahead of legislation.
- Sika's offering includes a wide range of low-emission, water-based construction materials which contribute to health and well-being in work and living spaces.
- In 2021, Sika supported 242 Community Engagement Projects. One of the goals of these projects is to improve the quality of life of children, adults, and families in the communities in which the company is active.



SDG4 – QUALITY EDUCATION

Ensure inclusive and equitable quality education, and promote lifelong learning opportunities for all

- In 2021, 301,346 hours were dedicated to Sika employees' training on various topics such as compliance, professional skill building, and leadership development.
- To contribute to the qualification level of people in the construction trade, Sika holds a large number of customer trainings worldwide annually.
- In 2021, Sika supported 242 Community Engagement Projects. One of the three core areas of "Sika Cares" is education and vocational trainings.



SDG6 – CLEAN WATER AND SANITATION

Ensure availability and sustainable management of water and sanitation for all

- A global water efficiency program including local road maps is in place to reduce water consumption, wastewater, and promote recycling of water resources with set targets until 2023.
- Identification of Sika countries at risk of water scarcity and floods through the Water Risk Atlas database. Measures to reduce water consumption or to reuse water are in place, particularly in water-stressed regions.
- Sika offers a whole range of innovative solutions to protect and save water used in newbuild and refurbishment of drinking water and wastewater facilities.
- In 2021, Sika supported 242 Community Engagement Projects. One of the three core areas of "Sika Cares" is water and climate protection.



SDG8 – DECENT WORK AND ECONOMIC GROWTH

Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all

- 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.
- By signing Sika's Supplier Code of Conduct, suppliers undertake to respect the provisions of the UN's Universal Declaration of Human Rights and the core Conventions of the International Labor Organization.
- In 2021, Sika supported 242 Community Engagement Projects. One of the goals of these projects is to improve the quality of life of children, adults, and families in the communities in which the company is active.



SDG9 – INDUSTRY, INNOVATION AND INFRASTRUCTURE

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

- With the use of Sika solutions, infrastructures are built in an efficient and sustainable way and contribute to the development of emerging and developing countries.
- Product innovations in construction and industrial production with improved resource-use efficiency. Systematic development of more sustainable and performing solutions.
- In 2021, Sika supported 242 Community Engagement projects. One of the three core areas of “Sika Cares” is buildings and infrastructure.



SDG11 – SUSTAINABLE CITIES AND COMMUNITIES

Make cities and human settlements inclusive, safe, resilient, and sustainable

- Sika solutions contribute to sustainable construction and new forms of mobility.
- Sika offers high-performance and low-cement mortars; root-resistant polymeric roof membranes and systems that allow the installation of green roofs to improve the urban climate; special concrete repair mortars and resins extend the service life of bridges and concrete structures.
- In 2021, Sika supported 242 Community Engagement projects. One of the three core areas of “Sika Cares” is buildings and infrastructure.



SDG12 – RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensure sustainable consumption and production patterns

- Replacement of technical equipment always focuses on new energy efficient installations, such as motors, air conditioning, heating/cooling, and pressurized air systems.
- Reduced 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.
- Reuse of wastewater and water from cleaning processes, reduced consumption, or use of lower-grade water qualities.
- Sika offers its customers solutions that improve performance and durability. These products make it possible to achieve quality installations with fewer resources.



SDG13 – CLIMATE ACTION

Take urgent action to combat climate change and its impacts

- Sika’s sustainable innovations enable the expansion of clean energy infrastructure as well as the reduction of the carbon footprint and enhancement of longevity in the construction and transportation industries.
- Sika products enable customers to improve the energy efficiency of their manufacturing processes and their end products. Sika’s solutions reduce customers’ carbon emissions through longer lasting products or for example by replacement of carbon intensive raw materials, the introduction of quick-curing products or water-based solutions.
- Sika actively seeks performance enhancements by using recycled materials and sustainable chemicals.
- In 2021, Sika supported 242 Community Engagement projects. One of the three core areas is water and climate protection.

STAKEHOLDER ENGAGEMENT

GRI 102-21

GRI 102-40

GRI 102-42

GRI 102-43

GRI 102-44

Stakeholders are defined as groups or individuals that are significantly affected by the organization's activities, products, and/or services, or whose actions can be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives. During the last materiality assessment conducted in 2018, Sika has identified the most relevant internal and external Stakeholder groups for the company. Regular stakeholder engagement is an essential part of responsible business practice and is key to capturing opinions and insights from across the business by ensuring inclusiveness. The table below provides a summary of the engagement activities conducted in 2021 and the key topics and concerns raised.

Stakeholder groups	Why we engage	2021 Engagement activities	Key topics & concerns raised
Board of Directors & Group Management	An open dialogue with the Board of Directors and the Group Management allows Sika to maintain the alignment between top management's expectations and the running of daily business at local and regional level.	<ul style="list-style-type: none"> – Meetings – Surveys – Internal workshops and trainings 	<ul style="list-style-type: none"> – All ESG-related topics – Economic performance
Employees	Sika keeps an open dialogue with its people on all levels to capitalize on the full potential of its diverse workforce.	<ul style="list-style-type: none"> – Company intranet – Surveys – Training programs – Learning and development opportunities – Talent management – Audits 	<ul style="list-style-type: none"> – Health and safety – Human rights and labor standards – Diversity – Women's empowerment – IT and digitalization – Career development
Customers	Engaging with customers enables Sika to understand their needs, anticipate market trends, and develop corresponding solutions.	<ul style="list-style-type: none"> – Audits – Training programs – Claims management – Surveys – Key Account Managers relationships – Conferences and events 	<ul style="list-style-type: none"> – Customer relationship and satisfaction – GHG emissions – Health and safety – Human rights and labor standards – Sustainable Solutions and innovation – Product quality and reliability – Responsible procurement – Traceability
Suppliers	An open dialogue with suppliers enables innovation. Supplier engagement and collaboration ensure Sika's suppliers have high standards in business ethics and respect for people and the environment.	<ul style="list-style-type: none"> – Together for Sustainability – Audits and assessments – Training programs – Conferences and events 	<ul style="list-style-type: none"> – Responsible procurement – Traceability – Health and safety – Human rights and labor standards
Financial analysts and investors	An active dialogue with the capital market ensures transparency and helps Sika improve reporting practices. The relationship with its financial community ensures access to the capital market and funding for investment opportunities.	<ul style="list-style-type: none"> – Roadshows – Capital Markets Day – Annual General Meeting – Conferences and events – Meetings and calls with analysts and investors – Corporate website – Media releases – Interim financial reports 	<ul style="list-style-type: none"> – All ESG-related topics – Economic performance

Stakeholders groups	Why we engage	2021 Engagement activities	Key topics & concerns raised
Academia	Sika engages with academia to complement its internal research efforts by working with major universities and scientific institutes on fundamental technologies	<ul style="list-style-type: none"> – Partnerships – Working groups – Conferences and events 	<ul style="list-style-type: none"> – Sustainable Solutions and Innovation – Trainings and education
Competitors	Engagement with competitors allows Sika to identify strengths and areas of improvement regarding its strategy and products.	<ul style="list-style-type: none"> – Meetings – Conferences and events 	<ul style="list-style-type: none"> – Sustainable Solutions and Innovation – Climate change – Transparency and reporting – ESG assessments
Regulators	To understand regulatory changes and regulators' concerns, Sika engages with local governments and regulators.	<ul style="list-style-type: none"> – Meetings – Conferences and events 	<ul style="list-style-type: none"> – All ESG-related topics, mostly Climate Change, Biodiversity, Human Rights, Health and Safety, Reporting Standards
Sponsorship partners	To inspire and lead by example as a responsible business, Sika engages with external partners.	<ul style="list-style-type: none"> – Meetings – Projects – Partnerships 	<ul style="list-style-type: none"> – Sustainable Solutions and Innovation – Community engagement
Local communities	Working together with communities on projects allows Sika to help protect local ecosystems and support livelihoods.	<ul style="list-style-type: none"> – “Sika Cares” projects – Dialogue with local authorities and community organizations – Employees engaged in volunteering days – Partnerships 	<ul style="list-style-type: none"> – Community engagement – Education and vocational trainings – Buildings and infrastructure – Water and climate protection

MATERIALITY ASSESSMENT AND REPORT CONTENT

GRI 102-46

A materiality assessment is a process to identify the most important sustainability topics, opportunities, and risks for Sika's business from two perspectives: their importance to stakeholders and their importance to Sika. The outcome is a materiality matrix, showing all topics which are identified and prioritized to focus on the ones that matter the most to Sika's business and stakeholders. The information gained through this process can support decisions about the direction of the business, it allows the integration of sustainability topics into the core business strategy, and the selection of relevant topics for sustainability reporting.

In 2018, Sika conducted a materiality analysis, focusing on potential material topics, reflecting the sustainability impacts of Sika's operations, products, and services, along the entire value chain. During this process, Sika considered the sustainability context in which the company operates at global and regional level to determine the long list of potential material topics and their relevance.

The relative importance of the topics was rated according to two criteria: “influence on stakeholder assessments and decisions” (importance to stakeholders) and “significance of economic, environmental and social impacts” (importance to Sika). The materiality analysis captured responses from relevant internal and external stakeholder groups across the value chain via an online survey, to prioritize the importance of each topic on a scale from low to high. The online survey was sent to more than 1,000 stakeholders, of which 249 responded (102 employees, 85 customers, 27 suppliers, 7 financial analysts/investors, 5 academic partners, 5 community/society partners and 18 in the “other” category). Moreover, five Sika Group Management members and 22 senior managers have been involved to evaluate the topics' relevance for Sika's core business, potential reputational impacts, and Sika's potential to influence/impact. The materiality matrix 2018 outlines the key topics identified and prioritized that matter the most for Sika and its stakeholders.

Sika Materiality Matrix

Importance to Stakeholders	HIGH	<ul style="list-style-type: none"> – Waste Water – Air Emissions 	<ul style="list-style-type: none"> – Energy and Water Management – Circular Economy and Materials – Greenhouse Gas Emissions – Environmental Compliance – Supplier Social and Environmental Compliance – Employee Education and Training – Health and Safety – Human Rights and Labor Standards – Local Community Engagement – Business Integrity – Customer Relations and Satisfaction – Sustainable Solutions and Innovation – Product Quality and Reliability – Economic Performance 	
	MEDIUM	<ul style="list-style-type: none"> – Biodiversity and Ecosystems Management 	<ul style="list-style-type: none"> – Product Packaging – Equal Remuneration – Diversity – Employee Work-Life-Balance – Employee and Management Relation 	<ul style="list-style-type: none"> – Corporate Governance – Shareholder Value – Emerging Markets – Market Share – Talent Attraction and Retention – Transport and Logistics
	LOW		<ul style="list-style-type: none"> – Employee Fluctuation 	
		LOW	MEDIUM	HIGH
		Importance to Sika		

The materiality assessment conducted in 2018 contributed to the definition of the strategic target areas for the Sika Sustainability Strategy 2019–2023 and the selection of topics for the Sustainability Report. In 2021, Sika conducted a new materiality assessment which will provide the basis for the definition of Strategy 2028 and future reporting. The Board of Directors will officially approve the new Materiality Matrix 2022 during the second half of 2022.

MATERIAL TOPIC BOUNDARIES

GRI 102-47

GRI 103-1

Material topic	Why the topic is material	Topic boundary							Reference page to management approach	
		○	□	△	▭	⬡	◇	▽		
Water Management	Water is a crucial material/input factor for Sika's production, and water quality and scarcity are critical issues for Sika, particularly in water-stressed regions. Wastewater management is also a topic of great importance for stakeholders and communities as they may be impacted through potential water contamination.	■						■	■	p.107-108
Waste Management	Stakeholders and communities close to Sika's production sites have a great interest in how Sika manages waste discharge from production as they may be directly impacted through improper waste disposal.	■						■	■	p. 107-108
Circular Economy	Adopting circularity principles is becoming increasingly compelling due to higher awareness and shifting demand towards more sustainable solutions among customers in construction and transportation markets.	■	■	■				■	■	p.115
Materials	Sika's business relies on the availability of materials to convert them to value-added finished products and solutions.	■	■					■		p.107-108
Energy Management	Efficient energy management is a major driver to implement Sika's Sustainability Strategy.	■	■					■		p.107-108
Greenhouse Gas Emissions	Sika monitors its carbon emissions as part of the environmental responsibility the company has for climate. The company aims to become net zero by 2050.	■	■	■				■	■	p.107-108
Environmental Compliance	Sika strives for full legal and regulatory compliance, which is the foundation of its business.	■						■	■	p.107-108, 125
Employee Education and Training	As a multinational, Sika is still able to act as rapidly as a medium-sized enterprise and respond to business opportunities with high implementation speeds. To ensure that this remains the case, employee know-how must be kept in sync with current trends and market demands.	■		■	■					p.83
Health and Safety (employees, suppliers, and customers)	Providing a healthy and safe work environment for employees, monitoring health and safety standards, ensuring the application of such standards by suppliers, and ensuring safe use of products by customers are key elements in Sika's worldwide success.	■	■	■				■		p.86-88

○ **Group:** Board of Directors, Group Management, employees, operating assets, Group entities.

□ **Supply Chain**

△ **Customers:** from the industry, automotive, and construction sector.

▭ **Business Partners:** academia, sponsorship partners.

⬡ **Financial Community:** Investors, financial analysts.

◇ **Regulators**

▽ **Communities**

■ Direct impact

■ Indirect impact

Material topic	Why the topic is material	Topic boundary							Reference page to management approach
		○	□	△	▭	⬡	◇	▽	
Human Rights and Labor Standards	Sika promotes the protection of universally acknowledged human and labor rights. Sika assesses its own operations in relation to potential human rights violations and implements adequate measures to prevent any violation.	■	■					■	p.94
Supplier Social and Environmental Compliance	Sika's values are centered around respecting universal human and workers' rights, acting in accordance with fundamental environmental, health and safety standards and investing efforts into sustainable development and corporate responsibility. Sika's entire supplier network is expected to embrace the same set of values and enforce them in their own supply chain network.	■	■					■	p.97-98
Local Community Engagement	As a socially responsible company, Sika supports local communities. Sika is committed to promoting on-the-ground self-help.	■				■		■	p.104-105
Business Integrity	Business integrity has been at the core of Sika's corporate culture for decades. Accordingly, Sika enjoys an excellent reputation in the market. Stakeholders all around the globe know Sika as a reliable, and highly ethical partner.	■	■	■	■			■	p.68-69
Customer Relationship and Satisfaction	Customer First/Customer Satisfaction is one of Sika's core values.	■		■					p.102
Sustainable Solutions and Innovation	Sika's objective is to meet the challenges faced by customers today, by launching new products in response to tighter regulations, developing new solutions to meet the ever-greater demands in terms of easy and efficient application and environmental compatibility.	■	■	■	■			■	p.129
Product Quality and Reliability	The Sika triangle, the 100 years old visual symbol, is synonymous with performance, quality, reliability, and service worldwide. This attitude is emphasized by the corporate claim: Building Trust.	■	■	■	■			■	p.139
Economic Performance	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 in maintaining global technology leadership and market penetration, from design and construction to refurbishment.	■			■		■		p.141-142

- **Group:** Board of Directors, Group Management, employees, operating assets, Group entities.
- **Supply Chain**
- △ **Customers:** from the industry, automotive, and construction sector.
- ▭ **Business Partners:** academia, sponsorship partners.
- ⬡ **Financial Community:** investors, financial analysts.
- ◇ **Regulators**
- ▽ **Communities**

- Direct impact
- Indirect impact

OUR PEOPLE

CORPORATE CULTURE AND BUSINESS INTEGRITY

GRI 102-16

GRI 102-17

GRI 102-33

GRI 102-34

GRI 103-2

GRI 103-3

GRI 205-1

GRI 205-2

GRI 205-3

GRI 206-1

GRI 412-2

Sika is committed to creating an attractive and inclusive work environment where people can grow and unlock their full potential. A place where everyone is treated fairly and has equal opportunities. A place where you can be your true self and develop a strong sense of belonging. It's about empowering people at all levels to actively contribute to building a sustainable future and be truly passionate about daily challenges.

STRONG VALUES AS A SHARED BASIS

Customer First, Courage for Innovation, Sustainability & Integrity, Empowerment & Respect, Manage for Results are the five core values and principles that are the defining elements of Sika's corporate culture. These values and principles serve as a compass in all countries where Sika operates and are adhered to by all employees around the globe. Thus, the Group's culture of trust, transparency, and openness has a firm global foundation that is lived by each employee every day.

Customer First

Sika is dedicated to provide and maintain highest quality standards with its products and services.

Courage for Innovation

Sika's success and reputation is based on its long-standing tradition of innovation.

Sustainability & Integrity

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

Empowerment & Respect

Sika believes in the competence and the entrepreneurial spirit of its employees.

Manage for Results

Sika aims for success and takes pride in continuously achieving outstanding results and outperforming its markets.

In addition to these core values, Sika has introduced a "Leadership Commitment" framework, designed to inspire the whole organization and guide the future generation of leaders. It reflects a close connection between values and principles and consists of the following pillars: Drive change, Unlock Potential, Win Together, Inspire. An in-depth description of each of the pillars has been provided to Sika employees stressing the underlying behaviors. The 2021 Leadership Commitment rollout campaign included the "Sika Day" with all entities worldwide celebrating the Sika culture. Going forward, the "Sika Day" will be held as an annual event to promote and strengthen the corporate culture. The anchoring phase of the campaign focuses on supporting managers and their teams to embed the Leadership Commitment message in all processes. An employee lifecycle has been created to harmonize people's processes and enhance the embedding of Leadership Commitment pillars.

In a fast-changing world and growing organization, this framework helps preserve Sika's corporate culture and inspire employees. Together with the Values and Principles and the Code of Conduct, Sika provides managers and employees with clear and tangible guidelines.

CORE POLICIES AND GUIDELINES

Sika's approach to ethical behavior, compliance and organizational integrity is reflected in the following core policies and guidelines:

- The Sika Code of Conduct (CoC) (available at <https://www.sika.com/en/about-us/who-we-are/values-principles/sika-code-of-conduct.html>) is revised periodically to assure compliance with newly emerging regulatory frameworks. The most recent revision took place in 2019. At the writing of this report, another round of revisions is taking place, re-emphasizing and strengthening Sika's commitment to human rights, labor rights (including the prohibition of child labor, forced labor or modern slavery), equality, diversity, inclusion, speak-up culture, anti-corruption, environmental protection, and overall sustainability. The CoC is available in 46 languages. All employees joining Sika receives a hard copy in the local language and are required to confirm their commitment to the CoC by signing it. An e-learning about the CoC is made available in more than a dozen languages, and will be revised and re-launched globally in 2022, with all employees working digitally being asked to complete it. All other employees will receive classroom training about the revised CoC.
- The Sika Supplier Code of Conduct (SCoC) (available at <https://www.sika.com/en/about-us/who-we-are/procurement/sourcing-governance.html>), with its most recent revision in 2021, seeks the explicit buy-in of all suppliers around the world to Sika's values and principles. Sika's suppliers thus commit to Sika's zero-tolerance policy regarding child or forced labor, modern slavery, bribery, and corruption. Suppliers further promise to assure fair wages and working hours, the freedom of association, the right to collective bargaining, as well as equality, diversity, and inclusion, to the extent possible under applicable local law. They are required to have systems in place that ensure the proper implementation, training and monitoring of these fundamental human and labor rights among their own personnel as well as the employees of their subcontractors and suppliers. Sika regularly performs supplier audits and assessments to monitor compliance with the SCoC's requirements. Suppliers are obliged to immediately inform Sika of any known violations of the SCoC.
- Sika's Values & Principles is an internal guideline reflecting Sika's overall management principles and the Group's commitment to integrity, responsibility, and transparency. All employees have pledged with their signature to uphold these values. General Managers (GMs) and Sika Senior Managers (SSMs) bi-annually need to enforce the values and principles in their organizations and to act as role models. The Sika Trust Policy promotes a "speak up" culture within Sika and encourages all employees to report fraud, corruption, unfair competition and any other violation or serious misconduct in the context of business activities, either to their superior, HR, senior management, or – if these channels do not seem appropriate – directly to Corporate Compliance. For employees preferring to report anonymously, Sika maintains an online whistleblowing platform called "Sika Trust Line". The Sika Trust Line as of 2022 will be made gradually accessible to the public on a country-by-country basis, depending on regulation and technical feasibility.
- The Gift & Entertainment Policy (GEP) spells out in detail Sika's anti-corruption commitment. It defines specific requirements regarding the granting and accepting of gifts, entertainment, donations or sponsoring. Each Sika entity has adopted a localized version of the GEP, thus implementing not only the overall corporate guidelines but also – to the extent necessary – national anti-corruption requirements. Corporate functions have adopted specific manuals (i.e., Manual of Authority, Procurement Manual) mirroring the GEP requirements.
- The internal Legal and Insurance Manual contains a section on "compliance", which reaffirms line management's primary responsibility to assure compliance with all applicable local laws and internal guidelines (first line of defense). In addition, the Manual delegates the responsibilities of the second line of defense to the corporate assurance functions (Compliance, Legal, Finance, Tax, Operations, Quality & EHS, etc.) and a third line of defense responsibilities to Internal Audit.

COMMUNICATING CRITICAL CONCERNS, THEIR NATURE AND TOTAL NUMBER

Addressing critical cases helps Sika not only detect risk areas, but also solve them right away with targeted measures. Sika identifies critical concerns based on internal audits as well as internal and external complaints that are escalated to Corporate HR & Compliance via several channels, including Sika's whistleblower platform ("Sika Trust Line").

	2019	2020	2021
Investigated compliance complaints (No.)	37	44	50
Substantiated compliance violations (No.)	24	23	30
Of which leading to disciplinary measures ¹ (No.)	24	21	23
Thereof cases with dismissals/voluntary resignations (No.)	20	15	14
Thereof cases with only warning letters (No.)	4	6	9

¹ Not all identified violations lead to disciplinary measures (for instance, in some cases, the employee responsible for the violation may already have left the company).

Flat hierarchies, a value-based corporate culture and internal audits are catalyzing the communication of critical concerns to the highest governance body. On a regular basis, or, if urgent, on an ad hoc basis, critical audit findings and substantiated complaints concerning serious compliance violations are reported to the Audit Committee, which consists of three out of eight members of the Board of Directors. Concerns are defined as "critical" based on their severity. Sika uses an escalation table to classify reported concerns, distinguishing three priority levels. Reports concerning the most severe violations or misconduct (i.e., priority 1 issues) are addressed and managed under the lead of Corporate Compliance, while priority 2 concerns may be handled regionally or even locally, with the agreement of Corporate Compliance. Priority 3 concerns may be handled locally, without involvement by Corporate Compliance. To be considered critical, violations or misconduct must fall into at least one of the following categories: corruption/bribery; unfair competition; fraud (including theft, embezzlement, conflict of interests, etc.); environment, health and safety, quality or trade law violations; abusive labor or employment practices (including violations of human and labor rights, discrimination, harassment, retaliation, etc.); or breach/misuse of confidential information (including violation of privacy protection laws).

Sika promotes transparency and a speak-up culture around the globe. Employees and external stakeholders are encouraged to report perceived violations or misconduct, either through the commonly used communication channels (phone, email, mail) or via a special grievance mechanism, the "Sika Trust Line", available online, which also allows anonymous reporting directly to the attention of Corporate Compliance. In accordance with its motto "Building Trust", however, Sika invites everyone to speak up openly rather than anonymously and grants all those who do so in good faith a far-reaching protection against retaliation.

Specific actions 2021

In 2021, Corporate HR & Compliance received 63 complaints. The complaints triggered 50 internal compliance investigations:

- 30 cases of allegations of misconduct could be substantiated.
- 15 cases could not be substantiated.
- Five cases still are under investigation at the publication of this report.

The analysis of the 2021 compliance investigations allows for the following conclusions:

- Sika's number of reported (63) and confirmed/substantiated (30) compliance cases is very low, considering the size of the company.
- Most investigations (34 equivalent to 68%) centered on either interpersonal tension (20 equivalent to 40%) or fraudulent behavior (14 equivalent to 28%).
- Of 20 reports submitted anonymously, only three could be substantiated.

- There were no government investigations nor any penalties against Sika entities or employees anywhere in the world concerning alleged corruption or bribery. Eight internal investigations focused on potential cases of passive bribery. In three cases, the allegations could be confirmed. The involved employees were dismissed with immediate effect. In addition, anti-corruption training efforts were intensified for the concerned entities
- Sika employees (including former employees) remain the main channel to report misconduct (57 of 63 reports). Of the 39 reports they submitted with open identity, 26 (67%) could be substantiated.
- 25 of the 63 reports were reported by business line employees or management (1st line), eight were reported by assurance functions (2nd line) and one by Internal Audit (3rd line).

The initial responsibility for managing reported incidents of unethical or unlawful behavior lies with those Sika employees/managers who receive the initial report. Based on the escalation table mentioned above, the initial recipients of complaints are required to either handle them locally or escalate them to the Corporate Compliance team, which upon receipt decides a) whether to launch an investigation, and b) who should take the lead. In recent years, Sika's Corporate Compliance team has received roughly 30 incident reports per year via the Sika Trust Line. Another roughly 30 reports per year were submitted via internal escalation channels. Annually, around 50-70% of the reported incidents are investigated. Of the investigated incidents, roughly 50-70% are being substantiated, meaning that in a final investigation report Corporate Compliance confirms the unethical or illegal behavior. If a report is being substantiated, Corporate Compliance mandates the supervisory management team concerned to implement adequate disciplinary and organizational measures, to prevent the re-occurrence of similar violations.

ANTI-CORRUPTION AND ANTI-COMPETITIVE BEHAVIOR

Corruption is a phenomenon with a worldwide presence, causing economic damage and contributing to an unfavorable business environment by distorting market mechanisms and increasing the cost of doing business. This is also why Sika financially supports "Transparency International" in its global fight against corruption.

Business integrity is at the core of Sika's corporate culture. Accordingly, Sika enjoys an excellent reputation in the market. Stakeholders all around the globe know Sika as a reliable and highly ethical partner. Sika believes that sustainable and successful business depends heavily on operating in compliance with laws and regulations. Sika operates a Group-wide, culturally well-established, and integrated Compliance Management System, which evolves and improves year by year. The Group pursues a comprehensive approach to compliance and engages the whole organization through all hierarchies, functions, and geographical areas.

Corporate Compliance on an annual basis assesses all operations regarding potential and actual corruption risks. It does so based on "Transparency International's" corruption index, combined with internal reports it has received about incidents of bribery. As in previous years, the General Managers (GMs) of all Sika entities in the context of Sika's annual "Compliance Confirmation" questionnaire confirmed that no corruption investigations were launched against Sika in their respective countries. GMs are required to immediately escalate suspicion or allegations of bribery to Corporate Compliance, which will launch an internal investigation and ask for the dismissal of any employee who demonstrably engaged in corrupt practices.

Even though Sika operates in countries that are highly ranked on “Transparency International’s” corruption index, its exposure to corruption risks is moderate to low, for two main reasons. First, Sika’s business partners are mostly private sector companies. Interaction with the public sector, which is particularly susceptible to corruption, is limited. Second, Sika is a chemicals company, and as such less exposed to corruption risks than companies belonging to the extractive, construction, transportation, sports, or financial industries. Nonetheless, Sika employees in countries where corruption is widespread are exposed to the private sector risk of offering or accepting kickbacks, inappropriate gifts or entertainment. Sika is addressing the identified risks with targeted measures such as firm zero-tolerance position against corruption anchored in its Code of Conduct, clearly formulated local Gift & Entertainment Policies, frequent anti-corruption trainings for all risk-exposed employees, and regular reviews and audits of local practices related to third party engagements and expenses.

As far as anti-competitive behavior is concerned, Sika not only prohibits such behavior in its internal policies (see above, “Core Policies and Guidelines”), but also runs regular trainings with risk-exposed employees, reminding them not to share sensitive market information with competitors. The risk of abusing a market dominant position is negligible because Sika in its markets does not hold such dominant position. On an annual basis, GMs are asked to confirm that no government action was taken against their entities for anti-competitive behavior. As in previous years, all GMs in their Compliance Confirmation for the calendar year 2021 issued such confirmation

POLICIES AND GUIDELINES

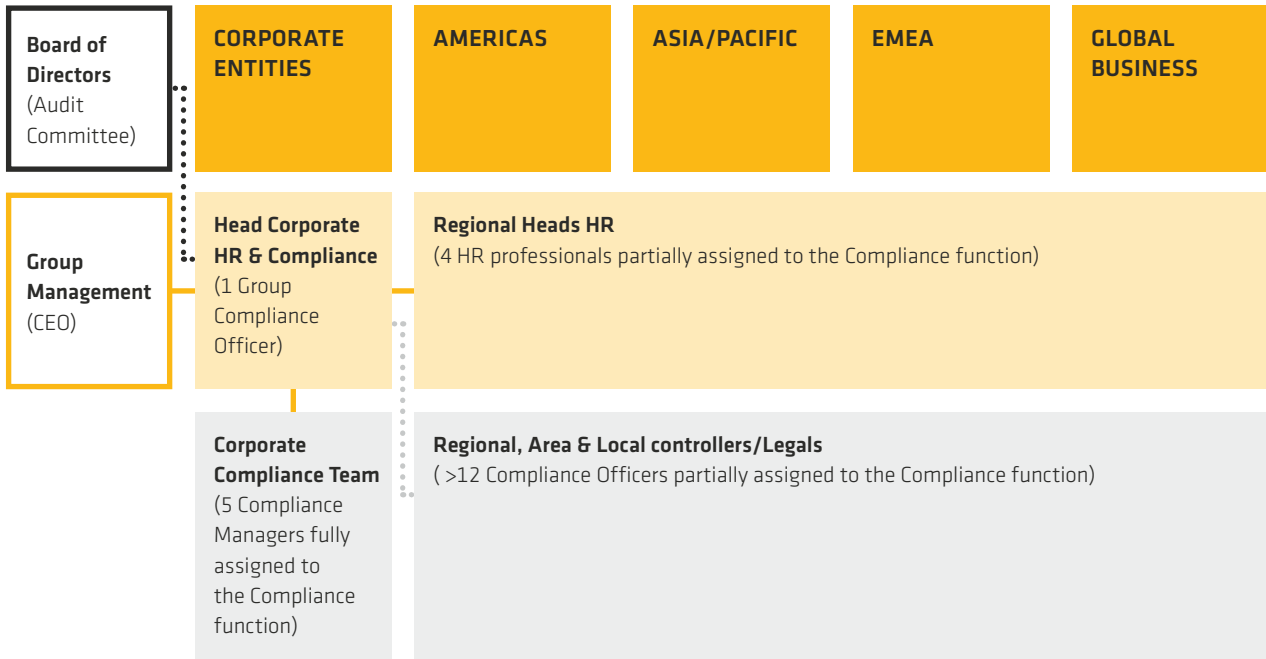
Please see the section “Core Policies and Guidelines” in this chapter at p.69 for more information. In addition to the strong internal regulatory framework mentioned above, Sika relies on the following components in its anti-corruption and anti-competitive management approach:

ETHICAL LEADERSHIP VOWS

The “tone from the top” and leadership by example are of vital importance in Sika’s anti-corruption and fair competition efforts. By means of a bi-annual “Compliance Commitment”, all General Managers (GMs) commit to escalate serious violations or well-founded concerns related to bribery or unfair competition to their superior and/or the Area Manager, the Regional Manager or Corporate Compliance, to make sure that suspected misconduct receives proper and timely follow-up and those employees who report suspected misconduct in good faith are not subject to retaliation. In addition, they also undertake to provide local staff with adequate anti-corruption and fair competition trainings. General Managers are encouraged to seek the same kind of “Compliance Commitment” from each member of their local management team.

GLOBAL COMPLIANCE ORGANIZATION

At Sika, a matrix organization is administering Sika's Compliance Management System. The Head Corporate HR and Compliance leads both the HR as well as the Compliance function. Five full-time Compliance Managers help to coordinate the group-wide compliance initiatives. Depending on the compliance topic concerned, the Corporate Compliance Team is supported by the Regional HR Heads, or by more than a dozen Legal or Controlling employees who act as part-time Compliance Officers. Together they represent Sika's cross-functional Global Compliance Organization, which aims inter alia at preventing incidents of bribery and unfair competition by means of policy making, relevant trainings, periodic audits, ad hoc investigations, as well as targeted disciplinary and improvement measures.



CORPORATE COMPLIANCE, INTERNAL AUDIT AND AUDIT COMMITTEE

Corporate Compliance and Internal Audit collaborate closely in their effort to detect bribery, unfair competition, or fraud. Corporate Compliance usually coordinates investigations concerning these matters. All bribery, unfair competition or fraud reports must be escalated to the Group Compliance Officer, irrespective of who reports them or where they occurred. In addition, Internal Audit may identify fraudulent or corrupt practices while conducting a regular audit. If this is the case, Internal Audit also informs Corporate Compliance and the Group Compliance Officer, who in turn records IA-detected corruption, unfair competition or fraud incidents in the Group's case recording system and issues sanctioning and improvement recommendations to the concerned line management.

Corporate Compliance, and more particularly the Group Compliance Officer, regularly reports substantiated corruption, unfair competition and fraud cases to the Audit Committee of the Board of Directors, the Group Management, and the external auditors, also informing them about identified root causes and the corrective measures that the concerned line management has implemented.

COMPLIANCE AUDIT PROGRAM

Sika's Compliance Management System rests on a life cycle of three closely interrelated core activities: Prevent - Detect - Respond & Adjust. In the context of detecting compliance violations, Corporate HR & Compliance has developed the necessary cornerstones to build up a compliance audit program. In close cooperation with other assurance functions at Group level, including Internal Audit, Legal, Finance, Operations, Quality, Environment, Health & Safety (O, Q&EHS), Procurement and Research & Development (R&D), Corporate HR & Compliance designed and launched a "Compliance Self-Assessment" questionnaire for General Managers (GMs). The questionnaire aimed at identifying "high risks" and "focus entities" for targeted compliance audits; monitoring the local implementation of compliance requirements at all Sika entities; and aligning closely with the above-mentioned assurance functions and their audit activities.

To reduce complexity, it was split into two parts. Part one was rolled out and completed in the fourth quarter of 2020, with a 100% response rate. It focused on five compliance risk areas: (i) integrity/speak-up culture, (ii) anti-corruption, (iii) antitrust, (iv) third-party risks, and (v) EHSSQ. Based on the feedback received, neither “substantial risk” areas nor “focus entities” with an urgent need for intervention or follow-up regarding these five topics could be identified. Part two was rolled out in the second half of 2021, focusing on compliance requirements related to Procurement, R&D, Finance and HR. Based on its results, Corporate HR & Compliance finalized both the scope and contents of its Compliance Audit Program and created a detailed Compliance Audit Plan, to be implemented in 2022.

SPEAK-UP CULTURE AND REPORTING SYSTEM

Sika’s Code of Conduct encourages every employee to speak up and report observed misconduct, including any act potentially representing bribery or unfair competition. The same reporting requirement is anchored in Sika’s contracts with third parties and its Supplier Code of Conduct. Employees and third parties may report potential violations of Sika’s anti-corruption and fair competition guidelines either via line management or via Global Compliance Organization. Furthermore, employees have at their disposal an online whistleblowing channel called “Sika Trust Line”, which also allows for anonymous reporting.

To support GMs in fulfilling their compliance duties, they receive towards the end of each year a digitalized questionnaire called “Compliance Confirmation”, which must be signed and submitted to Corporate Compliance. In early 2022, Corporate Compliance again obtained assurance from all GMs that during the calendar year 2021, Sika’s core compliance policies and manuals regarding fundamental environmental, anti-corruption, fair competition and labor laws were implemented at each entity, and that all GMs provided adequate information and training concerning these topics to their staff.

TARGETED TRAINING INITIATIVES

Members of the Global Compliance Organization conduct regular compliance trainings with specific risk groups. In the context of anti-corruption and fair competition, Sika’s Senior and General Managers, together with sales, procurement, finance, and R&D employees, are invited regularly to participate in such trainings. Targeted trainings are delivered either face-to-face or online (via virtual workshops or focused e-learning). In 2021, roughly two dozen of such training courses took place online, with hundreds of documented participants. In addition, the Corporate Compliance team has successfully launched a global anti-bribery & corruption e-learning, targeted to 15,000 employees most exposed to corruption risks (i.e., sales, procurement, finance, Sika Senior Managers and General Managers), which achieved an exceptionally high accomplishment rate within a short time line.

STRINGENT COST CODING AND CONTROLLING

Internal regulations including the Gift & Entertainment Policy and the Controller Manual require all Sika entities and functions to record transparently in the respective financial records any gift, entertainment, donation, and sponsoring expense made in favor of a third party. Third party expenses are thus monitored very closely. The Corporate Compliance Team, in close cooperation with Corporate Controlling and Internal Audit, discuss identified unusual or noticeable expense patterns quarterly. Where deemed necessary, they follow up with targeted audits.

THIRD PARTY DUE DILIGENCE AND MONITORING

In 2021, Sika tightened its Third-Party Due Diligence and Monitoring on a global level with the rollout of a revised Supplier Code of Conduct. Sika implements its strong anti-corruption stance across the entire supply chain. The Supplier Code of Conduct prohibits any act of bribery or corruption, while stating that such acts, if identified, will lead to the immediate termination of cooperation. Every supplier is required to commit to Sika’s Supplier Code of Conduct or to demonstrate that it has implemented similar internal rules, reflecting a zero-tolerance policy regarding bribery or corruption. Suppliers are required to have systems in place that assure the proper instruction, training and auditing of their personnel and subcontractors to ensure compliance with Sika’s anti-corruption requirements across the entire supply chain. Corporate Procurement on a regular basis reviews supplier performance, thus monitoring whether Sika’s business partners indeed comply with the Group’s strict anti-corruption requirements. Further, suppliers are obliged to immediately inform Sika of any known violation of its Supplier Code of Conduct. Business contracts with suppliers accused of engaging in bribery or corruption are terminated with immediate effect, unless the supplier can demonstrate that it has in place a compliance management system that aims at effectively preventing acts of bribery or corruption. Sika investigates reported cases of corruption based on a defined incident response process. Confirmed cases usually lead to sanctions against involved employees and other corrective measures as deemed necessary and suitable to strengthen Sika’s Compliance Management System. Corporate Compliance keeps track of all investigated cases and reports substantiated cases to Group Management, the Audit Committee of the Board of Directors and to the external auditors.

EMPLOYEE MANAGEMENT

GRI 102-8

GRI 102-40

GRI 102-41

GRI 103-1

GRI 103-2

GRI 103-3

GRI 401-1

GRI 401-2

GRI 401-3

Sika's success is only possible with committed employees who have the necessary specialist knowledge and share a common purpose. Each day, more than 27,000 employees worldwide are highly dedicated to work for the company. Sika's commitments reflect the following priorities and goals: Empowerment & Respect; Sustainability & Integrity; Development & Training.

Since the beginning of the COVID-19 pandemic, Sika has focused successfully on three goals: protecting its employees, ensuring business continuity, and adapting to customers' needs. The whole organization implemented adequate safety measures including social distancing, remote work, and hygiene measures, including wearing masks. To reconnect Sika's people globally and counterbalance the negative impact of the pandemic on its togetherness culture, in 2021 Sika celebrated the first Sika Day. Sika will continue to encourage collaboration, connection, and communication across countries and regions, both among employees and with customers, via digital tools when meeting in person and travelling is restricted.

POLICIES AND GUIDELINES

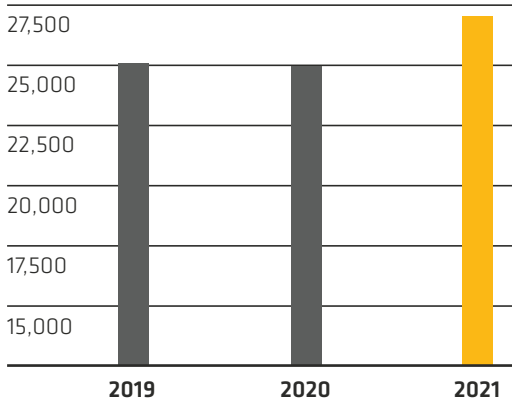
The policies and guidelines on which Sika relies on are listed in this chapter on p.69.

EMPLOYEES THE KEY TO SUCCESS

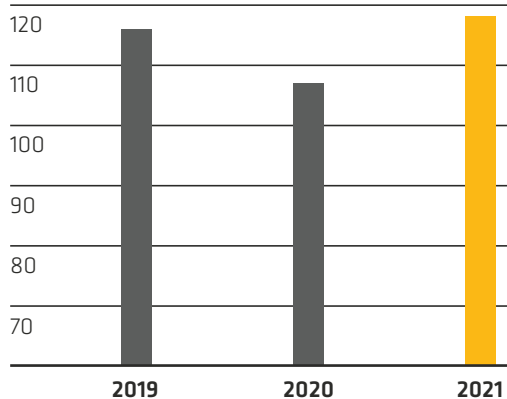
The outstanding engagement of Sika's employees and their strong identification with the company are key to success. Their great dedication and customer-focused work significantly contribute to the achievement of Sika's strategic targets.

The number of employees increased by 8.9% during the year under review to 27,059 (previous year: 24,848). Female employees in the Group account for 23.2% of the total workforce (previous year: 22.8%). Together, the workforce generated a net added value of CHF 3,072 million in 2021 (previous year: CHF 2,666 million). This corresponds to a net added value per employee of CHF 118,000 (previous year: CHF 107,000)².

EMPLOYEES in numbers



NET ADDED VALUE PER EMPLOYEE in CHF thousands



In 2021 the highest growth of employees was recorded in the region Americas with an increase of 15.5% compared to 2020 as a result of acquisitions (+639 employees) and of a rebound after the pandemic impact in 2020 where the headcount decreased by 5.9%.

² This indicator is calculated based on the average number of employees throughout the year.

BREAKDOWN OF EMPLOYEES PER REGION

	2019	2020	2021
EMEA (No.)	10,445	10,811	11,243
Americas (No.)	5,520	5,195	6,002
Asia/Pacific (No.)	6,384	6,163	6,976
Global Business (No.)	2,110	2,035	2,157
Corporate Services (No.)	682	644	681
Group (No.)	25,141	24,848	27,059

The age structure at Sika is broadly balanced: 13.5% of employees are under 30 years old and 25.2% are over 50 years old. The workforce under 30 years old grew in the year under review by 378 employees which increases the percentage of the workforce under 30 from 13.2% to 13.5%. One of the aims of Sika's employer branding strategy is to be an attractive employer for the next generations and to counterbalance the impact of the ageing population trend. As a project sponsor of several universities, Sika engages in a lively dialog with young talents and offers a wide range of internship and traineeship opportunities for a variety of different academic backgrounds including chemistry, business studies, industrial engineering, chemical engineering, civil engineering, architecture, and material sciences.

BREAKDOWN OF EMPLOYEES PER AGE

	2019	2020	2021
<30 years (No.)	3,789	3,285	3,663
30-50 years (No.)	15,150	15,410	16,572
>50 years (No.)	6,202	6,153	6,824

Sika is committed to offering its employees long-term prospects with the company and supports internal promotions. 87.4% of employees have permanent employment contracts. The percentage of the three contract types (permanent, temporary and apprenticeship/internship) normalized during 2021 to a similar level as before the COVID-19 pandemic.

BREAKDOWN OF EMPLOYEES PER CONTRACT

	2019	2020	2021
Permanent (%)	88.0	95.6	87.4
Temporary (%)	11.0	3.6	11.9
Apprenticeship/internship (%)	1.0	0.8	0.7

Due to the COVID-19 pandemic the number of temporary workers significantly decreased in 2020 throughout all regions except the region Americas in which there was already a low number of temporary working contracts in 2019. Especially in the region in Asia/Pacific where temporary workers play a key role to handle high growth rates, the share of temporary workforce compared to Group dropped from 7.6% in 2019 to 1.2% in 2020. In 2021 the number of temporary workers normalized and represented at the end of the year 8.4% of Group employees.

GROUP DISTRIBUTION OF EMPLOYEES PER CONTRACT AND PER REGION

	2019			2020			2021		
	Permanent	Temporary	Apprentices/ interns	Permanent	Temporary	Apprentices/ interns	Permanent	Temporary	Apprentices/ interns
EMEA (%)	38.8	2.0	0.7	41.4	1.5	0.6	39.5	1.6	0.5
Americas (%)	21.3	0.6	0.1	20.3	0.6	0.0	21.1	1.0	0.0
Asia/Pacific (%)	17.9	7.5	0.0	23.6	1.2	0.0	17.3	8.4	0.0
Global Business (%)	7.5	0.8	0.1	7.9	0.2	0.1	7.1	0.8	0.1
Corporate Services (%)	2.5	0.1	0.1	2.4	0.1	0.1	2.4	0.1	0.1
Group (%)	88	11.0	1.0	95.6	3.6	0.8	87.4	11.9	0.7

NON-REGULAR EMPLOYEES

Sika is committed to limiting the use of non-regular employment (e.g., using temporary workers only for specialized, non-core activities, during peak times, or to an acceptable maximum percentage only, in accordance with applicable national labor laws). Where non-regular employment takes place, Sika takes adequate measures to reduce possible negative effects of such employment arrangements (e.g., i. Sika assures instruction of temporary workers about Sika's Code of Conduct and speak-up culture, ii. implementation of the "equal pay for equal work" principle, iii. offering equal benefits and access to health checks, iv. right to permanent employment after a certain period, or v. priority right in times of permanent hiring).

Workers employed through employment agencies and service providers accounted for approximately 10% of Sika's total workforce by the end of the year, mostly unchanged compared to 2019 (pre COVID-19). These workers are not on Sika's payroll, but under contract with employment agencies. The number of temporary workers varies depending on the seasonality of the business in the individual Sika companies. The work performed by this part of the workforce is mainly manufacturing, warehousing and logistics. Due to the ongoing COVID-19 pandemic the number of outside workers fluctuated between 9.9% and 11.3% throughout 2021.

COLLECTIVE BARGAINING AGREEMENTS AND TRADE UNIONS

Sika is present in 101 countries with both small and large subsidiaries. In many of the smaller companies, the number of employees is low 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 most workers at these locations are covered. In 2021, almost 47% of the total workforce is covered either by trade unions or work councils, while roughly 30% of the total workforce is bound by collective bargaining agreements.

INTERESTING PERSPECTIVES ALL AROUND THE WORLD

Sika is growing fast and can offer employees adaptable career paths as opposed to rigid development plans. With its culture of flexibility and trust in talents, Sika creates and nurtures individual career opportunities. Internal candidates are given preference. Sika is proud to have employees who remain with the company for a long time and contribute with their knowledge and experience over a lengthy period. By building an employer brand and introducing related measures focusing on digital communication, Sika is further enhancing its reputation as an employer of choice. The external recruitment strategy is aimed at hiring and developing young talents, improving gender balance, and attracting more candidates from emerging economies.

SIKA DAY

In 2021, Sika launched three global campaigns on Leadership, Diversity, and Integrity to mutually reinforce Sika's values and roll out the new Leadership Commitment framework across the organization. These campaigns culminated in the first global Sika Day celebration and will continue with anchoring activities in 2022. The Sika Day on June 11 will be a recurring

global event, a day of celebration of Sika's culture, with focus topics and a variety of activities that can be adapted locally. The 2021 joint motto, that perfectly mirrors the loyalty and passion that connects Sika and its employees was "We love Sika. This is why we care for our culture. Together we are committed to leadership, diversity and integrity."

NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER

Sika monitors its performance regarding new employee hires and employee turnover in regular reporting cycles. Corporate and Local HR analyze reports based on different dimensions such as “Gender” or “Age” to ensure a balanced workforce.

Sika hired 3,597 new employees in 2021 (1,979 in 2020). 26.5% of new employees are female, which is higher than in 2020 (25.4%). The recruitment rate³ for both genders significantly rose in 2021, the female ratio went up to 16.0% (8.8% in 2020) and the male ratio went up to 13.2% (7.7% in 2020). In the year under review, 1,482 new employees joined Sika through the acquisitions that took place during 2021. If employees who joined through acquisitions are not considered, the headcount increased organically by 729 employees (2.9% compared to previous year).

BREAKDOWN OF RECRUITMENTS PER REGION

	Recruitments 2019				Recruitments 2020				Recruitments 2021			
	(No.)		Rate (%)		(No.)		Rate (%)		(No.)		Rate (%)	
	F	M	F	M	F	M	F	M	F	M	F	M
EMEA	295	790	13.9	10.6	230	613	9.8	7.4	330	903	13.5	10.5
Americas	150	318	14.7	8.3	58	216	5.1	5.1	247	682	20.2	15.6
Asia/Pacific	143	514	11.5	13.1	117	423	7.4	9.0	257	815	15.6	16.5
Global Business	51	220	9.6	12.1	77	192	17.1	11.8	92	206	19.8	12.6
Corporate Services	25	40	11.9	8.8	20	33	9.7	7.2	29	36	13.9	7.9
Group	664	1,882	13.0	10.8	502	1,477	8.8	7.7	955	2,642	16.0	13.2

Sika invests in the development of its current and future managers who demonstrate the leadership skills and competencies to drive superior performance in support of Sika’s culture. In 2021, Sika promoted 446 employees into a higher management position.

INTERNAL PROMOTIONS

	2019	2020	2021
Internal promotions into a higher management position (No.)	263	218	446
Internal promotions into a higher management position (%)	1.2	0.9	1.6

The employee’s strong identification with the company helped Sika to maintain a low employee turnover rate despite the global trend of higher resignation rates, also known as “The Great Resignation”. While the voluntary fluctuation rate slightly increased to 7.4% (6.4% in 2020), the overall fluctuation slightly decreased to 11.1% (11.2% in 2020). The overall fluctuation for women was 10.6% (11.6% in 2020) and the overall fluctuation for men was at 11.3% (11.1% in 2020). Considering only the voluntary fluctuation rate, both genders were at 7.4%.

³ The recruitment rate is calculated as follows: number of recruitments/((headcount at the beginning of the year + headcount at the end of the year)/2).

BREAKDOWN OF TURNOVER PER REGION

	2019				2020				2021			
	Leavers (No.)		Turnover (%)		Leavers (No.)		Turnover (%)		Leavers (No.)		Turnover (%)	
	F	M	F	M	F	M	F	M	F	M	F	M
EMEA	267	752	12.4	9.9	275	826	11.7	10.0	245	761	10.1	8.9
Americas	108	335	10.4	8.7	140	443	12.2	10.5	106	649	8.7	14.8
Asia/Pacific	118	438	9.5	11.1	142	590	9.0	12.6	218	636	13.3	12.9
Global Business	106	202	22.1	12.3	79	249	17.6	15.3	54	178	11.6	10.9
Corporate Services	18	33	8.6	7.3	27	29	13.1	6.3	10	28	4.8	6.2
Group	617	1,760	12.0	10.1	663	2,137	11.6	11.1	633	2,252	10.6	11.3

GROUP TURNOVER

	2019	2020	2021
Employee voluntary turnover rate (%)	6.0	6.4	7.4
Employee turnover rate ¹ (%)	10.5	11.2	11.1

1 The employee turnover rate considers all departures: natural fluctuations, voluntary leavers and involuntary leavers. It is calculated as follows: all departures / ((headcount at the beginning of the year + headcount at the end of the year)/2). Natural fluctuations refer to retirement or death for example.

Regarding employment type (full-time and part-time), Sika does not collect data for gender distribution, because the number of part-time employees is considered insignificant. In 2021, the percentage of part-time employees was stable at 2.9%.

BREAKDOWN OF EMPLOYEES PER EMPLOYMENT TYPE (FULL-TIME, PART-TIME)

	2019	2020	2021
Full-time (No.)	24,435	24,136	26,272
Part-time (No.)	706	712	787
Group (No.)	25,141	24,848	27,059

BENEFITS PROVIDED TO FULL-TIME EMPLOYEES THAT ARE NOT PROVIDED TO TEMPORARY OR PART-TIME EMPLOYEES

There are no intended differences between benefits provided to full-time employees and to temporary or part-time employees, although differences in individual cases cannot be excluded.

FLEXIBLE WORKING HOURS AND HOME OFFICE

Sika believes in the competence and the entrepreneurial spirit of its employees and is therefore allowing a high majority of employees in almost all countries flexible working hours. Also in consideration of the positive experience with home office during the COVID-19 pandemic, Sika continues to allow home office for a part of the working time.

PARENTAL LEAVE

Local management teams in all countries worldwide enable Sika to act with flexibility and agility. The local legislation and cultural background on parental leave vary across the organization. Sika promotes a family friendly job environment and is extending parental leave beyond local laws in many countries including Switzerland, United States, Russia, Japan, India, and Peru.



For more information,
please visit www.sika.com

DIVERSITY

GRI 103-1

GRI 103-2

GRI 103-3

GRI 405-1

SIKA'S FIRM COMMITMENT TO DIVERSITY AND AN IMPROVED GENDER MIX

Sika's global presence and associated proximity to customers makes it extremely important to integrate diverse cultures and share experience and knowledge across national boundaries. A diverse and inclusive workforce enables a wider talent pool, drives innovation, and enhances profitability and competitiveness. At courses and seminars, Sika managers are encouraged to give high priority to diversity in team and project planning. More specifically, Sika is committed to:

- Fight against discrimination based on race, religion, sex, nationality, disability, age, or any other discriminatory characteristic which of high importance due to its global presence. This is also reflected in a diverse senior management team.
- Provide equal opportunities for all its employees.
- Integrate people with disabilities through improving working conditions. Sika supports non-discriminatory practices in terms of employment, and practices equal opportunities in the recruitment process and in the professional development of its employees.
- Increase the percentage of women, particularly in Sales and Management positions.

In 2021, to support this commitment, Sika established a Global Diversity Steering Committee that will preside over Diversity and Inclusion initiatives, set global targets, and have regular meetings to measure the effectiveness of the Diversity strategy and propose adjustments if needed. Similar focus groups will operate at regional and local level – supported for specific initiatives by a Global working team.



For more information,
please visit www.sika.com

POLICIES AND GUIDELINES

The policies and guidelines on which Sika relies on are listed in this chapter at p.69.

Sika is constantly working to increase the percentage of women in all regions and conducted many initiatives during the period under review to improve the quota of female employees in the company from 22.8% in 2020 to 23.2% in 2021. The region with the highest ratio of female employees is Corporate Services with 32.3% women in 2021 (30.6% in 2020).

BREAKDOWN OF EMPLOYEES PER GENDER AND PER REGION

	2019		2020		2021	
	F	M	F	M	F	M
EMEA (No.)	2,337	8,108	2,363	8,448	2,509	8,734
Americas (No.)	1,181	4,339	1,108	4,087	1,338	4,664
Asia/Pacific (No.)	1,592	4,792	1,557	4,606	1,728	5,248
Global Business (No.)	457	1,653	441	1,594	489	1,668
Corporate Services (No.)	214	468	197	447	220	461
Group (No.)	5,781	19,360	5,666	19,182	6,284	20,775

In 2021 the ratio of women in Staff level increased by 0.4% to 23.7%, the percentage of women in Middle Management also grew by 1% to 21.9% in 2021. Although the number of women in Company Management was stable in 2021, the ratio slightly decreased by 0.5% to 19.6%

BREAKDOWN OF EMPLOYEES PER GENDER AND PER CATEGORY¹

	2019		2020		2021	
	F	M	F	M	F	M
Staff (No.)	4,588	15,037	4,632	15,224	5,183	16,730
Middle Management (No.)	972	3,379	803	3,041	870	3,099
Company Management (No.) ²	221	945	231	917	231	946
Thereof Group Management (No.)	0	8	1	8	2	6

¹ The breakdown per management category has been updated to better reflect Sika management structure. 2019 and 2020 figures have been adjusted accordingly.

² Senior Managers and local Company Management teams are included in this category.

“WOMEN OF SIKA” CAMPAIGN

A clear focus of Sika's strategy is to recruit and promote more women, particularly in sales. Recruitment campaigns in various channels are increasingly targeting women. As part of the “Women of Sika” campaign, started in 2019, an action plan with toolkits was developed that focuses on the following three pillars: increased attraction, engagement, and promotion of women at Sika. The “Women of Sika” campaign is embedded in a broader initiative aimed at fostering the Sika culture, ethical behavior, and promoting an integrated value set across the whole organization which in 2021 culminated in the Sika Day celebration.

The “Women of Sika” campaign contributes to building an inclusive and attractive working environment, with a strong sense of belonging and providing equal opportunities and fair treatment for everyone. The campaign progresses as planned with anchoring activities which include workshops for the local management teams to analyze the local status quo and trends over the past years of defined KPIs (Key Performance Indicators) and identify the most effective mea-

asures to improve where needed. Sika focuses also on internal and external Employer Branding activities, giving women a platform to share their Sika story and inspire others.

Improvements are measured through yearly Corporate HR reporting which is executed to monitor data not only on gender but also on age and nationality. As an example, to improve the gender mix in the sales department, Sika has established a Trainee Program in Latin America “Women in Sales” where participants can gain experience on the job and via specific sales trainings that focus on: Excellence in Pricing and Negotiation; Excellence in Key Account Management; Key Project Management RACE; Sales Performance Program; Essential Sales Skills.



For more information, please visit www.sika.com

DIVERSITY OF BOARD OF DIRECTORS

At the end of the year under review, the Board of Directors consisted of eight members. Seven were male and one was female. Regarding age distribution, all eight members were over 50 years old. Two additional female candidates will be proposed for election at the Annual General Meeting on April 12, 2022. Upon election, the Board will be composed by five male and three female members. All eight members will be above 50 years old.

BOARD OF DIRECTORS – BREAKDOWN PER GENDER

	2019	2020	2021
Male (No.)	7	7	7
Female (No.)	1	1	1

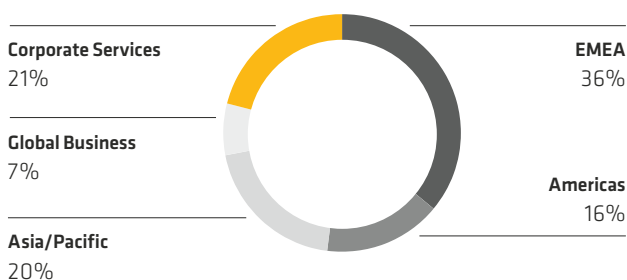
BOARD OF DIRECTORS – BREAKDOWN BY AGE

	2019	2020	2021
30-50 (No.)	1	1	0
>50 years (No.)	7	7	8

NATIONALITIES REPRESENTED IN SIKA SENIOR MANAGEMENT

The company believes that the diversity experienced by employees daily is one of the factors to its success, especially at senior management level. At courses and seminars, Sika managers are encouraged to give high priority to diversity in team and project planning. Sika counts 45 nationalities among its senior managers.

% OF SENIOR MANAGERS



36% of Sika senior managers are located in countries that belong to the EMEA region. 21% belong to the Corporate Organization, 20% to Asia/Pacific, 16% to Americas and 7% to the region Global Business. The regional split of Sika senior managers remained stable the last three years.

BREAKDOWN OF SENIOR MANAGERS PER REGION

	2019	2020	2021
EMEA (No.)	73	72	63
Americas (No.)	36	32	28
Asia/Pacific (No.)	31	31	34
Global Business (No.)	13	12	13
Corporate Services (No.) ¹	41	37	36

¹ Including Group Management members.

EMPLOYEE EDUCATION AND TRAINING

GRI 103-2

GRI 103-3

GRI 404-1

GRI 404-2

GRI 404-3

Even as a multinational company, Sika is as agile as a medium-sized enterprise which allows the company to implement business opportunities quickly. To ensure that this remains the case, employee expertise must be kept in alignment with current trends and market demands.

Sika's Learning and Development (L&D) team organizes a broad range of internal and external training programs based on the Group's Management's strategic initiatives and works closely with General Managers, Regional HR Managers, Area HR Managers, Country HR Managers, and other key business leaders. Sika focuses on four training pillars: Talent development (leadership); Sales training pillar; Management; Professional skills trainings and academies (procurement, operations, sustainability).

POLICIES AND GUIDELINES

The policies and guidelines on which Sika relies on are listed in this chapter on p.69.

TRAINING OFFERED TO EMPLOYEES

Sika's performance and talent management system has been the core of management development activities for many years. Designed to identify and develop managers' skills, it facilitates systematic employee succession planning in the respective organizations, while promoting company growth by continually identifying new talent.

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 HR to identify training and development needs.

Future managers are developed at various levels, either through continuous training initiated by the respective national organization or provided by the Sika Business School, the Sika Operations and/or Procurement Academies, and external education partners. In 2021, Sika continued to cooperate with various business schools and universities, where Sika provided training for talented employees with the potential to assume Senior Management positions.

SIKA BUSINESS SCHOOL

65% of all Sika Business School courses are sales oriented. To promote the development of sales skills within the company, sales and marketing training was expanded to include these new courses: Foundation for Sales, Making the Sale, Pricing for Sales, Coaching Sales Teams, and Key Account Sales. Many training courses on Sika products and their applications have been moved to a virtual or digital learning format. The company's expertise in advising customers both remotely and in person has been further developed. Each Sika Business School program has its own goals, targets, and specific attendees nominated by local management/HR and regional HR managers.

Name of the program	Description	Scope
Executive Development Program (EDP)	Strengthen leadership alignment and vision of the future.	Sika Senior Management
Global Leadership Program	Enhance team and business management competencies.	Global talents
Regional Leadership Programs	Establish strategic views and develop competencies.	Regional talents
New Leaders Programs	Equip young employees for future leadership roles.	New leaders & young leaders
Management Training Classic – Original	Offer eleven distinct modules to help participants develop their management and leadership skills.	Front line and middle management with leadership functions
Management Training Classic – Simulated	This program duplicates the reality of an annual performance cycle where manager intervention is required (e.g., coaching, delegation, situational leadership, etc.).	First line and middle managers with leadership functions
Delivering Effective Presentation	Designed to help managers, sales professionals, and any employee who delivers virtual presentations to do it more effectively.	Managers and employees
Negotiating Profitable Business	Designed to help managers and employees involved in internal and/or external negotiations strengthen their negotiating power.	Managers and employees
Foundation for Sales	The Sika sales learning journey starts here. Sika's foundational/core sales training program.	Junior sales professionals, and potential sales representatives
Preparing the Sale	Focus on the Buying Center, Product Qualification Process (PQP), and selling in multi-Target Market teams.	Sales Managers/Professionals, Key Project Managers, Key Account Managers
Key Account Sales	Complements Sika Business School's "Preparing the Sale" program. Focus on developing new businesses with existing key accounts.	Key Account Managers (with existing key accounts), Target Market Managers, Sales Managers, General Managers
Making the Sale	Developing the ability to value sell.	Target Market Managers, Sales Managers/Professionals, Key Account Managers, Key Project Managers
Pricing for Sales	The core focus is on pricing leadership, volumes and margins, reduction of cost leakage, and pricing negotiation skills.	General Managers, Target Market Managers, Key Project Managers, Key Account Managers, Sales Managers
Coaching Sales Team	Helps attendees deliver consistent performance through strategic coaching and leadership.	Sales Managers, Target Market Managers, General Managers, Area or Regional Managers, Key Account Managers
Operations Academy	Provide training for managers in Operations to develop and increase their knowledge with a short-, medium- and long-term approach.	Operations Managers, Plant Managers, Production Managers, Supply Chain Managers

SIKA SUSTAINABILITY ACADEMY

Sustainability is an important business pillar, a competitive advantage and a key component of the company's innovation drive and Growth Strategy 2023. The Sustainability Academy is Sika's flagship global sustainability education program, providing the necessary skills, methods, and practical examples to the participants in the countries to develop, coordinate, and implement local activities and projects to achieve the set sustainability targets. In 2021, the annual Sika Sustainability Academy was planned to be held in Preston (UK), but it has been postponed until autumn 2022 due to the COVID-19 pandemic.

Name of the program	Description	Scope
Sustainability Academy	<ul style="list-style-type: none"> – Drive the sustainability agenda (commercial, non-commercial) in a local organization. – Develop capabilities to support the local management and teams in analyzing and prioritizing sustainability activities. – Know how to build up a local sustainability network and how to engage employees on all levels and across functions to facilitate actions. – Know how to build up and implement a local 360° Sustainability Roadmap for "More Value – Less Impact". – Learn from shared experiences and good practices within Sika; build networks. 	<p>The participant is personally dedicated to sustainability and has the commitment from the local management team to lead and drive the development and implementation of the "More Value – Less Impact" program.</p> <p>The participant should hold a management function either in the "More Value" part (Target Market, Sales, Marketing/Communications) and/or "Less Impact" part (Operations, EHS) or as Sustainability Manager.</p>

AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE

With more than 27,000 employees globally, Sika considers training and education to be an important instrument in retaining and developing its workforce. The company is proud of its large share of long-serving employees and recognizes the need to keep employees up to date in terms of their knowledge and abilities.

Sika aims to provide at least ten hours of training per year for each employee. In 2021, each employee received on average 11.1 hours of training, an increase of 10.7% compared to 2020 due to the further strengthening of digital learning and more in-class training held due to less Covid restrictions in several countries.

The digital learning trend is rapidly accelerating with the pandemic and the implementation of Sika's global Learning Management System, called "SikaLearn", which is live in all Sika countries. Effectively, digitalization has been a major transformation driver, enhancing collaboration, innovation, and learning across the organization.

In 2021, Sika expanded the online portfolio with 112 new courses and conducted 190 virtual classroom trainings. A total number of 470 online programs was offered, reaching 17,741 Sika learners. This represents approximately 31,107 hours dedicated to compliance training, technical skill building, and leadership development for employees.

The 190 virtual classroom trainings, representing 40.3% of the total learning programs on SikaLearn in 2021, were attended by 2,269 participants.

Sika's learning and development landscape in 2021 is marked by two major data migrations and change management initiatives proceeding in 2022. The goal of such migrations is to capture all classroom trainings taking place globally in a physical or virtual form on SikaLearn and to further expand Sika's online portfolio, enriching and structuring the content to help employees develop professionally and personally.

AVERAGE TRAINING HOURS PER EMPLOYEE

	2019	2020	2021
Hours of training per employee (No.)	11.4	10.1	11.1

In the year under review, Sika spent a total of CHF 8.8 million (previous year: CHF 6.4 million) on employee development.

SPENDING ON EMPLOYEE DEVELOPMENT

	2019	2020	2021
Spending on employee development (in CHF mn)	12.3	6.4	8.8

All Sika entities have a local performance evaluation system in place which includes a Management By Objectives (MBO) and Employee Development discussion. In January 2022, a pilot of a new global and unified system will be introduced to 1,412 employees. The countries that participate in the pilot are Canada, USA, Chile, Mexico, and Colombia (Regional Roles, Area Roles). Around 50% of Sika employees receive regular performance reviews.

EMPLOYEE PERFORMANCE REVIEWS¹

	2019	2020	2021
Employees with performance reviews (%)	>20	>20	50

¹ 2019 and 2020 figures only covered employees with management functions. The 2021 figure covers all employees who have a performance review process regardless of their staff level. 2019 and 2020 figures have not been restated.

HEALTH AND SAFETY

GRI 103-2	GRI 103-3	GRI 403-1	GRI 403-2	GRI 403-3	GRI 403-4
GRI 403-5	GRI 403-7	GRI 403-8	GRI 403-9	GRI 403-10	GRI 416-1

STRONG COMMITMENT TO HEALTH AND SAFETY

Sika continued to make the health and safety of employees a top priority during the ongoing COVID-19 pandemic. The three principles defined at the onset of the pandemic, ensure employee safety, prevent the spread of the virus, and ensure business continuity, continued to guide the actions of the Group in 2021. Sika continued to act in accordance with all local government requirements and public health measures, as well as implementing voluntary travel, safety, and hygiene measures. Task force teams were maintained to closely follow the situation and local regulations, and to inform employees. Operational business activities, including production, were able to be maintained at a high level to continue supplying customers. This was supported by extensive protection concepts introduced at production sites and labs worldwide. Support functions and sales teams switched to work from home whenever the epidemiological situation required. Sika continued to provide support and best practices for people working at home.

POLICIES AND GUIDELINES

Sika puts safety first. Working safely is not only a program but a way of getting things done. Providing a healthy and safe work environment for employees, monitoring health and safety standards of suppliers, and ensuring safe use of products by customers are key elements in Sika's worldwide success. This relies on several core policies and guidelines:

- The Sika Code of Conduct (CoC) (available at <https://www.sika.com/en/about-us/who-we-are/values-principles/sika-code-of-conduct.html>) defines the standards and rules of behavior for the company and all its employees. The section dedicated to “Health and Safety, Environment”, stresses that Sika has the responsibility to fully comply with health and safety as well as environmental laws and internal guidelines in the interest of employees, customers, the public and the environment in general.
- The Sika Supplier Code of Conduct (SCoC) (available at <https://www.sika.com/en/about-us/who-we-are/procurement/sourcing-governance.html>) sets clear rules and guidelines regarding the environmental, health and safety standards that have to be implemented by Sika suppliers. The section “Protection of environment and health, commitment to sustainable development” of the document highlights how suppliers must implement all applicable environmental, health, safety, and transportation standards, and maintain a recognized management system identical or like ISO 14000 and ISO 45001, ensuring a continuous monitoring and improvement of its operational impacts on environment, health, and safety.
- The internal Safety and Sustainability Manual is valid for all Sika entities, globally. The principles of this manual must be reflected in both local and regional management processes. Since this manual is an integral part of the Corporate Management System, the corresponding local procedures need to be embedded into the local ISO-processes. All new hires at Sika must attend a mandatory induction session on these processes as part of their introductory program. Local management must provide regular training to employees to ensure that the safety principles are known to everyone and followed. The implementation of this manual at local and regional level is subject to audits and inspections. This manual will be updated during 2022 and will include a dedicated EHS policy.
- The internal Sika Life Saving Rules consist of ten rules – Fit for Work, Work Authorization, Confined Space, Energy Isolation, Work at Height, Safety Controls, Driver Safety, Protect Against Explosion, Hot Work, Beware of Hazards – that have been defined and deployed to help keep everybody safe on Sika sites. They address and raise awareness around key risks regarding health and safety of employees, contractors, and visitors, and apply to Sika employees when visiting customers or suppliers. All employees and third parties working on-site must adhere to these rules and are empowered to stop their work if they find it unsafe. Local EHS managers have the responsibility to communicate and distribute these rules and to organize dedicated trainings on site.
- The internal EHS Minimum Requirements consist of a set of 12 specific operational requirements related to specific hazardous activities (general sites rules, battery charging stations, confined spaces, explosion protection, hot work safety, lockout – tagout, personal protective equipment (PPE), rules for contractors, rules for visitors, safe driving, use of forklifts, work at heights) which have been implemented in the last two years in each Sika company. Each country has set up its own program to roll out and train employees to these standards.
- The internal Sika Banned Substance Policy regulates the use of defined hazardous substances in Sika operations and in products. Depending on the category, Sika prohibits or restricts the use of these substances in products above a defined concentration limit. Use in production is subject to specific permits.
- The internal Hazard Analysis and Risk Management Policy refers to the mandatory EHS and Risk Management procedures for every Sika company depending on their range of activities.
- The internal Regulatory and Product Compliance guidelines are used to ensure that raw materials, products, and services are assessed according to chemical regulations to assure compliance for the marketability of Sika products. Sika identifies and classifies all chemical substances, raw materials, and finished products according to their hazard potential in compliance with chemical regulations for registration, classification, labeling, packaging, transport, and restrictions. Sika products have to be accompanied by a Safety Data Sheet (SDS) in accordance with the legal requirements of the country and in the required language(s). Packaging and labeling are controlled and managed for local compliance and the Sika branding and labeling rules. Safety Data Sheets (SDS) are created using the Product Compliance Software and are reviewed and maintained to ensure that the SDS is not older than two years.
- The internal Labeling Guideline includes roles and responsibilities of regional and local organizations for all the applicable labeling requirements. It emphasizes that all packaging and labeling must be compliant with the laws and regulatory requirements in the markets in which the products are sold. To assist local companies, Corporate Labeling Rules have been defined. The guideline further strengthens the Sika brand and Corporate Identity (CI) on a global level, giving customers and users of Sika products confidence in their safety and quality.

- The internal Product Creation Process (PCP) Manual defines the authority, responsibilities, and procedures for creating, modifying, and offering new products and solutions to the market. The PCP supports Sika's vision, policies, and goals for long-term profitability and customer satisfaction. Reducing risks related to new product and system introduction, safeguarding EHS and considering product sustainability aspects along the entire value chain from research to the satisfied customer are elements of the PCP.

Specific actions 2021

In 2021, Sika has started to update the Safety and Sustainability Manual, with a strong emphasis on the following pillars:

- Management commitment to continuous improvement: each manager needs to demonstrate leadership, responsibility, and exemplary behavior.
- Employee involvement: Sika considers that everyone has a role to play in making sure workplaces are healthy and safe. That is why the Group actively encourages the effective and proportionate consultation and participation of workers and other stakeholders on all relevant health and safety matters.
- Compliance with rules: Minimum Requirements have been defined and implemented for each Sika company in relation to workplace safety. In addition, Sika Life Saving Rules have been set up to address key risks. Together with the Minimum Requirements and local regulations, these Saving Rules are mandatory for all Sika companies.
- Training and education: job safety performance is required from everyone working at Sika. Managers must ensure that employees know about the materials and the equipment they use, known hazards and how to reduce risks. Dedicated trainings are also organized on a regular basis, not only for new employees but also existing staff.
- Hazard recognition and resolution: risk assessments help to define what is needed to keep people safe. They are regularly organized and executed by local and corporate teams or external insurance companies.
- Incident reporting and investigation: it is mandatory that each incident is systematically reported, investigated, and gives rise to implementation of relevant actions. In addition, Sika strives to identify and analyze all minor events to prevent more serious ones. Results of incident investigations and the follow-up actions are shared across the company to facilitate improvement.

EMPLOYEE AND CONTRACTOR HEALTH AND SAFETY

The health, safety, and wellbeing of all Sika employees, suppliers and contractors is of paramount importance for Sika. In 2021, Sika has further strengthened the global, regional and area EHS structure by taking an integrated approach to Quality and EHS, the supporting management systems, and through building a stronger network of global, regional, and local EHS professionals. Sika will continue to develop and improve its occupational health and safety programs with further attention given to safe conduct, employee participation in safety programs, and a focus on prevention.

COMMITMENT

Sika strives to protect employees at work and ensure they leave the workplace in the same state of health as when they arrived. Sika is committed to driving continuous improvement in EHS performance.

GOALS AND TARGETS

Sika employees leave the workplace healthy. The target 2023 is to reduce the rate of lost time accidents by at least 50% (baseline 2019) and to have no fatalities. Sika monitors and evaluates the effectiveness of its management approach according to target achievement.

RESPONSIBILITIES

Labor practices and safe working conditions for Sika's operations are the responsibility of regional management, which reports to the CEO. At local level, the General Manager, the Operations Manager, and the line organization are responsible for helping Sika's occupational health and safety targets to be met, and for setting and achieving local targets accordingly.

POLICIES AND GUIDELINES

Sika's management approach to health and safety of employees is reflected in various internal policies and guidelines. For more information, please see the section "Policies and Guidelines" in this chapter on p.87.

VISION ZERO PROGRAM

In 2020, Sika has established the Sika Vision Zero Program including seven golden rules which have an initial focus on leadership commitment and employee participation. One of the first measures of this program has been the definition and implementation of Minimum Requirements for each Sika entity in relation to workplace safety, and Sika Life Saving Rules have been defined to raise awareness of key risks and to help keep all Sika employees safe.

In 2021, Sika has done the following:

- Organized regional Safety Summits involving Regional, General and EHS Managers to raise awareness and generate specific country level action plan for improvement.
- Developed and distributed “Safety Moments” awareness-raising materials (videos and presentations) that

can be used as introductory safety-focused tools to open operational meetings.

- Started rolling out Behavior Based Safety (BBS) programs in each region to further develop safety awareness at the workplace.
- Reinforced the reporting system and monitoring of health and safety incidents monthly with coordinated reviews among Global EHS, Regional EHS Leaders and ESG Controlling.
- Reinforced the focus on the root cause analysis of serious incidents.



For more information, please visit www.visionzero.global

OCCUPATIONAL HEALTH AND SAFETY AND QUALITY MANAGEMENT SYSTEM

Sika maintains and implements a Corporate EHS Management System which applies to all Sika locations and employees and fulfils the requirements of the ISO 45001:2018 “Occupational Health and Safety Management System” and of the ISO 9001: 2015 “Quality Management System”.

Local Sika companies implement their local Sika Management Systems based on the Corporate Management System and local regulatory and legal requirements. Newly acquired companies are integrated under the Corporate Management System as part of the integration approach.

The Corporate Management System is maintained by the corporate Quality & EHS function and deployed through a network of Quality and EHS professionals throughout the regional and country organizations.

Both the Corporate Management System and local Sika Management Systems are audited by external parties as part of the ongoing ISO certification efforts. Internal audits and regular reviews of EHS performance support the continuous improvement of the management system and its implementation.

In 2021, among 569 Sika sites under ISO scope⁴, 26% are certified according to ISO 45001:2018. The percentage of certified Sika sites is stagnating due to acquisitions and new small sites in emerging countries.

ISO 45001:2018 – OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM CERTIFICATION

	2019	2020	2021
Sites certified ISO 45001:2018 (No.)	84	114	147
Coverage of sites under ISO scope (%)	27	22	26

In 2021, among 569 Sika sites under ISO scope⁴, 61% are certified according to ISO 9001:2015. The percentage of certified Sika sites is stagnating due to acquisitions and new small sites in emerging countries.

ISO 9001:2015 – QUALITY MANAGEMENT SYSTEM CERTIFICATION

	2019	2020	2021
Sites certified ISO 9001:2015 (No.)	209	315	345
Coverage of sites under ISO scope (%)	67	61	61

⁴ Considered under ISO scope are: headquarters, plants, warehouses and technology centers. Sales offices, administrative offices, training centers are excluded as these activities do not fall under the scope of the respective ISO standards.

HAZARD IDENTIFICATION, RISK ASSESSMENT, AND INCIDENT INVESTIGATION

Sika considers the principle of hazard identification to be the basis of safe work and therefore applies the STOP principle (Substitution, Technical measures, Organizational measures, Personal protective measures) on all risk and incident investigations. Sika companies are required to regularly assess hazards and analyze risks within their premises and operations, and to define and implement corrective and mitigating measures accordingly. Each Sika site carries out adequate periodic risk assessment within the workplace. These are led by EHS professionals and serve to give a comprehensive and valid judgment regarding the protection level of occupational health and safety. Risk analyses are reviewed when new information becomes available, e.g., new legal requirements, changes to systems, equipment, or raw material etc., incidents/accidents/near misses.

It is the responsibility of all employees to ensure that all accidents or incidents, as well as near misses, are promptly reported to line management to ensure timely investigation and corrective action. All incidents that happen within Sika entities and premises and that involve Sika employees as well as contractors and visitors are included in the scope. To ensure prompt awareness of management, incidents with high or potentially high severity (including all accidents resulting in lost time) are reported immediately through a central notification system. Investigation and root cause analysis are significant drivers of continuous improvement in Sika health and safety performance. It is ensured that each incident is investigated, that a root causes analysis is performed, and that lessons learned are shared across the business for assessment and implementation of risk mitigation measures.

Local companies report on health and safety Indicators monthly to the Group Management. Monthly review meetings are organized at regional level with Global EHS to follow-up on the safety results and adjust the management approach accordingly. In addition, safety performance is reviewed at each Group Management meeting.

IMPLEMENTATION OF A GLOBAL INCIDENT MANAGEMENT TOOL

In 2021, a project was initiated to implement a global Incident Management system to further strengthen the reporting, investigation, and follow-up of incidents, accidents, and hazardous situations. The roll out of the tool is scheduled through 2022. This core digital platform will support the EHS Strategy at Group level through the following benefits:

- Increase safety awareness and behavior, reinforcing the safety culture and the ability to recognize safety hazards in the daily operations.
- Standardize the incident management process across the Group, bring consistency and transparency to safety performance, and enable the real-time sharing of risk mitigation actions.
- Support improved EHS performance by managing risks in real time and maintaining high standards of EHS compliance.

EMPLOYEES AND CONTRACTORS' TRAININGS ON OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety trainings are organized at various levels within the company for Sika employees and external workers:

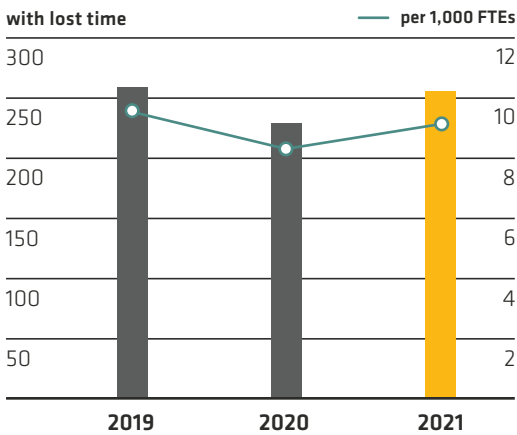
- All new employees receive an induction safety training that is embedded in Sika introductory program, focusing on safety policies, guidelines, and procedures. Regular refresher training sessions on health and safety are also performed.
- For contract workers, both the contracted party and Sika must be fully aware of and prepared for potential hazards. Contractors need to demonstrate a clear understanding of the task being performed and have a system to understand and control the risks in place. Training needs assessment, content and effectiveness are completed at local level under EHS manager, HR, and General Manager responsibilities. The same safety rules and trainings apply to contractors as for employees.

Apart from the mandatory health and safety induction training sessions, local management teams are responsible for setting up and deploying specific additional health and safety trainings.

EMPLOYEES' WORK-RELATED INCIDENTS

In 2021, no work-related fatalities of Sika employees occurred. In 2021, the number of lost time accidents increased compared to 2020 (+11.3%), leading to a higher Lost Time Accident (LTA) rate per 1,000 FTEs (+9.5%). This increase was related to the inclusion of newly acquired companies and a stronger monthly monitoring of health and safety indicators which created more awareness and transparency, and more robust reporting. Sika will continue to further focus on initiatives to strengthen the health and safety culture to improve the performance.

ACCIDENTS



WORK-RELATED INCIDENTS OF SIKA EMPLOYEES¹

	2019	2020	2021
Fatalities (No.)	1	1	0
Lost Time Accidents (No.)	261	230	256
Days Lost due to Lost Time Accidents (No.)	5,617	4,650	4,919
Average days lost per Lost Time Accident (No.)	21.5	20.2	19.2
LTA/1,000 FTEs (Rate)	9.6	8.4	9.2
LTIFR ² per 200,000 hours (Rate)	0.95	0.84	0.92
Occupational illnesses (No.)	5	16	10
OIFR ³ per 200,000 hours (Rate)	0.018	0.059	0.036

¹ Apprentices and interns are excluded from FTEs and worked hours used for the calculation of LTA/1,000 FTEs, LTIFR and OIFR.

² Lost Time Injury Frequency Rate.

³ Occupational Illness Frequency Rate.

In 2021, ten occupational illnesses have occurred for Sika employees, a decrease compared to 2020, as reflected in the OIFR development (-39.2%). The most common causes were related to skin, respiratory diseases, and to musculoskeletal disorders. In all cases, the employees have been supported by local Human Resources and Health & Safety functions.

In 2021, no work-related fatalities of Sika contractors occurred. The number of contractors lost time accidents increased compared to 2020 due to the implementation of enhanced reporting requirements and a stronger emphasis on health and safety which led to more robust incident reporting.

WORK-RELATED INCIDENTS OF SIKA CONTRACTORS

	2019	2020	2021
Fatalities (No.)	0	1	0
Lost Time Accidents (No.)	14	11	30

CUSTOMERS' HEALTH AND SAFETY

As a supplier of building materials and specialty chemicals, Sika manufactures products that can pose 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, regulations and regulatory approaches such as REACH and other relevant chemical registration requirements have aimed at reducing the negative impacts of chemicals on health and safety.

Customer health and safety is crucial for Sika and is factored into development work (formulation work, system design etc.) where product characteristics are determined. Moreover, Sika ensures that its customers are fully aware of handling requirements so that they can work safely. For this reason, customers and product users can attend application training sessions to learn the proper use of the products. All product information, specifically Safety Data Sheets and Product Data Sheets, are reviewed regularly and kept up to date.

Sika's performance related to the assessment and improvement of the health and safety impacts of its products is considered state-of-the-art, with a global Product Compliance software relying on one common data base, product stewards for all finished goods categories, trainings for all involved local users, benchmarking, and quality control.

Sika's management approach for customer health and safety sets out to avoid negative impacts through its products. The management approach includes the following components:

COMMITMENTS

Sika's commitment is to manage the chemical product compliance within its business in a careful and diligent way, as highlighted through its 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

To assure the compliance and the marketability of products, Sika's overall goal is that all raw materials used as product components and that all chemical products are assessed for health and safety impacts according to chemical regulations.

POLICIES AND GUIDELINES

Sika's management approach to health and safety of customers is reflected in various internal policies and guidelines. For more information, please see the section "Policies and Guidelines" in this chapter on p.87

RESPONSIBILITIES

The responsibility for the products sold in the individual Sika countries lies with the local organizations, and finally with the General Managers. The responsibility for product data relating to health and safety lies with the Global Regulatory & Product Compliance (RPC). When being distributed and sold, Sika products must be accompanied by a Safety Data Sheet (SDS) in accordance with the legal requirements of the country concerned and in the required local language(s). Packaging and labeling must be controlled and managed for local compliance and the Sika branding and labeling rules.

Local line management has the overall responsibility to assure that all products placed on the market follow local legislation, substance/product registrations or notifications, and customers' requirements. They also ensure that all products follow the Sika Global Regulatory Product Compliance (RPC) rules and define a dedicated local RPC role that holds the responsibility for managing raw material and finished goods data, customer safety information and labeling.

The Regulatory & Product Compliance team, which reports to Head Global Quality & EHS, acts as one global coordinating organization, using a harmonized global system (SAP-Product Compliance). It coordinates the classification of products according to regional and international regulations and the monitoring of new hazards of raw materials. Representatives in regional and local organizations from 116 Sika companies use SAP-Product Compliance. Reporting is conducted through the global Sika Product Stewardship Network (Regulatory & Product Compliance Organization). Regular training programs and workshops are held for the local Product Stewards and Regulatory Affairs Managers in all regions and areas, at least every two years.

ASSESSMENT OF THE HEALTH AND SAFETY IMPACTS OF SIKA PRODUCTS

Sika is committed to continuously improving the safety and environmental sustainability of its products and operations, by working internally on procedures, informing and educating product users through safety data and worker protection requirements, reducing hazardous chemicals, solvents, volatiles, reactive components wherever possible, and using devices for safe, contact-free application. In 2021, all entities of Sika Group were compliant with applicable regulations and did not report any significant incident concerning the health and safety impact of products.

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 labeling. Sika therefore considers all its significant product categories to be assessed for health and safety impacts and for improvements. This results in a steady improvement in products, 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 strictly regulates the use of raw materials with critical toxicological properties through an expert team.

Sika aims to eliminate substances hazardous to health or the environment from products and production processes wherever possible. For this purpose, the company has established the “Sika Banned Substances” system for assessing and treating substances with an elevated hazard potential. This internal system is complementary to local legal requirements, emphasizing Sika’s uncompromising commitment to quality and sustainability. Substances falling under the “Sika Banned Substance” definition are prohibited or restricted from use in Sika products and manufacturing processes above a defined concentration limit. Sika limits the use of harmful substances in production and supply chain and in the sales products, for health and safety reasons. Harmful substances are divided into:

- Category 1: substances by classifications which are banned for procurement, use and sales in the company.
- Category 2: substances by classifications and concentration limits in sales products. These substances may be used in controlled manufacturing processes as long as the defined concentration limits are not exceeded in the final product.

PRODUCTS ASSESSED FOR HEALTH AND SAFETY IMPACTS

	2019	2020	2021
Chemical products in assessment or assessed for health and safety impacts (%)	100	100	100

REACH, GHS, AND CLP REGULATIONS

In 2003, already four years before the European Chemical law on Registration, Evaluation and Authorization of Chemicals (REACH) came into force, Sika intensively addressed the topic with a project group. In 2004, the Group Management set up a central corporate REACH and Chemical Regulatory Department (the Regulatory & Product Compliance Department)

to coordinate all corporate activities. This also covers the requirements of the Globally Harmonized System (GHS), Classification, Labeling and Packaging (CLP), as well as other relevant chemical legislation to improve the protection of human health and the environment from the risks that can arise from chemicals.

Sika complies with legal requirements for construction chemicals suppliers. These prescribe that health and safety impacts are managed along the entire value chain. It starts with raw materials supply to the factory, and then moves to handling in factory (workplace safety of employees), manufacturing of products (workplace safety of employees), packaging of products (workplace safety of employees), shipping to customers (dangerous goods regulation), storage (customer safety), application (customer safety), use phase (customer safety), and finally end of life (customer safety).

HUMAN RIGHTS AND LABOR STANDARDS

GRI 103-2

GRI 103-3

GRI 412-1

LABOR AND SOCIAL STANDARDS

As a signatory of the UN Global Compact, Sika promotes the protection of universally acknowledged human and labor rights. In its Code of Conduct, Supplier Code of Conduct and the annual Compliance Confirmation, Sika has defined minimum human and labor rights standards to be implemented globally, including the prohibition of forced, slave, compulsory or child labor, the freedom of association, the prohibition of any form of discrimination, and the guarantee of fair compensation and equal opportunities for all employees. With operations that expand worldwide, Sika is active in many regions ranking high on human rights risk indices. Sika takes seriously its responsibility to assess its own operations in relation to potential human rights violations, and to implement adequate measures to prevent any violation.

POLICIES AND GUIDELINES

Sika's management approach to the protection of fundamental human and labor rights is reflected in several internal policies and processes, as described below:

- The Sika Code of Conduct (CoC) (available at <https://www.sika.com/en/about-us/who-we-are/values-principles/sika-code-of-conduct.html>) requires all employees to comply with applicable laws and regulations. At all locations where Sika operates, forced, slave, compulsory or child labor are prohibited. For the reporting year, Sika has received no indication nor any report of human rights violations concerning its own entities.
- The Sika Supplier Code of Conduct (SCoC) (available at <https://www.sika.com/en/about-us/who-we-are/procurement/sourcing-governance.html>) promotes the respect of human and labor rights, together with supplier audits and reviews. It appears in fact that Sika has a broad supplier base in many countries with high human rights violation risks and the sourcing from industries where labor rights potentially are at risk. By signing Sika's Supplier Code of Conduct, suppliers undertake to respect the provisions of the UN's Universal Declaration of Human Rights (UDHR) and the core Conventions of the International Labor Organization (ILO) regarding:
 - Prohibition and elimination of child labor and forced labor
 - Freedom of association and collective bargaining
 - Promotion of equal opportunity and fair treatment in employment and occupation
 - Safe and healthy working conditions
 - Payment of living wages and regular employment entitlements
 - Non-excessive working hoursSuppliers further undertake to put systems in place for the proper information, training, and auditing of their personnel and subcontractors to ensure compliance with these principles. To the extent that Sika is directly concerned, suppliers are required to inform Sika immediately of any identified violation of Sika's Supplier Code of Conduct.
- As stated in its HR policies and employment contracts, Sika is an equal opportunities employer. It thus is committed to treating all staff equally, refraining from any discrimination based on race, color, gender, age, national origin, religion, sexual orientation, gender identity or expression, marital status, citizenship, disability, or any other legally protected factor

COMPLIANCE CONFIRMATION

General Managers and their local management team are obliged to ensure, supervise, and monitor the protection of human and labor rights at their entities and within their areas of responsibility. The Compliance Confirmation asks all General Managers on an annual basis to confirm that they have implemented and communicated the following to their staff: the prohibition of forced, slave, compulsory, or child labor; the freedom of association; the right to fair working hours and fair compensation, and the non-discrimination and equal opportunity principle.

The Compliance Confirmation further affirms that Sika promotes equal opportunities and fair treatment in employment and occupation and prohibits any form of discrimination, as discrimination "is the act and result of treating people unequally by imposing unequal burdens or denying benefits rather than treating each person fairly based on individual merit"; and ensures the right of workers and employees to establish and join organizations of their own choosing without the need for prior authorization.

INTERNAL AUDITS AND INSPECTIONS

Through mechanisms such as audits and inspections, Sika ensures and monitors the protection of human and labor rights among its Group companies. Corporate Compliance, in close cooperation with Corporate Legal and Internal Audit, runs periodic checks and audits to monitor implementation of Sika's human and labor rights standards and to implement improvement measures if deemed necessary.

OPERATIONS THAT HAVE BEEN SUBJECT TO HUMAN RIGHTS REVIEWS OR IMPACT ASSESSMENTS

General Managers are obliged to strictly adhere to internal guidelines and applicable local laws, and to supervise their entities accordingly. They are also responsible for taking preventive action and providing adequate training for their staff. Assuring adherence to human and labor rights is part of the annual Compliance Confirmation every General Manager must sign. Internal and legal audits are performed regularly at all Sika entities. Roughly 30 audits (including internal and legal audits) are performed annually, covering about 20% of Sika's subsidiaries each year. These audits aim at reviewing the implementation of the following human and labor rights principles: non-discrimination (including the prohibition of harassment and sexual harassment); fair compensation; prohibition of forced, slave, compulsory, or child labor; freedom of association (without need of prior approval) – unless prohibited by local laws.

In 2021, 100% of Sika's General Managers have confirmed – by means of the annual Compliance Confirmation – that no violations of fundamental human or labor rights have been identified.

SUPPLIER AUDITS AND ASSESSMENTS

For more information on this topic, please see the chapter "Suppliers", section "Supplier Social and Environmental Compliance" available in the Sustainability Report 2021 on p.100.

SUPPLIERS

THE SUPPLY CHAIN

GRI 102-9

GRI 102-10

Sika's supply chain varies depending on the business segment. Sika companies source direct materials and trading goods packaging both locally and internationally. Some materials are only available from international suppliers and must be imported into the country of production. Due to Sika's diverse purchasing portfolio, with more than 50,000 materials from more than 14,000 suppliers⁴, there are no primary brands. Sika strives to work with local suppliers wherever possible, to reduce lead time, risk, and transport, and to increase availability and control quality.

In 2021, the amount of direct material expenditures was CHF 4.5 billion, which corresponded to 48.2% of Group total net sales. Material expenses increased as a percentage of net sales by three percentage points. This increase was driven by increased raw material costs due supply chain constraints.

DIRECT MATERIAL EXPENDITURES¹

	2019	2020	2021
Direct materials and trading goods spend (MCHF)	3,765.2	3,562.7	4,461.0
Direct materials and trading goods spend (% of total net sales)	46.4	45.2	48.2

¹ This indicator is extracted from the consolidated income statement. Material expenses include the value adjustment expenses for unsaleable goods and depreciation and amortization due to inventory differences. Figures published in 2019 and 2020 have been restated to ensure alignment of the calculation and reporting with the income statements. 2021 figures include the two acquired companies Hamatite and Landun.

Sourced raw materials include, among others, bulk chemicals, minerals, proprietary admixture ingredients, admixture, and polymeric plastic. Main materials based on quantity from the different material categories include sand, grey cement, carbonate fillers, polyols, polyethylene glycol, epoxy resins, lignosulphonates, PVC, and bitumen.

In Sika factories, the raw materials are converted into higher-value goods, usually through mixing, blending, compounding, and suitable form-giving. From Sika's finished goods warehouses, products are distributed within the respective country and partly exported. Sika today collaborates with more than 14,000 direct material suppliers, for both local and global sourcing. Sika's supply chain includes goods purchased locally and across regions, in alignment with Sika's global reach and presence.

Sika employs a risk management approach for suppliers and the raw material supply chain. This approach is described in the Annual Report 2021, chapter "Risk Management and TCFD Recommendations" on p.23.

SIGNIFICANT CHANGES TO THE ORGANIZATION AND ITS SUPPLY CHAIN

Due to the acquisitions that took place throughout the year, the network of Sika's suppliers enlarged. For more information, please see the chapter "Methodological note", on p.145 of the Sustainability Report 2021.

⁴ Tier 1 only

SUPPLIER SOCIAL AND ENVIRONMENTAL COMPLIANCE

GRI 103-2

GRI 103-3

GRI 308-1

GRI 414-1

GOALS AND TARGETS

Sika's values are very much centered around respecting universal human and workers' rights, acting in accordance with fundamental environmental, health and safety standards and investing efforts into sustainable development and corporate responsibility. The entire Sika's supplier network is expected to embrace the same set of values and enforce them in their own supply chain. The same standards and expectations will apply to any acquisitions Sika onboards and integrates as well. Sika's goal is that 100% of all new suppliers must have signed the Sika Supplier Code of Conduct or provided a Code of Conduct which is then approved by Sika. In addition, all existing suppliers have been asked to sign the Supplier Code of Conduct updated in 2021.

COMMITMENTS

Within the Sustainability Strategy "More Value – Less Impact" procurement plays a key role in making sure Sika drives forward the sustainability commitments and activities upstream of the supply chain; making sure Sika selects vendors according to the highest standards related to environmental, social, and corporate governance, whilst also ensuring that customer demands are met to provide innovative sustainable solutions.

RESPONSIBILITIES

Sika's procurement organization is well aligned with the business to allow close collaboration with internal and external key stakeholders. This translates into a matrix organization with Material Category and Geographical responsibilities:

- Material Category Roles: All materials for Sika's Core Technologies are structured around material categories. Each material category is coordinated globally by a Global Category Manager. Depending on the size and complexity of spending in the respective categories, some material groups might be further managed by Global Material Group Managers. Global Category Managers and Material Group Managers will be supported in the regions by Regional Category Managers to ensure better target achievement and coordination.
- Geographic Roles: All procurement activities within each region in Sika are coordinated by a Regional Procurement Head. Regional responsibilities can be delegated to areas which are coordinated by an Area Procurement Head. Likewise, all country level procurement activities are coordinated by a Country Procurement Head.

Depending on the size of the company, the procurement organization in any country may comprise additional subordinate roles.

POLICIES AND GUIDELINES

- The Sika Supplier Code of Conduct (available at <https://www.sika.com/en/about-us/who-we-are/procurement/sourcing-governance.html>) sets out expectations for the supplier network and reflects the ten principles of the United Nations Global Compact initiative, the United Nations' Guiding Principles on Business and Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the global chemical industry's Responsible Care® program and the Conflict Minerals Regulations.
- The internal Procurement Manual, updated in 2020, describes the principles, rules and authorities that have been defined for the procurement of direct goods (raw materials, packaging, traded goods) and indirect goods and services. It is addressed to all local, regional, and global procurement personnel as well as any other functions or Sika employees actively involved in any procurement activity. The manual provides the guidelines that form the basis of regional and local procurement policy for all Sika organizations.
- The internal Sustainable Procurement Guidelines have been finalized in 2021 and will be implemented in 2022 as part of the Procurement Manual. This document contains specific targets related to responsible procurement practices to ensure Sika integrates sustainability requirements in the supply chain.

SUPPLIER MANAGEMENT AND RAW MATERIAL PROCUREMENT

The purchased raw materials are the Group's biggest cost factor. Approximately two-thirds (in terms of spend) of the materials used by Sika in production, such as polyols, epoxy resins, acrylic dispersions, and polycarboxylates, are based on fossil fuels or their derivatives. Purchase prices consequently vary according to the supply and demand situation for each raw material and fluctuations in the price of oil. To reduce its dependency on crude oil, Sika is increasingly relying on renewable raw materials, such as sugar derivatives, bioethanol derivatives, and natural oils. Moreover, recycled raw materials are used wherever possible, and many production plants implement their own, or externally operated, recycling loop systems. Mineral substances, such as calcium carbonate, sand, and cement, make up the remaining raw materials. For more information see the chapter "Planet", section "Circular Economy" on p.115 and "Materials" on p.116 of the Sustainability Report 2021.

Sika purchases its base chemicals in accordance with strict quality requirements from certified suppliers offering the best value for money. In the case of key raw materials with limited availability or large purchase volumes, Sika mandates at least two suppliers whenever possible. For unique, highly innovative technologies, the Group seeks to manufacture raw materials itself, or source them in close collaborative partnerships with innovative suppliers. In respect to all the materials used, compliance with the relevant statutory registration requirements (e.g., Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) or Toxic Substances Control Act (TSCA)) is monitored and ensured by a network of global and local Sika's specialists, as well as external consultants. Sika's procurement specialists and technical experts work closely with suppliers' technical units to fully understand the raw material flows, and continually optimize costs, quality, availability, and sustainability. Additionally, potential suppliers are closely screened by Sika and must demonstrate compliance with all laws, regulations, and international standards set out through Sika's qualifying and selection process.

RISK MANAGEMENT - EARLY IDENTIFICATION OF POSSIBLE RISKS

All purchased materials are regularly evaluated through Sika's Supply Risk Management Process to ensure continuous, uninterrupted material availability. Based on the findings, Sika can identify potential risks and determine relevant measures, such as maintaining safety stocks, and/or securing long-term supply contracts. Sika continues to use this risk management process stringently to ensure any potential impact on the company and its customers is mitigated. The results of Sika's risk management process are often supplemented by an evaluation of a suppliers' ESG standards and internal processes.

Documentation generated during supplier qualification, such as audit and visit reports, supply agreements and specifications, is transparently monitored on several dedicated platforms, including the Supplier Relationship Management Platform (SRM) and the Risk Management platform. The system enables buyers to inspect suppliers' qualifications and, if necessary, support the suppliers to improve their ESG performance.

Despite the unusual circumstances because of COVID-19, 2021 again saw a successful execution of Sika's risk management process, allowing the company to better identify potential risks and secure well-structured mitigation practices. Within the last year, adaptability, flexibility, and strong supplier relationships have been key to overcome difficult market environments.

TOGETHER FOR SUSTAINABILITY (TfS)

Since February 2020, Sika has been an active member of Together for Sustainability (TfS), a global, industry-driven initiative including major chemicals companies. Founded in 2011, TfS drives a global assessment and audit program to assess and improve the sustainability performance of the supply chains of its members, with a particular focus on the implementation of human rights and environmental standards.

The TfS program is based on the UN Global Compact and Responsible Care® principles and allows Sika to assess and evaluate the performance of its suppliers in various aspects: environmental, labor and human rights, ethical and sustainable procurement performance. Sika closely cooperates with the other members of the initiative, and the initiative enables Sika to ensure that global sustainability standards are met by suppliers through the following activities:

- As a TfS member, Sika requires all potential suppliers in a qualification process to complete an EcoVadis Sustainability Assessment. In addition, Sika has access to all EcoVadis assessments of its suppliers which have been required by other TfS members. By using the EcoVadis framework, suppliers are assessed and/or audited on their sustainability performance. This provides transparency on sustainability activities and contributions within the supply chain, allowing Sika to initiate and achieve measurable improvements.
- To drive this TfS commitment internally, Global Procurement has implemented a monthly status and update report to share how the different TfS projects are progressing and where Sika stands with regard to its targets related to assessments and audits through the regions.
- In addition, TfS Coordinators have been set up for all four regions (EMEA, Americas, Asia/Pacific, and Global Business). This coordination network provides useful inputs from local and regional procurement teams to steer the initiatives internally and to share best practices.
- In line with Sika's Procurement strategy and on the approval of the TfS network, Sika commits to conduct a self-defined target of EcoVadis Assessments and TfS Audits on a yearly basis.
- Sika additionally participates in two workstreams: Governance & Partnerships (WS1) and Greenhouse Gas (GHG) Scope 3 Emissions (WS5). The first one focuses efforts on the overall expansion of the TfS initiative, promotes cooperation with other chemical associations and sustainability organizations, updates the TfS KPIs and Governance, and initiates best practice sharing. The other workstream allows Sika to work on a solution to create a standard for the scope 3 GHG emissions Product Carbon Footprint calculation in the chemical industry. This will create improved transparency in the industry and enable effective reduction management. Please see the "Planet" chapter, section "Emissions" on p. 121 of the Sustainability Report 2021 for more information.

SCREENING OF SUPPLIERS THROUGH ENVIRONMENTAL AND SOCIAL CRITERIA

Sika's values are centered around respecting universal human and workers' rights, acting in accordance with fundamental environmental, health and safety standards and investing efforts into sustainable development and corporate responsibility. Sika takes responsibility for the supply chain and applies the highest ethical standards for suppliers. It is expected that the entire Sika's supplier network embraces the set of values defined in the Supplier Code of Conduct. Sika thereby ensures that suppliers are informed of Sika's ethical, environmental, and social expectations and guidelines and that they carry out their processes in compliance with Sika's sustainability criteria.

COVERAGE OF SIKA SUPPLIER CODE OF CONDUCT

In 2021, with the implementation of the updated Sika Supplier Code of Conduct, the endorsement process has been digitalized on a dedicated platform starting from the second half of the year. As of end of 2021, 9,527 suppliers (tier 1) signed the previous Supplier Code of Conduct⁵. Starting from 2022 Sika will disclose the number of suppliers who signed the updated Supplier Code of Conduct. The goal is to reach a 100% coverage of all suppliers, including both existing and new ones, in the upcoming years.

SUPPLIER QUALIFICATION PROCESS

Through 2021, Sika continued to adopt a stringent multistage supplier qualification and evaluation process, mapping out the main sustainability principles (environmental, social, and economic) both for potential suppliers and all current suppliers. This process is structured around four phases:

- Phase 1: the supplier commits to comply with Sika's Supplier Code of Conduct which includes the Sustainability, Ethics, and Fair Competition principles.
- Phase 2: the supplier signs Sika's raw material specifications.
- Phase 3: the supplier completes a self-assessment for being qualified according to the Sika requirements which is part of the supplier onboarding process. The Sika self-assessment, amongst other topics, covers the necessary qualifying criteria of a supplier management and reporting systems, specific and relevant ESG criteria and quality assurance of the materials provided.
- Phase 4: depending on the outcome of risk assessment activities (phase 1-3), the supplier might also be assessed based on TFS evaluations as a further requirement to the supplier qualification and evaluation process.



In unclear cases, where suppliers present ESG-related issues, the purchasing department will follow up with external and/or internal sustainability audits.

The documentation generated during supplier qualification is transparently recorded and stored on the SRM platform. Sika Procurement employees are constantly trained using a systematic supplier audit method. These procedures are designed to ensure compliance with international labor standards and prescribed quality, environment, health and safety criteria.

SUPPLIER AUDITS AND ASSESSMENTS

In 2021, the TFS initiative enabled Sika to have access to more than 10,000 supplier EcoVadis assessments and audits. On a yearly basis, each TFS member must execute a predefined number of suppliers EcoVadis Sustainability Assessments and TFS Audits according to a target approved by the TFS organization. In exchange, Sika and the other members have access to the self-assessment and audit reports submitted by all other members. Through this shared approach, TFS increases Sika's ability to ensure compliance by its suppliers with accepted Corporate Social Responsibility (CSR) and ESG norms, including fundamental human and labor rights.

EcoVadis sustainability assessments and Sika's suppliers' self-assessment support Sika Procurement to identify suppliers representing a potential CSR and ESG risk; and suppliers presenting such risks are screened by the Procurement team, using desktop research, and performing targeted supplier audits. Sika regards the management approach as effective, given the absence of social and environmental claims or legal action involving suppliers.

⁵ This figure excludes both Hamatite and Landun.

TRAININGS FOR EMPLOYEES AND SUPPLIERS

Procurement employees in the company are constantly trained using a systematic supplier audit method. These procedures are designed to ensure compliance with international labor standards and prescribed quality, environment, health and safety criteria.

In 2021, internal trainings were provided to around 80 Sika employees working in the procurement function to improve their skills in fostering suppliers' engagement and implementing supplier sustainability assessments within the framework of the TFS initiative.

Since 2011, Sika carries out the "Supplier auditor training program", an internal initiative conducted over two days of training for procurement, technical, and quality responsible experts on a yearly basis. It is part of the Sika Audit Charter and covers the following: scope, procurement process, supplier audit process, audit technique, audit checklist, reporting, and a personalized workshop on audit planning. In 2021, four online training courses have been executed covering all regions and business units. A total of over 300 Sika employees have successfully concluded this training.

Moreover, Sika continuously leverages both internally developed and externally provided sustainability-driven supplier trainings and webinars. By identifying the key concerns and findings per region and/or supplier groups and streamlining exercises and improvement guidance, Sika can ensure that its supplier network are provided the necessary support to enable them to reach the required standards and expectations.

In March 2022, the TFS initiative will launch the TFS Academy. This new solution will enable all TFS members, and their supplier network, to learn about a range of sustainability and responsible sourcing topics. It operates with the aim to boost sustainability skills, build on unique areas of expertise, and integrate learning into daily work. Sika plans to fully leverage the TFS Academy both internally and with its supplier network, to promote learning and initiate improvement on standards and practices within the supply chain.

CUSTOMERS

CUSTOMER RELATIONSHIP AND SATISFACTION

GRI 103-2

GRI 103-3

GOALS AND TARGETS

Customer relationships and satisfaction are of major importance and Sika aspires to have a 100% customer satisfaction rate.

COMMITMENT

Sika's commitment towards customers is strongly embedded in the values and principles of the company. As a foundation of future success, "Customer First" is the first principle of Sika's corporate culture. It states Sika's dedication to provide and maintain highest quality standards with its products and services. All Sika solutions are designed in a customer-centric approach with the aim to ensure long-lasting success of customers and mutually beneficial relationships.

RESPONSIBILITIES

Please see the chapter "Products", section "Product Quality and Reliability" on p.139 of the Sustainability Report 2021 for more information.

POLICIES AND GUIDELINES

Please see the chapter "Our People", section "Health and Safety" on p.86 of the Sustainability Report 2021 for more information.

CUSTOMER SATISFACTION

Customer First is one of Sika's five values. By having a decentralized business model, customer satisfaction has been measured in different ways by Sika's local entities. The Group is however investigating ways to implement global standards and best practices while still allowing for local adaptations according to the specific needs and priorities of local entities. Local line management has the responsibility for customer relationships, and it provides customers with products and services that address their needs. Local line management is also responsible for collecting customer feedback, managing enquiries, and assuring best-in-class customer service. Sika supports an omnichannel approach and aims to create a consistent customer experience throughout the various touchpoints with high levels of satisfaction. Please find below some examples of how customer satisfaction is handled in three Sika countries: Sweden, Tunisia, and the United Kingdom.

CUSTOMER SATISFACTION IN SIKA COUNTRIES



In Sika Sweden, there are three main channels to collect data and information regarding customer satisfaction. The first one is a survey sent out by the company at the end of the year to selected customers based on their size and sales. The survey covers several areas regarding customer service, sales, deliveries, communication, and marketing. Through this survey, the company identifies future areas of improvement. The second channel is a yearly survey sent out by one of the largest Sika Sweden's customers to rate its suppliers. Through this process, Sika Sweden receives feedback on their satisfaction with products and services provided by Sika. The third one is based on monitoring and assessing customer satisfaction KPIs, such as cost of claims, credit notes vs orders, delivery on time or free of charge. Based on the KPIs results, the Management team can decide to act on specific topics.



Sika Tunisia conducts a yearly online feedback survey which is sent out to all customers. It covers topics such as sales services, technical support, quote, order, delivery processes, and claims processing. The results are reviewed and discussed with sales, financial, and technical departments and are used as a basis for defining and implementing action plans through the different departments.



Sika UK engages with customers to collect their feedback, so that their expectations and concerns are embedded into day-to-day decision making. Customer satisfaction is measured on an annual basis via an online survey sent out to customers. The survey covers key areas of interaction such as quality of products, orders and deliveries, query resolution, technical support, customer services and sales departments. The results are shared with all relevant departments responsible to ensure that staff understand the current benchmarks on which to base future actions for improvements, and define any issues that can be immediately resolved. The results are also shared and analyzed by the Quality Team in an annual management review and contribute toward compliance with British Standards.

TRAININGS FOR CUSTOMERS

Sika is not only selling products but integrated solutions, providing training to customers on how to best handle and apply Sika products, and how to choose the best and most suitable solution based on their needs. Due to COVID-19, most trainings have been moved to a virtual or digital learning environment, where Sika has benefitted from its digital platform ensuring training and presentations of innovative technologies and products.

Customer trainings can be assigned to three main categories: generic, to transfer knowledge; specific, to explain a product and/or its application; and introductions to the application of new technical developments at congresses. These trainings are usually carried out in collaboration with regional and local Sika's organizations, enabling the company to customize them based on local markets and customers' needs.

Trainings can be held at the customer site, hosted within a Sika facility, or online. The way customers' feedback is considered is dependent on if it is a theoretical training or rather a hands-on application training. In every training, Sika aims to motivate a high engagement and ensure the collection of valuable feedback. At the end of each training, customers are usually asked to answer a questionnaire, which aims to uncover feedback and impressions regarding quality of training content, quality of training tools, and about frequency and content of future trainings.

COMMUNITIES

LOCAL COMMUNITY ENGAGEMENT

GRI 103-2

GRI 103-3

GRI 413-1

As a socially responsible company, Sika supports local communities. Community engagement for Sika is the process of working collaboratively with neighborhoods to address issues affecting the well-being of its residents. This engagement is the driver to bring social, environmental, and behavioral changes that will improve the lives of the communities and its members. This involves partnerships with NGOs and associations that help mobilize resources and influence the prospects of those neighborhoods in a positive way. Sika defines “communities” as non-commercial stakeholder groups of local companies, neighborhoods, educational institutions bringing forward social activities and projects, environmental programs, and the development of recover programs. Community engagement is important to Sika and its communities for the following reasons:

Sika	Communities/local citizens
<ul style="list-style-type: none"> – Increased trust: working together improves communication and understanding of mutual points of view. – “Good Corporate Citizenship”: commitment to social issues demonstrates Sika’s responsibility to society. – Awareness and mutual understanding: increase awareness and understanding of Sika’s values and expertise locally. – Broaden local networks: shared projects help to support collaborative efforts and to envisage further social and business-related projects. 	<ul style="list-style-type: none"> – Empowerment and integration: underprivileged stakeholders can gain greater control over their lives and improve their situation on a sustained basis. – Providing more effective local solutions: drawing on Sika knowledge leads to practical and effective solutions. – Improved knowledge and skills in problem solving: individuals learn about issues in-depth through practical experience. – Access to valuable services and activities: community members can develop capabilities that enable them to be an active part of society and to contribute to the community itself.

COMMUNITY ENGAGEMENT PROJECTS AT SIKA DURING ONGOING PANDEMIC

COVID-19’s global presence and social transmission pathways require shared responses. In the reporting year, Sika continued to support communities and social institutions in coping with the pandemic through the production and the distribution of sanitizers and masks and in the construction of urgently needed pandemic-related infrastructure, such as youth shelters and prefabricated panel structures for COVID-19 prevention and control measures. As in the previous year, the implementation of community engagement projects was restricted in many countries, especially when volunteering work was planned. At the same time, Sika companies around the world implemented projects to support social institutions in improving the quality of life of children, adults and families. The focus has been set on three areas: education and vocational training, buildings and infrastructure, and waste and climate protection.

“SIKA CARES” ENGAGEMENT PROGRAM

The “Sika Cares” community engagement program, which was started in 2019, focuses on improving the quality of life of children, adults, and families in the local communities in which Sika operates worldwide. Sika staff enjoys the intangible benefit of giving a feeling of connectedness and the satisfaction of trying to make the world a better place. The company aims to support local third parties to help people to develop themselves. With this program, Sika companies ensure that local community members have access to valued social settings and activities, that Sika staff can contribute meaningfully to those activities through volunteering work, and that functional capabilities are provided to enable individuals to participate in their communities. To achieve this goal, cooperation with and support for existing and professional charity organizations is given priority. In the year under review, Sika started to develop a guideline on how to select, plan, and run social community engagements projects. The content of this guideline has been developed in cooperation with a set of pilot countries and an external expert who is part of the Sika Sustainability Advisory Board.

“Sika Cares” is focusing on the following three areas:

- Education and vocational training: investment in good education gives young and underprivileged people the most important tool they need to lead an independent life. Sika works to ensure that disadvantaged children and young people get a genuine chance in life. Sika provides support on training and capacity building in terms of refurbishment and construction projects, promotes quality education for orphans and vulnerable children or neighborhood-focused employability approaches, for example. In this way, Sika increases employment opportunities of socially disadvantaged people.
- Buildings and infrastructure: the health and dynamism of communities also depends on the infrastructure in place for people and the environment. This is where Sika comes in with its expertise and product solutions, providing housing and accommodation for social NGOs, enabling and optimizing health and safety infrastructures, or traffic/transport services and facilities for the local communities.
- Water and climate protection: Sika employees support projects which link social causes with ecological interest: projects raising awareness on climate change, community health and safety, initiatives promoting the provision of drinking water in dry areas or technological development to stimulate the economic growth of local communities. Sika also seeks to promote on-the-ground self-help. Supporting self-management involves enabling and instructing people about their condition and care and motivating them to care for themselves and to expand their quality of life by capacity-building. Promoting self-help can encompass a portfolio of information, techniques, and tools that help individuals access new know-how and improve their situation in a sustainable way. One 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.

For each community engagement project, local Sika companies are required to put forward specific aid applications and, together with local partners, supervise the projects on site until completion. The company 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.

SIKA CANADA – YOUTH SHELTER

In summer 2021, Sika Canada was proud to help improve the living environment of a youth shelter in Montreal during the pandemic. With the help of Sika staff, the right tools, the gracious collaboration of Sika business partners and the desire to make a difference in the community, the building's exterior courtyard and various concrete structural elements were renovated in two days. With this project, Sika Canada demonstrated both community engagement and team involvement. The goal of the Sika team in Canada was to rise

the quality of life and to provide, to the kids and the educators that are living in the shelter, a safe and fun outdoor environment for them to enjoy the summer. 25 Sika employees spent in total 400 hours processing construction works.



For more information, please visit www.sika.com

GOALS AND TARGETS

The targets for 2023 are to achieve 10,000 working days of volunteering work, to run 50% more projects, and to get 50% more direct beneficiaries deriving from the projects compared to 2019. To work towards these ambitious goals, for 2021 Sika envisaged 2,000 volunteering days across all regions⁶. Due to the pandemic and restrictions in social contacts, the total number of volunteering days amounted to 1,392 days.

COMMITMENTS

Sika is committed to building trust and creating value with its customers, communities, and society. As a socially responsible company, supporting local communities is completely embedded in Sika's DNA.

⁶ Across Sika's four regions EMEA, Americas, Asia/Pacific, Global Business, including Corporate Services.

RESPONSIBILITIES

The corporate teams of Corporate Communications and Innovation and Sustainability, with the strategic involvement of the Global HR organization, are responsible for planning and further developing the community engagement scheme and for monitoring and evaluating its implementation. The regional and local line management is responsible for implementing the scheme locally. The patron of the “Sika Cares” program is the CEO, however, operational responsibility is carried out by Sika subsidiaries on a local level and projects are managed on team level.

POLICIES AND GUIDELINES

Sika has developed internal community engagement guidelines on how to plan, select, run, and monitor projects in the domain of community engagement to ensure a common and consistent approach for all local Sika subsidiaries. For each new local community engagement initiative above CHF 10,000, the procedure is as follows:

- General Managers of Sika subsidiaries submit a request for a project in their country with a project description, including cost/resources, impact, and duration, to the Regional/Area Manager.
- Projects are evaluated by the corporate teams of Corporate Communications and Innovation and Sustainability in cooperation with the Regional/Area Manager.
- Project approval is given by the Regional Manager.

The Sika Community Engagement Guideline assigns the responsibility for monitoring, reviewing, and evaluating processes to the teams of Corporate Communication and Innovation and Sustainability. Local companies have to disclose information on current projects at least quarterly through the sustainability reporting system. A summary of the community engagement activities is provided annually on the corporate website.

OPERATIONS WITH LOCAL COMMUNITY ENGAGEMENT, IMPACT ASSESSMENTS, AND DEVELOPMENT PROGRAMS

In 2021, Sika sponsored 242 projects (previous year: 183 projects). This equates to a year-on-year strong increase of 32.2%. In total, Sika employees spent 1,392 days of volunteering work (previous year: 1,119 days, +24.4%). 44,188 individuals were benefitting of the community engagement projects directly (previous year: 268,581). In the year under review, new projects in the three areas of Education and Vocational Training, Buildings and Infrastructure, and Climate and Water Protection were initialized. The key element has been to increase the scope for autonomy and self-determination in the lives of individuals rather than to mitigate COVID-19 transmission in densely populated areas.

COMMUNITY ENGAGEMENT INDICATORS

	2019	2020	2021
Community engagement projects (No.)	148	183	242
Direct beneficiaries (No.) ¹	7,765	268,581	44,188
Volunteering days of employees (Days) ²	401	1,119	1,392

1 The decrease in the number of direct beneficiaries from 2020 to 2021 derives from the fact that in 2020, Sika supported a COVID-19 related project bringing benefits to the population of a suburb of Moscow by distributing hand sanitizers.

2 Some of the projects do not require any volunteering work from Sika employees and therefore not all projects led to volunteering days.

PLANET

ENVIRONMENTAL SUSTAINABILITY

GRI 103-2

GRI 103-3

Global trends, such as climate change and raw materials scarcity, increasing urbanization, and population growth, confront companies and communities with major economic, social, and environmental challenges. Sika takes on these challenges and contributes to a sustainable development by offering sustainable solutions in construction and transportation, efficient use of energy and all resources, as well as minimizing the amount of waste. Sika believes that global sustainability trends also generate opportunities to develop its business and help customers meet the challenges.

As reflected in the Sika growth strategy, environmental sustainability is an overarching principle and a strategic pillar for future growth and innovation. Sika actively implements the “environmental sustainability” roadmaps, projects, and initiatives at various levels within the company:

- The Global Innovation and Sustainability team defines targets and supports the regions in setting up regional environmental sustainability roadmaps.
- Regional Sustainability Managers facilitate the rollout at regional level and support countries in setting and targeting environmental sustainability roadmaps.
- Local Sustainability Managers are responsible for planning sustainability initiatives and developing an environmental sustainability roadmap at country level, with the support of local Operations Managers and Regional Sustainability Managers. Both local Sustainability and Operation Managers are responsible for running projects at country level and sharing lessons learned across regional networks.

GOALS AND TARGETS¹

Water management	15% less water consumption per ton sold.
Waste management	25% higher recycling rate of total waste. 15% less waste generation per ton sold.
Energy management	15% less energy consumption per ton sold. Maximize share of renewable electricity.
GHG Emissions	12% reduction of CO ₂ eq emissions (scope 1+2) per ton sold.

¹ All targets have been set based on the year 2019, results to be achieved by 2023.

COMMITMENTS

Water management	To achieve 2023 targets, “environmental sustainability” roadmaps have been developed and implemented since 2020 in all relevant local countries/plants. These roadmaps include the planned initiatives to reduce CO ₂ eq emissions, energy/water consumption, waste generation, and increase the share of renewable energy for the period 2020-2023. The roadmaps are being updated on a yearly basis.
Waste management	
Energy management	
GHG Emissions	

METHODOLOGICAL CONSIDERATIONS

Acquisitions and scope changes that occurred in 2019, 2020 and 2021 did not lead to a restatement of the environmental indicators disclosed in this section. Many of the strategic KPIs are measured by using tons sold as a denominator. Tons sold include all Sika manufactured and third-party traded products⁷. The development of the third-party traded tons sold in the past three years has been stable and therefore does not impact the overall performance.

RESPONSIBILITIES

The Sustainability Strategy, and the related environmental sustainability targets, are implemented and executed:

- Regionally, through the network of Regional Sustainability Managers and Regional Operations Managers that coordinate all actions at regional level and support the local management in implementing and monitoring local environmental sustainability roadmaps and initiatives and associated target achievements, as well as support the implementation of efficiency projects, which are defined at global level.

⁷ Finished good materials purchased from third parties for resale.

- Locally by the line organization: the line management of Sika's operations is responsible for the target achievements; while, at local level, the Operations Manager is responsible for helping Sika's targets to be met and for setting and achieving local targets accordingly. A particular degree of responsibility lies with the General Managers, Target Market Managers, R&D Managers, and local Operations Managers along with local Sustainability Managers, who drive the development and implementation of local sustainability environmental action plans.

A network of four Regional Sustainability Managers, coordinated by the Global Sustainability team, has the objective to strengthen the rollout of the Sustainability Strategy at regional and local levels. The existing network of Operations Managers and Local Sustainability Managers support Sika companies in identification, planning, and implementation of higher-level regional measures.

POLICIES AND GUIDELINES

- The Sika Code of Conduct (CoC) (available at <https://www.sika.com/en/about-us/who-we-are/values-principles/sika-code-of-conduct.html>) states Sika's commitment to environmental protection and overall sustainability. The section is dedicated to "Health and Safety, Environment" and stresses that Sika has the responsibility to fully comply with environmental laws and internal guidelines in the interest of employees, customers, the public and the environment in general.
- The Sika Supplier Code of Conduct (SCoC) (available at <https://www.sika.com/en/about-us/who-we-are/procurement/sourcing-governance.html>), with its most recent revision in 2021, sets clear rules and guidelines regarding the environmental standards that have to be implemented by Sika suppliers in the section "Protection of environment and health, commitment to sustainable development".
- The internal Sustainability Guidelines were developed in 2020 to facilitate the implementation of the Sika Sustainability Strategy 2023. More specifically, to achieve objectives in the Water, Waste, Energy and Climate Performance target areas. The guidelines provide recommendations on how to initiate projects, structure their implementation, and the related communication process as well as examples of best demonstrated practices.

WATER MANAGEMENT

GRI 303-1

GRI 303-2

GRI 303-3

GRI 303-4

GRI 304-5

GRI 306-1

Although Sika's production itself is less water-intensive than other industrial companies within the chemical sector, Sika sees itself as responsible for minimizing its impact on water resources by reducing its water consumption and enhancing the quality of discharge water. For this reason, to reduce water consumption and improve Sika's companies' water discharge, the water guideline implemented in 2020 focuses on four main elements:

- Water consumption: measure and monitor water usage with meters and check leakages through regular inspections.
- Optimization of equipment processes: ensure equipment using water (heat exchangers, cooling towers, boiler houses, etc.) is well dimensioned and state-of-the-art. Set up closed cooling systems.
- Optimization of cleaning processes: set up weekly / bi-weekly production planning to reduce the number of cleaning shifts. Optimize cleaning agent use (vacuum vs water, etc.).
- Reuse-recycle water: study opportunities to use rainwater as fresh water, separate wash water per product to reuse it in several batches, recycle wash water in other products (after R&D validation) or other processes (fire protection, etc.).

Water is an important input material for Sika's production. The increasing water scarcity in many regions of the world may be a potential threat to business growth and expansion. Especially in regions where freshwater is scarce, businesses may be exposed to water shortages, lower water quality, water price volatility, and reputational issues. Efficient production projects have been implemented using closed-loop cooling, cooling towers, and switching from public to groundwater to reduce the amount of processed drinking water used in production. With these measures coupled with the reuse of treated wastewater, and the collection of rainwater at various production sites, Sika has reduced its water consumption on a large scale over the past years.

SIKA COLOMBIA - HOLISTIC WATER MANAGEMENT

Sika Colombia is an example of a Sika subsidiary which follows a circular economy development model that generates profitability through the efficient management of natural resources. The circular economy approach of Sika Colombia has been optimized for many years with a focus on comprehensive water management as one of its main pillars.

trial water. On average, 40% of the water consumption is derived from rainwater, e.g. for the production process and other applications. The target for 2025 is to achieve 80% of the total consumption.

As a result of a water saving initiative, Sika Colombia has managed to reduce the water consumption by the treatment of rainwater, water service from sanitary and residual indus-



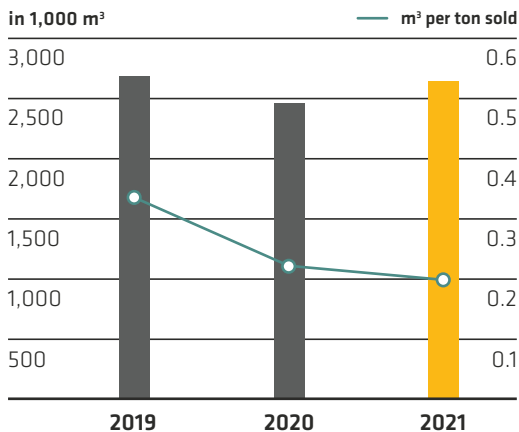
For more information, please visit www.sika.com

WATER WITHDRAWAL AND WATER CONSUMPTION

Water is withdrawn across the operations mainly from surface water, groundwater, and public supply. A few factories have started using rainwater to cover part of their freshwater demand, specifically when public water supply is limited. Good quality freshwater is an important factor for Sika, as water is needed for the following uses:

- As an input material: some Sika products are water-based, mainly in the product ranges of concrete admixtures, coatings, and adhesives solutions, among others.
- In direct operations: water is used directly in Sika's operation, for process and cooling purposes but also for cleaning purposes.
- In indirect operations: water is not only used by suppliers in their operations but also by customers when using or applying some of Sika's products, either as a mixing component or, for instance, for cleaning their tools once the product has been applied.⁸

WATER CONSUMPTION



In 2021, the water consumption per ton sold was 0.20 m³, a decrease of -9.7% compared to 2020. This improvement was partially supported by the rollout of various water initiatives across the Group and thanks to the increased sales of products that overall consume less water in Sika operations.

	2019	2020	2021
Water consumption per ton sold (m ³) ¹	0.34	0.22	0.20

¹ The water intensity ratio is only based on process and cooling water and sanitary water. Water in products is excluded from this indicator.

⁸ The water indicators detailed in this chapter only refer to water used as an input material and in Sika's direct operations..

Sika withdraws water mainly from public supply (53.3%) but also from surface water (45.3%) and to a small degree from groundwater wells (1.4%). In line with water usage, the volume of water withdrawal increased by 7.2% compared to 2020.

BREAKDOWN OF WATER WITHDRAWAL PER SOURCE

	2019	2020	2021
Surface water (m ³)	82,000	37,655	50,682
Ground water (m ³)	1,835,000	1,516,054	1,632,849
Public supply (m ³)	1,692,000	1,811,707	1,922,637
Total water withdrawal¹ (m³)	3,609,000	3,365,416	3,606,168

1 Including the volume of water considered as an input material.

In its direct operations, Sika consumed around 2.6 million m³ of water (+6.8% compared to 2020). Water is mainly used for processing and cooling (54.3%) but also for sanitary purposes (18.7%). Almost one-third of the water used at Sika is utilized as an input material for products (27.0%).

BREAKDOWN OF WATER USAGE PER TYPE

	2019	2020	2021
Water in products (m ³)	891,000	880,707	978,081
Process and cooling water (m ³)	2,065,000	1,805,445	1,964,077
Sanitary water (m ³)	620,000	664,543	674,658
Total water use¹ (m³)	3,576,000	3,350,695	3,616,816

1 The difference between water withdrawal and water use is related to water storage and rainwater. Rainwater is not considered under water withdrawal.

In Sika countries, several initiatives have been implemented to limit the volume of water withdrawal and water consumption of Sika operations. Some examples are:

- Mexico, Kenya, and Italy have started to use rainwater to cover part of their freshwater demand, especially in locations in which the public water supply is limited.
- Some facilities have their own wastewater treatment facilities and can therefore reuse the wastewater in production, cooling or cleaning processes through water sedimentation, distillation, or filtration. At Sika Egypt's Cairo plant, a new wastewater treatment plant based on evaporation and distillation was installed in 2021. This updated installation will allow for the reuse of nearly all treated wastewater within the production process of the site.
- Different closed-loop systems have been implemented for many years, as for example in Egypt, Spain and Japan.

WATER DISCHARGE

Sika discharges water in conformity with local legislation and permits, either to sewers or sewage plants or directly to surface water bodies. In many Sika factories, the water used for processing and cooling is collected in tanks and cleaned in Sika's own treatment plants or through third party treatment facilities. If treated directly on site, the water is tested to ensure compliance with local standards before discharging it.

In 2021, Sika discharged 2.5 million m³ of water, an increase of 7.6% compared to 2020. 63.3% of water used is discharged directly into surface water bodies, whereas 36.7% goes to sewers or sewage plants. The difference between the water discharge and the water use is mainly coming from the evaporation that takes place during the cooling process of some production technologies.

BREAKDOWN OF WATER DISCHARGE PER DESTINATION

	2019	2020	2021
Water to sewer, sewage plant (m ³)	770,000	906,667	913,590
Water to surface water bodies (m ³)	1,770,000	1,409,322	1,577,601
Total water discharge (m³)¹	2,540,000	2,315,989	2,491,191

1 Depending on local regulations, wastewater can be disposed separately and is therefore not included in water discharge but included in waste.

SIKA CHINA - INITIATIVES FOCUSED ON REUSED WASTEWATER

Water is an important raw material in Sika's concrete admixture product ranges. One key ongoing activity to reduce the amount of water withdrawal at Sika's production sites is to collect cleaning and rinsing water from the concrete admixture production process and reuse it as a raw material input. By applying this approach in its admixture production sites, Sika China was able to successfully reduce water withdrawal by 15% m³ for 2021. Other Sika countries, such as Poland,

Senegal, and Germany, also started using similar approaches in reusing rinsing water in their concrete admixture production processes during 2021.



For more information, please visit www.sika.com

WATER DISCHARGE QUALITY - CHEMICAL OXYGEN DEMAND (COD)

All local companies must comply with applicable laws and regulations related to water discharge. COD is already monitored through discharge analysis measurements at site level depending on local regulations. This indicator was not reported at Group level in the past. The reporting of COD has been progressively implemented throughout all Sika operations from early 2021 onwards to facilitate the monitoring and the improvement of water discharge quality at Group level. Even if no figure is disclosed for the year under review, the focus on water discharge quality has been reinforced in the past few years and Sika will continue to work on improving such measures in its relevant activities.

WATER-RELATED RISKS AND IMPACTS

Water availability is a prerequisite for the production process, as it is used for cooling, cleaning, in products, and for general purposes. Moreover, water scarcity and water-related extreme weather events might also impact Sika's business through increased water supply costs and associated manufacturing costs, increased incidence of disruption in the manufacturing and distribution networks in case of water shortage, assets damaged by extreme weather events which result in economic losses or increasing local laws and regulations.

On the other hand, the increasing scarcity of water could represent an opportunity for Sika to reinforce its market share and its sales, especially in high water-stressed areas. As an example, the application of Sika's waterproofing products helps to reduce water loss and the use of Sika's concrete admixtures enables water usage reduction in the production of concrete. For more information, please see the chapter "Products" on p.130, 132-136, of the Sustainability Report 2021.

In 2021, Sika has identified the countries at risk of water scarcity and floods based on the World Resource Institute (WRI) Aqueduct tool⁹. According to this database, some countries in which Sika operates are considered as extremely high water-stressed countries: Qatar, Lebanon, Kuwait, Saudi Arabia, United Arab Emirates, Bahrain, India, Pakistan, Oman. In 2021, total water withdrawal in these countries was 160,279 m³ (4.4% of the total Group); water usage was 160,173 m³ (6.1% of the total Group) among which 63.5% was used as an input material into Sika products; and water discharge was 55,283 m³ (2.2% of the total Group). In these extremely high water-stressed areas, as a starting point to mitigate the risk of water scarcity, several mitigation activities to reduce water consumption and improve water efficiency have been initiated.

Country of operations	Type of site	Mitigation activities 2021
Qatar	□ △	<ul style="list-style-type: none"> – Installed water saver filter taps for optimized water discharges in washrooms. – Use of air conditioning drain water for domestic use.
Lebanon	□ △	<ul style="list-style-type: none"> – Treatment and reuse of wastewater in the blending process of admixture production. – Use of air conditioning drain water and rainwater collection for domestic use.
Kuwait	△	<ul style="list-style-type: none"> – No production facility, therefore low water consumption and absence of specific mitigation activities.
Saudi Arabia	□ △	<ul style="list-style-type: none"> – Treatment and reuse of cleaning water in the admixture production.
United Arab Emirates	□ △	<ul style="list-style-type: none"> – Use of air conditioning drain water for domestic use. – Reuse of cleaning water in the concrete admixtures production.
Bahrain	□ △	<ul style="list-style-type: none"> – Treatment and reuse of cleaning water in the concrete admixtures production. – Installation of a water tank on the roof of the building to collect rainwater, that falls by gravity and it is then used for domestic uses.
India	□ △	<ul style="list-style-type: none"> – For the factories in which a Sewage Treatment Plant (STP) is in place, the water treated through the STP is used for flushing activities. – Treatment and reuse of wastewater in the blending process of admixture production. – Scheduling and optimization of production sequence in the admixture line, reducing the water consumption.
Pakistan	□ △	<ul style="list-style-type: none"> – Treatment and reuse of cleaning water in the admixtures production.
Oman	△	<ul style="list-style-type: none"> – No production facility, therefore low water consumption and absence of specific mitigation activities.

□ Factories △ Offices & Warehouses

According to the same database, Sika operates in 15 high water-stressed countries: Chile, Morocco, Belgium, Mexico, Greece, Spain, Algeria, Tunisia, Turkey, Albania, Djibouti, Portugal, Iraq, Egypt, and Italy. Sika's goal is to mitigate risks in water-stressed countries and to achieve its local and corporate water reduction targets. As a result, examples of mitigation activities can be found in all Sika's countries, no matter whether extremely water-stressed, high water-stressed or low.

⁹ The Aqueduct Projected Water Stress Country Rankings data include countries' projected exposure to baseline water stress. Projected scores are included for 167 countries under the business-as-usual, pessimistic, and optimistic scenarios for the years 2020, 2030, and 2040. Scores are available for overall stress levels as well as stress levels for industrial, agricultural, and domestic users. By using the WRI Aqueduct tool, (a credible, publicly available tool to identify areas with water stress), extremely water-stressed countries were identified by applying the indicator "bsw" (Baseline Water Stress).

HOW SIKA WORKS WITH STAKEHOLDERS TO STEWARD WATER AS A SHARED RESOURCE

Through the “Sika Cares” community engagement program, Sika focuses on improving the quality of life of children, adults, and families in the communities in which the company is active. Water is one action field of this program, and as an example, Sika is part of the international network “Living Lakes”, whose mission is to enhance the protection, restoration and rehabilitation of lakes, wetlands, and other freshwater bodies of the world. Please see the chapter “Communities”, section “Local Community Engagement” on p.104 of the Sustainability Report 2021 for more information on “Sika Cares” Community Engagement Program and associated projects in this area.

HOW SIKA ENGAGES CUSTOMERS WITH SIGNIFICANT WATER-RELATED IMPACTS

Water consumption is a major issue for Sika’s customers and a target area of the Sika Sustainability Strategy. Sika solutions for the construction sector help to reduce water consumption, for example:

- Sika solutions for wastewater purification: Sika offers innovative solutions to protect water quality in wastewater treatment facilities for new construction and maintenance. In this way, Sika is contributing to mastering the challenge of providing a growing global population with access to clean drinking water.
- Sika solutions in the construction sector: through concrete admixtures such as Sika® ViscoCrete®, the amount of water required in the manufacture of concrete is reduced by up to 40%. The concrete remains flowable, achieves a higher strength when cured, and valuable resources are saved. For more information on Sika sustainable products, please see the chapter “Products” on p.130, 132-136.



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HOW SIKA ENGAGES WITH SUPPLIERS WITH SIGNIFICANT WATER-RELATED IMPACTS

It is important that the chosen suppliers align their commitments towards sustainability to the same level and standards as Sika. In addition to qualifying according to the supplier selection process and fully complying with the contractually agreed terms, suppliers must operate in full compliance with all laws, regulations and international standards - including health, safety and environmental laws and regulations - applicable both to their operations and products. A core pillar of Sika’s supplier qualification process is the “Sika Supplier Code of Conduct”, which sets out Sika’s expectations for the supplier network, as well as clear rules and guidelines regarding the environmental standards that must be implemented by Sika suppliers.

WASTE MANAGEMENT

GRI 306-2

The efficient use of input materials for production and the recycling of materials to reduce waste are key priorities for Sika. The company reduces 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. Sika has actively started to seek performance enhancements by using increasingly recycled materials.

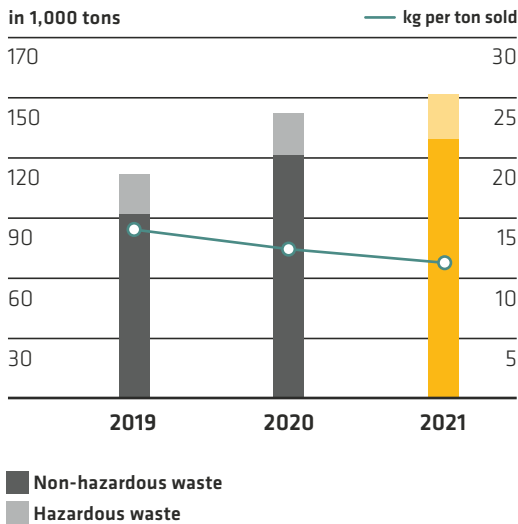
The waste guideline implemented in 2020 focuses on four main elements:

- Sourcing optimization: seeking bigger supply units (bulk, tank truck and big bags vs. small packaging units), development of proper weekly materials supply program and optimization of raw materials specifications tolerances.
- Production planning and process optimization: set up of weekly/bi-weekly production planning to reduce cleaning shifts, definition of color change routine and optimization of mode and amount of cleaning agent. The implementation of innovative warehouse management helps to reduce slow-moving products and the quantity of expired products.
- Streamlined production process layout to standardize process and production equipment.
- Reuse-recycle production waste: separation of water from cleaning processes for tanks, bulk delivery trucks, gas scrubbers, and production equipment and filter dust from dosing and bagging stations per product to reuse in next production batch or in similar products (after R&D validation). The reuse of raw materials’ pallets and bulk containers for transportation of finished products reduces the amount of virgin packaging.

WASTE BY TYPE AND DISPOSAL METHOD

In 2021, the quantity of waste generated per ton sold was 11.2 kg, a decrease of 9.6% compared to 2020. This was mainly driven by the implementation of various waste management initiatives as for example a higher focus on reuse of materials in mortar and admixtures. Additionally, the waste intensity reduction was driven by less waste generated in production processes. The waste intensity compared to total input materials decreased from 1.6% to 1.3%. However, in absolute numbers, waste increased (+7.0% compared to 2020) due to several one-off activities on specif sites and increase in sales volumes.

WASTE GENERATION



WASTE INTENSITY

	2019	2020	2021
Waste intensity (kg per ton sold)	14.1	12.4	11.2
Waste intensity compared to total input materials (%)	1.6	1.6	1.3

Sika generates mainly non-hazardous waste: 85.7% in 2021 compared to 85.1% in 2020. In 2021, around half of the volume of waste produced went into landfill (44.6%), 33.9% was recycled and 21.5% went into incineration with or without energy recovery. In the coming years, Sika will keep working on diverting waste from disposal and reducing waste to landfill where possible.

BREAKDOWN OF WASTE GENERATED BY TYPE

	2019	2020	2021
Non-hazardous waste (tons)	92,000	120,633	129,884
Hazardous waste (tons)	20,000	21,042	21,676
Total waste generated (tons)	112,000	141,675	151,560

BREAKDOWN OF WASTE GENERATED BY TYPE OF DISPOSAL

	2019	2020	2021
Landfill (tons)	45,000	60,794	67,509
Incineration (tons)	29,000	30,862	32,603
Recycled (tons)	38,000	50,019	51,448
Total waste disposed (tons)	112,000	141,675	151,560

The recycling rate of waste remained quite stable in 2021, at 33.9% (-1.4%-points compared to 2020). The slight decrease is mainly due to several one-off activities on specific sites.

RECYCLING RATE

	2019	2020	2021
Recycling rate (%)	34.0	35.3	33.9

SIKA SAUDI ARABIA - WASTE REDUCTION INITIATIVES

Overall, Sika reduces the amount of waste generated through several initiatives such as the optimization of the production planning, streamlining of the production process layout and the reuse of production waste.

In Saudi Arabia, one key raw material in Sika's Rabigh mortar plant is graded aggregate from crushed stone (quarry waste) as an alternative to silica sand. Until recently, this material could not be used in its entirety, and materials which were either too fine or too coarse to be used as raw materials in production were stockpiled and subsequently discarded as waste to landfill. Successful collaboration between local R&D

and Operations teams has allowed for a change in formulation, enabling the use of the entirety of the material (all aggregate sizes) with minimum adaptation of the production plant. This modification results in waste savings of approximately 4,000 tons/year, plus a one-time reuse of the accumulated waste stockpile of 6,000 tons in 2021.



For more information, please visit www.sika.com

CIRCULAR ECONOMY

GRI 103-2

GRI 103-3

Adopting circularity principles is becoming increasingly compelling due to higher awareness and shifting demand towards more sustainable solutions among customers in construction and transportation markets. Sika's initiatives impact the development towards a circular economy in its industry, ranging from alignment with the UN Sustainable Development Goals (SDGs) 11, 12, and 13, to the partnering with downstream customers, universities and startups to co-design and implement products.

Collaboration projects are essential because the deployment of deep circularity interventions relies on access to cost-effective sustainable energy and renewable/recyclable feedstock with appropriate specifications. Sika has actively started a few years ago to seek performance enhancements by using recycled materials and alternative non-fossil based raw materials, for example in the field of mortars which are formulated with the addition of recycled aggregates or residues that come from other industries. In addition, projects to use post-consumer recycled plastics in membrane packaging and adhesive cartridges have been successfully developed and introduced together with qualified partners who bring their expertise in material selection, manufacturing process, and packaging designing.

Moreover, Sustainability Portfolio Management (SPM) is the backbone of the "Sustainable Solutions" strategy and how Sika structures the innovation of cutting-edge products which combine performance and sustainability benefits. The Sustainability evaluation carried out in accordance with SPM is a comprehensive evaluation of the product profile along the 12 most relevant Sustainability Categories for Sika and its stakeholders, following a 360° perspective beyond current regulations. "Resources/Circular Economy" is one of the 12 Sustainability categories, against which new product developments will be systematically evaluated. For more information on Sika's SPM concept, please see the chapter "Products" on p.128-129 of the Sustainability Report 2021.

Specific actions 2021

reCO₂ver® – CONCRETE RECYCLING WITH A GROUND-BREAKING NEW PROCESS

Sika has succeeded in developing a highly efficient process to separate and reuse components of demolished concrete and increase the recycled aggregates' quality. The old concrete is broken down into individual parts – aggregate, sand, and cement-like powder – in a simple process which also binds close to 60 kg of CO₂ per ton of crushed concrete demolition waste. Comparative testing of the Sika reCO₂ver® process has demonstrated that new concrete containing recycled content performs similarly to an all-new product. Thanks to additionally developed chemical admixtures, further process optimizations can be achieved, such as the flexibility to tailor specific concrete functionalities. With this innovation Sika will make a significant contribution to reduce the environmental and embodied carbon footprint of the construction industry.

WBCSD – CIRCULAR TRANSITION INDICATORS

In 2020, Sika worked with the World Business Council for Sustainable Development (WBCSD) to test the Circular Transition Indicators (CTI) Framework and Tool as part of the Chemical Sector Working Group. Sika published a case study (available at https://docs.wbcd.org/2021/01/Sika_CTI_Case_Study.pdf) highlighting its experience in using the framework and presented in a workshop co-hosted by CEFIC (European Chemical Industry Council) and the WBCSD along-

side the companies Sabic and Dow. In 2021, Sika continued its participation in developing the framework with a focus on the concept of “enabling solutions”, which helps downstream customers improve their circularity. Sika intends to continue its participation in CTI-related workstreams with the WBCSD in 2022 (Built Environment Circularity work stream) and will also further trial the CTI tool and framework within Sika (focus on product-related R&D activities).

Sarnafil® AT – GREEN BUSINESS AWARDS NOMINATION

The first Sika product and the first thermoplastic roofing membrane in the market to be Cradle to Cradle Certified® in 2019. The product was nominated for a Swiss Green Business Award (available at <https://greenbusinessaward.ch/en/nominierte/sarnafil-at/>), where solutions with a focus on circularity were showcased. In the year under review, Sika was engaged in the Circular Economy Entrepreneurs Conference (CE2) in Switzerland. The same year, Sika has initiated a project to transition to the latest and more stringent version of the Cradle-to-Cradle Product Standard (v4, launched in summer 2021) as part of its work to re-certify Sarnafil® AT.

More information on Sika's products can be found in the chapter “Products”, section “Sustainable Solutions” on p. 130–137, of the Sustainability Report 2021.

MATERIALS

GRI 301-1

GRI 301-2

MATERIALS USED BY WEIGHT OR VOLUME

Input materials are converted to products which generate added value for customers. Sika strives to use input materials efficiently. Research and development are governed by the principles of sustainable development and enhanced customer utility, such as the demand for resource-saving construction methods, energy-efficient construction materials, or lighter and safer vehicles.

Sika's goal is to assess all new product developments in respect of their sustainability profile, using the comprehensive internally standardized new SPM Methodology (see the section “Circular Economy” on p.115 and chapter “Products”, section “Product, Innovation and Sustainability” on p.128–129 of the Sustainability Report 2021). As a result, these projects are also geared towards a higher inherent sustainability profile in raw material sourcing, consumption, production, marketing, use phase, and end-of-life treatment. Through its sustainable solutions, Sika strives to reduce the resource consumption in downstream industries, such as the construction, automotive, or cement industry, where Sika solutions enable customers to increase the use of recycled input materials.

Around two thirds of all materials used in production – e.g., for polyurethane adhesives, epoxy-resin products, polymeric roofing and waterproofing membranes, cementitious mortars, polymer concrete admixtures or parts for the automotive industry – are based on crude oil or crude oil derivatives (downstream products) or require fossil fuels for conversion. Other large contributors are sand, minerals, cement, and water.

The company uses a small amount of renewable raw materials from plant-based sources, such as castor oil or alcohol. The speed of the increased use of renewable raw materials going forward depends on availability, economic viability, and limitations in the use in formulations compared to non-renewable feedstock. However, the company is constantly exploring ways in its R&D of using non-petroleum-derived materials for Sika products.

For more information on Sika's raw material procurement, please see the chapter "Suppliers", section "Supplier Social and Environmental Compliance" on p.97 of the Sustainability Report 2021.

In 2021, Sika used 11.6 million tons of input materials, an increase of 32.2% compared to 2020. This was mainly driven by above average increase in sales of products with heavier input materials. For the year under review, 3.7% of total input materials used in production were recycled materials, an increase by one percentage point compared to 2020. A part of this improvement is driven by Sika mortar technologies using more recycled input materials such as fly ash or slag. In the automotive business, Sika also used more recycled grade materials for acoustic solutions where possible.

For many other secondary materials, such as packaging or solvents, local Sika companies use circular systems or rely on the recycling systems in place in their respective countries.

INPUT MATERIALS USED

	2019	2020	2021
Volume of input materials used (millions of tons) ¹	7.0	8.8	11.6
Thereof recycled input materials (%)	1.3	2.7	3.7

¹ Excluding water, packaging, and semi-finished products.

PACKAGING RECYCLING

Sika has actively started to seek sustainability performance enhancements by using increasingly recycled materials. For example, a project about the use of recycled plastics in packaging has been successfully launched in 2021 together with several qualified partners, able to bring their expertise in material selection, manufacturing process and packaging designing.

Sika is committed to reducing the carbon footprint throughout the value chain. That is why the company is excited to expand its range of sustainable and high-performance packaging options that have a reduced impact on the planet. For

this reason, Sika is cooperating with suppliers, distributors, and customers worldwide to develop and introduce packaging solutions made of post-consumer recycled material (PCR) in the domains of cartridges, application nozzles, buckets, wrap foil, as well as valve sacks for mortars with reduced grammage. By using PCR cartridges for example, Sika will save 1,100 tons of CO₂ annually.



For more information, please visit www.sika.com

ENERGY MANAGEMENT

GRI 302-1

GRI 302-3

GRI 302-4

Even if Sika's production itself is not energy-intensive, Sika sees itself as responsible for minimizing its impact regarding climate change by reducing its energy consumption and improving the energy efficiency throughout its production processes. The energy guideline implemented in 2020 focuses on five main elements:

- Energy consumption: measure and monitor energy usage with meters, set up energy audits to focus on key consumptions, manage base and peak energy load and check leakages through regular inspections.
- Equipment optimization: ensure energy-intensive equipment is well dimensioned and state of art. The replacement of technical equipment focuses on new energy-efficient installations, such as motors, air-conditioning, heating/cooling, and pressurized air systems. Further measures include energy-efficient operation of electric motors with frequency converters, leakage detection and elimination of air losses in pressurized air systems, and energy-efficient cooling of process water using cooling towers.
- Production process optimization: increase energy efficiency via cogeneration, waste-to-energy plant, sand dryers' optimization, compressed air control (pressure, leakages), heating/cooling cycles, frequency air conditioning systems, and shorter batch times in production with higher output from existing production lines. A process optimization guideline was framed for global use starting in 2020, which will help to achieve up to 30% energy savings.
- Energy-efficient lighting: replace existing lighting solutions in production, warehouses and office buildings with the latest LED technology leads to substantial energy savings of up to 70% of total lighting electricity consumption at those locations where the technology is implemented.
- Energy-efficient buildings: integrate energy efficiency into the planning and building of new premises. For example, by using adequate insulation, transparent roof to reduce lightning, cool roofs in warm climates, and LED.

To improve the energy efficiency of Sika operations, a Global Energy Efficiency Monitoring Program, supported by both the Global Sustainability and the Global Operations Departments, has started in 2020. It covers five main categories of energy savings:

- Manufacturing process optimization through the investment into higher efficiency devices, chillers, exhaust air treatment, replacement, energy recovery processes and process optimization in membrane manufacturing.
- Sand dryer process optimization through the installation of moisture sensors, the installation of active drainage systems in sand storage areas or a switch to alternative energy sources for burning systems. 17 initiatives have been ongoing on Sika sites in 2021 in this category.
- Renewable electricity purchase, with the switch to green contracts, the implementation of Power Purchase Agreements and the purchase of renewable Energy Attribute Certificates (EAC).
- Self-produced renewable energy, with the implementation of solar panels projects in several regions.
- Energy management through the optimization of compressed air system, the improvement of the heating and cooling system, investments in lighting, better insulation of facilities. 75 initiatives across Sika operations have been ongoing in 2021 for optimizing compressed air systems in factories.

Every quarter, a regional reporting on this program, its initiatives, and their associated impacts on energy and CO₂e savings is submitted by Regional Sustainability Managers to Global Innovation and Sustainability to ensure consistent monitoring at Group level and ensure the sharing of best practices.

ENERGY INTENSITY

The company strives to improve the energy intensity per ton sold and has set itself the target of reducing it by 3.0% per ton of product sold per year.

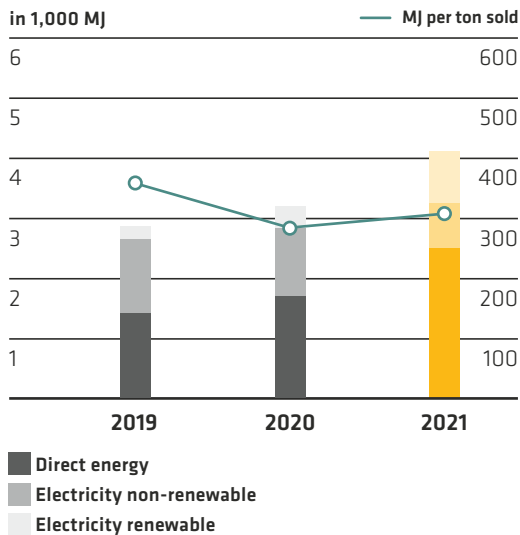
In 2021, the energy intensity of Sika operations per ton sold was 308.1 MJ, an increase of 7.7% compared to 2020. The main reason behind this increase is the inclusion of leased vehicle fuel from 2021 onwards, which represented 11% of the total energy consumption for the year under review.

Excluding leased vehicle fuel from 2021 energy consumption, the energy intensity per ton sold would drop to 274.7 MJ and would have led to a decrease of 4.0% compared to 2020. This improvement was driven by the implementation of several energy saving initiatives and increased tons sold from technologies that are less energy intensive.

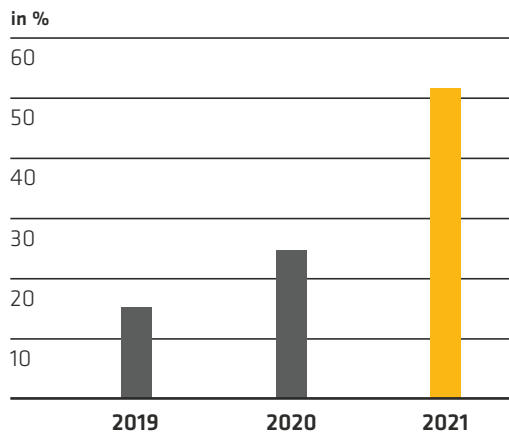
ENERGY INTENSITY

	2019	2020	2021
Energy intensity per ton sold (MJ per ton sold)	363	286	308

ENERGY CONSUMPTION



PURCHASED RENEWABLE ELECTRICITY RATE



ENERGY CONSUMPTION WITHIN SIKA OPERATIONS

Sika is relying in its production on several energy types for: steam generation, drying, stirring, mixing, melting, cooling, ventilation, and pumping, as well as buildings heating or air conditioning and transportation.

For 2021, Sika used 4,163 terajoule (TJ) of energy, an increase of 27.4% compared to 2020. More than half of the energy used in Sika direct operations (61.2%) is coming from the conversion of primary energy, such as heavy liquid fuel (0.1%), Liquefied Petroleum Gas (2.2%), light liquid fuel (4.3%), vehicle fuel (15.2%) and natural gas (39.2%). The electricity purchased represented 38.8% of the energy used in Sika sites.

BREAKDOWN OF ENERGY CONSUMPTION PER SOURCE

	2019	2020	2021
Direct Energy (TJ)	1,451	1,729	2,546
Heavy liquid fuel (TJ)	1	3	3
Light liquid fuel (TJ)	194	154	179
Natural gas (TJ)	1,002	1,296	1,633
Liquified Petroleum Gas (LPG) (TJ)	66	82	93
Vehicle fuel ¹ (TJ)	185	192	635
Self-produced electricity from renewable sources (TJ)	3	2	3
Purchased electricity (TJ)	1,439	1,540	1,617
Total energy consumption (TJ)	2,890	3,269	4,163

1 The definition of this indicator has been reviewed and adjusted. From 2021 onwards, the fuel consumption of leased vehicles has been included in this indicator, leading to an increase from 2020 to 2021. This category was considered under scope 3 up to 2020.

BREAKDOWN OF DIRECT ENERGY CONSUMPTION PER REGION

	2019	2020	2021
EMEA (TJ)	632	882	1,348
Americas (TJ)	505	569	754
Asia/Pacific (TJ)	163	146	237
Global Business (TJ)	151	132	207
Group (TJ)	1,451	1,729	2,546

SIKA SERBIA – SAND DRYING OPTIMIZATION

Sika continues to implement energy efficiency projects worldwide. One key initiative is the optimization of sand drying processes across Sika's sites.

At Sika Serbia's Šimanovci mortar plant, sand of different grades is used as a raw material for mortars. To optimize sand drying in the production process, two online moisture sensors (inlet and outlet) were installed in February 2021.

This upgrade allows for the automatic adjustment of the burner capacity based on fluctuating wet sand moisture content. In 2021, a natural gas consumption reduction of approximately 56,000 m³ was achieved compared to 2020, corresponding to approximately 107 tons CO₂ (or 25%) saved.

BREAKDOWN OF PURCHASED ELECTRICITY CONSUMPTION PER REGION

	2019	2020	2021
EMEA (TJ)	589	659	691
Americas (TJ)	386	385	398
Asia/Pacific (TJ)	200	239	274
Global Business (TJ)	264	257	254
Group (TJ)	1,439	1,540	1,617

In 2021, Sika focused on maximizing the share of renewable electricity supply in its operations, either through switching to renewable electricity contracts or Energy Attribute Certificates (EAC). As a result, Sika renewable electricity rate increased to 52.3% at the end of 2021, an improvement by 28.2 percentage points compared to 2020.

PURCHASED RENEWABLE ELECTRICITY RATE

	2019	2020	2021
Purchased electricity (TJ)	1,439	1,540	1,617
Thereof – Purchased renewable electricity ¹ (TJ)	214	371	845
Renewable electricity rate ² (%)	15.0	24.1	52.3

1 This indicator is based on 100% green contracts, Energy Attribute Certificates (EAC) such as Guarantees of Origins (GO), Renewable Energy Certificates (RECs) or International Renewable Energy Certificates (I-RECs).

2 This renewable rate does not consider self-produced renewable electricity. It also excludes renewable shares from local electricity grid mix.

RENEWABLE ENERGY AT SIKA SITES

Sika continues to increase the use of renewable energy sources in its own operations. In 2021, the main related activities were focused on optimizing renewable electricity sourcing, with the aim of significantly reducing scope 2 emissions, and meeting the renewable energy target in a cost-effective manner. Thus, switching to renewable electricity contracts, Guarantees of Origins (GOs) or Power Purchase Agreements (PPA) represent the preferred options where available (European countries or USA for example). Additionally, the purchase of other Energy Attribute Certificates (EAC) such as RECs (Renewable Energy Certificates), or I-RECs (International Renewable Energy Certificates), has been also carried out by several countries where green contracts availability was limited (i.e., China, Egypt, Romania, Argentina).

Finally, the investment in on-site renewable electricity self-production, through the installation of solar panels on Sika buildings, is a relevant initiative.

Starting from 2021, an internal carbon pricing has been implemented to favor solar panels investments, and to move towards an increase in self-produced renewable energy.

In 2021, Sika-owned solar panels were installed in Morocco, Agadir and Mexico, Queretaro. More installations are planned for 2022. The Sika Queretaro plant completed a solar project, in which the solar system and the associated produced renewable electricity are fully owned and utilized by Sika. It is estimated that the plant will self-produce approximately 25% of the total electricity consumption, with a total yearly reduction of approximately 380 tons of CO₂. The solar panels project of the Agadir plant, completed in January 2021, increased the capacity of self-produced renewable electricity of Sika Morocco. In 2021, the three solar panel installations of Agadir, Bouskoura and Had Soualem produced 31% of the total electricity required for Sika Morocco sites and helped reduce the CO₂eq emissions by 86 tons.

EMISSIONS

GRI 305-1

GRI 305-2

GRI 305-3

GRI 305-4

GRI 305-5

GRI 305-7

GHG EMISSIONS

Sika monitors its greenhouse gas (GHG) emissions as part of the environmental responsibility the company has for climate. Since 2019, Sika has defined a strategic target for reducing scope 1 & 2 CO₂eq emissions per ton sold by 12% until 2023. Moreover, the compensation scheme of Group Management and Sika Senior Managers is linked to the GHG emissions performance of the company (scope 1&2). In 2021, Sika performed its first scope 3 GHG emissions assessment based on 2020 data, which clearly demonstrated that scope 3 GHG emissions are of great relevance for Sika. The company will keep analyzing and reporting on GHG emissions with the aim to develop a net zero roadmap aligned with the objective of the Paris Agreement to limit the increase of global temperature to 1.5°C above pre-industrial levels.

The climate performance guideline implemented in 2020 focuses on Sika's scope 1 and 2 GHG emissions. The guideline includes:

- Information on Sika's scope 1 and 2 climate performance targets, in line with Sika's Sustainability Strategy 2023.
- Definitions of the GHG scopes in line with the Greenhouse Gas Protocol (GHGP).
- Guidance on how to calculate scope 1 and 2 GHG emissions through specific calculation tools.
- Overview and monitoring of Sika's scope 1 and 2 climate performance and projections, globally and by Sika regions.
- Guidance and recommendation on key actions to reach Sika's scope 1 and 2 climate performance targets, including short term actions (e.g., sourcing renewable electricity) and long-term actions (e.g., considering climate performance for new premises and process optimization).

GHG EMISSIONS INTENSITY - SCOPE 1 & 2

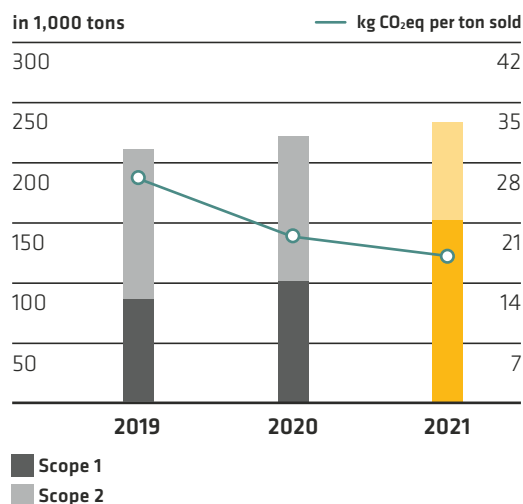
In 2021, the GHG emissions intensity per ton sold (scope 1 and 2) was reduced from 19.6 kg CO₂eq per ton sold to 17.6 kg CO₂eq per ton sold, a reduction of -10.1%. Excluding acquisitions, the organic reduction was at -10.7%.

The GHG emissions intensity was negatively impacted by the inclusion of leased vehicle fuel (2.6 kg per ton sold), previously considered under scope 3 emissions, and 2021 acquisitions (0.1 kg per ton sold).

However, the strong focus on maximizing renewable electricity sources in Sika operations (-3.0 kg per ton sold) and the rollout of various energy saving initiatives (-0.9 kg per ton sold) represented the most important levers to improve the GHG emissions intensity per ton sold for the year under review. Increased tons sold from technologies that are less carbon intensive also positively impacted this development (-0.4 kg per ton sold), along with emission factor changes (-0.4 kg per ton sold).

In absolute figures, scope 1 emissions increased to 156,419 tons of CO₂eq (+52.6% compared to 2020), mainly impacted by the inclusion of leased vehicle fuel. Market based scope 2 emissions decreased significantly to 82,089 tons of CO₂eq (-32.5% compared to 2020) thanks to the switch to renewable electricity contracts and purchase of EAC.

GHG EMISSIONS SCOPE 1+2



GHG EMISSION INTENSITY¹

	2019	2020	2021
GHG emission intensity per ton sold (scope 1 & 2) (kg CO ₂ eq per ton sold)	27.0	19.6	17.6

¹ Based on GHG emissions – market-based.

GHG EMISSIONS – LOCATION-BASED

	2019	2020	2021
Scope 1 ¹ (tons of CO ₂ eq)	88,000	102,528	156,419
Scope 2 – Location – based ² (tons of CO ₂ eq)	155,307	157,873	159,157
Total GHG emissions (tons of CO₂eq)	243,307	260,401	315,576

1 The scope 1 emissions are calculated based on the BAFU (Swiss Federal Office of Environment) emission factors database.

2 Scope 2 location-based emissions are calculated based on the emission factors database from the International Energy Agency (IEA) from 2020.

GHG EMISSIONS – MARKET-BASED

	2019	2020	2021
Scope 1 (tons of CO ₂ eq)	88,000	102,528	156,419
Scope 2 – Market – based ¹ (tons of CO ₂ eq)	124,000	121,700	82,089
Total GHG emissions (tons of CO₂eq)	212,000	224,227	238,508

1 Under the market-based approach, electricity volumes covered by RECs purchases and 100% renewable electricity contracts are considered with an emission factor of 0. The mixed contracts are not considered in this calculation yet. The remaining electricity not covered by RECs or 100% renewable contracts is converted into GHG emissions considering the location-based emission factors.

The region that impacted scope 1 emissions the most in absolute terms was EMEA due to the impact on direct energy from the acquisitions of Adeplast S.R.L, Romania in 2020 and Kreps LLC, Russia in 2021. Further, all regions were impacted by the inclusion of leased vehicle fuel and the increased production along the business growth.

EMEA contributed mainly to the reduction of market-based scope 2 emissions by strongly increasing the purchase of EAC. All other regions also improved their sourcing of renewable electricity, mainly through EAC.

BREAKDOWN OF SCOPE 1 GHG EMISSIONS PER REGION

	2019	2020	2021
EMEA (tons of CO ₂ eq)	39,000	51,706	81,755
Americas (tons of CO ₂ eq)	29,000	33,682	46,937
Asia/Pacific (tons of CO ₂ eq)	11,000	9,670	16,004
Global Business (tons of CO ₂ eq)	9,000	7,469	11,723
Group (tons of CO₂eq)	88,000	102,528	156,419

BREAKDOWN OF SCOPE 2 GHG EMISSIONS – LOCATION-BASED PER REGION

	2019	2020	2021
EMEA (tons of CO ₂ eq)	47,430	49,664	48,895
Americas (tons of CO ₂ eq)	41,148	38,112	36,349
Asia/Pacific (tons of CO ₂ eq)	35,297	40,057	45,472
Global Business (tons of CO ₂ eq)	31,432	30,040	28,351
Group (tons of CO₂eq)	155,307	157,873	159,157

BREAKDOWN OF SCOPE 2 GHG EMISSIONS – MARKET-BASED PER REGION

	2019	2020	2021
EMEA (tons of CO ₂ eq)	28,000	34,062	9,849
Americas (tons of CO ₂ eq)	32,000	31,926	25,377
Asia/Pacific (tons of CO ₂ eq)	33,000	34,417	33,060
Global Business (tons of CO ₂ eq)	31,000	21,295	13,804
Group (tons of CO₂eq)	124,000	121,700	82,089

SCOPE 3 GHG EMISSIONS

For several years, Sika has reported on scope 3 GHG emissions related to business travels and leased vehicles. Through the first complete scope 3 GHG emissions assessment performed in 2021, it has been decided to include the CO₂eq emission related to leased vehicles under scope 1 GHG emissions since Sika has operational control and a direct impact on.

The pandemic has led to drastic reductions of business travels in 2020, which started to resume in 2021. Therefore, scope 3 GHG emissions related to air business travels increased by 62% compared to 2020. However, digital capabilities have become an important element to interact among Sika employees globally, which in future will support the optimization of Sika's global GHG footprint related to business travels.

GHG EMISSIONS RELATED TO BUSINESS TRAVELS

	2019	2020	2021
GHG emissions – Business travels ²⁵ (tons of CO ₂ eq)	15,000	4,000	6,463

¹ This calculation considers approximately 42% of business travels expenditures at Group level for 2021. The remaining part is extrapolated. Data is based on travel agencies' GHG emissions reports. This figure only covers air travels..

SCOPE 3 ASSESSMENT AND NET ZERO TARGET

Sika is tackling climate change comprehensively in its strategic development. To do so, several projects and initiatives were kicked off in the last years as a basis for developing Sika net zero roadmap. All these ongoing projects and activities will allow Sika to define a comprehensive climate strategy with concrete long-term plans to decarbonize its business.

Sika initiated a company-wide initiative in 2020/2021 to systematically identify and calculate emissions from its material scope 3 GHG categories in accordance with the requirements of the Greenhouse Gas Protocol (GHGP). A first review of the company's approach for calculating scope 3 GHG emissions was completed in July 2021 based on 2020 data. Following a materiality assessment of the GHGP scope 3 categories, the following categories were identified as most relevant for Sika:

- Category 1: Purchased goods and services
- Category 2: Capital goods
- Category 4: Upstream transportation and distribution
- Category 5: Waste generated in operations
- Category 6: Business travel
- Category 9: Downstream transportation and distribution
- Category 11: Use of sold products
- Category 12: End-of-life treatment of sold products

The second phase of this initiative, which has been initiated in the second half of 2021 and is currently ongoing, aims at consolidating the methodological approach and assessing the scope 3 emissions for 2021. Based on this analysis, Sika will define its climate strategy and carbon reduction pathway to reach net zero by 2050.

In 2020, Sika joined the "Together for Sustainability" (TfS) initiative and became one of its 33 member companies. Through this initiative, Sika is contributing to the development of a sectorial standardized methodology regarding Product Carbon Footprint (PCF) calculation, including scope 3 reporting processes. This will create transparency in the

chemical industry to enable effective reduction management. To best monitor reduction efforts for such "purchased emissions", GHG emission data at product- and supplier-level, PCF data for purchased goods and services would be required. There is currently no harmonized and specific approach amongst companies on how to calculate PCF, and the limited available data shared is often not directly comparable. Many industries are facing the same challenges and have founded several initiatives to develop applicable solutions. TFS takes the lead for the chemical industry and aims at establishing a drop-in solution for chemicals. Moreover, Sika is contributing to another TfS initiative that aims at designing a data collection & sharing approach regarding GHG emissions, engaging with suppliers to improve and cooperate with external stakeholders on such data.

Furthermore, since 2020, the Group has endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to address climate change in the strategic planning and risk management process. Evaluating climate-related risks and opportunities related to its business and developing appropriate response measures are of vital importance to ensure a sustainable business continuity of the company. Sika is identifying and assessing the potential implications of plausible future scenarios. These scenarios allow Sika to develop an understanding of how various combinations of climate-related risks, both transition and physical risks, may affect the business, strategy and financial performance over time. Please see the chapter "Risk Management and TCFD Recommendations" on p.23 of the Annual Report 2021 for more information on the analysis conducted in 2021.



For more information, please visit www.sika.com

OTHER AIR EMISSIONS

All local companies must comply with applicable laws and regulations related to air emissions parameters. Air emissions is carefully monitored by Sika as part of its legal obligations. This topic is managed and controlled directly by local operation facilities in accordance with local regulations and internal guidelines. In 2020, Sika started to calculate and report on air emission parameters at Group level based on the combustion of fuel and gas. Sika will continue to review this topic to further evaluate the materiality of these indicators by site. 2021 increase was purely related to the increase in energy consumption and inclusion of leased vehicles fuel.

NITROUS OXIDES (NO_x)

	2020	2021
NO _x ¹ (tons)	268.0	482.1

1 Calculated based on the emission factor related to the combustion process of Sika fuel and gas consumption.

SULFUR OXIDES (SO_x)

	2020	2021
SO _x ¹ (tons)	3.0	3.6

1 Calculated based on the emission factor related to the combustion process of Sika fuel and gas consumption.

VOLATILE ORGANIC COMPOUNDS (VOC)

	2020	2021
VOC ¹ (tons)	23.5	69.5

1 Calculated based on and limited to the emission factor related to the combustion process of Sika fuel and gas consumption.

DUST

	2020	2021
Dust (tons) ¹	12.3	31.9

1 Calculated based on and limited to the emission factor related to the combustion process of Sika fuel and gas consumption.

ENVIRONMENTAL COMPLIANCE

GRI 306-3

GRI 307-1

Environmental compliance is a material topic for Sika operations across all regions. However, regulations related to environmental topics vary widely between regions and countries. Sika therefore delegates the responsibility for environmental compliance to the operating subsidiaries. Each General Manager is requested to submit, on an annual basis, a "Compliance Confirmation", which reaffirms that throughout the year there were no violations¹⁰ of environmental laws and regulations. On each site, a strict adherence to the applicable legislation on environmental matters is respected.

ENVIRONMENTAL AND ENERGY MANAGEMENT SYSTEMS

Sika maintains an ISO 14001 certification in almost half of the 569 sites under ISO scope¹¹, with 48% of certified sites in 2021. The percentage of certified Sika sites is stagnating due to acquisitions and new small sites in emerging countries.

10 A violation is considered significant when reported to authorities, having media coverage, or leading to associated penalties or fines equal to or above CHF 2,000.

11 Are considered under ISO scope: headquarters, plants, warehouses and technology centers. Sales offices, administrative offices, training centers and subsidiaries are excluded as these activities do not fall under the scope of the respective ISO standards.

ISO 14001:2015 – ENVIRONMENTAL MANAGEMENT SYSTEM CERTIFICATION

	2019	2020	2021
Sites certified ISO 14001:2015 (No.)	172	242	275
Coverage of sites under ISO scope (%)	55	47	48

The percentage of certified Sika sites is stagnating due to acquisitions and new small sites in emerging countries.

ISO 50001:2018 – ENERGY MANAGEMENT SYSTEM CERTIFICATION

	2019	2020	2021
Sites certified ISO 50001:2018 (No.)	16	16	17
Coverage of sites under ISO scope ¹² (%)	3	3	3

NON-COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS

Sika strives for full legal and regulatory compliance, which is a prerequisite and the foundation of its business. Sika maintains and implements a Corporate EHS Management System which applies to all Sika locations and employees and fulfils the requirements of ISO 14001 (Environment), and ISO 50001 (Energy Efficiency). Local Sika companies implement their local Sika Management Systems based on the Corporate Management System and local regulatory and legal requirements. Newly acquired companies are integrated under the Corporate Management System as part of the integration approach.

The Corporate Management System is maintained by the corporate Quality & EHS function and deployed through a network of Quality and EHS professionals throughout the regional and country organizations.

Both the Corporate Management System and local Sika Management Systems are audited by external parties as part of the ongoing ISO certification efforts. Internal audits and regular reviews of EHS performance support the continuous improvement of the management system and its implementation.

All General Managers stated in their 2021 Compliance Confirmation that there were no significant violations of environmental laws and regulations occurred in their entities

In 2021, Sika recorded no tier 1 process safety events. Two significant spills¹³ were recorded, which were contained locally without causing any environmental damage.

SIGNIFICANT SPILLS

	2019	2020	2021
Significant spills (No.)	5	3	2

12 Are considered under ISO scope: headquarters, plants, warehouses and technology centers. Sales offices, administrative offices, training centers and subsidiaries are excluded as these activities do not fall under the scope of the respective ISO standards.

13 A spill is considered significant when reported to authorities, having media coverage, or creating a significant cost (>CHF 10,000).

PRODUCTS

PRODUCTS, INNOVATION AND SUSTAINABILITY

COURAGE FOR INNOVATION

Sika's long history of innovation has led to unparalleled success in becoming a recognized global technology leader in many markets by creating value for customers throughout the world. While constantly investing in Sika Technology Centers around the world, the company also nurtures and develops an international network of scientists, partners, suppliers, and customers.

SUSTAINABILITY AS INNOVATION DRIVER

Sustainability is an essential driver in developing competitive solutions for demanding markets and emerging customer needs. Sika focuses its Research & Development (R&D) activities on generating long-term customer benefits in line with sustainability principles. It is the strategic target of Sika to innovate with developments that enable sustainable construction and transportation solutions that directly contribute to lowering the environmental footprint along the value chain. Sustainability has become the key driver for R&D projects at Sika. It encompasses the quest for alternative, renewable materials, low carbon solutions, new recycling concepts, more efficient production methods like modular building, resource efficiency, health and safety at the workplace and in living spaces, enhanced flexibility in product application and production, and digitally enhanced product solutions and applications.

In the year under review, Sika's Board of Directors has approved the reinforcement of Sika's strategic pillars Innovation, Sustainability, and Operational Efficiency, by separating Innovation and Sustainability from Operational Efficiency, Quality and EHS. Innovation and Sustainability are now managed by the newly created position of the Chief Innovation and Sustainability Officer. Combining Innovation and Sustainability allows Sika to strengthen and accelerate its concept for enabling sustainable construction and transportation by placing sustainability aspects at the core of strategic and operational innovation processes, while simultaneously driving operational efficiency and excellence across the organization.

CUSTOMER CENTRICITY: THE CORE OF THE SIKA RESEARCH STRATEGY

Sika's research and development activities are carried out by 1,240 employees (previous year: 1,085) across 21 global Technology Centers as well as 55 local and 20 regional research and development facilities. The research program targets the development of proprietary technology that provides both performance and sustainability benefits and thus allows Sika's product platforms to respond to global trends such as resource-saving building methods, energy-efficient and low-emission construction materials, high-speed manufacturing processes, modular construction, and lighter and safer vehicles. Key projects focus on high-performance molecules with tailored features, smart refining techniques for polymers and surfaces, renewable and bio-based materials including recycling processes and sustainable construction methods, and digitalized manufacturing technologies such as 3D printing, allowing not only high-precision automation but also individualized production of complex components and structures, both in the laboratory and in full-size production.

Sika's objective is to help customers meet the challenges they face today by launching new products in response to tighter climate-related and chemical regulations, increased sustainability awareness among their customers, and shortage of skilled labor. Sika is doing this by developing new solutions that are easy and efficient to apply and have an optimized environmental footprint.

INCREASED PERFORMANCE AND SUSTAINABILITY BENEFITS

Today, Sika already offers its customers a wide range of sustainable product technologies, including solutions for energy-efficient construction and environment-friendly vehicles. Sika has a strategic target in place to generate 25% of sales with products released in the past five years by 2023. In 2021, excellent progress was made and the innovation rate reached 23.8% (previous year: 20.6%). Every new Sika solution must add value for customers with improved sustainability benefits.

As an enabler of sustainable construction and transportation by innovative and cutting-edge technologies and solutions, Sika accelerates the ongoing transformation towards lower carbon-intensive, resource-efficient, and low-emitting construction and mobility. The company regards sustainability as a business enabler and as an innovation driver.

Innovation is a key objective to create added value products by combining performance and sustainability into one integral concept. The Sustainability Portfolio Management (SPM) concept is the backbone of the “Sustainable Solutions” strategy and how the company makes sure that its cutting-edge products always combine performance and sustainability benefits. SPM links Sika’s strengths and innovation-driven product strategy with sustainability and with that facilitates strategic alignment. SPM provides guidance and definitions for a shared understanding of a “Sustainable Solution” and of how it is measured and communicated in a reliable and fact-based way in the markets.

In the year under review, Sika finalized the development of its Sustainability Portfolio Management (SPM) methodology. The methodology will be used to assess both performance and sustainability-related risks and opportunities of product-technology combinations in defined segments in which Sika is active, with a focus on the long term. This will lead to a deeper understanding of the sustainability performance of Sika products and solutions portfolios, focusing on new developments and identifying mitigation actions for existing products by reference to innovation priorities, and portfolio actions, and to disclose the progress qualitatively.

The new methodology has been externally reviewed by a third-party specialist and is built on the World Business Council for Sustainable Development (WBCSD) chemical industry framework. This framework is a best practice approach to guide companies from the chemical industry in developing and applying consistent, high-quality SPM approaches that proactively steer their overall product portfolios towards improved sustainability results. In 2021, Sika also started to apply the concept and launched products under the new “More Performance More Sustainable” ribbon of excellence. More detailed information on Sika’s SPM concept and examples of sustainable solutions launched in 2021 can be found on: [://www.sika.com/en/about-us/sustainability/sustainable-solutions.html](https://www.sika.com/en/about-us/sustainability/sustainable-solutions.html)

SUSTAINABLE SOLUTIONS

GRI 103-2

GRI 103-3

GOALS AND TARGETS

All new product developments with “Sustainable Solutions”.

COMMITMENT

Sika is leading the industry by pioneering a comprehensive portfolio of customer-focused solutions, combining both higher performance and improved sustainability. Since the early days of Sika, continuous innovation has been the key driver of the company’s successful growth strategy. Sika innovates to reduce the environmental footprint, to increase the efficiency of products and solutions along the entire value chain, and thus responds to the market demand for sustainable solutions.

The contribution of Sika’s solutions with regards to sustainability megatrends is evaluated from a life-cycle perspective along the value chain. The sustainability profile of products, systems, and services is closely linked to their performance. Sika stands for products which are technically superior, user-friendly, and sustainable during their life span, from application to deconstruction.

RESPONSIBILITIES

Sustainability permeates the entire company and requires the cooperation of multiple functions. The team of Innovation and Sustainability is responsible for the strategic framework in terms of sustainable solutions. Innovation in “Sustainable Solutions” is a key objective in the Sika Strategy 2023, to create value-added products – combining performance and sustainability into one integral concept. Managing innovation and sustainability together, minimizing the risks, maximizing the opportunities and creating positive business impact: this is the purpose of the new Sustainability Portfolio Management (SPM)-based concept.

CORE POLICIES AND GUIDELINES

The internal Sustainability Guidelines were developed to facilitate the implementation of the Sika Sustainability Strategy 2023. The guidelines provide recommendations and best practice on how to initiate and run projects to achieve objectives in the six target areas of the Sika Sustainability Strategy. Such guidelines have been created for each strategic target area. One focuses on Sustainable Solutions. The guideline introduces the SPM concept, the different guidance documents and tools, as well as related communication process, and outlines the implementation steps towards the strategic target.

SUSTAINABLE SOLUTIONS LAUNCHED IN 2021

Sika developed and launched several innovative new sustainable solutions in 2021, including the following:

ENGINEERED REFURBISHMENT: NEW WATER-BASED PROTECTIVE COATINGS CONTAINING ALTERNATIVE RAW MATERIALS DERIVING FROM RENEWABLE RESOURCES – FOR REDUCED EMBODIED CARBON FOOTPRINT.

With rising environmental concerns and increasing customer demand for high-performance, more sustainable products, materials derived from renewable resources are believed to play a more significant role going forward. Sika develops water-based protective coatings by using alternative raw materials derived from renewable resources to reduce the product's embodied carbon footprint. In the year under review a new water-based platform for concrete protection coatings has been developed.

The first product of this new range, Sikagard®-5500, is developed for use on reinforced concrete. The product reduces the use of fossil-based raw materials and moves the formulation towards raw materials derived from renewable resources via the biomass balance approach. This entails the use of biogas or biophtha in the early stages of the raw material manufacturing stage, thereby introducing renewable feedstock into the production process. Ultimately this new development reduces the product's embodied carbon footprint by approx. 30% compared to traditionally formulated water-based concrete protection and coatings and has an improved performance at the same time by meeting the most stringent crack bridging parameters at temperatures down to -20°C.

ROOFING: NEW BITUMINOUS MEMBRANE THAT HELPS TO KEEP THE AIR CLEAN

Among the components of air pollution, nitrous oxides, commonly referred to as NOx, is a group of highly reactive gases which are emitted in the air from fuel engines, power plants, and off-road equipment. With SikaShield® Pure-Air, Sika has introduced a new bituminous cap-sheet membrane which can be easily integrated into any Sika roofing system, either for new constructions or renovation. Its advanced bituminous technology allows to trap and remove nitrous oxides released by the exhaust gases of the vehicles or industries, reducing smog, thus helping to improve the air quality of cities or industrial areas. The slates on the surface are coated with titanium dioxide, which acts as a catalyst and is activated when UV radiation from the sun hits the particles. The NOx compounds are removed from the atmosphere by reacting with the surface and the water vapor in the air, resulting in nitric acid (HNO3) which is removed from the membrane surface by rain. The wash-out regenerates the catalyst function of the membrane for a new cycle and lasts for the entire life of the roof. External studies carried out by specialized laboratories to measure the photocatalytic performance prove its high degradation efficiency.

WATER-BASED SEALANTS AND ADHESIVES WITH A MILD AND LONG-LASTING MICROBIOLOGICAL STABILIZATION

Sika's construction adhesives and sealants typically do not contain solvents and feature very low VOC emissions. Furthermore, they do not require surface pre-treatment with activators or primers, which are usually solvent-based technologies. A major part of Sika's water-based adhesives and sealants product portfolio does not contain reactive monomers or hazardous substances in relevant concentrations and is therefore not classified and labelled as hazardous. Protection against microorganisms to prevent growth of bacteria, mold, and algae is essential to ensure a long service life of buildings. The typically used preservatives have a skin sensitizing potential. Substitution and avoidance of these types of preservatives is therefore a key focus at Sika.

One of Sika's latest innovations is the SikaSeal®-106 Construction, a permanently elastic construction sealant. Its good adhesion to most construction materials makes it especially suitable for a variety of interior and exterior sealing applications. It contains a modern, both mild and efficient stabilization system with microencapsulation technology, that keeps the active concentrations extremely low, prevents wash-out and thus provides a long-term efficiency at low biocide exposure to the users. Another example is CascoProff DC, a high-strength reinforced floor adhesive, which has been developed and successfully introduced in the Nordics. It is completely isothiazolinone free – a widely used class of biocides in floor adhesives to ensure protection against microorganisms. Isothiazolinone containing building products are excluded from the well-renowned Scandinavian building product certification system "Byggvarubedomningen", whereas CascoProff DC is the first product in the Nordic market that is rated "recommended". The product's formulation contains a high amount of natural and renewable raw materials and biomass balanced polymers, which lead to approximately 40% lower embodied carbon footprint than traditionally formulated water-based floor adhesives.

ADHESIVE SYSTEMS: NEW Purform® TECHNOLOGY WITH VERY LOW MONOMERIC ISOCYANATE CONTENT AND ULTRA-LOW VOC EMISSIONS

Sika has successfully started the rollout of a new polyurethane technology, which is launched under the Purform® brand. The Purform® technology enables the development of sealants and adhesives with a unique combination of high performance, sustainability, and safety safeguards for users. New properties, as for example adhesion on plastics without any pre-treatment, allow customers to simplify their processes and reduce the material consumption. The high durability of Purform® sealants and adhesives also makes them last longer. With a total monomeric isocyanate content below 0.1% and ultra-low VOC emissions, Purform® products already now comply with the upcoming REACH regulations for monomeric isocyanates and set a new standard in terms of users' and consumers' safety. In 2021, Sikaflex®-11 FC Purform®, a general all-purpose sealant, and Sikaflex® Pro 3 Purform®, a floor joint sealant for professional users, have been introduced to the market.

E-MOBILITY: NEW SILICON-FREE GAP FILLER SOLUTION FOR EFFICIENT HEAT TRANSFER

The automotive and transportation industry undergoes a fundamental change from conventional fuel engines towards more sustainable alternative drive technologies. The accelerated shift to electric motors comes with a need for new product technologies for battery assembly. Gap fillers or thermal conductive adhesives enable efficient heat transfer from the battery modules to the cooling circuit, making sure that overheating of the battery cells is prevented and the longevity and performance of battery cells can be improved. In addition, a new type of semi-structural adhesives for bonding of the battery frame structures will be required to allow efficient and less costly production processes.

With SikaBiresin®-TC 465, a two-component liquid resin based on silane-functionalized polymers, Sika has developed a new silicon-free gap filler that allows the combination of efficient heat transfer and excellent application properties. It allows fast positioning and installation of the cell modules using low forces, preventing warpage and damage of the battery box during assembly. With its low tackiness, the material allows removal and repair of the cell modules in case of damage. The new product has been implemented in 2021 in the pre-series production of a major OEM brand.

REDUCING CARBON FOOTPRINT

Sika is dedicated to reducing the impact of global warming via its products, solutions, and services, especially since climate change and the growing population require cleaner and better-functioning cities. The megatrends climate change and urbanization drive the demand for intelligent construction materials and intelligent mobility systems to ease congestion and reduce greenhouse gas emissions. Sika supports its customers to reduce their carbon footprint, for example by offering technology platforms that allow them to reduce the use of Ordinary Portland Cement (OPC). The reduction is realized most efficiently by highly specific admixtures that ease processing and application of low-OPC products. Other examples are concrete and mortar systems containing an increased ratio of recycled binders with Supplementary Cementitious Material (SCM), such as slags, and/or lower quality aggregates such as alternative quartz-based sands and gravels. In addition, Sika's polymer fibers as internal reinforcement of concrete enable the realization of slimmer structures with comparable strength, thus reducing the overall OPC consumption. A further major target is to introduce digital intelligence to construction sites for increasing safety and efficiency in building operations. Sika leads the way when it comes to 3D concrete printing technology by mastering all the process steps needed to print concrete on an industrial scale. A complete printing solution has been developed, field-tested, and successfully launched in the market.

The new patented Sarnafil® AT technology, developed for easy-to-apply and sustainably designed roofs, has been established internationally. It is the first and only thermoplastic roofing membrane to be Cradle to Cradle Certified™. Sika was successful in achieving an overall certification level of Silver for the product. Sarnafil® AT received Gold score for the Material Reutilization and Social Fairness categories.

OVERCOMING MATERIAL SHORTAGE

The global materials markets have been in an unstable situation throughout the reporting year, both related to prices and delivery times. This situation together with the need to save finite, high-quality materials has challenged R&D with qualification testing of numerous alternative and second-sourced materials and fueled the development of product formulations relying on recycled or bio-sourced materials.

With a focus on circular economy and finding ways of mitigating the effects of climate change, projects that involve the use of recycled or bio-sourced materials were given priority. New solutions like PARNATUR®, the first "easy-to-spray" thermal and phonic insulation hemp-based mortar, contribute to a growing use of bio-sources aggregates in the building industry.

Since the beginning of 2021, Sika has been cooperating with ADEME, the French Governmental Agency in charge of environment & energy, to replace traditional silica sand in mortar production. Together with ADEME, Sika has been conducting a research project, called "Sand", to investigate how recycling concrete waste on an industrial scale might deliver a solution not only for concrete but for dry-mix and universal mortars too. The aim is to reduce the extraction of natural silica sand and to later replicate the recycling process in mortar production facilities in geographic areas with limited sand access. Furthermore, Sika has been developing new formulation routes for dry-mix mortars and directs the production process towards managing recycled and locally processed aggregates in the Sika product range.

Another example of Sika's competence in creating formulations based on alternative materials are bio-based coatings. With rising environmental concerns and increasing customer demand for sustainable products, bio-based systems are believed to play a more significant role in the future. Sika is therefore strengthening the development of water-based protective coatings based on alternative, bio-based materials. Following the Sika Growth Strategy and the Sustainability Strategy "More Value – Less Impact," the company has developed a new water-based platform for concrete protection coatings and processed the further development of water-borne coatings for reinforced concrete by reducing the use of fossil-based materials and moving the formulation towards bio-based materials like sugars, ethanol, or plant oils, and toward using biogas or bio-naphtha from renewable feedstocks.

DIGITALIZATION OF CONSTRUCTION AND INDUSTRY

In digital construction, a range of exciting challenges across a broad spectrum of fields are evolving: economical, environmental, technical, and architectural. To master the combination of these domains is a prerequisite to be able to successfully make the digital transition in the construction industry. Sika covers all activities required for the complete digitalization of the construction: design, processes and operations, additive materials, and connected devices. The new Sika 3D concrete printing system, combined with Sikacrete®-7100 3D, allows a productivity five times higher than other 3D printing systems on the market, requiring only one operator, improving the productivity of a fully automatized production 4.0. Sika has teamed up with partners in the USA and in Europe to commercialize 3D concrete printing technology in the construction industry and to capture its vast potential. In 2021, a new Digital Technology Center and a 3D Technical Center was set up and an easy-to-use one-component 3D mortar was developed. This infrastructure provides additional resources to serve the rising customer demand and to set the pace in terms of efficiency, freedom of design, and flexibility at the construction site.

In the year under review, Sika further developed its cooperation with CiDRA Concrete Systems Inc. in the USA. CiDRA specializes in IoT-based digital systems to monitor concrete properties during transport. Sika and CiDRA already offer this service to customers in the USA, Canada, Australia, and in the UK. CiDRA Concrete Systems is a market leader in digital monitoring and information systems for concrete loads in trucks. High-precision on-board systems measure the quality of the concrete during its transport from the batching plants to the job sites. Customers benefit from this offer through a data subscription service, enabling concrete producers to access real-time concrete quality data such as workability and air content through a cloud-based data portal for every truck operating in their fleet.

Sand has become a scarce resource and good sand analytics are therefore becoming increasingly important. In 2021, Sika developed and implemented the Sika Sand App, a highly innovative digital solution for fast and efficient sand analysis. The Sika Sand App is an analytical device and provides information about sand particle size distribution, particle shape parameter, distribution of particle shape parameter per sieve opening as well as fineness modulus. The new Sika Sand App is a step towards optimized identification of available sand quality and towards finding alternatives to overcome shortage of high-quality sand without performance loss.

MODULAR BUILDING

In off-site construction – or modular building – typically more than 80% of the construction is completed before it arrives at the construction site. Modules are transported to the site for assembly. Modular construction is growing in popularity due to its many benefits, such as less time on the construction site, cost-effectiveness, flexibility, improved quality control, efficient use of materials, reduced waste, and less transportation. It can also help address local construction challenges, such as skilled labor shortages or meeting local regulations. It is the objective of Sika's product development teams to support off-site manufacturers with the development of solutions that meet the most demanding specifications of the building industry and improve manufacturing efficiency and quality. With extensive technical expertise and solid practical experience on every continent in all climates and environments, Sika has been developing a full range of modular construction solutions in the following areas: passive fire systems, joint sealing for interior and exterior applications, roofing membranes and systems, floor adhesives, concrete admixtures, bathroom pod waterproofing and tiling systems, process optimization, and technical support off and on site.

DEVELOPMENT FOCUS IN INDIVIDUAL TARGET MARKETS

CONCRETE

In the year under review, research especially focused on the development of admixtures for sustainable binders and on a new concrete recycling process (reCO₂ver®). In 2021, Sika installed a pilot plant for the reCO₂ver® process. The target of this process is to enable the production of new, high-quality concrete with the use of 100% aggregates coming from recycled concrete demolition waste. With the new process, old concrete can be completely recycled and saved from landfills. So far, attempts in the construction market to recycle old concrete have led to low recycling rates as these recycled materials could only substitute 30% of primary material in structural concrete. The target of the reCO₂ver®-process is to increase this substitution rate up to 100%. The Sika innovation will enable customers to produce high-performance concrete while sequestering a significant amount of CO₂. The old concrete is broken down into aggregate, sand, and carbonated powder in an efficient and straightforward process, which binds up to 60 kg of CO₂ per ton of crushed concrete demolition waste. reCO₂ver® will make a significant contribution to promoting the circular economy and reducing the environmental footprint of the construction industry.

In cooperation with leading key players, Sika has developed concrete and cement admixtures specifically adapted to the LC³ technology that significantly lowers the CO₂ footprint of cement. LC³ is developed by the Swiss Federal Institute of Technology Lausanne (EPFL) and is a new type of cement that is based on a blend of limestone and calcinated clay. Sika admixtures enable customers to replace clinker with LC³ binders and still achieve the same performance for strength development and workability retention. The use of Sika solutions widens the potential application field of LC³ type binders significantly. The LC³ project aims to reduce the CO₂ footprint of cement by replacing up to 50% of clinker in cement. Sika enables the construction sector to adopt this technology rapidly and effectively. Furthermore, Sika introduced new PCE polymers which further enhance its competence in terms of locally adapted formulations and therefore strengthen the ability to efficiently serve specific customer needs.

WATERPROOFING

In the year under review, Sika further expanded the use of the SikaProof® A+ technology, a patented technology that provides a unique, mechanical bond between the polymeric membrane and the concrete structure and prevents any lateral water underflow between the membrane and the concrete. SikaProof®-808 was developed as a waterproofing product to be launched in Asia/Pacific, Africa, and Eastern Europe and will be applied in combination with Sika's bituminous membranes for waterproofing basement and below-ground structures. In 2021, Sika introduced a newly developed flexible bonded waterstop Sika Waterbar® FB into selected European markets – an innovative solution for construction joint waterproofing for watertight concrete basements.

ROOFING

To address the lack of skilled labor, Sika creates systems that are easier to apply. The new product range Sarnafil® AT ensures a great flexibility and safe application in roofing – both for full flat roof areas as well as for details like skylights and corners. In addition, the product line has been extended with a self-adhering version, where the bonding competence and membrane competence were ideally combined. The Sarnafil® AT technology clearly meets the company's significant efforts towards sustainability. Sarnafil® AT is the first thermoplastic roofing membrane in the market to be Cradle to Cradle Certified™. In this way, Sika contributes further to the circular economy, just like with the PVC recycling program in the USA, where old products are fed back into the raw material feed stream.

With Sikashield® Pure-Air, Sika processed a new, advanced bituminous cap-sheet membrane which can be easily integrated into any Sika roofing system, either for new constructions or renovation. Its advanced bituminous technology allows to trap and remove nitrous oxides (NOx) released by the exhaust gases of the vehicles or industries, reducing smog, thus helping to improve the air quality of cities or industrial areas.

With the new Purform® technology, the focus for liquid applied membranes continued to be on emission reduction. Developments in two-component products continued with the launch of Sikalastic®-702, a hand-applied, general-purpose roof waterproofing solution, along with Sikalastic®-701, a high-performance topcoat to give enhanced durability. Sikalastic®-701 can be used to recover old roofs to prolong the roof's lifetime or to upgrade to a cool roof. The focus continues to be on low-odor, sustainable products with excellent durability.

FLOORING

The focus of new product developments has been on the development of sustainable solutions, particularly reducing volatile organic compounds content, emissions, and odor in flooring solutions and using raw materials from renewable resources. The Curing-by-Design technology was transferred to flooring applications. With Sikafloor®-3000 Snapbooster, curing time is significantly reduced and the whole application process takes one day instead of three, as normally is the case with conventional systems. The innovation reduces business interruptions and allows a fast return to service, offering savings to the contractor and business owner. The transfer of the Curing-by-Design technology to new areas of application allows increased process flexibility and offers higher efficiencies.

The market launch of the Hybrid Active Dry Technology of the Schönox HS range for self-leveling underlayment has been successful. In these products, a pre-consumer recycled material partly replaces cement and reduces the product's embodied CO₂ footprint by up to 40% in comparison with similar products.

SEALING & BONDING

Sika has successfully started the rollout of a new polyurethane technology, which is launched under the Purform® brand. In 2021, the products Sikaflex®-11 FC Purform® and Sikaflex® PRO-3 Purform® have been introduced into the market. Thanks to this new technology, Sika is supplying customers with products satisfying the highest standards in terms of performance and sustainability – already fulfilling the upcoming stricter REACH regulations for enhanced health and safety safeguards for users. Purform® products offer significant performance advantages, for example by enabling curing at low temperatures or good compatibility with sensitive surfaces such as natural stone, or improved weather resistance withstanding outdoor exposure for longer.

One focus of Sika is the development of new solutions for hybrid construction, which means for applications where different kinds of materials are connected. A new structural bonding product range has been developed with a focus on metal and composite bonding.

Sika is introducing novel high-strength toughened adhesives for structural bonding and strengthening in construction and civil engineering, e.g. steel bridge repair, seismic guarding, or construction with more sustainable materials. High-strength bonding of non-rigid materials, such as metal or composite structures, opens up a new field for structural bonding applications in construction. For that reason, Sika transferred its SmartCore® toughening technology to the needs of the strengthening market in a first product under the name Sikadur®-370. Sikadur®-370 is a two-component epoxy adhesive that unites highest mechanical properties with toughness and allows long-lasting and durable connections.

ENGINEERED REFURBISHMENT AND BUILDING FINISHING

In 2021, a key initiative has been the development and introduction of a complete range of sustainable cementitious mortars for repairing, waterproofing, leveling, 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 (SCM), which may otherwise be disposed to a landfill. In 2021, Sika was able to replace 160 k tons of cement with SCM, leading to a significant reduction of the products' carbon footprint. This substitution has been implemented in 144 existing products encompassing tile adhesives, wall levelers, waterproofing mortars, non-shrink grouts and repair mortars in twelve major countries. The newly developed mortars achieve unprecedented performance: One example is Sika Monotop®-4200 Multiflow, a multi-purpose cementitious repair mortar. The texture of this product can be adapted to fit the applicator's need by simple adjustment of the water mixing ratio. It is fast setting and allows a return to service after only two hours and is characterized by an enhanced resistance to abrasion and sulphate salts.

The launch and local domestication of the new Sika MonoTop® “More Performance – More Sustainable” product range in Europe started. The Sika MonoTop®-4012, Sika MonoTop®-3020, and MonoTop®-1010 are the new sustainable, high-performing smoothing and leveling ready-to-mix mortars for concrete repair and protection. They have been formulated with SCM and help achieve better workability and application, less shrinkage, and an improved finishing of the surface aspect.

Identifying reliable sources of alternative sands and binders is a significant focus for Sika: These can be materials from recycling, industrial by-products, or waste from any industries, including Sika’s production facilities. A dedicated team develops ways to make their use technically feasible. For example, Sika is working on re-using and valorizing production tails or dust collector fines from Sika plants. When integrated into formulated products, alternative raw materials are linked to additional functionalities, such as weight reduction, deformability, and other outstanding functionalities like abrasion resistance. They have a reduced embodied carbon footprint, stand out with reduced dust formation during application and meet LEED (Leadership in Energy and Environmental Design) v4 requirements.

In the year under review, Sika launched a one-component, pre-batched cementitious bedding and fixing mortar, Sika® FastFix®-138 TT. The cement-free formulation has a significantly reduced carbon footprint, improved shrinkage control, rapid setting and strength. Another example for a mortar with reduced cement content is SikaTop®-209, a flexible waterproofing mortar with a low elastic modulus to reduce cracking tendency, high capacity of crack bridging, water- and vapor-impermeable.

In Europe, SikaCeram®-690 Elite was launched to offer a fast, durable, and aesthetic tile grout solution for marbles and other natural stones sensitive to discoloration. In the Americas, Sika launched SikaTile® Ultima, introducing a superior abrasion/water resistance for a long-lasting ready-to-use acrylic tile grout. In the region Asia/Pacific, Sika teams introduced an easy-to-use new tile grout in cartridge with a great resistance to UV exposure.

INDUSTRY

In industrial manufacturing sealing and bonding further replaces traditional joining technologies like welding or screws and enables joining of new and different materials, opening new design options. With Sika’s innovative structural bonding solutions SmartCore® or Sika Powerflex®, customers can achieve highest performance and durability levels for their products. With the Curing-by-Design technology, a high process efficiency is offered to customers reducing process time up to 70%.

Sika’s adhesives strongly support the global trend of automatization in the building construction sector. Pre-fabricated houses or modules are increasingly being produced in an industrial environment and assembled at the construction site. As a leader in elastic bonding and the world’s biggest manufacturer of polyurethane adhesives and sealants, Sika has developed the Purform® technology with outstanding performance and sustainability benefits for customers. While Sika’s Purform® products already today fulfil upcoming stricter REACH regulations, the technology allows to formulate the first truly designed adhesive for plastic bonding without compromising on stress cracking, mechanical properties, plasticizer migration or adhesion strength.

AUTOMOTIVE

The automotive industry is currently undergoing structural transformation, with production and distribution functions being altered by new propulsion systems, digital technologies, and materials. Thanks to its decade-long expertise in automotive adhesives and sealants, Sika is well prepared for this change. Electro-mobility and lightweight chassis construction increase the importance of superior auxiliary materials capable of making vehicles more efficient, safer, and quieter. Sika's heat-conductive materials contribute to the dramatic reduction of battery charging times, something that will be crucial for the market penetration of electric vehicles. Sika supplies adhesives and sealants for battery systems that meet high technical requirements for high-temperature resistance and high thermal conductivity. SikaBiresin® TC-465, a new silicon-free gap filler solution, was chosen by customers for thermal heat transfer in battery boxes.

In the year under review, Sikaflex®-953 L30, a high-performance sealant for aluminum battery boxes, was launched. With the Sikagard®-839 series, intumescent coatings were further introduced to protect battery boxes of e-vehicles. In addition, Sika developed solutions based on the Purform® technology for new direct glazing assembly adhesives, combining excellent performance with optimum operator health protection.

In 2021, Sika joined Alumobility, a non-profit organization focused on proven innovative solutions to advance the adoption of aluminum automotive body sheets. With experts in various joining techniques for aluminum and other metals, Sika will contribute know-how in bonding, sealing, damping, and reinforcing for car body structures and components.

COOPERATION WITH ACADEMIA

Sika complements its internal research efforts by engaging and cooperating with renowned universities and scientific institutions such as ETH Zurich (Swiss Federal Institute of Technology in Zurich), EPFL (Swiss Federal Institute of Technology in Lausanne), Princeton University (USA), the Beijing University of Chemical Technology (PRC), and similar institutions across the globe. In addition, Sika's subsidiaries cooperate with research institutes in their local markets. In 2021, Sika strengthened its cooperation with the American Institute of Steel Construction, the RWTH University Aachen (Germany), and the Karlsruhe Institute of Technology (KIT) in steel bridge strengthening repair.

Sika has intensified its cooperation with Innosuisse, the Swiss Innovation Agency, an entity under public law, to promote science-based innovation in the interests of industry and society. The company is part of a program dedicated to bringing together the essential players from science, industry, and society in Switzerland in promising fields of innovation ("Innovation Boosters"). Within this framework, Sika expanded its joint research on wood-concrete composite elements for innovative and sustainable hybrid structures for the building sector with the successful testing of hybrid precast elements to reduce the amount of concrete in industrial construction. Sika is engaged in the "Mesh Mould" project, in partnership with ETH Zurich and other partners that develops a robotized construction method for building load-bearing concrete elements of any shape without formwork. Sika also participates in international research projects and networks, such as the "InnovaConcrete" project, which focuses on durable, environmentally-friendly reinforced concrete for demanding infrastructure and the conservation of cultural heritage. Furthermore, Sika is cooperating with the National Institute for Standards and Technology (NIST), USA, and with the University of Sherbrooke, Canada, in concrete research.

Sika supports Innovandi, the Global Cement and Concrete Research Network. The network connects industry with scientific institutions to drive new ways of working and innovation. It builds on the industry's long-held commitment to ensuring a sustainable future.

Sika is cooperating with the Racing Team of Academic Motorsports Club Zurich ("AMZ electric") by providing its advanced tooling materials for composite mold making in vehicle construction. The AMZ was founded in 2006 by students from ETH Zurich and developed a prototype for various "Formula Student" competitions in Europe. After three vehicles with combustion engines, the AMZ has been building purely electrically powered racing cars since 2010.

INTELLECTUAL PROPERTY

The protection of intellectual property plays a central role in competitive markets. While own inventions need to be protected against imitators, ensuring FTO (freedom to operate) for new products over third-party IP is important too.

To achieve the best possible benefit for the Group, the patent strategy was reviewed and sharpened to focus on the three basic pillars (i) risk management and mitigation with respect to third-party patents, (ii) protection of new inventions according to commercial relevance of the products/solutions, and (iii) leveraging patents to support business. For each of these pillars, characteristics were elaborated to meet the needs of the organization. Along with that, workflows were amended to involve a broader base of relevant functions in decision-making processes, while maintaining high efficiency by concentrating on the essentials. The new strategy was rolled out throughout 2021.

Already widely in line with the new patent strategy, 150 new inventions were reported in 2021 (previous year: 123) and 99 new patent applications were filed (previous year: 83). By the end of 2021, Sika's patent portfolio included 986 unique patent families with 4,242 single national patents.

PRODUCT QUALITY AND RELIABILITY

GRI 103-2

GRI 103-3

GRI 416-1

GRI 417-1

GRI 417-2

Product quality and reliability have always been of crucial importance to Sika. The Sika triangle, the more than 100 years old visual symbol, is synonymous with performance, quality, reliability, and service worldwide. This is emphasized by the corporate claim: Building Trust. At Sika, "Product Quality and Reliability" can be analyzed through two related dimensions: Product Safety, and Product Marketing and Labeling.

PRODUCT SAFETY

Precautionary measures are taken to mitigate risks related to product safety. Sika issues documentation informing on topics such as occupational safety, wearing of safety equipment, transportation, and storage of goods. Information on material Safety Data Sheets (SDS) regarding the individual products can be found on the website of the local Sika companies. For more information on how Sika ensures quality and reliability of its products, please see the chapter "Our People", section "Health and Safety" on p.93.

GOALS AND TARGETS

100% of Sika products are safe and do not cause any harm to human health.

COMMITMENTS

When formulating products, the company only uses raw materials that comply with all relevant chemical regulations, and that have been thoroughly assessed by the company on health and safety impacts.

RESPONSIBILITIES

At corporate level, the Global Product Stewardship team, which is part of the Corporate Regulatory & Product Compliance Team is responsible for:

- Training and supporting regional and local Product Stewardship functions and Regulatory Product Compliance Teams.
- Monitoring the raw material database and the chemical substance database that serve as a basis for Safety Data Sheets (SDS) and labels.
- Acting as a support center for the Globally Harmonized System (GHS) of Classification and Labelling of Chemicals.
- Monitoring Sika Banned Substance Rules, but also the list of hazards and restrictions to be shared with the concerned Sika unit.
- Maintaining and updating rules for SDS creation, dangerous goods management, and label information.
- Provide global Product Stewardship solutions, including SAP Product Compliance with global content and algorithms, EHS Blackboard, specific analysis and calculation tools, regular performance overview (KPIs), process descriptions and manuals, etc.).

Along with the support from the Global Product Stewardship team, local line management has the overall responsibility of ensuring that all products placed on the market meet the requirements of local legislation and customers, as well as assigning a product stewardship role to manage raw material and finished goods data, customer safety information, and labeling. To fulfil these responsibilities and objectives, local management collaborates closely with the Global Product Stewardships team. Local tasks include:

- Approving local labels and local Safety Data Sheets, packaging, entry of local raw materials and finished goods data into the databases.
- Supporting local organizations in all product-safety-related matters.
- Supporting customers regarding their demands on product safety.
- Implementing and enforcing the Sika Banned Substance Policy.

Sika products (except non-chemical products) must be accompanied by a Safety Data Sheet meeting the legal requirements of the country and translated into the required language(s). Packaging and labeling must be controlled and managed for local compliance, and compliance with the Sika branding and labeling rules.

POLICIES AND GUIDELINES

For more information on policies and guidelines, please see the chapter "Our People", section "Health and Safety" on p.87.

TRAININGS FOR SIKA EMPLOYEES

Regular internal trainings and education for local Product Stewards and Regulatory Affairs Managers is provided in all regions and areas, at least every two years. Such trainings update local teams on regulations, on the Globally Harmonized System (GHS) of Classification and Labelling of Chemicals, and on the impacts on the Product Compliance Reporting tool.

PRODUCT MARKETING AND LABELING

Packaging is essential as it is used for the identification of Sika products. It enhances the appearance of the label for product promotion. In addition, labeling provides information about the correct and safe use of the product.

GOALS AND TARGETS

The marketing and labeling activities at Sika have the overall goal of providing Sika customers and stakeholders with compliant, accurate, and valuable information regarding classification, labeling, and packaging (CLP) rules and the application of its products. Aspects taken into consideration are legal regulatory requirements as well as customers' requirements, depending on the customers' type (either distribution or direct sales).

COMMITMENTS

Provide accurate information about all Sika products in compliance with local laws and regulations and enhance the appearance of the label for product promotion.

RESPONSIBILITIES

To achieve this commitment, four Sika teams are involved at Corporate and local levels.

- The Corporate Technical team is responsible for product Data Sheet and product certifications like Declaration of Performance or Declaration of Conformity. In fulfilling these activities, the technical team complies with specific policies and regulations, such as regional and local product regulations, for example the EU Construction Products Regulation, EU Marine Equipment Directive, and similar legislation.
- The Local Product Stewardship team is responsible for provision of and compliance with CLP-required hazard symbols, statements, information, and data for labels and packaging. In fulfilling the activities, the product stewardship team complies with specific policies and regulations such as the Globally Harmonized System of Classification and Labelling of Chemicals (GHS), CLP, and REACH.
- The Product Management team, both Corporate and local, is responsible for defining instructional and descriptive texts (as per Product Data Sheet); main illustration (if applicable) and icons, and country combinations.
- The Corporate Marketing Services team is responsible for creating the packaging artwork by compiling the information from the Technical, Product Stewardship and Product Management team, Operations, and suppliers. Product Stewardship information is retrieved from the local and global Product Stewards. product classification and labeling information is determined via the globally deployed SAP Product Compliance System. Corporate Technical & Product Management information is provided directly via the Product Management team.

POLICIES AND GUIDELINES

For more information on policies and guidelines, please see the chapter "Our People", section "Health and Safety" on p.87.

REQUIREMENTS FOR PRODUCT, SERVICE INFORMATION AND LABELING

Sika is committed to comply with laws and regulations concerning product and service information and labeling. All entities of Sika Group are required to be compliant with applicable laws and regulations related to this topic. No significant violation of regulations concerning this topic has been reported in 2021.

REQUIREMENTS REGARDING MARKETING COMMUNICATIONS

Sika is committed to comply with laws and regulations concerning marketing communications, including advertising, promotion, and sponsorship. All entities of Sika Group are required to be compliant with applicable laws and regulations related to this topic. No significant violation of regulations concerning marketing communications has been reported in 2021.

ECONOMICS

ECONOMIC PERFORMANCE

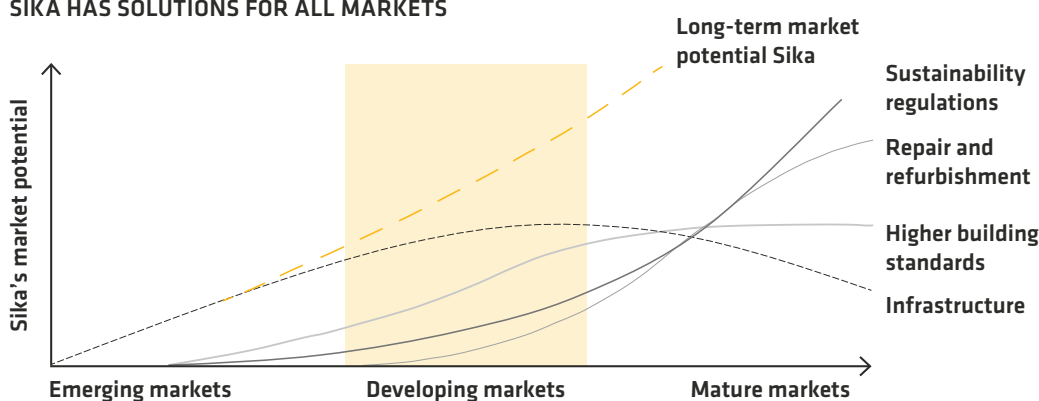
GRI 103-2

GRI 103-3

GRI 201-1

Financial stability and long-term profitability ensure that Sika remains a reliable and value-adding partner for all its stakeholders now and in the future. Economic performance represents an important cornerstone in maintaining global technology leadership by assuring continued investment in R&D, as well as the ability to stay close to customers and serve all markets in every development stage with sustainable high-performing products and solutions.

SIKA HAS SOLUTIONS FOR ALL MARKETS



Economic strength enables Sika to share created value with its various stakeholders: develop high-performing products to its customers; be a reliable employer; provide attractive, long-term shareholder return; be a responsible taxpayer; and a good corporate citizen that helps communities to flourish.

GOALS AND TARGETS

The Sika growth strategy is synonymous with long-term success and profitable growth. The Strategy 2023 was launched in 2019 and is aligned with Sika's goal for sustainable and profitable growth. The strategy is organized around six pillars that are not only focused on ambitious financial targets but also on improving the carbon footprint of its operations. With the focus on these six pillars, Sika plans to grow by 6–8% in local currencies per year up to 2023 and to achieve a high EBIT margin of 15–18%. For more information, please see the "Strategic Report", chapter "Strategy 2023" on p.17 of the Annual Report 2021.

COMMITMENTS

The following strategic pillars form the basis for the Growth Strategy 2023:

Market Penetration	Growth drivers include targeted sales of a comprehensive product portfolio with complete systems, increased presence in the distribution channels, key project management, and continued expansion in emerging markets. For more information, please see the "Strategic Report", chapter "Strategy 2023" on p.17 of the Annual Report 2021.
Innovation	Generating 25% of sales with products that have been launched on the market in the last five years. Additional commitment to ensure that every new product must offer a higher performance as well as additional sustainability benefits. For more information, please see the "Strategic Report", chapter "Strategy 2023" on p.17 of the Annual Report 2021.
Operational Efficiency	Improvement in margins through operational efficiency projects in operations, logistics, procurement, and product formulation. For more information, please see the "Strategic Report", chapter "Strategy 2023" on p.17 of the Annual Report 2021.
Acquisitions	Enabling the company to enhance its core business with complementary technologies, improved market access or expanded distribution channels through acquisitions that serve as platforms for additional growth. For more information, please see the "Strategic Report", chapter "Strategy 2023" on p.17 of the Annual Report 2021.
Values	Sika's strong corporate culture lays the foundation for its success. For more information, please see the "Strategic Report", chapter "Strategy 2023" on p.17 of the Annual Report 2021.

RESPONSIBILITIES

Overall responsibility for economic performance at Group level remains with the Board of Directors (BoD) along with the Group Management. Sika's international expansion began soon after the foundation of the company more than 100 years ago. Since then, the company organizes its global activities by country. The national subsidiaries are consolidated into regions with higher-level management functions. The regions are EMEA (Europe, Middle East, and Africa), Americas, Asia/Pacific, and Global Business. The regional and local management teams bear full profit and loss responsibility, and – based on the Group strategy – develop regional and country-specific strategic plans and targets.

Sika evaluates its management approach through a process steered by the Board of Directors. The CEO, as well as the CFO, report to the BoD in writing on the development of business at least once a month. A monthly Management Package on the financial performance is shared with Group Management and the BoD to provide an update on the company. In addition, 13 Group Management and 11 BoD meetings took place throughout the year, to review and discuss all strategic topics (financial performance, investments, acquisitions, business activities, non-financial performance, etc.). Extraordinary events are reported immediately to the Chair of the Board or the Audit Committee, if such events relate to the latter's area of responsibility. The Audit Committee has the responsibility to review internal and external audits and risk management.

POLICIES AND GUIDELINES

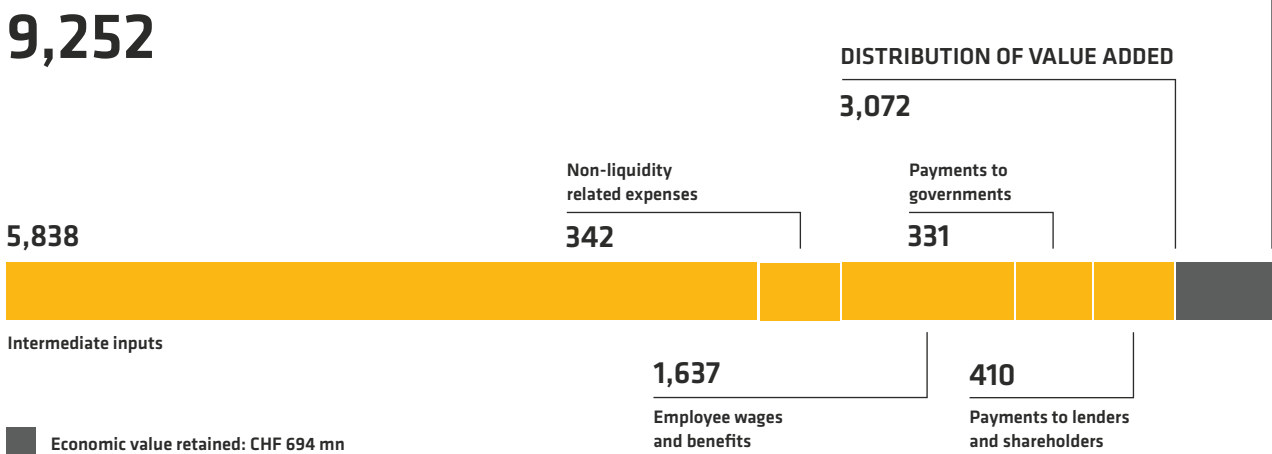
The following guidelines help ensure a sustainable financial performance:

- Sika's "Values & Principles" set the foundation of Sika's future success: Sika acts with respect and responsibility towards customers, shareholders, and employees. The overall profit and loss responsibility lies with the General Managers of all local companies. For more information, please see the chapter "People", section "Corporate Culture and Business Integrity" on p. 68–69.
- The internal "Controller Handbook" is specifically directed towards Group accounting and reporting. It defines the accounting framework (based on IFRS), valuation policies and management accounting practices along with reporting and disclosure requirements. It provides guidance and is the binding reference for all accounting issues in the Group.
- The "Internal Control System" is considered a minimum standard for all local Sika companies to minimize risks and provide assurance regarding reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
- The "Investment Manual" sets the rules, principles, and practices for investment processes. It is a binding reference for all investment issues in the Group.
- The "Procurement Manual" describes the principles, rules and responsibilities that have been defined for the procurement of direct goods (raw materials, packaging, traded goods), and indirect goods and services (OPEX and CAPEX). For more information, please see the chapter "Suppliers", section "Supplier Social and Environmental Compliance" on p.97.

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

Sika creates sustainable value for its customers, the supply chain, and other stakeholders to whom the derived economic value is distributed. This includes governments through taxes, employees through compensation and benefits, shareholders through dividends, suppliers and service providers through raw material and service prices, and society through taxes and local community projects. Part of the value earned is retained in the company for further development of new technologies, acquisitions, capital investments, and to maintain a certain amount of independence from capital market fluctuations. For more information, please see the “Financial Report”, chapter “Consolidated Financial Statements” on p.187 of the Annual Report 2021.

REVENUES in CHF mn



TAX APPROACH

- GRI 207-1
- GRI 207-2
- GRI 207-4

TAX VALUES

Through its tax principles, internal policies, and actions, Sika is committed to being a socially responsible corporate fiscal citizen. Sika pursues a long-term sustainable Tax Strategy with a focus on compliance with national and international tax laws and regulations.

In their 2021 Compliance Confirmation, all General Managers confirmed that there were no violations of applicable tax laws in their entities.

A reasonable Tax Strategy with active management of tax matters ensures that Sika pays a fair share of tax in each of the 101 countries where Sika operates. This section outlines the most important aspects of the Sika Group’s Tax Strategy in relation to compliance and corporate sustainability.

TAX STRATEGY

The Tax Strategy, based on sustainable practices, business reality, and adhering to national and international tax regulations, has ensured Sika a very stable and fair effective tax rate year after year. The application of this strategy has been tested during tax audits where tax authorities typically have accepted Sika’s approach. As a result, the total prior tax expense adjustments based on tax audits or changed tax accounting assessments has typically been less than 1% point for the last ten years. The success of this Tax Strategy relies on Sika’s commitment to be a socially responsible fiscal citizen, paying a fair share, and protecting shareholders’ interests.

TAX POLICY

Sika's Tax Policy outlines the guiding principles to design, implement and manage the Group's Tax Strategy with the goal of achieving business growth while operating in compliance with the letter and the spirit of the tax laws and regulations. The Tax Policy is mandatory and applies to all companies controlled directly or indirectly by Sika. The approach and principles described apply to corporate income tax and withholding tax whilst the same principles should also be followed with respect to other taxes. For more information, please check <https://www.sika.com/en/about-us/sustainability/economic-dimension/tax-approach.html>

TAX GOVERNANCE

Sika's tax approach is in line with the Organisation for Economic Co-operation and Development (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. Therefore, a fair amount of taxes is paid in each jurisdiction where the company operates. The outcome of the business-oriented approach is always checked for its compliance with all applicable laws. Furthermore, potential impacts on stakeholders and Sika's reputation are considered. In line with Sika's corporate values, the objective of Sika's Tax Policy is to comply in good faith with the letter and the spirit of all applicable tax laws and obligations in all countries where the company operates, across all direct and indirect taxes, as a company and employer, as well as with international treaties and guidelines. This approach results in an effective Group tax rate that reflects Sika's global footprint, the decentralized nature of the business, and the Group's successful local operations.

TAX RISK MANAGEMENT

Based on genuine business rationale and with a long-term view of sustainability and predictability, Sika proactively manages, monitors, and controls the tax aspects of its business operations and transactions. The company manages its total tax costs for doing business within clear risk parameters in line with the Sika Group business operations and responsible strategies. Sika adheres to the "arm's length principles" and complies with local laws and regulations for pricing of intercompany transactions. Sika companies maintain contemporaneous transfer pricing documentation in compliance with local legislation.

FULL DISCLOSURE OF TAX RISK AND TAX PLANNING

Sika does not engage in aggressive tax planning and does not use complex structures or offshore havens to minimize its tax liabilities. Sika does not adopt tax schemes based on form without commercial substance. Sika does not use offshore entities that lack business purpose and substance. Sika does not use hybrid instruments and/or entities in structures that result in tax avoidance, double deduction, or no taxation. Sika engages external advisors when appropriate to manage tax risks. Reporting and control systems are in place to collect information on significant tax risks relating to compliance, financial reporting and planning, tax audits as well as legislative developments.

INTERACTIONS WITH TAX AUTHORITIES

Sika promotes open and transparent working relationships with tax authorities. When applicable, Sika uses appropriate mechanisms to clear the tax impact of major transactions with relevant tax authorities in advance. Tax audits are conducted in a supportive and collaborative way and requested information is provided in a timely manner. On certain occasions, Sika may provide technical input to the relevant authorities with respect to proposed tax legislations, using the appropriate channels, to constructively improve the competitiveness of a tax system.

COUNTRY-BY-COUNTRY REPORTING

Starting in 2016, Sika was one of the first companies to submit an annual Country-by-Country Report (CbCR) to the Swiss Federal Tax Administration (SFTA) on a voluntary basis. This OECD/G20 standard includes pertinent information such as profit and taxes paid per country where the company is active. In line with the OECD's intention, the SFTA passes this report on to the tax authorities in other countries where Sika is subject to taxation (SFTA currently has activated more than 60 CbCR exchange relationships and is one of the most active in promoting transparency). The result of the CbCR demonstrates that Sika is duly complying with its tax obligations and paying its fair share of tax.

METHODOLOGICAL NOTE

REPORTING STANDARDS

The Sustainability Report 2021 is part of the Sika corporate reporting package, and it was prepared with reference to the Global Reporting Initiative (GRI) Standards 2016, considering the following more recently issued GRI standards: GRI 303 Water and effluents (2018), and GRI 403 Occupational Health and Safety (2018). Moreover, for comprehensive reporting in relation to the material topics identified following the materiality analysis 2018, Sika deemed necessary to include additional disclosures on employee management, diversity, and tax approach, as specified in this document. Two reference tables with the indicators proposed by the GRI Standards and the Sustainability Accounting Standards Board (SASB) are available in the download center of the corporate webpage (available at <https://www.sika.com/en/investors/reports-publications/financial-reports.html>). The Sika Sustainability Report 2021 also complies with the qualitative indicators of the Task Force on Climate-related Financial Disclosures (TCFD) which are described in more detail in the “Risk management and TCFD Recommendations” chapter of the Annual Report 2021 (p.23). The UN Sustainable Development Goals (UN SDGs) to which Sika positively contributes, are referenced in the first section of the Sustainability Report 2021 on p.61–62.

SCOPE OF REPORTING AND CONSOLIDATION

GRI 102-10

The scope of Sika Sustainability reporting is aligned with the scope of entities consolidated in the Group financial statements, as described on p.196 of the Annual Report 2021. However, Hamatite and Landun data have been excluded from consolidated 2021 figures in the sections “Employee Education and Training”, “Health and Safety” and in the “Planet” and “Communities” chapters to facilitate companies onboarding and ensure a proper integration in the Sika sustainability reporting framework. In the year under review, the scope of consolidation of the Sustainability reporting was expanded to include:

- The acquired companies DriTac (USA), Kreps LLC (Russia), Supermassa do Brasil Ltda (Brazil), American Hydrotech Inc. (USA) and its affiliate Hydrotech Membrane Corporation (Canada), Bexel Internacional S.A de C.V. (Mexico), Shenzhen Landun Holding Co., Ltd. (China) and Hamatite (Japan).
- The newly founded companies Sika Asia Pacific Services Sdn. Bhd. (Malaysia), Sika Chemicals Ghana Ltd. (Ghana) and SikaDavco (Zhanjiang) New Materials Co., Ltd., (China).

More information on these acquisitions and expansions is available in the “Strategic Report”, chapter “Acquisitions & Investments” on p.21 of the Annual Report 2021. As a general rule, acquired companies’ data are included in the Sustainability reporting from the date of acquisition onwards. The list of all consolidated companies is detailed in the Appendix to the Consolidated Financial Statements on p.237–242 of the Annual Report 2021.

DATA COLLECTION AND REPORTING METHODOLOGIES

Sustainability Performance Indicators disclosed in Sika Sustainability Report 2021 are based on the following:

- Social, Environmental, and Health and Safety (EHS) data are collected through the Sika corporate reporting system. EHS indicators are reported at site level on a quarterly basis.
- All social Key Performance Indicators (KPIs) are reported annually at company level, except training data, which is reported quarterly.
- The Advanced Resin business has been reallocated from the Global Business segment to the geographical regions in 2021. The prior years have been restated accordingly in the “Employee Management” and “Diversity” sections.
- Following 2019 and 2020 acquisitions and scope changes, the environmental indicators disclosed in the “Planet” section have not been restated. To track the improvement and the performance of the strategic KPIs, tons sold are considered as a denominator. Tons sold include all Sika manufactured and third-party traded products¹². The development of the third-party traded tons sold in the past three years has been stable and therefore does not impact the overall performance.
- Scope 1 and 2 CO₂eq emissions KPIs follow the reporting guidelines of the Greenhouse Gas Protocol – Corporate Accounting and Reporting Standard. According to the same guidelines, CO₂ equivalent (CO₂eq) is defined as the universal unit of measurement to indicate the global warming potential (GWP) of each of the six greenhouse gases, expressed in terms of the GWP of one unit of carbon dioxide. It is used to evaluate releasing (or avoiding releasing) different greenhouse gases against a common basis.
- In 2021, the fuel consumption of leased vehicles has been included in scope 1 since Sika has operational control as per the Greenhouse Gas Protocol. This category was considered under scope 3 until year 2020. Scope 1 emissions from 2019 and 2020 have not been restated accordingly.
- Community Engagement indicators are reported at company level on a quarterly basis.

¹² Finished good materials purchased from third parties for resale.

KEY PARTNERSHIPS

GRI 102-12

GRI 102-13

Sika engages in numerous partnerships with organizations to actively drive the progress of sustainability in its industries and continuously develop its own performance. Collaboration across the entire value chain is one of the principles for strategic management. The list below provides a non-exhaustive overview of industry associations, initiatives, and relevant strategic partners. More information can be found by accessing the link with the QR code at the bottom of the page or on the corporate website.

Reporting standards & Frameworks



Membership of Associations



Initiatives



Ratings



Indices

Member of
**Dow Jones
Sustainability Indices**

Powered by the S&P Global CSA



For more information,
please visit www.sika.com

LEADERSHIP

ORGANIZATION & LEADERSHIP

Integrated management, flat hierarchies

Sika's organizational structure is decentralized, with the management teams in the regions and national subsidiaries playing a pivotal role. Sika is customer-focused and is characterized by its traditional flat hierarchies and leadership structures.

Organizational structure

Sika conducts its worldwide activities according to countries that have been classed into regions with area-wide managerial functions. The heads of the regions are members of Group Management and are responsible for EMEA, Asia/Pacific as well as Americas.

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. An overview of the organization by regions for the 2021 financial year can be found on page 48 of this report. Sika's regional breakdown is based on unified economic areas and coordinated supply chain structures.

Overarching leadership responsibility ensures integrated management from production to the customer. Sika's customer-facing organization is geared towards eight target markets: Building Finishing, Concrete, Waterproofing, Roofing, Flooring, Sealing & Bonding, Engineered Refurbishment, and Industry. This market-oriented approach enables Sika to sharpen its customer focus, optimize its technical market support activities, and concentrate its R&D operations on market needs.

ORGANIZATIONAL CHART

Sika is committed to sustainable corporate management. Business areas are developed on a long-term basis with the aim of securing lasting value enhancement for all stakeholders. A clear focus on our corporate values is just as fundamental as assuming social responsibility and ensuring a careful approach to the environment and resources. This forms the foundation of our success.

BOARD OF DIRECTORS

Paul J. Hälgi,
Chair of the Board

Viktor W. Balli
Justin M. Howell

Monika Ribar
Daniel J. Sauter

Paul Schuler
Christoph Tobler

Thierry F. J. Vanlancker

CEO
Thomas Hasler

LEGAL
Stefan Mösli

PROCUREMENT
Marcos Vazquez

COMMUNICATION & IR
Dominik Slappnig

OPERATIONS, QUALITY & EHS
Frank Höfflin

GLOBAL BUSINESS
Samuel Plüss

INDUSTRY
Morten Muschak

AMERICAS
Christoph Ganz

ASIA/PACIFIC
Mike Campion

EMEA
Ivo Schädler

CONSTRUCTION
Philippe Jost

FINANCE
Adrian Widmer

HR & COMPLIANCE
Raffaella Marzi

INNOVATION & SUSTAINABILITY
Patricia Heidtman

BOARD OF DIRECTORS

PAUL HÄLG, DR. SC. TECHN.,
ETH ZÜRICH

Chair of the Board of Directors

Nationality: Swiss; year of birth: 1954

Member since: 2009, President since: 2012

2004–2016: CEO, Dätwyler Group, Altdorf; 2001–2004: Executive Vice President, Forbo International SA, Eglisau; 1987–2001: Product Manager, Commercial Director, CEO, Gurit Essex AG, Freienbach; 1981–1986: Project and Group Leader, Schweizerische Aluminium AG (Aluisse), Zurich

Mandates in listed companies:

Chair of the Board: Dätwyler Holding AG (and therefore also of PEMA AG and Dätwyler Führungs AG), Altdorf

Mandates in non-listed companies and organizations:

Member of the Board: Sonceboz Automotive SA, Sonceboz

Chair of the Board: Welfare Foundation Sika, Baar

Member of the Foundation Council: ETH Foundation (supports education and research at ETH), Zurich; Swisscontact (Swiss foundation promoting economic, social, and ecological development in emerging economies), Zurich; REGA (non-profit Swiss air rescue service), Zurich

VIKTOR WALDEMAR BALLI, MSC
CHEMICAL ENGINEER, SWISS FEDERAL
INSTITUTE OF TECHNOLOGY ZÜRICH
(ETH); M.A. ECONOMICS, UNIVERSITY
OF ST. GALLEN (HSG)

Nationality: Swiss; year of birth: 1957

Member since: 2019; Committees: Audit Committee

2007–2018: CFO Barry Callebaut Group, Zurich; 1996–2006: Director of Niantic Group (Family Holding), Amsterdam, Netherlands; 1991–1995: Principal, Adinvest AG, Zurich; 1989–1991: Head Corporate Finance, Marc Rich & Co Holding AG, Zug; 1985–1989: Financial Analyst and Manager, EniChem International AG, Zurich, Switzerland, and Milan, Italy

Mandates in listed companies:

Member of the Board: Givaudan AG, Vernier (Compensation and Audit Committee); Medacta International SA, Castel San Pietro (Chair of the Audit and Risk Committee); KWS Saat SE & Co. KGaA, Einbeck, Germany (Chair of the Audit Committee)

Mandates in non-listed companies and organizations:

Member of the Board: Swiss Federal Audit Oversight Authority (RAB), Bern; Hemro AG, Bachenbülach; Louis Dreyfus Holding BV, Amsterdam, Netherlands (Chair of the Audit and Risk Committee)

JUSTIN MARSHALL HOWELL,
LL.B AND B.C.L., MCGILL UNIVERSITY,
CANADA

Nationality: Canadian; year of birth: 1971

Member since: 2018; Committees: Chair of Nomination and Compensation Committee

Since 2010: Senior Investment Manager, BMGI, Kirkland, WA, USA; 2007–2009: Vice President, Investment Banking, Bank of America Merrill Lynch, New York, NY, USA; 2003–2007: Associate, Cravath, Swaine & Moore LLP, New York, NY, USA

Mandates in listed companies:

Member of the Board: Canadian National Railway Company, Montreal, Quebec, Canada

MONIKA RIBAR, LIC. OEC.
UNIVERSITY OF ST. GALLEN (HSG)

Nationality: Swiss; year of birth: 1959

Member since: 2011; Committees: Chair of the Audit Committee

2006–2013: CEO, Panalpina AG, Basel; 2005–2006: CFO, Panalpina AG, Basel; 2000–2005: Chief Information Officer (CIO), Panalpina AG, Basel; 1991–2000: various functions within Controlling, IT and Global Project Management, Panalpina AG, Basel

Mandates in non-listed companies and organizations:
Chair of the Board: SBB AG (Swiss Federal Railways), Bern

Member of the Board: Chain IQ Group, Zurich

**DANIEL J. SAUTER, SWISS-CERTIFIED
BANKING SPECIALIST, SWISS BANKING
SCHOOL**

Nationality: Swiss; year of birth: 1957

Member since: 2000; Committees: Nomination and Compensation Committee

2012–2019 Chair of the Board of Directors, Julius Bär Group AG; 1994–2001: CEO and Delegate of Board of Directors, Xstrata AG, Zug; 1983–1998: Senior partner and CFO, Glencore International AG, Baar; 1976–1983: various banks, incl. Bank Leu, Zurich

Mandates in non-listed companies and organizations:
Chair of the Board: Trinsic AG, Zug; Tabulum AG, Zug; Hadimec AG, Mägenwil

Member of the Board: ARAS Holding AG, Lenzburg; AS Print AG, Villmergen; Richnerstutz AG, Villmergen; Inacta Group, Zug

PAUL SCHULER, MBA

Nationality: Swiss; Year of birth: 1955

Member since: 2021

2017–2021: CEO, Sika AG, Baar; 2007–2021: Member of Group Management, Sika AG, Baar;

2013–2017: Regional Manager EMEA Sika AG, Baar; 2007–2012: Regional Manager North America; General Manager Sika USA; 2003–2006: General Manager Sika Germany; 1988–2002: Product Manager, Head of Sales Industry; Marketing Manager Industry; Business Unit Leader Industry Sika AG, Baar; 1982–1988: International Key Account Sales Manager Switzerland, EMS Chemie AG, Switzerland; 1980–1982: Project Manager Air Condition Plants, Luwa AG, Hong Kong, China; 1976–1980: Production Manager, Hemair AG, Switzerland.

Mandates in non-listed companies and organizations:

Chair of the Board: Swisspearl Group AG, Switzerland

Member of Advisory Council: Peri GmbH, Germany

CHRISTOPH TOBLER, DIPL. EL. ING.
EPFL

Nationality: Swiss; year of birth: 1957

Member since: 2005; Committees: Audit Committee

Since 2004: CEO, Sefar Holding AG, Thal SG; 1998–2004: Head of Industry Division and Member of Group Management, Sika AG, Baar; 1994–1998: Adtranz Schweiz; 1988–1994: McKinsey & Company, Zurich

Mandates in non-listed companies and organizations:

Chair of the Board: Safe Water Matters

Member of the Board: Sefar Holding AG, Thal SG; Boostbar AG, Zurich

THIERRY F.J. VANLANCKER, MSC
CHEMICAL ENGINEER, UNIVERSITY
OF GENT, BELGIUM

Nationality: Belgium; year of birth: 1964

Member since: 2019; Committees: Nomination and Compensation Committee

Since 2017: CEO, AkzoNobel, Amsterdam, Netherlands; 2016–2017: Head Specialty Chemicals and Executive Committee Member, AkzoNobel, Amsterdam, Netherlands; 2015–2016: President Fluoroproducts, Chemours; President Chemours EMEA, Geneva, Switzerland, and Wilmington, USA; 1989–2016: Various functions within DuPont: Vice President DuPont Performance Coatings EMEA, Cologne, Germany, Global Business & Marketing Director Fluorochemicals, DuPont, Wilmington, USA

Mandates in non-listed companies and organizations:

Member of the Board: Aliaxis Group NV, Brussels, Belgium; Etex NV, Brussels, Belgium

GROUP MANAGEMENT

Sika's Group Management is a strong team of eight experienced executive managers that fully embody the Sika Spirit. Their respective careers within the Group have taken them to Sika regions and subsidiaries around the globe, and to various units within the company.



Rear

IVO SCHÄDLER

EMEA
With Sika for 25 years in
Switzerland and the UK

MIKE CAMPION

Asia/Pacific
With Sika for 24 years in
Asia and the USA

THOMAS HASLER

Chief Executive Officer
With Sika for 33 years in
Switzerland and the USA

CHRISTOPH GANZ

Americas
With Sika for 26 years in
Switzerland, France, and
the USA

PHILIPPE JOST

Construction
With Sika for 25 years in
USA and Switzerland

Front

RAFFAELLA MARZI

Human Resources &
Compliance
With Sika for 8 years in
Switzerland and Italy

ADRIAN WIDMER

CFO
With Sika for 15 years
in Switzerland

PATRICIA HEIDTMAN

Chief Innovation
& Sustainability Officer
With Sika for 24 years in
Switzerland and the USA

**THOMAS HASLER, DIPL. ING.
CHEM. HTL, EXECUTIVE MBA
CEO**

Nationality: Swiss; year of birth: 1965

CEO since 2021; Member of Group Management since 2014

2017–2021: Head Global Business and Industry; 2014–2017: CTO; 2011–2013: Head Global Automotive; 2008–2010: Senior Vice President of Industry and Automotive, Sika USA; 2005–2008: Senior Vice President Automotive North America, Sika USA; 2004–2005: Automotive Manager Europe; 2000–2003: Automotive Manager Switzerland; 1995–2000: Business Development Manager; 1992–1995: R&D Head Automotive OEM Adhesives; 1989–1992: Research Chemist Industry Adhesives

**MIKE CAMPION, BSC CHEMISTRY
Regional Manager Asia/Pacific**

Nationality: US; year of birth: 1965

Regional Manager Asia/Pacific and Member of Group Management since 2017

2016–2017: Head Target Market Concrete Asia/Pacific; 2015–2017: General Manager Sika China; Area Manager Greater China; 2013–2015: Senior Vice President Target Markets Concrete and Waterproofing, Sika USA; 2011–2015: General Manager Sika Greenstreak, USA; 1998–2011: Management Positions in Target Market Concrete and in Business Unit Construction, Sika USA; 1991–1998: Management Positions, Stonhard Inc., USA

**CHRISTOPH GANZ, LIC. OEC. HSG
(UNIVERSITY OF ST. GALLEN)
Regional Manager Americas**

Nationality: Swiss; year of birth: 1969

Regional Manager Americas since 2018; Member of Group Management since 2007

2013–2018: Regional Manager North America; General Manager Sika USA; 2007–2012: Head of Corporate Business Unit Distribution; 2009–2012: General Manager Sika France; Area Manager France, North Africa, Mauritius; 2003–2006: Head of Business Unit Distribution; 1999–2003: Corporate Market Field Manager Distribution; 1996–1999: Project Manager Distribution, Sika Switzerland

**PATRICIA HEIDTMAN, MSC SWISS
FEDERAL INSTITUTE OF TECHNOLOGY
(ETH)**

**Chief Innovation and Sustainability
Officer**

Nationality: Swiss, US; year of birth: 1973

Chief Innovation and Sustainability Officer and Member of Group Management since 2021

2017–2021: Corporate Technology Head Thermoplastic Systems; 2017–2018: Vice President R&D and Head of Innovation, Sika USA; 2013–2017: Vice President R&D Automotive and STM, Sika USA; 2011–2012: Vice President R&D Sika USA; 2006–2011: Director R&D, Sika USA; 2004–2006: Project Manager Automotive, Sika USA; 2002–2003: Product Service Manager, Sika Switzerland; 2000–2002: Group Leader R&D, Sika USA; 1998–2000: Chemist, Sika Switzerland

Further commitments: Member of the Board: Bossard Group, Switzerland

**PHILIPPE JOST, MSC CIVIL ENGINEER
SWISS FEDERAL INSTITUTE OF
TECHNOLOGY (ETH), MBA**

Head Construction

Nationality: Luxembourg, Swiss; year of birth: 1971

Head Construction and Member of Group Management since 2019

2015–2019: Head of Corporate Human Resources; 2010–2014: Corporate Target Market Manager Concrete; 2006–2010: Manager Global Business Development Corporate Construction, Vice President New Market Development; 1998–2006: Product Engineer, Director of Marketing, Sika USA; 1997–1998: Testing Engineer, Sika Switzerland

Further commitments: Chair of the Board Peikko Group, Finland

**RAFFAELLA MARZI, J.D., LAW
(CATHOLIC UNIVERSITY OF MILAN)
Head Human Resources & Compliance**

Nationality: Italian; year of birth: 1970

Member of Group Management since 2020; Head Human Resources & Compliance since 2019

2016–2019: Group Compliance Officer; 2014–2016: Group Compliance Officer and Legal Counsel, Sika Italy; 2013–2014: Partner, Baker & McKenzie, Italy; 2011–2013: Counsel, Baker & McKenzie, Italy; 2009–2009: Secondment, Baker & McKenzie, Germany; 2001–2009: Senior Associate, Baker & McKenzie, Italy; 2000–2001: Secondments as In-house Legal Counsel, Recordati S.p.A.; 1997–2000: Associate, Baker & McKenzie, Italy; 1996–1997: Legal Consultant, Beiersdorf S.P.A., Italy

**IVO SCHÄDLER, MSC MATERIALS
ENGINEER SWISS FEDERAL
INSTITUTE OF TECHNOLOGY (ETH),
EXECUTIVE MBA
Regional Manager EMEA**

Nationality: Swiss, Liechtenstein; year of birth: 1966

Regional Manager EMEA and Member of Group Management since 2017

2015–2017: Area Manager Europe South, Head Target Market Refurbishment EMEA; 2012–2015: General Manager Sika UK and Sika Ireland; 1997–2012: Head Business Unit Contractors and Industry, Head Marketing Construction, Product Engineer Industrial Flooring, Deputy Manager Diagnostic Center, Sika Switzerland; 1996–1997: Head Department Materials Testing and R&D, Wolfseher and Partner AG, Switzerland; 1993–1995: Manager Department Materials Testing, EMS Chemie AG, Switzerland

**ADRIAN WIDMER, LIC. OEC. PUBL.
Chief Financial Officer (CFO)**

Nationality: Swiss; year of birth: 1968

CFO and Member of Group Management since 2014

2007–2014: Head Group Controlling and M&A; 2005–2007: General Manager Construction Systems Germany/Austria/Switzerland, BASF (Degussa) Construction Chemicals, Switzerland; 2000–2005: CFO Degussa Construction Chemicals Switzerland; Finance Director Business Line Flooring Europe; Manager Corporate Finance, Degussa Construction Chemicals, Switzerland; 1997–2000: Manager M&A, Textron Industrial Products, United Kingdom/Switzerland; 1995–1997: Market Development Manager, Textron Inc., USA/United Kingdom; 1994–1995: Business Analyst, Nordostschweizer Kraftwerke (NOK), Switzerland

Further commitments: Member of the Board: Swiss Steel Holding AG, Switzerland (Chair of Audit Committee); Sonova Holding AG, Switzerland (Chair of Audit Committee)

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

COMMITMENT TO OPENNESS AND TRANSPARENCY

Good Corporate Governance safeguards the sustainable development and performance of the company. Sika is committed to openness and transparency and provides information on structures and processes, areas of responsibility and decision procedures, as well as rights and obligations of various stakeholders. Reporting at Sika follows the SIX Swiss Exchange guidelines.

Group structure and shareholders

Sika AG, headquartered in Baar, is the only listed company of the Sika Group. Sika AG's shares are listed on SIX Swiss Exchange under Swiss security no. 41879292 and ISIN CH0418792922. At the end of the year under review, the market capitalization of Sika AG was CHF 54,385.70 million. In the year under review, the Sika Group encompassed unlisted subsidiaries in 101 countries. 225 companies are included in the scope of consolidation. Companies of which Sika holds 50% or less of the voting rights are not consolidated. These are namely HPS North America, LLC, USA, Condensil SARL, France, as well as Chemical Sangyo Ltd., and Seven Tech Co. Ltd., Japan. Detailed information on the Group companies can be found on page 237 et seqq. of this report (available at <https://www.sika.com/en/investors/reports-publications/financial-reports.html>).

Sika conducts its worldwide activities according to countries that have been classed into regions with area-wide managerial functions. The heads of the regions are members of 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.

Furthermore, Sika has geared its internal organization towards eight Target Markets, from the construction industry and from industrial manufacturing. These Target Markets are represented by one member of Group Management. Target Market responsibility is well defined in the regional management teams and the national subsidiaries as well. The relevant managers are responsible for the definition and launch of new products, the implementation of best demonstrated practices, and the product-line policies for Group products, i.e., those offered worldwide, rather than only in one particular country.

The heads of the central Finance, Innovation and Sustainability, as well as Human Resources and Compliance departments are likewise members of Group Management, which consists of eight members. All Group business is consolidated in Sika AG, the holding company, which itself is under the supervision of the Board of Directors. The organizational structures are presented on pages 149 to 153 of the download version of this report (available at <https://www.sika.com/en/investors/reports-publications/financial-reports.html>).

As of the balance sheet date of December 31, 2021, Sika had received notification of four significant shareholders whose voting rights reached at least 3%: (1) BlackRock Inc., which owned 7.7% of all voting rights. (2) William H. Gates and Melinda French Gates, who held 5.3% of all voting rights via Cascade Investment L.L.C. and Bill & Melinda Gates Foundation Trust. (3) The Capital Group Companies, which held 5.0% of all voting rights via Capital Research and Management Company, Capital Bank and Trust Company, Capital International Limited, Capital International, Inc., and Capital International Sarl. (4) Norges Bank (the Central Bank of Norway), which held 3.01% of all voting rights. A list of changes in significant shareholdings reported to the Disclosure Office of SIX Swiss Exchange during the year under review can be found at <https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/>.

There are no cross-shareholdings exceeding 3%, either in terms of capital or votes.

Capital structure

According to the commercial register entry, the issued share capital as of December 31, 2021 totaled CHF 1,417,811.60 and was divided into 141,781,160 fully paid-in registered shares, each with a nominal value of CHF 0.01. Taking into account the new shares that were issued as of December 31, 2021 from conditional capital due to partial conversion of the convertible bonds, the share capital issued as of December 31, 2021, but not yet fully reflected in the commercial register, amounted to CHF 1,430,449.67, divided into 143,044,967 fully paid-in registered shares with a nominal value of CHF 0.01 each. One share represents one vote at the General Meeting.

In addition, there is a conditional share capital of CHF 143,255.13 as of December 31, 2021, unrestricted in time, divided into 14,325,513 fully paid-in registered shares with a nominal value of CHF 0.01 each, which represents 10.0% of the share capital issued as of December 31, 2021, but not yet fully reflected in the commercial register. These shares are reserved for the exercise of option or conversion rights. The shareholders' subscription rights are excluded.

Further information on the conditional capital can be found in art. 2 para. 4 of the Sika Articles of Association (available at <https://www.sika.com/en/investors/corporate-governance-risk-management/articles-of-association.html>) Sika AG does not have an authorized capital.

Sika has not issued any participation certificates, dividend right certificates, or stock options.

Option plans do not exist for members of the Board of Directors, Group Management, or employees.

In 2019 and 2020, neither the ordinary nor the conditional capital has changed. In the reporting year, 1,263,807 new fully paid-in registered shares with a par value of CHF 0.01 each were issued from conditional capital. Accordingly, the ordinary share capital was increased by CHF 12,638.07 from CHF 1,417,811.60 to CHF 1,430,449.67 and the conditional capital was decreased from CHF 155,893.20 to CHF 143,255.13. These changes have not yet been entered in the Commercial Register. According to the law, such changes must be submitted by the Board of Directors for entry in the Commercial Register no later than three months after the close of the financial year.

Significant events related to capital structure having occurred after the balance sheet date are described at the end of this chapter under "Significant changes since balance sheet date".

The purchase of Sika registered shares is open to all legal persons and individuals. The company maintains a share register for the registered shares in which the legal owners and usufructuaries are registered with their name and address. Vis-à-vis the company, the person who is registered in the share register is deemed to be the shareholder or usufructuary. The company may deny registration in the share register if, upon the company's request, the acquirer does not explicitly declare that the shares have been acquired in their own name and for their own account. After consulting the party concerned, the company may cancel the registration in the share register if the registration is the result of false information provided by the acquirer. The acquirer must be informed of the cancellation immediately. The acquirer must provide a statement declaring that the registered shares were transferred to him in due form. It is the company's current practice to register Nominees, i.e., shareholders who acquire shares in their own name but on the account of third parties, as shareholders with voting rights up to a maximum of 3% of the total share capital outstanding at the time. Above this limit of 3%, the Board of Directors decides on a case-by-case basis. In 2021, the Board of Directors has not registered any Nominees with voting rights exceeding 3%.

Convertible Bonds

As of December 31, 2021, Sika AG had the following convertible bonds outstanding:

(1) Sika AG had a convertible bond listed on the SIX Swiss Exchange (security no.: 41399024, ISIN: CH0413990240, ticker: SIK185) with an original nominal amount of CHF 1,650,000,000.

Principal Amount	Current Conversion Ratio	Current Conversion Price	Maturity Date	Coupon
Nominal value of CHF 20,000 each	105.76415 registered shares with a nominal value of CHF 0.01	CHF 189.10	5.6.2025	0.15% payable annually on June 5

When conversion rights are exercised, new or existing shares of the company may – at Sika AG’s discretion – be delivered. The respective maximum number of registered shares of the company to be delivered upon conversion or, respectively, the maximum increase of the company’s share capital upon conversion, correspond to 6.15% of the issued registered shares as of December 31, 2020, respectively, the company’s share capital immediately issued before the convertible bond was issued taking into account the company’s capital reduction of 2018.

As of December 31, 2021, a total of CHF 241,000,000 of the nominal amount of the convertible bonds have been early converted into 1,262,387 shares.

Sika may call the bonds at any time:

- after the settlement date at the net principal amount, if less than 15% of the aggregate principal amount of the bonds are outstanding at the time of the notice;
- on or after the 21st calendar day after the 5th anniversary of the settlement date at the relevant net principal amount, if the VWAP of the Sika AG’s shares is at least 130% of the conversion price on at least 20 out of 30 consecutive trading days.

(2) In January 2019, Sika AG has issued a subordinated mandatory convertible note listed on the SIX Swiss Exchange (security no.: 45929742, ISIN: CH0459297427, ticker: SIK19) with a total outstanding nominal amount of CHF 1,300,000,000.

Principal Amount	Current Conversion Ratio	Current Conversion Price	Maturity Date	Coupon
Nominal value of CHF 200,000 each	Minimum 1,420.25280	Minimum CHF 125.17	30.1.2022	3.75% payable annually on January 30
	Maximum 1,597.82696	Maximum CHF 140.82		

The notes will be mandatorily converted into new or existing registered shares of Sika AG at maturity. The maximum number of registered shares of the company to be delivered upon mandatory conversion of the notes, respectively, the maximum increase of the company’s share capital upon mandatory conversion of the notes, correspond to 7.33% of the issued registered shares as of December 31, 2020, respectively, the company’s share capital immediately issued before the convertible notes were issued (based on the minimum conversion price of CHF 125.17). The conversion period for noteholders began on July 1, 2021. As of December 31, 2021, a total of CHF 200,000 of the nominal amount of the mandatory convertible notes have been early converted into 1,420 shares.

Sika may, at its sole discretion, elect to defer (in whole or in part) any payment of interest on the notes.

Further information on the convertible bonds can be found on page 156 and 157 of this report (available at <https://www.sika.com/en/investors/reports-publications/financial-reports.html>).

Board of Directors

The Board of Directors is Sika’s highest governing body and is mainly responsible for the:

- Definition of the corporate mission statement and corporate policies
- Decisions on corporate strategy and organizational structure
- Appointment and dismissal of members of Group Management
- Structuring of finances and accounting
- Assessment of the risk management
- Establishment of medium-term planning as well as the annual and investment budgets.

The members of the Board of Directors are elected by the Annual General Meeting for a term of office of one year. They can be reelected. Detailed information on individual members of the Board of Directors as per the balance sheet date of December 31, 2021, is listed on page 151 of the download version of this report (available at <https://www.sika.com/en/investors/reports-publications/financial-reports.html>). The curricula vitae of the members of the Board of Directors over the last five years can be found in the Annual Report 2020 on

pages 71 and 72, in the Annual Report 2019 on pages 63 and 64, in the Annual Report 2018 on page 58, in the Annual Report 2017 on pages 42 and 43, and in the Annual Report 2016 on pages 19 and 20 (all available at <https://www.sika.com/en/investors/reports-publications/financial-reports.html>). No directorships are maintained with other listed companies on a reciprocal basis.

Further information regarding the election and the composition of the Board of Directors can be found in art. 8.1 of the Sika Articles of Association (available at <https://www.sika.com/en/investors/corporate-governance-risk-management/articles-of-association.html>).

The Board of Directors of Sika AG currently consists of eight members and comprises non-executive members only. One of the Directors, Paul Schuler, was a member of Group Management and held the position as CEO of Sika until April 2021. None of the other seven members of the Board of Directors was a member of Group Management or the executive management of a Sika Group company during the three preceding business years. At the Annual General Meeting on April 20, 2021, Frits van Dijk stepped down from the Board of Directors. At the same Annual General Meeting, Paul Schuler was elected as a new member of the Board. On October 11, 2021, Sika announced the proposal to elect Lucrèce Foufopoulos-De Ridder to the Board of Directors at the next Annual General Meeting, to be held on April 12, 2022. Significant events related to the composition of the Board of Directors having occurred after the balance sheet date are described at the end of this chapter under "Significant changes since balance sheet date".

Neither the members of the Board of Directors nor any company nor organization represented by a member of the Board of Directors has a significant business connection with Sika AG or any of the Sika Group companies. The Board of Directors convenes at the Chair's request as often as business demands. Meetings are generally held every one to two months. In the business year 2021, the Board of Directors met eleven times. The meetings lasted between one and six hours.

ATTENDANCE OF INDIVIDUAL BOARD MEMBERS

Board Member	Member since	Number of meetings attended
Paul Hälgi	2009	11 of 11
Viktor W. Balli	2019	11 of 11
Frits van Dijk (until April 20, 2021)	2012	4 of 4
Justin M. Howell	2018	11 of 11
Monika Ribar	2011	10 of 11
Daniel J. Sauter	2000	10 of 11
Paul Schuler (as of April 20, 2021)	2021	6 of 7
Christoph Tobler	2005	11 of 11
Thierry F. J. Vanlancker	2019	11 of 11

The Chief Executive Officer (CEO) participates in the meetings of the Board of Directors in an advisory capacity. The other members of Group Management take part as necessary, also in an advisory capacity. In 2021, the CEO participated in ten and the other members of Group Management in three to eleven of the eleven meetings. Company officers report regularly and comprehensively to the Chair of the board concerning the implementation of decisions of the Board of Directors. The CEO, as well as the Chief Financial Officer (CFO), report to the Board of Directors in writing on the development of business at least once per month. Extraordinary events are reported immediately to the Chair of the Board of Directors or the Audit Committee, insofar as such events relate to the latter's area of responsibility. The Internal Audit staff report to the Chair of the Board of Directors, as well as the Audit Committee, within the scope of the review schedule. In 2021, the Internal Audit participated in five of the five meetings of the Audit Committee.

Information regarding the number of permitted mandates of members of the Board of Directors outside the Sika Group can be found in art. 8.4 of the Sika Articles of Association (available at <https://www.sika.com/en/investors/corporate-governance-risk-management/articles-of-association.html>).

Board committees

Sika has two committees of the Board of Directors: the Audit Committee and the Nomination and Compensation Committee. The members of the Nomination and Compensation Committee are elected annually by the General Meeting. Re-election is possible. The members of the Audit Committee, as well as the chairperson of each committee, are (re)elected annually by the Board of Directors. Otherwise, the committees organize themselves. Detailed information on the members of the committees can be found on page 151 of the download version of this report (available at <https://www.sika.com/en/investors/reports-publications/financial-reports.html>).

Significant events related to Board committees having occurred after the balance sheet date are described at the end of this chapter under "Significant changes since balance sheet date".

AUDIT COMMITTEE

The Audit Committee mainly reviews the results of internal and external audits, as well as risk management. The committee convenes at the request of its chairperson as often as business demands. Customarily, the Chair of the Board of Directors and the CFO, as well as the CEO if necessary, take part in these meetings in an advisory capacity. Meetings are generally held every two to three months, lasting between three and five hours. In the year under review, the Audit Committee met five times, with all members present at all meetings. The Chair of the Board of Directors, the CEO, the CFO, and the Internal Audit participated in five of the five meetings. The auditor participated in three of the five meetings.

More detailed information regarding the competences and activities of the Audit Committee can be found in the Organizational Rules of Sika AG and Sika Group on page 6, section 7 (available at <https://www.sika.com/en/investors/corporate-governance-risk-management/organizational-rules.html>) and in the Charter of the Audit Committee which is included on pages 14 to 16 of the Organizational Rules of Sika AG and Sika Group (available at <https://www.sika.com/en/investors/corporate-governance-risk-management/organizational-rules.html>).

ATTENDANCE OF INDIVIDUAL AC MEMBERS

Audit Committee Member	Number of meetings attended
Monika Ribar, AC Chair	5 of 5
Viktor W. Balli	5 of 5
Christoph Tobler	5 of 5

NOMINATION AND COMPENSATION COMMITTEE

The Nomination and Compensation Committee prepares personnel planning at the level of the Board of Directors and Group Management and handles matters relating to compensation. One of the central tasks of the Nomination and Compensation Committee is succession planning for the Board of Directors and Group Management. The committee convenes at the request of its chairperson as often as business demands. Usually, the Chair of the Board of Directors and the CEO participate in these meetings in an advisory capacity, insofar as they are not themselves affected by the items on the agenda. Meetings are generally held on a bimonthly or trimonthly basis, lasting between one and a half and two and a half hours. In the year under review, the Nomination and Compensation Committee held five ordinary meetings. All members attended all Committee meetings. The Chair of the Board of Directors participated in all of the five meetings in an advisory capacity. Paul Schuler attended two of the five meetings which took place before he stepped down from his position as CEO. Thomas Hasler joined four of the five meetings, one for on-boarding and three after he was elected as CEO. They all did not attend when their own compensation and/or performance were being discussed. The external advisor retained to provide services related to executive compensation matters participated in five of the five meetings of the Nomination and Compensation Committee to attend the discussions on compensation. For more information on the external advisor, reference is made to the compensation report on page 169 of this report (available at <https://www.sika.com/en/investors/reports-publications/financial-reports.html>).

More detailed information regarding the competences and activities of the Nomination and Compensation Committee can be found in art. 9 of the Sika Articles of Association (available at <https://www.sika.com/en/investors/corporate-governance-risk-management/articles-of-association.html>), in the Organizational Rules of Sika AG and Sika Group on page 6, section 6 and in the Nomination and Compensation Committee Charter which is included on pages 12 and 13 of the Organizational Rules of Sika AG and Sika Group (available at <https://www.sika.com/en/investors/corporate-governance-risk-management/organizational-rules.html>), as well as on page 151 et seqq. of this report (available at <https://www.sika.com/en/investors/reports-publications/financial-reports.html>).

ATTENDANCE OF INDIVIDUAL NCC MEMBERS

Nomination and Compensation Committee Member	Number of meetings attended
Justin M. Howell, NCC Chair	5 of 5
Daniel J. Sauter	5 of 5
Thierry F. J. Vanlancker,	5 of 5

Information and control instruments vis-à-vis Group Management

Within the framework of its non-transferable and inalienable duties, the Board of Directors of Sika supervises Group Management. The CEO, as well as the CFO, report to the Board of Directors in writing on the development of business at least once per month. Extraordinary events are reported immediately to the Chair of the Board of Directors or the Audit Committee, insofar as such events relate to the latter's area of responsibility. In every meeting, the Chair of the Board of Directors, or, at the Chair's instruction, the CEO, informs the Board of Directors about the ongoing business. More detailed information regarding the information and reporting rights can be found in the Organizational Rules of Sika AG and Sika Group on page 5, section 3.4 (available at <https://www.sika.com/en/investors/corporate-governance-risk-management/organizational-rules.html>).

Sika has a comprehensive risk management, as well as an Internal Audit. Details can be found in the chapter "Risk Management and TCFD Recommendations" beginning on page 23 of the download version of this report (available at <https://www.sika.com/en/investors/reports-publications/financial-reports.html>). As part of its audit plan, the Internal Audit reports to the Chair of the Board of Directors as well as to the Audit Committee.

Group Management

Within the framework of the resolutions of the Board of Directors, Sika's operative leadership is incumbent on Group Management. The structure of Group Management is outlined at the beginning of the Corporate Governance section, on page 155 of this report (available at <https://www.sika.com/en/investors/reports-publications/financial-reports.html>). The members of Group Management and their functions as per the balance sheet date of December 31, 2021, are listed on pages 152 to 153 of the download version of this report (available at <https://www.sika.com/en/investors/reports-publications/financial-reports.html>). During the reporting year, Paul Schuler, who was elected as a new member of the Board of Directors at the Annual General Meeting on April 20, 2021, stepped down as CEO as of April 30, 2021. He was succeeded by Thomas Hasler who assumed the CEO position as of May 1, 2021. As of November 1, 2021, Patricia Heidtman succeeded Frank Höfflin as a member of Group Management in the newly created position of Chief Innovation and Sustainability Officer. Frank Höfflin simultaneously stepped down from Group Management to assume the newly created position of Head Operations, Quality and EHS. Detailed information on their backgrounds and activities can be found on page 153 of the download version of this report (available at <https://www.sika.com/en/investors/reports-publications/financial-reports.html>). The curricula vitae of the members of Group Management over the last five years can be found in the Annual Report 2020 on pages 69 and 70, in the Annual Report 2019 on page 61 and 62, in the Annual Report 2018 on pages 56 to 57, in the Annual Report 2017 on pages 40 and 41, and in the Annual Report 2016 on pages 16 and 17 (all available at <https://www.sika.com/en/investors/reports-publications/financial-reports.html>).

Information regarding the number of permitted mandates of members of Group Management outside the Sika Group can be found in art. 10 para. 3 of the Sika Articles of Association (available at <https://www.sika.com/en/investors/corporate-governance-risk-management/articles-of-association.html>). Sika had no management contracts with third parties in the year under review.

Regulation of responsibilities

The powers, tasks, and responsibilities of the Board of Directors and Group Management are set out in detail in the Organizational Rules of Sika AG and Sika Group on pages 3 to 11 (available at <https://www.sika.com/en/investors/corporate-governance-risk-management/organizational-rules.html>). Furthermore, for the tasks and duties of the Board of Directors and Group Management, reference is made to art. 8.2 and art. 10 of the Sika Articles of Association (available at <https://www.sika.com/en/investors/corporate-governance-risk-management/articles-of-association.html>).

Governance structures in connection with climate-related risks and opportunities

The Board of Directors is also the highest governance level of climate-related risks and opportunities. It is responsible for reviewing and endorsing the development and implementation of sustainability policies and strategies and the Chair of the Board steers and oversees climate-related topics by receiving regular updates from the Group Management. The Chair of the Board is permanently invited to add climate-related topics to the agenda of the Chief Executive Officer (CEO) and the Board of Directors. The Board of Directors has approved the Group's climate ambition to reduce scope 1 and 2 CO₂e emissions by 50% until 2030 and to achieve net zero greenhouse gas emissions by 2050.

Significant events related to the governance structures in connection with climate-related risks and opportunities having occurred after the balance sheet date are described at the end of this chapter under "Significant changes since balance sheet date".

More information on Sika's approach towards the implementation of the recommendations of TCFD (Task Force on Climate related Financial Disclosure) can be found on page 23 et seqq. of the download version of this report (available at <https://www.sika.com/en/investors/reports-publications/financial-reports.html>).

Compensation, shareholdings, and loans

With regards to the information on the compensation of the members of the Board of Directors and the Management Board, reference is made to the compensation report beginning on page 165 of this report (available at <https://www.sika.com/en/investors/reports-publications/financial-reports.html>).

Shareholder participation rights

Each shareholder can have his shares represented by another shareholder with voting rights, or the independent proxy. Proxies and instructions can be issued to the independent proxy in writing or electronically. The Annual General Meeting elects the independent proxy annually for a one-year term until the conclusion of the next Annual General Meeting. Reelection is possible. For more detailed information on the participation, representation, and instruction rights of shareholders reference is made to art. 3, art. 4, and art. 7.3 of the Sika Articles of Association (available at <https://www.sika.com/en/investors/corporate-governance-risk-management/articles-of-association.html>).

Information on the legal quora can be found in art. 703 et seq. of the Swiss Code of Obligations (CO); information on what constitutes a quorum under the Sika Articles of Association can be found in art. 7.3 para. 4 of the Sika Articles of Association (available at <https://www.sika.com/en/investors/corporate-governance-risk-management/articles-of-association.html>). The resolutions for which a qualified majority (at least two thirds of the votes represented, and an absolute majority of the par value of shares represented) is required are defined therein. The invitation modalities and deadlines for the General Meetings match with legal requirements (art. 699 et seq. CO).

Furthermore, during a period published by the company in the Swiss Official Gazette of Commerce, shareholders representing shares with a nominal value of CHF 10,000 can request in writing to have an item placed on the agenda, indicating the proposals to be put forward.

The publication of the convening of the General Meeting is made in the Swiss Official Gazette of Commerce. The convening also contains the agenda items and the proposals of the Board of Directors. In addition, the invitation to the General Meeting is sent by post to the shareholders. Shareholders will not be registered by the company two business days prior to a General Meeting. Therefore, registered shares acquired or sold between the deadline and a General Meeting are not entitled to be voted.

Change in corporate control and defense measures

The Articles of Association of Sika AG (available at <https://www.sika.com/en/investors/corporate-governance-risk-management/articles-of-association.html>) do not provide for an opting out or opting in in the meaning of art. 125 and 135 of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FinMIA). There are no change of control clauses.

Auditor

The auditor of Sika AG is elected by the Annual General Meeting for a term of one year. In the year under review, Ernst & Young AG, listed as auditor in the commercial register since February 7, 1995, served in this capacity.

The auditor participates regularly in the meetings of the Audit Committee, providing oral and written reports on the results of its reviews. In 2021, the auditor participated in three of the five meetings of the Audit Committee. The Audit Committee checks and evaluates the auditor and makes recommendations to the Board of Directors. For further information regarding reporting and control of the auditor, reference is made to the Charter of the Audit Committee which is included on pages 14 to 16 of the Organizational Rules of Sika AG and Sika Group (available at <https://www.sika.com/en/investors/corporate-governance-risk-management/organizational-rules.html>).

The independence of the auditor is ensured by various measures. The Audit Committee has defined a percentage threshold for non-audit services in relation to the audit services. Additional services received from the auditor must not exceed 70% of audit fees in any given year and must be below 50% of the 3-year-average. In addition, services outside the audit which individually exceed CHF 100,000 are subject to prior approval by the chair of the Audit Committee. As part of its reporting for the consolidated and statutory financial statements, the auditor confirms its independence vis-à-vis Sika AG. In accordance with legal requirements, the lead auditor is replaced after a maximum period of seven years. The current lead auditor has been responsible for the audit mandate since 2015. As set out in section 2.4 of the Charter of the Audit Committee which is included on pages 14 to 16 of the Organizational Rules of Sika AG and Sika Group (available at <https://www.sika.com/en/investors/corporate-governance-risk-management/organizational-rules.html>), the Audit Committee reviews any potential conflicts between the audit and non-audit services of the auditor.

The performance of the auditor is evaluated by the Audit Committee as well as by employees of Sika who are in regular contact with the auditor. The assessment is based on criteria such as the professional expertise and know-how, the understanding of the corporate structure and company-specific risks, comprehensibility of the audit strategy proposed by the auditor and diligence in the implementation of the proposed audit strategy, as well as the coordination of the auditor with the Audit Committee and the finance department of the Sika Group.

In addition, the Audit Committee reviews the results of the audit, particularly the audit report for the consolidated annual financial statements and the interim financial statements.

The budget for the audit fees is proposed by the CFO and approved by the Audit Committee. During the year under review, Ernst & Young AG invoiced in total CHF 6.0 million for its services. Thereof, CHF 5.2 million related to audit services, which included the audit of the statutory financial statements of Sika AG and of practically all subsidiaries, as well as the audit of the consolidated financial statements. Ernst & Young AG received additional fees totaling CHF 0.8 million for tax consultancy services.

Information policy

Sika provides extensive information on the development of business in its annual, half-year and quarterly reports, at the annual media and financial analyst conference, as well as at the Annual General Meeting. The continually updated website at www.sika.com as well as media releases regarding important developments (<https://www.sika.com/en/media/media-releases.html>) are also integral components in Sika's communication activities. As a company listed on SIX Swiss Exchange, Sika is also obligated to comply in particular with the requirements of ad hoc disclosure, i.e., the publication of price-sensitive facts. Anyone who would like to receive ad hoc publications of Sika can register for the push service on Sika's website under: <https://www.sika.com/en/investors/contact/stay-informed.html>. In addition, Sika maintains a dialog with investors and the media through special events and roadshows. Official publications of the company are made in the Swiss Official Gazette of Commerce. The contact details of the company are: Sika AG, Zugerstrasse 50, 6340 Baar, Switzerland (phone +41 58 436 68 00, sikagroup@ch.sika.com, www.sika.com).

FINANCIAL CALENDAR

Net sales first quarter 2022	Tuesday, April 12, 2022
54 th annual general meeting	Tuesday, April 12, 2022
Dividend payment	Wednesday, April 20, 2022
Half-year report 2022	Friday, July 22, 2022
Results first nine months 2022	Friday, October 21, 2022
Net sales 2022	Wednesday, January 11, 2023
Full-year result 2022	Friday, February 17, 2023

Quiet periods

Sika AG has defined general quiet periods related to the publication of Group results during which Insiders may not trade in Sika securities. An insider is anyone who has access to confidential information that can be used for insider trading. The quiet periods for the full-year results and the half-year results begin 60 and 45 days before publication, respectively. The quiet period for the first quarter and nine-month results begins 30 days before publication. If the results are available in the operational reporting system before these dates, the respective quiet period commences on that date. The general quiet periods end one day after publication of the results. In addition, special quiet periods apply for all material events that may have a material positive or negative impact on the share price, beginning on the date of receipt of the information, or as ordered by the Board of Directors or Group Management, until one day after publication. In the year under review, the general quiet periods lasted from December 19, 2020 to February 22, 2021; March 20, 2021 to April 21, 2021; June 7, 2021 to July 25, 2021; September 22, 2021 to October 25, 2021; and December 18, 2021 to February 21, 2022.

Significant changes since balance sheet date

At the Extraordinary General Meeting on January 25, 2022, the conditional capital was increased by CHF 32,000.00, corresponding to 3,200,000 registered shares with a par value of CHF 0.01 each. The mandatory convertible note issued in January 2019 was fully converted into 9,940,645 new shares as of January 30, 2022, using the available conditional share capital. In addition, in January 2022, part of the other convertible bond was converted early from conditional capital into 141,618 new shares. Therefore, the share capital issued as of January 31, 2022, but not yet fully reflected in the commercial register, amounted to CHF 1,531,272.30, divided into 153,127,230 fully paid-in registered shares with a nominal value of CHF 0.01 each. As of January 31, 2022, the conditional capital amounted to CHF 74,432.50, divided into 7,443,250 fully paid-in registered shares at a nominal value of CHF 0.01 each, representing 4.9% of the share capital issued as of January 31, 2022, which is not yet fully reflected in the commercial register.

After the balance sheet date, on January 25, 2022, Sika informed about the proposal to elect Gordana Landen to the Board of Directors at the next Annual General Meeting on April 12, 2022.

In February 2022, the Board of Directors decided to install a Sustainability Committee (SC) which will consist of three Board members with expertise in different areas of ESG. The SC will assist the Board in defining the Group's strategy and overseeing its activities in the area of sustainability with a special focus on: sustainable solutions, climate performance, community engagement, energy, waste and water, occupational health and safety, product stewardship, as well as responsible sourcing. The SC will present findings and proposals to the Board (where applicable) on the following matters: the Group's strategy regarding sustainability, annual sustainability-related targets and their achievements in consultation with the NCC, sustainability-related reporting in consultation with the AC, and the Group's annual Sustainability Report. The SC will meet at least three times a year. As a general rule, the Chair of the Board, the CEO, CFO, and the Chief Innovation and Sustainability Officer will attend the SC meetings in an advisory capacity.

Further material changes having occurred between the balance sheet date (December 31, 2021) and the editorial deadline for the Annual Report are referenced on page 236 of this report (available at <https://www.sika.com/en/investors/reports-publications/financial-reports.html>).

COMPENSATION REPORT

COMPENSATION REPORT

The Compensation Report describes the compensation principles and programs, as well as the governance framework related to the compensation of the Board of Directors and the members of Sika's Group Management. The report also provides details regarding the compensation programs and the payments made to members of the Board of Directors and of Group Management in the 2021 business year.

The Compensation Report is written in accordance with the Ordinance against Excessive Compensation in Listed Stock Corporations, the standard relating to information on Corporate Governance of the SIX Swiss Exchange, and the principles of the Swiss Code of Best Practice for Corporate Governance by *economiesuisse*. It has the following structure:

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Compensation awarded to the CEO and to Group Management in 2021 (audited)	180
Shareholdings of the members of the Board of Directors and Group Management in 2021	184
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Introduction by the Chair of the Nomination and Compensation Committee

Dear Shareholders,

In the name of the Board of Directors and the Nomination and Compensation Committee, I am pleased to introduce the 2021 Compensation Report.

The 2021 fiscal year was marked by the continuation of the Covid-19 pandemic in combination with supply chain disruptions due to shortages of raw materials. Despite the volatile market environment, Sika was again able to achieve impressive result, thanks to a very motivated and committed workforce. The Compensation Report outlines how the business results impacted the variable incentive payments made to the members of Group Management under the different compensation plans.

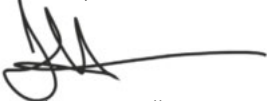
In the reporting year, the Nomination and Compensation Committee continued to focus on the succession planning for positions on the Board of Directors and Group Management. On May 1, 2021, Thomas Hasler was appointed Chief Executive Officer, succeeding Paul Schuler. Paul Schuler was elected as member of the Board of Directors at the 2021 Annual General Meeting on April 20, 2021. Further, on November 1, 2021, Patricia Heidtman was appointed to Group Management in the newly created position of Chief Innovation and Sustainability Officer. The decision was made to separate Innovation and Sustainability from Operational Efficiency, Quality, and EHS, thus reinforcing each of those strategic pillars. Simultaneously, Frank Hoefflin took over the newly created position of Head Operations, Quality, and EHS. The position reports directly to the CEO but is not part of Group Management.

The Nomination and Compensation Committee performed its regular activities on compensation matters throughout the year, such as the annual review of the compensation programs, the performance goal-setting of Group Management at the beginning of the year and the performance assessment at year-end, the determination of the compensation of the members of the Board of Directors and Group Management, as well as the preparation of the Compensation Report and of the say-on-pay votes at the Annual General Meeting. In particular, the Nomination and Compensation Committee revised the peer group of companies for compensation benchmarking in order to reflect the size and complexity of the company and conducted a review of the compensation of the Board of Directors and of Group Management. The Nomination and Compensation Committee established that the compensation design is well aligned with the business strategy and the shareholders' interests and decided not to implement any further changes for 2022, with the exception of the committee fees of the Board of Directors. From the 2022 Annual General Meeting onwards, committee fees will mirror the annual board retainer and will be paid half in cash and half in restricted share units (currently paid fully in cash).

At the 2021 Annual General Meeting, a binding vote on the aggregate maximum compensation amounts for the Board of Directors and for Group Management was conducted, as well as a consultative vote on the Compensation Report, so that shareholders could express their opinion on our compensation policies and principles. The shareholders approved the compensation amounts for the Board of Directors and for Group Management and the consultative vote on the Compensation Report with a very high approval rate. These positive voting outcomes demonstrate that the company's active dialogue with investors is fruitful and that shareholders endorse the company's compensation system. We would like to thank investors for their continued trust and support.

Looking ahead, we will continue to assess and review our compensation programs to ensure that they are still fulfilling their purpose in the evolving context in which the company operates and are aligned with the interests of our shareholders. We will also continue to maintain an open dialogue with our shareholders and their representatives. We would like to thank you for sharing your perspectives on executive compensation with us, and trust that you will find this report informative.

Sincerely,



Justin M. Howell

Chair of the Nomination and Compensation Committee

Compensation governance

NOMINATION AND COMPENSATION COMMITTEE

In accordance with the Articles of Association and the Organizational Rules of Sika AG, the Nomination and Compensation Committee is composed of three members of the Board of Directors who are elected individually by the Annual General Meeting for a period of one year. At the Annual General Meeting 2021, Mr. Justin M. Howell (Chair), Mr. Daniel J. Sauter, and Mr. Thierry F. J. Vanlancker were elected members of the Nomination and Compensation Committee.

It is the responsibility of the Nomination and Compensation Committee to:

- review and determine the compensation policy, including the principles for variable compensation and shareholding programs according to the provisions specified in the Articles of Association;
- propose to the Board of Directors the maximum aggregate amounts of compensation of the Board of Directors and of Group Management to be submitted to the shareholders' vote at the Annual General Meeting;
- propose to the Board of Directors the compensation level for the members of the Board of Directors, the CEO, and the other members of Group Management, within the maximum aggregate compensation amounts approved by the Annual General Meeting;
- provide the Board of Directors with a performance assessment of the CEO and of the other members of Group Management, together with a recommendation for the short-term and long-term incentives to be awarded to each of them based on their individual performance and the performance of the company;
- propose to the Board of Directors the Compensation Report;
- prepare the succession planning of the CEO and other members of Group Management, and propose to the Board of Directors the appointment of new members of Group Management;
- prepare the succession planning of the Board of Directors and propose to the Board of Directors new candidates to the Board of Directors.

LEVELS OF AUTHORITY

	CEO	BoD Chair	NCC	BoD	AGM
Compensation policy and principles			Proposes	Approves	
Maximum aggregate compensation amounts of BoD and GM			Proposes	Reviews	Approves (binding votes)
Compensation of BoD Chair			Proposes	Approves	
Individual compensation of BoD members			Proposes	Approves	
Compensation of CEO		Proposes	Reviews	Approves	
Individual compensation of members of GM	Proposes		Reviews	Approves	
Compensation Report			Proposes	Approves	Consultative vote

CEO = Chief Executive Officer, BoD = Board of Directors, NCC = Nomination and Compensation Committee, AGM = Annual General Meeting, GM = Group Management

In 2021, the Nomination and Compensation Committee held five meetings according to the following predetermined annual agenda.

	Feb	Apr	May	Oct	Dec
Review of overall compensation policy and compensation governance					
Review of external stakeholder feedback on compensation policy and disclosure			■		
Review of overall compensation policy (including benchmarking peer group)			■		
Preparation (December) and approval of Compensation Report (February of following year)	■				■
Review of shareholdings of member of Group Management (shareholding ownership guideline)	■				
Preparation of say-on-pay vote for next Annual General Meeting	■				
Review of committee duties, accountabilities, and responsibilities	■				
Approval of meeting schedule of the Nomination and Compensation Committee	■				
Self-assessment by the Nomination and Compensation Committee	■				
Compensation of Board of Directors					
Determination of compensation for following compensation period (AGM to AGM)		■			
Benchmark of compensation of the Board of Directors (every 3–4 years)				■	
Compensation of Group Management					
Preliminary performance evaluation (previous year)	■				
Final performance evaluation (previous year)		■			
Determination of short-term incentive payout for previous year		■			
Determination of long-term incentive vesting (previous performance period)	■				
Preliminary compensation review for following year (including benchmarking analysis)				■	
Determination of compensation (at target) for following year					■
Determination of performance objectives for following year					■
Nomination items					
Review of Board of Directors constitution			■		
Appraisal and management development plan for members of Group Management			■	■	
Succession planning for Group Management positions				■	

For details on attendance at meetings, please refer to the Corporate Governance Report on pages 159 and 160.

The Chair of the Nomination and Compensation Committee reports to the Board of Directors after each meeting on the activities of the committee. The minutes of the committee meetings are made available to the members of the Board of Directors. As a general rule, the Chair of the Board of Directors and the CEO attend the meetings in an advisory capacity. They do not attend the meeting when their own compensation and/or performance are being discussed.

The Nomination and Compensation Committee may decide to consult an external advisor from time to time for specific compensation matters. In 2021, Agnès Blust Consulting continued to provide services related to executive compensation matters. This company does not have other mandates with Sika. In addition, support and expertise are provided by internal compensation experts, such as the Head of Human Resources and the Head of Compensation & Benefits.

SHAREHOLDER INVOLVEMENT

The role of the shareholders on compensation matters has gained importance in recent years. First of all, shareholders annually approve the maximum aggregate compensation amounts of the Board of Directors and Group Management. In addition, the principles of compensation are governed by the Articles of Association, which are also approved by the shareholders. The provisions of the Articles of Association on compensation are summarized below (please refer to <https://www.sika.com/en/investors/corporate-governance-risk-management/articles-of-association.html>):

- **Principles of compensation applicable to the Board of Directors** (Articles 11.1, 11.3, and 11.8): The Board of Directors receives fixed compensation in cash and/or in shares.
- **Principles of compensation applicable to Group Management** (Articles 11.1, 11.4 to 11.6, and 11.8): Group Management receives fixed and variable compensation. The variable compensation consists of a Performance Bonus paid in cash and of a long-term incentive in the form of equity compensation. For the CEO, the variable compensation (value of paid-out Performance Bonus and grant value of the long-term incentive) may not exceed 300% of the fixed compensation. For the other members of Group Management on average, the variable compensation may not exceed 200% of the fixed compensation.
- **Binding vote by the Annual General Meeting** (Article 11.2): The Annual General Meeting annually approves the total fixed compensation amount for the Board of Directors for the period until the next ordinary Annual General Meeting and the maximum total fixed and variable compensation amount for Group Management for the next business year.
- **Additional amount for new members of Group Management** (Article 11.7). The total additional compensation for each new member of Group Management may not exceed the average total compensation of Group Management in the previous business year by more than 200%, or 400% for a new CEO. Proven disadvantages from a change of position may be compensated within this additional amount.
- **Credit Facilities, loans, and post-employment benefits** (Article 12): The company does not offer any loans, credit facilities, guarantees, or other securities to members of the Board of Directors and Group Management. Pension benefits are offered only in accordance with the occupational pension plans, which are specified in the respective regulations.

In addition, the Compensation Report is submitted to a consultative shareholders' vote, so that shareholders can express their opinion on the compensation policy and programs.

METHOD FOR DETERMINING COMPENSATION

PERIODIC BENCHMARKING

The compensation of the Board of Directors is reviewed against prevalent market practice of other multinational industrial companies regularly (every three to four years). In 2021, a thorough review was conducted to determine the competitiveness of the Board compensation in terms of structure and quantum. For this purpose, a peer group of Swiss multinational companies of the industry sector listed on the SIX Swiss Exchange was selected for the benchmarking analysis. The peer group consists of ABB, Alcon, Barry Callebaut, Geberit, Givaudan, Kühne+Nagel, Holcim, Lindt, Lonza, Novartis, Richemont, Roche, Schindler, SGS, and Sonova. This group is well-balanced in terms of market capitalization, revenue size, and headcount. The analysis showed that the compensation structure and levels are broadly in line with prevalent market practice. On the basis of this analysis, the NCC decided that the committee fees will be paid 50% in cash and 50% in RSU, similar to the annual board retainer, starting at the 2022 Annual General Meeting.

Regarding the compensation of Group Management, a benchmarking analysis is conducted at least every two years with the support of an independent consultant. This analysis was performed in 2021 by Agnès Blust Consulting based on the same peer group of companies as for the compensation review of the Board of Directors. Agnès Blust Consulting compiled the relevant benchmarking data in a report that served as a basis for the Nomination and Compensation Committee to analyze the compensation of the CEO and Group Management, and to set their target compensation levels for 2022. Sika's policy is to pay market median compensation for solid performance (target compensation) and to provide for compensation above the market median in case of a strong performance. For newly promoted members of Group Management, Sika's policy is to set target compensation below the market median and to subsequently increase it to market level over a period of two to five years, conditionally upon solid performance.

PEER GROUP FOR BENCHMARKING PURPOSES

In CHF thousands	Market capitalization (12/31/2021)	Revenue (12/31/2020)	Headcount (12/31/2020)
Sika	54,181	7,878	24,848
upper quartile	63,050	21,752	81,860
median	35,427	7,208	34,760
lower quartile	26,365	5,056	15,180

PERFORMANCE MANAGEMENT

The actual compensation paid to the individual members of Group Management in a given year depends on the company, unit, and individual performance. Individual performance is assessed through the annual performance management process, which aims to align individual and collective objectives, to stretch performance, and to support personal development. The objectives for the CEO and members of Group Management are approved by the Nomination and Compensation Committee at the beginning of the business year, and achievement against those objectives is assessed at year-end. The performance assessment of the members of Group Management is conducted by the CEO, while that of the CEO is conducted by the Chair of the Board of Directors. The Nomination and Compensation Committee reviews the performance assessment of the CEO and the other members of Group Management before submitting them to the Board of Directors for approval. In discussing performance, the Nomination and Compensation Committee reflects on the achievement of the individual objectives of each member of Group Management. The Nomination and Compensation Committee also considers the extent to which individuals have carried out their duties in line with company values and expected leadership behaviors. The individual performance assessments, together with the company's performance, form the basis for the determination of incentive payout levels.

COMPENSATION PRINCIPLES

COMPENSATION OF THE BOARD OF DIRECTORS

In order to guarantee the independence of the members of the Board of Directors in exercising their supervisory duties, their compensation consists of a fixed remuneration only. The compensation is delivered partially in cash and partially in blocked shares, to strengthen the alignment with shareholders' interests.

COMPENSATION OF GROUP MANAGEMENT

Sika's compensation programs reflect a commitment to attract, develop, and retain qualified, talented, and engaged executives. They are designed to motivate executives to achieve the overall business objectives and to create sustainable shareholder value. The compensation programs are based on the following principles:

Pay for performance and sustainable success

The compensation of Group Management is linked to Sika's performance (Group and regions) and to individual performance. Through a well-balanced combination of incentive programs, both annual performance and long-term success are rewarded. Furthermore, performance is measured both in absolute terms (year-on-year improvements) and in relative terms (compared to other companies subject to similar market cycles).

Alignment with shareholder interests

A significant portion of compensation is delivered in the form of shares to align the interests of executives with those of the shareholders.

Market competitiveness

Compensation is regularly benchmarked and is in line with competitive market practice.

Transparency

Compensation programs are straightforward and transparent.

The compensation programs include key features that align the interests of executives with those of shareholders and are in line with good practice in corporate governance.

WHAT WE DO

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

WHAT WE DON'T DO

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

Architecture of compensation of the members of the Board of Directors

In order to ensure their independence in their supervisory duties, the members of the Board of Directors receive fixed compensation only, consisting of a retainer for services to the Board and an additional fee for assignments to committees of the Board, as well as a representation allowance for the Board Chair. The retainer is paid half in cash and half in restricted share units, while the committee fees and the representation allowance are paid in cash. For the term of office starting at the 2022 Annual General Meeting, the committee fees will be paid half in cash and half in restricted share units as well. The restricted share units are granted at the beginning of the term of office and are converted into blocked shares at the end of the term of office. The shares are blocked from trading for a period of three years. The blocking period on the shares may lapse in case of a change of control or liquidation. The shares remain blocked in all other instances.

The cash compensation is paid shortly after the Annual General Meeting for the previous term of office, being defined as the period between Annual General Meetings, except for the Board Chair who receives his cash compensation in monthly installments. The members of the Board of Directors receive no additional reimbursements of business expenses beyond actual expenditures for business travel. The members of the Board do not participate in Sika's employee benefit plans.

STRUCTURE OF BOARD COMPENSATION

in CHF	in cash	in restricted share units
Retainer (gross p.a.)		
Board Chair	450,000 + 30,000 allowance	450,000 ¹
Board members	125,000	125,000 ¹
Committee fees (gross p.a.)²		
Committee Chair	60,000 ³	
Committee members	40,000 ³	

¹ Converted into restricted share units based on the average closing share price in the five first trading days of April before the beginning of the year of office.

The restricted share units are settled in shares that are allocated to the members of the Board of Directors shortly after the end of the year of office.

² The Board Chair is not eligible for committee fees.

³ The committee fees will be paid 50% in cash and 50% in RSU, starting at the Annual General Meeting 2022.

Architecture of compensation of the members of Group Management

COMPENSATION MODEL AND COMPENSATION ELEMENTS

The compensation for members of Group Management includes the following elements:

- fixed base salary;
- variable compensation: short-term and long-term incentives;
- benefits and perquisites.

STRUCTURE OF COMPENSATION OF GROUP MANAGEMENT

	Vehicle	Purpose	Drivers	Performance measures
Annual base salary	Monthly cash salary	Attract and retain	Position, market practice, skills, and experience	
Performance bonus (STI)	Annual bonus in cash	Pay for performance	Annual performance	Group EBIT, Group net sales, sustainability (CO ₂ eq emissions), region/individual goals
Long-term incentive (LTI)	PSU with a 3-year performance vesting	Reward long-term performance Align to shareholders	Business performance over 3 years	Return on capital employed (ROCE), relative total shareholder return (TSR)
Benefits	Pension and insurances Perquisites	Protect against risks Attract and retain	Market practice and position	

FIXED ANNUAL BASE SALARY

Annual base salaries are established based on the following factors:

- scope, size, and responsibilities of the role, skills required to perform the role;
- external market value of the role;
- skills, experience, and performance of the individual in the role.

To ensure market competitiveness, base salaries of the members of Group Management are reviewed every year, taking into consideration the company's capacity to pay, benchmark information, market movement, economic environment, and individual performance.

PERFORMANCE BONUS (SHORT-TERM INCENTIVE)

The Performance Bonus is a short-term variable incentive, designed to reward the collective performance of the company and the individual performance over a time horizon of one year. This variable compensation allows executives to participate in the company's success, while being rewarded for their individual performance.

The Performance Bonus target (i.e. bonus at 100% target achievement) is reviewed annually and is expressed as a percentage of base salary. It amounts to 100% for the new CEO and ranges from 43% to 75% for the other members of Group Management. For the CEO and the four members of Group Management with a global role, Group performance accounts for 90% of the performance bonus, while the achievement of individual objectives accounts for 10%. For the other three members of Group Management responsible for a region, Group performance accounts for 70% of the performance bonus, while the achievement of regional objectives accounts for 20% and that of individual objectives for 10% of the performance bonus.

GROUP PERFORMANCE

The performance measures for the Group are proposed by the Nomination and Compensation Committee and approved by the Board of Directors. The Group performance is measured in two ways:

- The relative performance of the Group compared to a peer group of companies, accounting to 60% of the performance bonus for all members of Group Management. The relative performance includes the EBIT (earnings before interest and tax) improvement during the year with 40% weight and net sales growth during the year with 20% weight;
- The absolute performance of the Group against an own-set target. The absolute performance consists of the reduction of CO₂eq emissions per ton sold, with a weight of 10% for all members of Group Management and of an absolute EBIT target at Group level, with a weight of 20%, for all members of Group Management with a global role (functional roles).

Relative Group performance

Relative EBIT and net sales performance are measured based on an evaluation provided by an independent consulting firm, Obermatt. This benchmark compares and ranks Sika against the performance of a selected peer group of 22 companies, all industrial firms which were chosen because they have a comparable base of products, technology, customers, suppliers, or investors, and are thus exposed to similar market cycles.

PEER GROUP (OBERMATT BENCHMARK)

- 3M - Industrial & Transportations
- Armstrong World Industries Inc.
- Ashland
- Beacon Roofing Supply, Inc.
- Beiersdorf - Tesa
- Carlisle - Construction Materials
- Cemedine Co., Ltd.
- EMS-Chemie Holding AG
- Forbo - Flooring Systems
- Fuller HB Company
- Geberit
- GCP Applied Technologies
- Henkel - Adhesive Technologies
- Hilti Corporation¹
- Huntsman - Performance Products
- Owens Corning
- Pidilite Industries Limited
- RPM
- Saint-Gobain
- SK Kaken Co., Ltd.
- Sto AG
- Uzin Utz AG

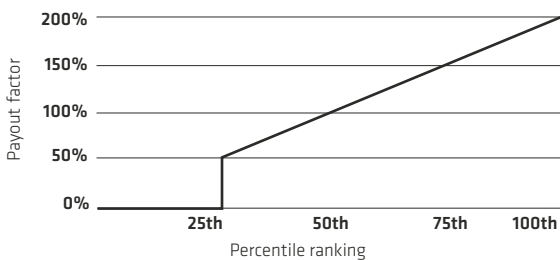
The peer group remained unchanged compared to the previous year.

¹ Hilti is not listed on the stock market and is therefore not included for the relative TSR in the LTI plan.

The intention is to reward Group Management based on the relative performance of the company because absolute performance may be strongly impacted by market factors that are outside the control of management.

For both EBIT and net sales, the objective is to reach the median performance of the peer group, which corresponds to a 100% payout factor. There is no payout for any performance below the lowest quartile of the peer group. Performance at the lowest quartile of the peer group corresponds to a payout factor of 50%. Performance at the uppermost quartile leads to a 150% payout factor, and being the best in the peer group, leads to a 200% payout factor. Any payout factor between those levels is interpolated linearly.

PAYOUT CURVE FOR THE OBERMATT BENCHMARK



Absolute Group performance

The sustainability objective recognizes the importance of mitigating the company's impact on the environment and to encompass sustainability in the measurement of the performance of Group Management. It is an objective to reduce CO₂eq emissions. For 2021, the objective was an 6% reduction of CO₂eq emissions compared to 2020.

The Group EBIT objective is measured as a year-on-year improvement. For 2021, the objective was to improve Group EBIT by 10% compared to 2020.

REGION AND INDIVIDUAL PERFORMANCE

The region and individual performance includes additional objectives that are set as part of the annual performance management process. For the CEO and for the other members of Group Management, they are reviewed and approved by the Nomination and Compensation Committee. These additional objectives are mainly financial in nature, are clearly measurable, and are split into two different categories:

- Region performance (20% of the overall performance bonus): includes performance objectives linked to the region under responsibility. These objectives either contribute to the top-line growth, bottom-line profitability, or the efficient management of the company's capital. In 2021, the Nomination and Compensation Committee decided to focus on EBIT (expressed as an improvement versus previous year);
- People and projects management (10% of the overall performance bonus): includes strategic and sustainability objectives, such as for example entry into new markets, introduction of new products, improvement of processes and operational efficiency, health and safety, and leadership objectives. In 2021, the people & projects objective for the CEO was the implementation of the Strategy 2023, which focuses on operational efficiency, market penetration, and the targeted orientation on environmentally-friendly products and sustainability. The people & project objectives for other members of Group management included goals around digitalization, efficiency initiatives, pricing, and health and safety.

At the end of the financial year, the actual achievement is compared with the objectives that were set at the beginning of the year. The level of achievement for each objective corresponds to a payout percentage for that objective, which is always between 0% and 200%.

OVERVIEW OF PERFORMANCE OBJECTIVES AND RESPECTIVE WEIGHTING

				CEO, Corporate functions	Regional heads
Performance Bonus	← Group performance	← Relative to peer group	← EBIT improvement	40%	40%
			← Net sales growth	20%	20%
		← Absolute	← Sustainability: CO ₂ eq EBIT Group	10% 20%	10%
	← Region performance	← Absolute	← EBIT Region		20%
	← Individual performance	← Absolute	← People & projects	10%	10%

The overall bonus payout is capped and cannot exceed 150% of the Performance Bonus target. The Performance Bonus is paid out in April of the following year.

LONG-TERM INCENTIVE

Sika's compensation policy is designed to also align a significant portion of compensation of Group Management to the company's long-term performance and to strengthen Group Management's alignment with shareholders' interests. The long-term incentive target is reviewed annually and amounts to 100% of the annual base salary for the new CEO, and ranges from 43% to 75% for the other members of Group Management.

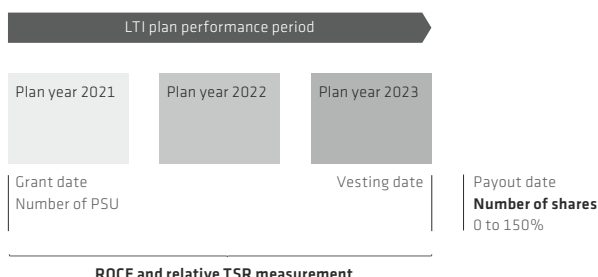
The long-term incentive plan is a performance share unit (PSU) plan. At the beginning of the vesting period, a number of PSUs are granted to each member of Group Management. The PSUs vest after a period of three years, conditionally upon fulfilling two equally weighted performance conditions, the return on capital employed (ROCE), and relative total shareholder return (relative TSR). The ROCE objective is determined at the beginning of the vesting period by the Board of Directors and is measured at the end of the vesting period as the average ROCE of the first year, the second year, and the third year of the vesting period. Acquisitions are excluded from the ROCE calculation in the year of acquisition and for two additional calendar years. The relative TSR is measured in relation to a peer group as a percentile rank and the objective is to reach the median of the peer group. The peer group consists of all listed companies of the peer group used for the Performance Bonus as disclosed on page 174.

For both performance conditions, the maximum achievement level is capped at 200%, however the overall vesting level for the LTI is capped at 150%. This is in line with the compensation philosophy of the company to align pay with performance and to keep the incentive plan leverage at a reasonable level. The final share allocation is determined after the three-year performance period, based on the following vesting rules:

Performance measures	ROCE (2021-2023)	Relative TSR (2021-2023)
Purpose	Rewards the efficient management of the company's capital	Aligns executive compensation with shareholders' returns
Weighting	50% of the PSU grant	50% of the PSU grant
Target level	ROCE of 24% 100% payout	Relative TSR at the median of the peer group 100% payout
Maximum achievement level	200%	200%
	Combined maximum payout capped at 150%	
Vesting rules	<ul style="list-style-type: none"> • Threshold: ROCE of 21% = 50% payout • Target: ROCE of 24% = 100% payout • Maximum: ROCE of 27% = 200% payout • Linear interpolation between threshold, target, and maximum 	<ul style="list-style-type: none"> • Threshold: 25th percentile = 50% payout • Target: median = 100% payout • Maximum: best of all peers = 200% payout • Linear interpolation between threshold, target, and maximum
Changes in target setting	The ROCE target has been reduced in the last two years due to the impact of large acquisitions. According to IFRS rules, accounting for goodwill from acquisitions has to be capitalized and remains on the balance sheet as part of the capital employed. On the other side, goodwill that was generated organically is not recognized on the balance sheet. As a result of this different accounting treatment, acquisitions tend to lead to a higher capital employed with a corresponding negative impact on ROCE regardless of the effective performance. Recent acquisitions, in particular that of the Parex Group, contributed significantly to the capital employed of the company, mostly in the form of intangible assets, having an adverse effect on ROCE. This has been taken into consideration in setting the ROCE target for the LTI grants awarded after the acquisition.	None

The shares are allocated at their market value (closing price at grant date on the SIX Swiss Exchange), in the month of April following the three-year vesting period. In some countries where the allocation of shares may be illegal or impractical, the award may be settled in cash after the performance period.

LONG-TERM INCENTIVE PLAN PERIOD



In case of termination of employment due to retirement, death, disability, or in the case of liquidation or a change of control, the unvested PSUs are subject to early vesting, prorated for the number of months that have expired from the grant date until the termination date and based on an achievement payout of 100%. In the event of termination for any other cause, such as resignation or involuntary termination, the unvested PSUs are forfeited. The termination rules will be amended for 2022: the pro-rata vesting in case of retirement and disability will no longer be accelerated and the vesting percentage will depend on the effective performance.

CLAWBACK AND MALUS PROVISIONS

Clawback and malus provisions apply to both the Performance Bonus and the long-term incentive plans. In case of financial restatement due to non-compliance with accounting standards or fraud, and/or in the case of violation of law or of internal rules by a member of Group Management, the Board of Directors may deem any Performance Bonus payment and/or unvested PSUs to be forfeited (malus provision) or may seek reimbursement of any paid Performance Bonus and/or allocated shares under the long-term incentive (clawback provision) within a period of three years after the year of restatement or of the fraudulent/non-compliant behavior.

SHAREHOLDING OWNERSHIP GUIDELINE

The members of Group Management are required to own at least a minimum multiple of their annual base salary in Sika shares within four years of their appointment to Group Management, as set out in the table below.

CEO	300% of annual base salary
Members of Group Management	200% of annual base salary

In the event of a substantial rise or drop in the share price, the Board of Directors may, at its discretion, amend that time period accordingly.

To calculate whether the minimum holding requirement is met, all vested shares are considered, regardless of whether they are blocked or not. However, unvested PSUs are excluded. The Nomination and Compensation Committee reviews compliance with the share ownership guideline on an annual basis.

BENEFITS: PENSIONS

As Group Management is international in its nature, the members participate in the benefits plans available in the country of their employment contract. Benefits consist mainly of retirement, insurance, and healthcare plans that are designed to provide a reasonable level of protection for the employees and their dependents in respect to the risk of retirement, disability, death, and illness. The members of Group Management with a Swiss employment contract participate in Sika's pension plans offered to all employees in Switzerland. These consist of the pension fund of Sika ("Pensionskasse Sika"), in which base salaries up to an amount of CHF 136,230 per annum are insured, as well as a supplementary plan, in which base salaries in excess of this limit are insured up to the maximum amount permitted by law. Sika's pension funds exceed the legal requirements of the Swiss Federal Law on Occupational Retirement, Survivors, and Disability Pension Plans (BVG). Members of Group Management under foreign employment contracts are insured commensurately with market conditions and with their position. Each plan varies in line with the local competitive and legal environment and at a minimum, in accordance with the legal requirements of the respective country.

Moreover, an early retirement plan is in place for members of the top management of Sika. The plan, entirely financed by the employer, is administered by a Swiss foundation. Beneficiaries may opt for early retirement from the age of 60, provided that they have been in a top management position for at least five years. Benefits under the plan are twofold:

- Fixed pension payment until the age of legal retirement. The amount of pension depends on the last fixed salary and the actual age at early retirement.
- Partial financing of the reduction in the regular pension due to early retirement. The amount, which may be received as life-long pension payment or as a capital contribution, depends on the actual age at early retirement and benefits already accrued in existing pension plans. This portion of the plan is only applicable to beneficiaries insured under a Swiss pension plan.

BENEFITS: PERQUISITES

Members of Group Management are also provided with certain executive perquisites, such as a company car allowance and other benefits in kind, according to competitive market practice in their country of employment. The monetary value of these other elements of compensation is evaluated at fair value and is included in the compensation tables below.

EMPLOYMENT CONTRACTS

The members of Group Management are employed under employment contracts of unlimited duration and are all subject to a notice period of one year. Members of Group Management are not contractually entitled to termination payments, or any change of control provisions, other than the early vesting of PSU mentioned above. Their contract may foresee non-competition provisions that are limited in time to a maximum of two years and which allow compensation up to a maximum of six months.

Compensation awarded to the Board of Directors in 2021

This section is audited according to Article 17 of the Ordinance against Excessive Compensation in Listed Stock Corporations.

In 2021, members of the Board of Directors received a total compensation of CHF 3.0 million (2020: CHF 3.0 million) in the form of a retainer of CHF 1.3 million (2020: CHF 1.3 million), committee fees of CHF 0.3 million (2020: CHF 0.3 million), social security contributions of CHF 0.1 million (2020: CHF 0.1 million), and shares of CHF 1.3 million (2020: CHF 1.3 million). The compensation remained stable compared to the previous year.

in CHF	Retainer (cash)	Commit-tee fees (cash)	Value of RSU ¹	Social security ²	Total 2021	Retainer (cash)	Commit-tee fees (cash)	Value of RSU ¹	Social security ²	Total 2020
Paul Halg, Board Chair	480,000	0	450,206	11,893	942,099	480,000	0	450,085	11,893	941,978
Viktor W. Balli, AC Member	125,000	40,000	125,130	11,893	302,023	125,000	40,000	125,081	11,893	301,974
Justin M. Howell ³ , NCC Chair	125,000	60,000	125,130	0	310,130	125,000	53,333	125,081	0	303,414
Monika Ribar, AC Chair	125,000	60,000	125,130	11,893	322,023	125,000	60,000	125,081	11,893	321,974
Daniel J. Sauter, NCC Member	125,000	40,000	125,130	11,893	302,023	125,000	40,000	125,081	11,893	301,974
Paul Schuler ⁴	83,333	0	83,442	10,945	177,720	0	0	0	0	0
Christoph Tobler, AC Member	125,000	40,000	125,130	11,893	302,023	125,000	40,000	125,081	11,893	301,974
Thierry F.J. Vanlancker, NCC Member	125,000	40,000	125,130	0	290,130	125,000	26,667	125,081	0	276,748
Frits van Dijk ⁵	41,667	0	41,688	5,470	88,824	125,000	20,000	125,081	11,893	281,974
TOTAL	1,355,000	280,000	1,326,116	75,880	3,036,996	1,355,000	280,000	1,325,652	71,358	3,032,010

¹ Fair market value is defined as the average closing price of the first five trading days in April before the beginning of the year of office.

² Includes social security contributions to the extent that they result in a benefit entitlement. Additional contributions that do not result in an increase of the benefit entitlement are excluded (additional contributions in the amount of CHF 87,924 in 2021 and CHF 94,066 in 2020 are excluded from the amount disclosed above).

³ Since AGM of April 21, 2020.

⁴ Since AGM of April 20, 2021.

⁵ Until AGM of April 21, 2020.

The compensation disclosed in the Compensation Report always includes the respective calendar year (January to December). However, shareholders approve the compensation to be paid for the period between Annual General Meetings (May to April). The compensation paid for the periods between Annual General Meetings is disclosed below, including a comparison with the compensation amount approved by the shareholders.

At the Annual General Meeting on April 20, 2021, shareholders approved an aggregate maximum compensation amount of CHF 3,300,000 for the Board of Directors for the term of office from the 2021 Annual General Meeting until the 2022 Annual General Meeting. The compensation effectively paid for the portion of this term of office included in this Compensation Report (May 1, 2021, until December 31, 2021) is within the limit approved by the shareholders. A conclusive assessment for the entire period will be included in the Compensation Report 2022.

At the Annual General Meeting on April 21, 2020, shareholders approved an aggregate maximum compensation amount of CHF 3,300,000 for the Board of Directors for the term of office from the 2020 Annual General Meeting until the 2021 Annual General Meeting. The compensation paid to the Board of Directors for this term was CHF 3,031,896 and is therefore within the approved limits.

In the year under review, no compensation was paid to former members of the Board of Directors. No compensation was paid to parties closely related to members of the Board of Directors.

In accordance with the Articles of Association, loans to members of the Board of Directors are not permitted. Hence, no member of the Board of Directors was granted a loan during the reporting year. No loans were outstanding at the end of the year under review.

Compensation awarded to the CEO and to Group Management in 2021

This section is audited according to Article 17 of the Ordinance against Excessive Compensation in Listed Stock Corporations.

For 2021, the members of Group Management received a total compensation of CHF 15.8 million (2020: CHF 16.3 million). This amount comprises fixed salaries of CHF 5.0 million (2020: CHF 5.0 million), short-term bonus of CHF 4.3 million (2020: CHF 5.6 million), long-term incentives of CHF 4.3 million (2020: CHF 3.6 million), other expenses of CHF 0.6 million (2020: 0.6 million), contributions to social security of CHF 0.2 million (2020: CHF 0.2 million), and post-employment contributions of CHF 1.4 million (2020: CHF 1.3 million).

The highest-paid individual in 2021 was Thomas Hasler, Head Global Business and Industry until April 30, 2021 and Group CEO as of May 1, 2021.

In CHF thousands (gross) ¹	CEO 2021 ²	CEO 2020 ³	Total 2021 ⁴	Total 2020 ⁵
Fixed base salary ⁶	800	1,050	4,996	5,042
Performance Bonus (STI) cash ⁷	950	1,875	4,337	5,626
Long-term incentive (LTI) ⁸	677	1,245	4,353	3,576
Other payments ⁹	44	46	609	609
Social security ¹⁰	15	16	163	147
Pension contributions ¹¹	227	217	1,361	1,271
TOTAL	2,713	4,449	15,819	16,271

1 All compensation amounts are stated gross.

2 Includes the full year compensation of Thomas Hasler, appointed Group CEO as of May 1, 2021.

3 Includes the full year compensation of Paul Schuler, Group CEO in 2020.

4 On the basis of ten members, seven of whom served during the full year in 2021. Includes the full year compensation of Thomas Hasler, appointed Group CEO as of May 1, 2021 and the compensation of Paul Schuler until May 31, 2021.

5 On the basis of nine members, eight of whom served during the full year in 2020.

6 Includes annual base salary and children/family allowances.

7 Estimated Performance Bonus (STI) for the reporting year that will be paid in April of the following year.

8 Grant value of the LTI in the reporting year. The grant value is based on the Monte Carlo evaluation of the PSU (due to the interdependency of the TSR and ROCE component).

9 Includes all other benefits in kind, and perquisites at fair value such as service anniversary payments, including cost allowances (tax equalization, housing, schooling, home leave) for the international assignees and international transfers.

10 Includes social security contributions to the extent that they result in a pension entitlement. Additional contributions that do not result in an increase of the pension entitlement are excluded (additional contributions excluded from the amount above in 2021: CHF 1,056,375, of which CHF 165,996 relate to the CEO; in 2020: CHF 854,492, of which CHF 291,428 relate to the CEO).

11 Includes contributions to company provided pension plans, including the service cost to the pre-retirement plan.

Explanatory comments to the compensation table:

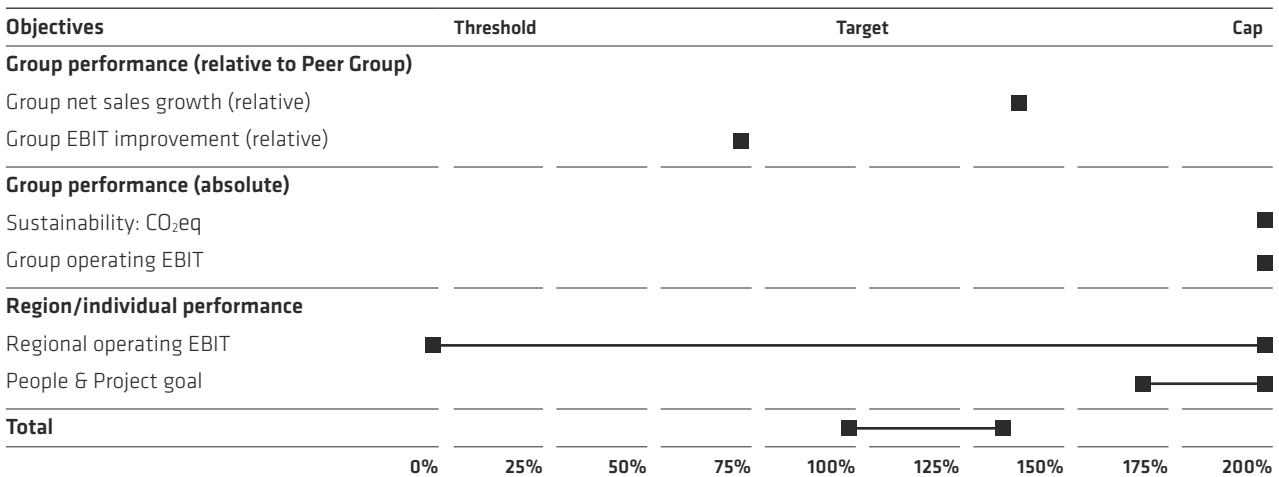
- There were ten members in Group Management in 2021, of which seven served on a full-year basis. This compares to nine members in 2020, of which eight served on a full-year basis.
- The fixed compensation remained stable overall compared to the previous year. The compensation of the new CEO was set below the compensation of the previous CEO, in line with the company's policy to set target compensation of newly promoted members below the market median at time of promotion and subsequently increase it to market level over a reasonable period of time. Members of Group Management who have been promoted in recent years received a salary increase in line with this policy.
- The "other" payments remained unchanged compared to previous year.
- The performance achievement under the Performance Bonus was lower in 2021 than in 2020. Further details are provided below.
- The grant value of the long-term incentive has increased by 22% compared to the previous year. This is because the full grant value of the LTI of the former CEO is included in the table (despite the fact that 31/36th of this grant forfeited upon his retirement on 31 May 2021, according to the plan rules). Furthermore, also the grant value of the LTI of the new CEO is included.
- The social security contributions increased by 10% compared to previous year, considering that they include ten members versus nine in the previous year.
- The pension contributions increased by 7%, which is solely due to changes in the composition of Group Management. The contribution rates in the pension plan have not changed significantly for several years.
- The variable compensation amounted to 203% of the annual base salary or 150% of the fixed compensation (annual base salary plus contributions to social security and pension plus other payments) for the CEO and to 168% of the annual base salary, or 117% of the fixed compensation for the other members of Group Management on average.

The total amount of compensation of CHF 15.8 million awarded to Group Management in 2021 is below the maximum aggregate amount of compensation of CHF 19.5 million approved by the shareholders at the 2020 Annual General Meeting for business year 2021.

PERFORMANCE IN 2021 (NOT AUDITED)

For the business year 2021, Sika achieved revenue growth in local currencies of 17.1% and 23.1% profitability increase (earnings before interest and tax). In the Performance Bonus, while Sika outperformed the peer companies in terms of net sales growth (ranked 8th, payout of 141.1%), it ranked 15th on EBIT improvement year on year (payout of 73.7%). CO₂eq emissions per ton sold in 2021 were reduced by over 10% compared to the previous year, which corresponds to a payout of 200%. The overall Group performance achievement is estimated at 111% (best estimate at the time of publication; the relative performance factor will be calculated by Obermatt based on the annual report publications of the peer companies before the payout date in April 2022). This compares to a very strong year 2020, where Sika outperformed its peers on net sales growth (ranked best with a 200% payout), outperformed the industry average in terms of EBIT improvement year on year (ranked 5th with a payout of 167.8%), and CO₂eq emissions per ton sold were reduced by 15.2% (maximum target achievement with a payout of 200%).

Region/individual performance, which is mainly measured by EBIT and people & project objectives, ranges from 100% to 200% for members of Group Management and amounts to 156% for the CEO (including the CEO role for eight months and the Head of Global Business role for four months). Consequently, the overall bonus payout percentage ranges from 100% to 137.7% for members of Group Management and amounts to 124% for the CEO. This compares to a payout range of 147.1% to 150% for Group Management and to a payout of 150% for the CEO in 2020.



In accordance with the long-term incentive 2021–2023, 12,981 performance share units were granted to the members of Group Management. Those PSUs had an overall grant value of CHF 3 million and will vest on December 31, 2023, based on the average ROCE performance during 2021–2023, on relative TSR performance during 2021–2023 and upon the continuous employment of the participant.

In the long-term incentive that vested in 2021 (LTI 2019–2021), the performance condition of 30% average ROCE over the vesting period was achieved: the average three-year ROCE, excluding acquisitions, amounts to 30%, leading to a payout of 100%. Regarding the second performance condition, relative TSR, Sika outperformed 90% of the peer companies, leading to a payout of 180.1%. Therefore, the combined vesting level amounts to 140.05% and the 14,850 units granted to the current members of Group Management (including the new CEO) have vested into 20,797 shares (14,850 PSUs granted multiplied by the vesting level of 140.05%) with a vesting value of CHF 7.9 million. The value at vesting is higher than the value at grant due to the vesting level above 100% and the positive development in the share price during the vesting period (2019–2021).

OVERVIEW OF THE OUTSTANDING PSU GRANTS (INCLUDES MEMBERS OF GROUP MANAGEMENT AS OF DECEMBER 31, 2021)

Plan		Grant date (PSU)	Performance period	Vesting date (PSU)	Number of PSU granted	Total value at grant (CHF)	Vesting level in % of grant	Number of shares (vesting)	Total value at vesting (CHF)
LTI 2019	Group Mgt (incl. CEO)	01/01/2019	2019–2021	12/31/2021	14,850	1,702,173	140%	20,797	7,907,181
LTI 2020	Group Mgt (incl. CEO)	01/01/2020	2020–2022	12/31/2022	13,559	2,331,307	To be determined	To be determined	To be determined
LTI 2021	Group Mgt (incl. CEO)	01/01/2021	2021–2023	12/31/2023	12,981	3,060,478	To be determined	To be determined	To be determined
		01/01/2021	2021–2023	12/31/2023	2,778	676,649	To be determined	To be determined	To be determined

¹ The CEO received a regular grant on 1 January 2021 (in his function as Head Global Business) and an additional grant on May 1, 2021 (in his function as CEO). Both grants are included above.

In the year under review, no compensation was paid to former members of Group Management. No compensation was paid to parties closely related to members of Group Management.

In accordance with the Articles of Association, loans to members of the Group Management are not permitted. Hence, no member of Group Management was granted a loan during the reporting year. No loans were outstanding at the end of the year under review.

Shareholdings of the members of the Board of Directors and Group Management in 2021

At the end of 2021, members of the Board of Directors held a total of 237,079 shares of Sika AG (2020: 129,596). At the end of 2021, members of Group Management held a total of 105,841 shares of Sika AG (2020: 193,755). This figure includes both privately acquired shares and those allocated under the Group's compensation schemes.

At the end of 2021, members of the Board of Directors and of Group Management did not hold any options.

Information regarding participations of the Board of Directors and Group Management in Sika AG can be found in the Sika AG Financial Statements (on page 259 of the download version of this report).

EQUITY OVERHANG AND DILUTION AS OF DECEMBER 31, 2021

In total as of December 31, 2021, the equity overhang, defined as the total number of share units and blocked shares outstanding divided by the total number of outstanding shares (143,044,967 registered shares) amounts to 247,999 units, 0.17%.

The company's "burn rate", defined as the number of equities (shares and share units) granted in 2021 (92,368 units) divided by the total number of outstanding shares, is 0.04%.

Report of the statutory auditor to the Annual General Meeting of Sika AG, Baar

REPORT OF THE STATUTORY AUDITOR ON THE COMPENSATION REPORT

We have audited pages 179 to 181 of the Compensation Report of Sika AG for the year ended December 31, 2021.

BOARD OF DIRECTORS' RESPONSIBILITY

The Board of Directors is responsible for the preparation and overall fair presentation of the Compensation Report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the accompanying Compensation Report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Compensation Report complies with Swiss law and articles 14-16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the Compensation Report with regard to compensation, loans and credits in accordance with articles 14-16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the Compensation Report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the Compensation Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Compensation Report for the year ended December 31, 2021, of Sika AG complies with Swiss law and articles 14-16 of the Ordinance.

Zurich, February 15, 2022

ERNST & YOUNG LTD

Christoph Michel
Licensed audit expert
(Auditor in charge)

Stefan Pieren
Licensed audit expert

FINANCIAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT for the year ended December 31

in CHF mn	Notes	%	2020	%	2021	Change in %
Net sales	1, 2	100.0	7,877.5	100.0	9,252.3	17.5
Material expenses	3	-45.2	-3,562.7	-48.2	-4,461.0	
Gross result		54.8	4,314.8	51.8	4,791.3	11.0
Personnel expenses	4	-19.4	-1,525.9	-17.7	-1,635.3	
Other operating expenses	5	-16.4	-1,291.3	-15.1	-1,398.0	
Operating profit before depreciation		19.0	1,497.6	19.0	1,758.0	17.4
Depreciation and amortization expenses	2, 16, 17	-4.6	-367.1	-4.0	-366.6	
Operating profit	2	14.4	1,130.5	15.0	1,391.4	23.1
Interest income	7	0.0	5.5	0.1	11.5	
Interest expenses	6	-0.7	-57.4	-0.6	-56.9	
Other financial income	7	0.1	6.0	0.1	7.0	
Other financial expenses	6	-0.3	-24.7	-0.2	-17.8	
Income from associated companies	7	0.0	0.5	0.0	0.4	
Profit before taxes		13.5	1,060.4	14.4	1,335.6	26.0
Income taxes	8	-3.0	-235.3	-3.1	-287.1	
Net profit		10.5	825.1	11.3	1,048.5	27.1
Profit attributable to Sika shareholders		10.5	824.5	11.3	1,047.9	
Profit attributable to non-controlling interests	25	0.0	0.6	0.0	0.6	
Undiluted earnings per share (in CHF)	9		5.82		7.39	27.0
Diluted earnings per share (in CHF)	9		5.22		6.60	26.4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended December 31

in CHF mn	Notes	%	2020	%	2021	Change in %
Net profit		10.5	825.1	11.3	1,048.5	27.1
Actuarial gains (+)/losses (-) on employee benefit obligations	23	-0.2	-14.7	1.6	146.1	
Income tax effect	8	0.0	1.7	-0.3	-25.6	
Items that will not be reclassified to profit or loss		-0.2	-13.0	1.3	120.5	
Exchange differences taken to equity		-3.8	-300.1	0.6	52.5	
Items that may be reclassified subsequently to profit or loss		-3.8	-300.1	0.6	52.5	
Other comprehensive income		-4.0	-313.1	1.9	173.0	
Comprehensive income		6.5	512.0	13.2	1,221.5	138.6
Attributable to Sika shareholders		6.5	511.6	13.2	1,220.9	
Attributable to non-controlling interests	25	0.0	0.4	0.0	0.6	

CONSOLIDATED BALANCE SHEET as at December 31

in CHF mn	Notes	2020	2021
Cash and cash equivalents	10, 27	1,318.7	1,175.0
Accounts receivable	11, 27	1,361.8	1,576.8
Inventories	12	814.0	1,158.3
Prepaid expenses and accrued income	13	120.7	190.4
Other assets	14, 27	19.4	30.9
Assets classified as held for sale	15	0.0	33.7
Current assets		3,634.6	4,165.1
Property, plant, and equipment	16	1,702.6	1,776.6
Intangible assets	17	4,172.3	4,373.0
Investments in associated companies	18	2.5	9.2
Deferred tax assets	8	194.7	142.5
Other assets	14, 27	87.3	233.5
Non-current assets		6,159.4	6,534.8
ASSETS		9,794.0	10,699.9
Accounts payable	19, 27	846.3	1,033.2
Accrued expenses and deferred income	20	454.0	519.9
Financial liabilities	21, 27	334.7	334.9
Income tax liabilities		163.3	170.3
Provisions	22	26.8	26.0
Liabilities classified as held for sale	15	0.0	3.7
Current liabilities		1,825.1	2,088.0
Financial liabilities	21, 27	3,851.9	3,393.9
Provisions	22	98.3	95.6
Deferred tax liabilities	8	379.9	367.2
Employee benefit obligations	23	319.5	322.9
Other liabilities	24	31.3	36.4
Non-current liabilities		4,680.9	4,216.0
LIABILITIES		6,506.0	6,304.0
Capital stock	25	1.4	1.4
Treasury shares	25	-5.2	-10.7
Reserves	25	3,289.6	4,403.1
Equity attributable to Sika shareholders	25	3,285.8	4,393.8
Non-controlling interests	25	2.2	2.1
SHAREHOLDERS' EQUITY	25	3,288.0	4,395.9
LIABILITIES AND SHAREHOLDERS' EQUITY		9,794.0	10,699.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in CHF mn	Capital stock	Capital surplus	Treasury shares	Currency translation differences	Retained earnings	Equity attributable to Sika shareholders	Non-controlling interests	Total equity
January 1, 2020	1.4	203.1	-7.3	-747.8	3,674.7	3,124.1	37.1	3,161.2
Net profit					824.5	824.5	0.6	825.1
Other comprehensive income				-299.9	-13.0	-312.9	-0.2	-313.1
Comprehensive income	0.0	0.0	0.0	-299.9	811.5	511.6	0.4	512.0
Transactions with treasury shares ¹			2.1		-8.1	-6.0		-6.0
Share-based payments					9.7	9.7		9.7
Dividends ²					-326.0	-326.0	-1.0	-327.0
Non-controlling interests from acquisitions ³						0.0	0.1	0.1
Buyout of existing non-controlling interests ⁴					-44.5	-44.5	-34.4	-78.9
Inflation adjustment ⁵					16.9	16.9		16.9
December 31, 2020	1.4	203.1	-5.2	-1,047.7	4,134.2	3,285.8	2.2	3,288.0
January 1, 2021	1.4	203.1	-5.2	-1,047.7	4,134.2	3,285.8	2.2	3,288.0
Net profit					1,047.9	1,047.9	0.6	1,048.5
Other comprehensive income				52.5	120.5	173.0		173.0
Comprehensive income	0.0	0.0	0.0	52.5	1,168.4	1,220.9	0.6	1,221.5
Transactions with treasury shares ¹			-9.2		-15.4	-24.6		-24.6
Share-based payments					9.1	9.1		9.1
Conversion of convertible bonds		234.3	3.7		-4.3	233.7		233.7
Dividends ⁶					-354.5	-354.5	-0.6	-355.1
Buyout of existing non-controlling interests ⁷					-0.1	-0.1	-0.1	-0.2
Inflation adjustment ⁵					23.5	23.5		23.5
December 31, 2021	1.4	437.4	-10.7	-995.2	4,960.9	4,393.8	2.1	4,395.9

1 Including income tax of CHF 1.1 million (CHF 0.2 million) in retained earnings.

2 Dividend per registered share (par value CHF 0.01): CHF 2.30.

3 Non-controlling interests from the acquisition of Modern Waterproofing Company S.A.E, Egypt.

4 Complete buyout of Sika Arabia Holding Company WLL, Bahrain (including the Arabian subsidiaries), and Parex S.A., France. Furthermore, increase in shareholdings in Mortero Spa, Algeria.

5 Hyperinflation accounting concerns the subsidiaries in Argentina.

6 Dividend per registered share (par value CHF 0.01): CHF 2.50.

7 Increase in shareholdings in Modern Waterproofing Company S.A.E, Egypt.

CONSOLIDATED STATEMENT OF CASH FLOWS

in CHF mn	Notes	2020	2021
Operating activities			
Profit before taxes		1,060.4	1,335.6
Depreciation and amortization expenses	16, 17	367.1	366.6
Increase (+)/decrease (-) in provisions/ employee benefit obligations and assets		26.4	-25.4
Increase (-)/decrease (+) in net working capital		124.5	-324.9
Non-liquidity-related financial expenses (+)/income (-) as well as cash flow from hedging transactions		78.6	29.6
Other adjustments	26	4.9	-2.1
Income taxes paid		-288.5	-315.3
Cash flow from operating activities		1,373.4	1,064.1
Investing activities			
Property, plant, and equipment: capital expenditures	16	-120.1	-157.3
Property, plant, and equipment: disposals	16, 26	17.4	14.9
Intangible assets: capital expenditures	17	-11.6	-13.5
Intangible assets: disposals	17, 26	0.3	0.2
Acquisitions less cash and cash equivalents		-136.1	-304.4
Disposals less cash and cash equivalents		2.9	0.0
Acquisition of associated companies	18	0.0	-7.8
Acquisitions (-)/disposals (+) of financial assets		-5.9	-1.3
Cash flow from investing activities		-253.1	-469.2
Financing activities			
Increase in financial liabilities	21	252.8	5.1
Repayment of financial liabilities	21	-304.6	-46.6
Repayment of lease liabilities	21	-95.8	-97.7
Repayment of a bond	21	-160.0	-170.0
Repayment liability component of mandatory convertible bond (interest)	21	-48.8	-48.8
Purchase of treasury shares		-125.7	-65.2
Sale of treasury shares		119.0	41.7
Dividend payment to shareholders of Sika AG		-326.0	-354.5
Dividends related to non-controlling interests		-1.0	-0.6
Buyout of existing non-controlling interests		-78.9	-0.2
Cash flow from financing activities		-769.0	-736.8
Exchange differences on cash and cash equivalents		-27.7	-1.8
Net change in cash and cash equivalents		323.6	-143.7
Cash and cash equivalents at the beginning of the year	10	995.1	1,318.7
Cash and cash equivalents at the end of the year	10	1,318.7	1,175.0
Cash flow from operating activities contains:			
Dividends from associated companies		0.5	1.4
Interest received		3.9	9.0
Interest paid		-30.1	-36.6

APPENDIX TO THE CONSOLIDATED FINANCIAL STATEMENTS

PRINCIPLES OF CONSOLIDATION AND VALUATION

Corporate Information

Sika is a specialty chemicals company active in the development and production of systems and products for bonding, sealing, damping, reinforcing, and protecting in the building sector and the motor vehicle industry.

Accounting policies

BASIS OF PREPARATION

The financial statements of Sika have been prepared in conformity with the provisions of the International Accounting Standards Board (IASB). All standards (IAS/IFRS) and interpretations (IFRIC/SIC) applicable as of December 31, 2021, were considered. The financial statements have been prepared according to the going-concern principle. The consolidated financial statements have been prepared under the historical cost principle except for financial assets and liabilities (including derivative instruments) at fair value through profit and loss and the defined benefit liability which is measured at the present value of the defined benefit obligation less the fair value of plan assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed on page 195 of this report.

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting standards applied conform to those standards that were valid in the prior year. Exceptions are the following revised and new standards, which Sika applies since January 1, 2021. The application of these standards did not have any material impact on the consolidated financial statements of the Group:

- Amendments to IFRS 16 - Leases - COVID-19-related rent concessions
- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform - phase 2

A number of new standards and amendments to standards and interpretations are effective for the financial year 2022 and later, and have not been applied in preparing these consolidated financial statements. If they had been applied in 2021, they would have had no significant effect on the consolidated financial statements of the Group:

- Amendments to IFRS 3 - Reference to the conceptual framework (applicable as of January 1, 2022)
- Amendments to IAS 16 - Proceeds before intended use (applicable as of January 1, 2022)
- Amendments to IAS 37 - Onerous contracts - Costs of fulfilling a contract (applicable as of January 1, 2022)
- Annual improvements (2018 - 2020 cycle) - Collective standard with amendments to various IFRS standards with the primary goal of eliminating inconsistencies and clarifying terminology (applicable as of January 1, 2022)
- Amendments to IAS 1 - Classification of liabilities as current or non-current (applicable as of January 1, 2023)
- Amendments to IAS 1 - Disclosure of accounting policies (applicable as of January 1, 2023)
- Amendments to IAS 8 - Definition of accounting estimates (applicable as of January 1, 2023)
- Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction (applicable as of January 1, 2023)

New standards and interpretations are usually applied on the applicable date. However, the options for early adoption are considered individually by Sika.

Consolidation method

BASIS

The consolidated financial statements are based on the balance sheets and income statements of Sika AG, Baar, Switzerland, and its subsidiaries as of December 31, 2021, prepared in accordance with uniform standards.

SUBSIDIARIES

Companies which are controlled by Sika are fully consolidated. The consolidation includes 100% of their assets and liabilities as well as expenses and income; non-controlling interests in shareholders' equity and net income for the year are excluded and shown separately as part of non-controlling interests.

ASSOCIATED COMPANIES

The equity method is applied to account for investments ranging from 20% to 50%, if Sika exercises significant influence. The investments are included in the balance sheet under "Investments in associated companies" based on the Group's percentage share in net assets including goodwill; in the income statement the Group's share in the net income for the year is disclosed in "Income from associated companies".

INTRA-GROUP TRANSACTIONS

Transactions within the Group are eliminated as follows:

- Intra-Group receivables and liabilities are eliminated in full.
- Intra-Group dividends, income, and expenses and the unrealized profit margin from intra-Group transactions are eliminated in full.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The cost of an acquisition is the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquired company. For each business combination, the acquirer measures the non-controlling interests in the acquired company either at fair value or at the proportionate share of the acquired company's identifiable net assets. Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value on the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in the income statement. A contingent consideration that is classified as equity is not revalued, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the non-controlling interest over the identifiable net assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit and loss.

Goodwill is subject to an annual impairment test. Impairments are recognized in the income statement. The impairment is not reversed later.

When subsidiaries are sold, the difference between the selling price and the net assets including goodwill plus cumulative translation differences is recognized in the consolidated financial statements as an operating result. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of takeover of control or up to the effective date of loss of control.

Conversion of foreign currencies

Foreign currency transactions are translated into the functional (local) currency at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities in a foreign currency are translated into the functional currency on every balance sheet date by applying exchange rates valid on the balance sheet date. The resulting exchange rate differences are recognized in the income statement. The exception is that exchange differences arising on monetary items that form part of the net investment in a foreign operation (so-called "equity like loans"), are recognized in other comprehensive income and will only be recognized in profit or loss until the control of the net investment is lost.

The financial statements of the foreign subsidiaries are translated into Swiss francs as follows:

- Balance sheet at year-end rates
- Income statements at annual average rates

The effects from the translation of the functional currency into Swiss francs are recognized in other comprehensive income.

The rates listed below were applied:

Country	Currency	Quantity	2020 Balance sheet ¹ CHF	2020 Income statement ² CHF	2021 Balance sheet ¹ CHF	2021 Income statement ² CHF
Argentina	ARS	100	1.0462	1.0462	0.8878	0.8878
Australia	AUD	1	0.6795	0.6459	0.6616	0.6868
Brazil	BRL	100	16.9500	18.2000	16.3700	16.9700
Canada	CAD	1	0.6910	0.6999	0.7178	0.7295
Chile	CLP	10,000	12.3800	11.8400	10.7100	12.0700
China	CNY	100	13.4600	13.6000	14.3600	14.1700
Colombia	COP	10,000	2.5705	2.5380	2.2465	2.4446
Czech Republic	CZK	100	4.1163	4.0437	4.1560	4.2177
Egypt	EGP	100	5.5900	5.9400	5.8000	5.8200
Eurozone	EUR	1	1.0802	1.0701	1.0331	1.0825
Great Britain	GBP	1	1.2015	1.2033	1.2295	1.2582
India	INR	100	1.2048	1.2667	1.2265	1.2367
Indonesia	IDR	100,000	6.2650	6.4430	6.4170	6.3880
Japan	JPY	100	0.8540	0.8793	0.7924	0.8333
Mexico	MXN	100	4.4242	4.3630	4.4639	4.5082
Poland	PLN	100	23.6900	24.0900	22.4700	23.7100
Russia	RUB	1,000	11.8100	12.9750	12.1110	12.4080
Sweden	SEK	100	10.7700	10.1900	10.0800	10.6700
Thailand	THB	100	2.9412	2.9996	2.7437	2.8598
Turkey	TRY	100	11.8500	13.3400	6.7800	10.3700
USA	USD	1	0.8803	0.9399	0.9121	0.9142
Vietnam	VND	100,000	3.8130	4.0410	4.0010	3.9850

1 Year-end rates.

2 Annual average rates.

In countries experiencing hyperinflation, prior to conversion into the presentation currency the annual financial statements are adjusted for local inflation in order to eliminate changes in purchasing power. Adjustment for inflation is based on the relevant price indices at the end of the period under review.

SIGNIFICANT ACCOUNTING ESTIMATES

Explanations of the key assumptions concerning forward-looking elements and other estimation uncertainties are provided below. These include the risk that a material adjustment to the carrying amounts of assets and liabilities may become necessary within the next financial year.

IMPAIRMENT OF GOODWILL

The Group tests for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of cash-generating units or groups of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates such as expected future cash flows and discount rates. The carrying value of goodwill as of December 31, 2021, was CHF 3,289.7 million (CHF 3,088.8 million). Further details are presented in note 17.

FAIR VALUE OF ACQUISITION

In connection with acquisitions, all assets, liabilities, and contingent liabilities are valued at fair value. Newly identified assets and liabilities are also recognized in the balance sheet. Fair value is determined in part based on assumptions regarding factors that are subject to a degree of uncertainty, such as interest rates and sales.

TRADEMARKS AND CUSTOMER RELATIONS

Trademarks and customer relations are amortized over their estimated useful life. The estimated useful life is based on estimates of the time period during which this intangible asset generates cash flows. Calculation of the present value of estimated future cash flows includes significant assumptions, particularly in respect of future sales. Additionally, discounting is also based on assumptions and estimations concerning business-specific capital costs, which are themselves dependent on country risks, credit risks, and additional risks resulting from the volatility of the respective business.

DEFERRED TAX ASSETS

Deferred tax assets resulting from the carry forward of unrealized tax losses or timing differences are recognized to the extent that a realization of the corresponding tax advantage is probable. Assessing the probability of realizing the tax benefit requires assumptions based on planning data.

EMPLOYEE BENEFIT OBLIGATIONS

The Group maintains various employee benefit plans. Several statistical analysis and other variables are used in the calculation of expenses and liabilities to estimate future developments. These variables include estimations and assumptions concerning the discount rate established by management within certain guidelines. In addition, actuaries employ statistical information for the actuarial calculation of benefit liabilities such as withdrawal or death probabilities, which can deviate significantly from actual results due to changes in market conditions, the economic situation, as well as fluctuating rates of withdrawal and shorter or longer live expectancy of benefit plan participants.

PROVISIONS

The calculation of provisions requires assumptions regarding the probability, size, occurrence, and timing of a cash outflow. As long as an outflow of resources is probable and a reliable estimation is possible, a provision is recognized.

SCOPE OF CONSOLIDATION AND ACQUISITIONS

The consolidated financial statements of the Group comprise the financial statements of Sika AG, Zugerstrasse 50, 6340 Baar, Switzerland, as well as its subsidiaries (see list starting on page 237 et seq. of this report) and associated companies (see note 18). In the year under review, the scope of consolidation was expanded to include the acquired companies (see the next pages) and the following newly founded company:

- Sika Asia Pacific Services Sdn. Bhd., Kuala Lumpur, Malaysia, was newly founded.
- SikaDavco (Zhanjiang) New Materials Co., Ltd., Zhanjiang, China, was newly founded.
- Sika Chemicals Ghana Ltd., Accra, Ghana, was newly founded.
- Sika Angola (SU), Limitada, Luanda, Angola, was newly founded.
- Sika International AG, Baar, Switzerland, was newly founded.

The scope of consolidation was reduced to exclude the following companies:

- KPM Industries Ltd., Oakville/ON, Canada, was merged with Sika Canada Inc., Pointe Claire/QC, Canada.
- Sikalkoat de México, S.A. de C.V., Corregidora, Mexico, was merged with Sika Mexicana SA de CV, Corregidora, Mexico.
- Sika Automotive Mexico S.A. de C.V., Mexico City; Mexico, was merged with Sika Mexicana SA de CV, Corregidora, Mexico.
- Sika Bauabdichtungs-GmbH, Stuttgart, Germany, was merged with Sika Deutschland GmbH, Stuttgart, Germany.
- Axson Technologies Spain S.L., Les Franqueses del Vallès, Spain, was merged with Sika S.A.U., Alcobendas, Spain.
- Axson Italia S.r.l., Saronno, Italy, was merged with Sika Italia S.p.A., Peschiera Borromeo, Italy.
- Sika Dritac, LLC, Lyndhurst/NJ, USA, was merged with Sika Corporation, Lyndhurst/NJ, USA.
- Financière Dry Mix Solutions SAS, Issy-Les-Moulineaux, France, was merged with ParexGroup S.A., Issy-Les-Moulineaux, France.
- Klebag AG, Ennetbürgen, Switzerland, was merged with Sika Schweiz AG, Zurich, Switzerland.
- Parexgroup Iberica, S.A.U., Les Franqueses del Vallès, Spain, was liquidated.

Acquisitions 2020

In 2020, Sika acquired various companies or parts of companies. The purchase prices and their allocation (PPA) are now final. The purchase prices of the other acquisitions and their allocation (PPA) are unchanged.

ACQUIRED NET ASSETS AT FAIR VALUES

in CHF mn	Adeplast	Modern Waterproofing Company
Cash and cash equivalents	10.6	1.4
Accounts receivable	18.8	2.6
Inventories	11.6	2.2
Prepaid expenses and accrued income	1.0	1.4
Property, plant, and equipment	49.1	6.4
Right-of-use leased assets	1.8	0.0
Intangible assets	20.8	5.1
Deferred tax assets	0.6	0.1
Total assets	114.3	19.2
Financial liabilities	30.1	1.7
Accounts payable	10.4	1.4
Accrued expenses and deferred income	1.2	1.0
Income taxes payable	0.4	1.0
Provisions	0.3	0.1
Deferred tax liabilities	4.7	1.9
Total liabilities	47.1	7.1
Net assets	67.2	12.1
Non-controlling interests	0.0	-0.1
Acquired net assets	67.2	12.0
Goodwill	62.6	15.9
Total purchase price	129.8	27.9
Cash in acquired assets	-10.6	-1.4
Payments still due	-9.0	-0.6
Net cash outflow	110.2	25.9

Since the purchase, Adeplast has contributed sales in 2020 of CHF 85.6 million and net profit of CHF 10.2 million. Modern Waterproofing Company has contributed sales of CHF 14.4 million since the purchase and a net profit of CHF 1.6 million. If the acquisitions had occurred on January 1, 2020, consolidated proforma net sales would have been CHF 7,909.8 million (CHF 24.1 million from Adeplast and CHF 8.2 million from Modern Waterproofing Company). The additional profit share would have been insignificant. The amounts have been calculated using the results of the acquired entities and adjusted for differences in the accounting policies and the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant, and equipment and intangible assets had applied from January 1, 2020.

The directly attributable transaction costs of all acquisitions in 2020 amounted to CHF 1.0 million and were charged to other operating expenses.

Acquisitions 2021

In 2021, Sika acquired various companies or parts of companies.

Company	Type of transaction	Stake in %	Closing date
Flooring adhesives business of DriTac, USA	Asset deal	n. a.	3/25/2021
Kreps LLC, Russia	Share deal	100.0	4/14/2021
Supermassa do Brasil Ltda, Brazil	Share deal	100.0	5/17/2021
Hydrotech, USA and Canada	Share deal	100.0	7/20/2021
Bexel Internacional S.A. de C.V., Mexico	Share deal	100.0	8/6/2021
Shenzhen Landun Holding Co., China	Share deal	100.0	10/29/2021
Hamatite group, Japan, China, Thailand, USA	Share deal/asset deal	100.0	11/1/2021

HYDROTECH

On July 20, 2021, Sika acquired American Hydrotech Inc., USA, and its affiliate Hydrotech Membrane Corporation in Canada. Hydrotech is an experienced and highly regarded liquid membrane manufacturer and provider of full-system roofing and waterproofing solutions. Hydrotech is clear market leader in the green/garden roof segment in North America. The acquisition strengthens Sika's roofing and waterproofing portfolio and complements Sika's sustainability focus.

Since the purchase, Hydrotech has contributed sales of CHF 40.0 million and a net profit of CHF 1.4 million. Accounts receivable of Hydrotech had a gross value of CHF 20.5 million and were recognized at fair value of CHF 20.1 million.

HAMATITE GROUP

On November 1, 2021, Sika acquired Hamatite group, the adhesives business of The Yokohama Rubber Co., Ltd. Hamatite is a market leader in Japan, offering adhesives and sealants to the automotive and construction industries. The product portfolio comprises various technologies such as polyurethanes, hot melts, and modified silicones. The well-established Hamatite brand is the preferred solution among the Japanese OEMs for glass bonding as well as for hot melt applications. The main application area in the construction industry is sealing and bonding solutions for exterior facades. Hamatite operates five plants, the main site being in Hiratsuka, Japan. Additional manufacturing facilities are located in Japan, China, Thailand, and in the USA. The acquisition will significantly strengthen Sika's market position in Japan, increase market access to all major Japanese OEMs, and notably extend the product offering for sealing and bonding applications in the Japanese construction industry.

Since the purchase, Hamatite has contributed sales of CHF 28.6 million and a net loss of CHF 2.7 million. Accounts receivable of Hydrotech had a gross value of CHF 1.1 million and this corresponds to the fair value.

OTHER ACQUISITIONS

On March 25, 2021, Sika acquired the flooring adhesives business of DriTac, a US-based floor covering adhesives company with an especially strong position in wood floor bonding. The acquired business strengthens Sika's growth platform for interior finishing in the USA with large potential for cross-selling of Sika's other complementary products that include moisture-mitigation materials, surface preparation and self-levelling underlayment mortars, as well as tile setting materials. The DriTac product range, which includes polyurethane, modified silicone, and water-based technologies, will further enhance Sika's system solutions for floor covering applications and give customers access to a large, full-range portfolio.

On April 14, 2021, Sika acquired Kreps LLC, a leading mortar manufacturer in Russia. Kreps offers a wide range of mortar products for interior and exterior finishing, complementing the existing portfolio and geographical footprint. Kreps operates production plants in Saint Petersburg and Yekaterinburg, two geographical areas where Sika has not previously had its own mortar manufacturing. Kreps is a well-known local brand with a strong presence in the distribution channels, providing Sika with improved access to major home centers and builders' merchants. The combination of Sika's technical know-how and direct sales approach with Kreps' developed distribution network and production base will enable Sika to expand the local supply chain and better penetrate the market.

On May 17, 2021, Sika acquired Supermassa do Brasil Ltda, a mortar manufacturer which operates under the brand BR Massa in the Brazilian market. The acquisition will enhance Sika's position in the region of Minas Gerais, one of the strongest economic regions in Brazil, and complement the production footprint. BR Massa is a well-known local brand for tile setting materials and facade mortars, with a strong presence in the distribution channel. It will provide Sika with improved access to builders' merchants and specialized dealers and lead to attractive cross-selling opportunities for Sika's products through these channels.

On August 6, 2021, Sika acquired Bexel Internacional S.A. de C.V., a leading manufacturer of tile adhesives and stuccos in Mexico. Bexel is a family-owned, well-run business which has successfully built up a strong position in the Mexican Building Finishing mortars market and has a strong presence in the distribution channel, mostly focusing on home centers and builders' merchants, providing interesting cross-selling opportunities for complementary products such as sealants, adhesives, liquid applied membranes, and waterproofing products. Bexel operates five strategically located production plants which perfectly complement Sika's existing geographical footprint and further support the strategic focus on big cities. The new site serving Mexico City adds important production capacity, strengthening Sika's position in this fast-growing metropolitan area. With the combined presence, Sika now has a nationwide manufacturing coverage for mortars that will enhance its ability to serve and supply customers with its products throughout the country.

On October 29, 2021, Sika acquired Shenzhen Landun Holding Co., Ltd., a manufacturer of waterproofing systems in China. Landun is a highly regarded provider of waterproofing solutions with strong customer relationships and a well-recognized brand. The company operates two modern production facilities where it manufactures a full range of membranes and coatings for various waterproofing applications, mainly supplying infrastructure and commercial projects. The acquisition provides a platform for Sika to further grow and strengthen its position in the fast-growing Chinese waterproofing market. The product portfolios of the two companies are highly complementary and offer large cross-selling potential through their respective channels.

Since the purchase, the other acquisitions have contributed sales of CHF 60.3 million. The profit is not material. Accounts receivable of the other acquisitions had a gross value of CHF 43.9 million and were recognized at fair value of CHF 39.9 million.

ACQUIRED NET ASSETS AT FAIR VALUES

in CHF mn	Hydrotech	Hamatite	Other acquisitions ¹
Cash and cash equivalents	5.2	4.0	4.8
Accounts receivable	20.1	1.1	39.9
Inventories	9.5	20.8	8.1
Prepaid expenses and accrued income	0.3	0.1	2.4
Property, plant, and equipment	2.8	49.2	41.7
Right-of-use leased assets	0.0	0.5	7.1
Intangible assets	36.4	22.4	22.9
Deferred tax assets	0.0	1.7	0.3
Other assets	0.0	1.6	0.0
Total assets	74.3	101.4	127.2
Financial liabilities	0.0	0.5	48.5
Accounts payable	3.9	0.0	22.5
Accrued expenses and deferred income	7.8	2.8	11.2
Income taxes payable	0.0	0.0	0.9
Provisions	4.9	22.1	3.2
Employee benefit obligation	0.0	12.6	0.4
Deferred tax liabilities	1.7	2.3	5.7
Other liabilities	4.9	0.0	0.0
Total liabilities	23.2	40.3	92.4
Acquired net assets	51.1	61.1	34.8
Goodwill	70.6	39.9	90.3
Total purchase price	121.7	101.0	125.1
Cash in acquired assets	-5.2	-4.0	-4.8
Payments still due	-5.1	0.0	-24.3
Net cash outflow	111.4	97.0	96.0

1 Flooring adhesives business of DriTac, Kreps, Supermassa do Brasil, Bexel, and Shenzhen Landun; individually not material.

If the acquisitions had occurred on January 1, 2021, consolidated proforma net sales would have been CHF 9,491.8 million (CHF 44.5 million from Hydrotech, CHF 134.7 million from Hamatite, and CHF 60.3 million from the other acquisitions). The net profit would have remained unchanged. The amounts have been calculated using the results of the acquired entities and adjusted for differences in the accounting policies and the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant, and equipment and intangible assets had applied from January 1, 2021.

Since the purchase prices and the purchase price allocations for all acquisitions still entail some uncertainty, all positions except for "Cash and cash equivalents" are provisional. Product synergies and combined distribution channels and product portfolios justify the goodwill recognized. Goodwill is tax-deductible in the amount of CHF 76.4 million.

The directly attributable transaction costs of all acquisitions amounted to CHF 7.1 million and were charged to other operating expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Net Sales CHF 9,252.3 mn (CHF 7,877.5 mn)

Sika sells systems and products for bonding, sealing, damping, reinforcing, and protecting in the building sector and the motor vehicle industry. Sales are recognized when control of the products has been transferred to the customer, i.e. when the products have been physically transferred to the buyer and there is a right to receive payment. Revenue is recognized in the amount of the consideration expected to be received by Sika in exchange for these goods or services. A receivable from the buyer is recognized upon sale. The receivables do not bear interest and are generally due within 30 to 90 days. All proceeds from the sale of goods and services are recorded at sales prices less discounts granted.

In some cases, Sika grants retrospective volume discounts based on aggregate sales over a twelve month period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. A refund liability (included in accrued expenses and deferred income) is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

Extended warranty contracts are sold for certain products on installed roofing systems. Revenue for separately priced extended warranties is deferred and recognized on a straight-line basis over the extended warranty period. The average warranty period is ten years (eight years). In 2021, revenues of CHF 4.2 million (CHF 4.2 million) were recognized. The deferred revenue positions are included in accrued expenses and deferred income (see note 20) as well as in other liabilities (see note 24).

Contract revenue and contract costs are recognized in accordance with the stage of completion. An expected loss is recognized as an expense immediately.

2. Segment reporting

Sika conducts its worldwide activities according to geographical regions and the global segment Global Business. Heads of the segments are members of Group Management. Group Management is the highest executive body that measures the success of the operating segments and allocates resources. The key figure of profit by which the segments are directed is operating profit, which is consistent with the consolidated financial statements. Financing (including financial expenses and income) and income taxes are managed on a Group-wide basis and are not allocated to the individual segments. The composition of the segments is shown on page 50 of the download version of this report.

Other segments and activities includes expenses for Group headquarter, and income from services provided to Group companies.

The companies acquired in 2021 were allocated to the respective segments as follows:

- Kreps LLC, Russia, was allocated to the segment EMEA.
- Supermassa do Brasil Ltda, Brazil, American Hydrotech Inc., USA, Hydrotech Membrane Corporation, Canada, Bexel Internacional S.A. de C.V., Mexico, as well as the flooring adhesives business of DriTac, USA, were allocated to the segment Americas.
- Shenzhen Landun Holding Co., China, and its subsidiaries as well as Hamatite Japan and the Thai Hamatite business were allocated to the segment Asia/Pacific.
- Hamatite China and USA were allocated to the segment Global Business.

NET SALES

in CHF mn	2020 ¹			2021		
	With third parties	With other segments	Total	With third parties	With other segments	Total
EMEA	3,495.4	178.4	3,673.8	4,071.4	213.5	4,284.9
Americas	2,012.2	5.1	2,017.3	2,427.4	5.3	2,432.7
Asia/Pacific	1,723.2	17.7	1,740.9	2,080.9	27.0	2,107.9
Global Business	646.7	13.7	660.4	672.6	14.0	686.6
Eliminations		-214.9	-214.9		-259.8	-259.8
Net sales	7,877.5	-	7,877.5	9,252.3	-	9,252.3
Products for construction industry			6,439.8			7,630.4
Products for industrial manufacturing			1,437.7			1,621.9

1 The Advanced Resins business has been reallocated from the Global Business segment to the geographical regions. The prior year has been restated accordingly.

Sika's products for the construction industry include admixtures and additives for use in concrete, cement, and mortar production, waterproofing systems, roof waterproofing, flooring solutions, sealants, adhesive tapes, assembly foams and elastic adhesives for facade construction, interior and infrastructure construction, as well as concrete protection and repair solutions.

Products for industrial manufacturing are sold to manufacturers and service providers in automotive OEM, commercial vehicles, automotive aftermarket, marine vessels, renewable energy, sandwich panels, industrial equipment, HVAC, home and commercial appliances, modular building, facades, and fenestration.

CHANGES IN NET SALES/CURRENCY IMPACT

in CHF mn	2020 ¹	2021	Change compared to prior year (in %)		
			In Swiss francs	In local currencies	Currency impact
By region					
EMEA	3,495.4	4,071.4	16.5	16.1	0.4
Americas	2,012.2	2,427.4	20.6	21.0	-0.4
Asia/Pacific	1,723.2	2,080.9	20.8	19.4	1.4
Global Business	646.7	672.6	4.0	4.3	-0.3
Net sales	7,877.5	9,252.3	17.5	17.1	0.4
Products for construction industry	6,439.8	7,630.4	18.5	18.0	0.5
Products for industrial manufacturing	1,437.7	1,621.9	12.8	12.6	0.2

1 The Advanced Resins business has been reallocated from the Global Business segment to the geographical regions. The prior year has been restated accordingly.

OPERATING PROFIT

in CHF mn	2020 ¹	2021	Change compared to prior year	
			(in %)	
By region				
EMEA	572.0	691.4	119.4	20.9
Americas	345.3	446.3	101.0	29.2
Asia/Pacific	285.0	349.0	64.0	22.5
Global Business	54.9	50.2	-4.7	-8.6
Other segments and activities	-126.7	-145.5	-18.8	n.a.
Operating profit	1,130.5	1,391.4	260.9	23.1

1 The Advanced Resins business has been reallocated from the Global Business segment to the geographical regions. The prior year has been restated accordingly.

RECONCILIATION OF SEGMENT RESULT AND NET PROFIT

in CHF mn	2020	2021
Operating profit	1,130.5	1,391.4
Interest income	5.5	11.5
Interest expenses	-57.4	-56.9
Other financial income	6.0	7.0
Other financial expenses	-24.7	-17.8
Income from associated companies	0.5	0.4
Profit before taxes	1,060.4	1,335.6
Income taxes	-235.3	-287.1
Net profit	825.1	1,048.5

OTHER DISCLOSURES

in CHF mn	2020 ¹		2021	
	Depreciation/ Amortization	Capital expenditures	Depreciation/ Amortization	Capital expenditures
EMEA	154.1	47.4	152.7	54.0
Americas	82.3	36.3	80.4	46.5
Asia/Pacific	76.3	27.1	78.4	44.0
Global Business	24.9	10.6	25.0	14.1
Other segments and activities	29.5	10.3	30.1	12.2
Total	367.1	131.7	366.6	170.8

1 The Advanced Resins business has been reallocated from the Global Business segment to the geographical regions. The prior year has been restated accordingly.

The following countries had a share of greater than 10% of at least one of the Group's key figures:

in CHF mn	Net sales				Non-current assets ¹			
	2020	%	2021	%	2020	%	2021	%
USA	1,431.2	18.2	1,643.6	17.8	847.8	14.4	958.5	15.6
China	870.3	11.0	1,149.7	12.4	1,162.2	19.8	1,295.1	21.0
Germany	713.3	9.1	774.7	8.4	384.2	6.5	344.2	5.6
France	578.2	7.3	658.2	7.1	698.7	11.9	651.5	10.6
Switzerland	362.7	4.6	375.1	4.1	616.1	10.5	581.0	9.4
All other	3,921.8	49.8	4,651.0	50.2	2,169.5	36.9	2,330.9	37.8
Total	7,877.5	100.0	9,252.3	100.0	5,878.5	100.0	6,161.2	100.0

1 Non-current assets less financial assets, deferred tax assets, and employee benefit assets.

3. Material expenses CHF 4,461.0 mn (CHF 3,562.7 mn)

Material expenses increased as a percentage of net sales by 3.0 percentage points. As a result of the sharp rise in raw material costs worldwide due to bottlenecks and other supply-side factors, as well as the delayed effect of selling price adjustments, the gross margin decreased from 54.8% to 51.8%.

Material expenses include the value adjustment expenses for unsaleable goods and depreciation and amortization due to inventory differences in the amount of CHF 28.2 million (CHF 32.6 million).

4. Personnel expenses CHF 1,635.3 mn (CHF 1,525.9 mn)

in CHF mn	2020	2021
Wages and salaries	1,258.4	1,329.5
Social charges	291.0	307.4
Government support	-23.5	-1.6
Personnel expenses	1,525.9	1,635.3

Personnel expenses comprise all payments to persons in an employment relationship with Sika. This item also includes expenses such as pension fund contributions, health insurance contributions, as well as taxes and levies directly related to personnel remuneration. Government grants related to employment relationships are recognized in personnel expenses when there is reasonable certainty that the grant will be received and all related conditions are met. They are recognized as income over the same period as the expenses they intend to compensate.

Personnel costs decreased in relation to net sales from 19.4% to 17.7%. The negative impact of the coronavirus pandemic on Sika's sales markets resulted in a significantly higher ratio in the previous year. Further improvements were achieved through efficiency enhancements and selective structural adjustments in some countries.

EMPLOYEE BENEFIT COSTS

in CHF mn	2020	2021
Employee benefit plans with defined benefits ¹	31.7	32.2
Other employee benefit plans	47.0	47.3
Employee benefit costs	78.7	79.5

1 Includes pension expense recognized in income statement (see note 23) without interest income/interest expenses.

EMPLOYEE PARTICIPATION PLAN - SHARE-BASED PAYMENTS

Sika operates the following share-based compensation plans. The cost of these compensation systems is recognized in personnel expenses over the period in which services are rendered by the employees.

The share-based payments are made by means of transfer of treasury stock of Sika AG or are settled in cash. Recognized personnel expenses for share-based compensation for the fiscal year 2021 totaled CHF 38.8 million (CHF 32.2 million), CHF 9.1 million (CHF 9.7 million) of which was recorded in equity and CHF 29.7 million (CHF 22.5 million) in liabilities. At year-end, liabilities from share-based compensation plans amounted to CHF 38.3 million (CHF 27.8 million). Thereof, CHF 28.1 million (CHF 19.1 million) are recognized in accrued expenses and deferred income and CHF 10.2 million (CHF 8.6 million) are included in employee benefit obligations.

There is no share dilution as no additional shares have been issued for these plans.

PERFORMANCE BONUS (SHORT-TERM INCENTIVE)

Sika Senior Management

Part of the performance bonus of Sika Senior Management (by definition, Sika Senior Management includes the management level reporting into Group Management, managing directors of subsidiaries, and heads of central and regional functions; 166 participants) is paid in Sika AG shares. The allocated shares are subject to a four-year blocking period from allocation. Sika Senior Managers can choose to receive 0%, 20%, or 40% of their performance bonus in Sika AG shares plus one bonus share for every two shares chosen. The market value of the grant was CHF 4.9 million. In the prior year the market value of the grant amounted to CHF 5.4 million.

LONG-TERM INCENTIVE (LTI-PLAN)

Group Management

The members of the top management (extended Group Management) participate in a long-term incentive plan. It consists of performance share units (PSUs). At the beginning of the vesting period, a number of PSUs is granted to each plan participant. The PSU vest after a period of three years, conditionally upon fulfilling two equally weighted performance conditions, the return on capital employed (ROCE), and relative total shareholder return (relative TSR). The ROCE objective is determined at the beginning of the vesting period by the Board of Directors and is measured at the end of the vesting period as the average ROCE of the first year, the second year, and the third year of the vesting period. Acquisitions are excluded from the ROCE calculation in the year of acquisition and for two additional calendar years. The relative TSR is measured in relation to a peer group as a percentile rank and the objective is to reach the median of the peer group. For both performance conditions, the maximum achievement level is capped at 200%, however, the overall vesting level for the LTI is capped at 150%. The share-based compensation is settled in Sika AG shares.

The market value of the PSUs includes both targets and is determined once at the time of grant. Thereby in a Monte Carlo simulation generally available market data regarding Sika, including expected dividend payments, and the peer group as well as internal estimates regarding the degree of achievement of the ROCE target are combined.

Sika Senior Management

Sika Senior Managers participate in long-term incentive plans, which are structured in the same way as that for Group management (see above), except that they are settled in cash.

The fair value of the PSUs includes both targets and is determined at the time of allocation and redetermined at each balance sheet date. Thereby in a Monte Carlo simulation generally available market data regarding Sika, including expected dividend payments, and the peer group as well as internal estimates regarding the degree of achievement of the ROCE target are combined. For Senior Managers who move to another country during the performance period, a pro rata payment in shares is made for the earned portion up to the time of transfer. The shares are granted at market value on the grant date and are blocked until the end of the vesting period.

LONG-TERM INCENTIVE

	Number of PSUs granted	Fair value per PSU in CHF	Fair value of grant in CHF million
Group Management LTI 2020-2022	21,669	171.94	3.7
Sika Senior Managers LTI 2020-2022	22,573	171.94	3.9
Granted in 2020			7.6
Group Management LTI 2021-2023	19,177	233.64	4.5
Sika Senior Manager LTI 2021-2023	16,192	233.64	3.8
Granted in 2021			8.3

Board of Directors

Part of the compensation for members of the Board of Directors is awarded in Sika AG shares. The entitlement to shares is allocated at the beginning of the term of office and converted into shares at the end of the term of office. The shares are subject to a three-year blocking period. For the term of office from April 2021 to April 2022, entitlements to 4,843 shares were granted at a market value of CHF 1.3 million (CHF 273.88 per share). The conversion into shares will take place in April 2022. For the term of office from April 2020 to April 2021, entitlements to 8,458 shares were granted with a market value of CHF 1.3 million (CHF 156.72 per share). The conversion into shares took place in April 2021.

5. Other operating expenses CHF 1,398.0 mn (CHF 1,291.3 mn)

in CHF mn	2020	2021
Production and operation ¹	399.5	446.5
Logistics and distribution	401.6	477.0
Sales, marketing, and travel costs	212.0	235.1
Administration and other costs ²	278.2	239.4
Total	1,291.3	1,398.0

1 This position includes primarily costs for maintenance, repairs, and energy.

2 This position includes primarily costs of services and consulting in the fields of law, tax, and information technology. Furthermore, it covers training costs and government fees, costs for warranty settlements and legal claims, as well as the remuneration of the Board of Directors.

Other operating expenses decreased from 16.4% to 15.1% as a result of efficiency improvement programs and disciplined cost management on one hand, and lower costs for warranties and legal cases, as well as lower allowances for doubtful accounts on the other hand. Higher unit costs in logistics and transportation, particularly as a result of global supply chain problems, had a cost-driving effect.

Other operating expenses include government support of CHF 6.3 million (CHF 3.0 million) received in connection with the coronavirus pandemic. Government grants are recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. The grant is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

Research and development expenses are not capitalized if the recognition criteria have not been met. Expenditures on research and development in the Group during the year under review totaled CHF 214.3 million (CHF 193.6 million), roughly equivalent to 2.3% (2.5%) of sales. Research and development expenses are included in personnel expenses, other operating expenses, as well as in depreciation and amortization expenses.

6. Interest expenses/other financial expenses CHF 74.7 mn (CHF 82.1 mn)

In general, interest and other expenses for the procurement of debt capital are charged to the income statement. Interest incurred in the course of development projects, such as the construction of new production facilities or the development of software, is capitalized together with the asset created.

Interest expenses consist of interest expenses for outstanding bond issues in the amount of CHF 36.2 million (CHF 35.9 million), interests on lease liabilities of CHF 12.4 million (CHF 11.9 million), other interest expenses of CHF 6.3 million (CHF 7.9 million), as well as the interest component of pension expenses of defined benefit plans of CHF 2.0 million (CHF 1.7 million).

Other financial expenses include foreign exchange gains and losses from the management of foreign currency as well as net gains and losses from hedging and revaluation of loans to Group companies denominated in foreign currencies (see note 27). Other financial expenses decreased to CHF 17.8 million (CHF 24.7 million).

7. Interest income/other financial income/income from associated companies CHF 18.9 mn (CHF 12.0 mn)

Interest income is recognized pro rata temporis using the effective interest method. Short-term surpluses in liquidity in various countries as well as accrued interest on a legal claim resulted in interest income of CHF 11.5 million (CHF 5.5 million). Income from associated companies is CHF 0.4 million (CHF 0.5 million).

8. Income taxes

in CHF mn	2020	2021
Income tax during the year under review	278.9	294.2
Deferred income tax	-40.2	0.5
Income tax from prior years	-3.4	-7.6
Total	235.3	287.1

RECONCILIATION BETWEEN EXPECTED AND EFFECTIVE TAX EXPENSE

in CHF mn	%	2020	%	2021
Profit before taxes		1,060.4		1,335.6
Expected tax expense	20.8	220.5	20.6	275.0
Non-taxable income/non-tax-deductible expenses	0.6	5.7	0.4	5.5
Effect of changes in tax rates	-0.5	-5.1	0.0	0.2
Adjusted tax expense from earlier periods	-0.3	-3.4	-0.6	-7.6
Valuation adjustment on deferred tax assets	-0.2	-2.3	-0.5	-6.3
Withholding tax on dividends, licenses, and interests	1.5	16.3	1.8	23.2
Other	0.3	3.6	-0.2	-2.9
Tax expense as per consolidated income statement	22.2	235.3	21.5	287.1

The effective tax rate decreased to 21.5% (22.2%). The expected average Group income tax rate of 20.6% (20.8%) corresponds with the average tax on profits of the individual Group companies in their respective fiscal jurisdictions. The expected average tax rate was calculated using absolute values. The change in the expected tax rate is attributable to changing profits of the Group companies in their respective fiscal jurisdictions and to changes in their tax rates in some cases.

Tax liabilities include taxes due and accrued. If there is uncertainty as to whether a tax treatment will be accepted by the tax authorities, the uncertainty is reflected in the income tax payable based on a best estimate of the expected future cash outflow.

Deferred taxes are calculated using the liability method. According to this method, the effects on income taxes resulting from temporary differences between Group-internal and taxable balance sheet values are recorded as deferred tax assets or deferred tax liabilities, respectively. Deferred tax assets and liabilities are measured at the tax rates expected to apply to the period when the asset is recognized, or the liability is settled based on the rates (and tax laws) that have been substantively enacted.

Changes in deferred tax assets and liabilities are reflected in income tax expense, the statement of comprehensive income, or directly in equity. Deferred income tax liabilities are provided for taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets including those that can be applied to carried forward tax losses are recognized to the extent that their realization is probable. Deferred tax liabilities are recognized for all taxable temporary differences insofar as the accounting regulations foresee no exception.

RECONCILIATION OF DEFERRED TAX ASSETS AND LIABILITIES

in CHF mn	2020	2021
January 1	-232.6	-185.2
Credited (+)/debited (-) to income statement	40.2	-0.5
Credited (+)/debited (-) to other comprehensive income	1.7	-25.6
Credited (+)/debited (-) to equity	-0.1	-1.1
Exchange differences	11.5	-4.6
Acquisitions/divestments	-5.9	-7.7
December 31	-185.2	-224.7

ORIGIN OF DEFERRED TAX ASSETS AND LIABILITIES

in CHF mn	2020			2021		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Tax losses	10.1		10.1	12.5		12.5
Current assets	30.8	-18.7	12.1	30.5	-23.6	6.9
Property, plant, and equipment	10.6	-131.5	-120.9	10.9	-128.0	-117.1
Other non-current assets	103.8	-206.7	-102.9	91.0	-239.2	-148.2
Liabilities	185.3	-17.0	168.3	187.0	-13.5	173.5
Temporary differences on investments ¹	0.0	-151.9	-151.9	0.0	-152.3	-152.3
Gross values	340.6	-525.8	-185.2	331.9	-556.6	-224.7
Offsetting	-145.9	145.9	0.0	-189.4	189.4	0.0
Total	194.7	-379.9	-185.2	142.5	-367.2	-224.7

¹ This includes expected withholding taxes of CHF 19.1 million (CHF 15.5 million) on undistributed dividends from Group companies. Tax provisions of CHF 133.3 million (CHF 136.4 million) relate to expected tax payments in connection with legal restructurings of the acquired Parex companies in the coming years.

CARRY FORWARD OF TAX LOSSES, FOR WHICH NO DEFERRED TAX ASSETS HAVE BEEN RECOGNIZED

in CHF mn	2020	2021
1 year or less	6.6	7.1
1–5 years	20.2	23.3
Over 5 years or non-expiring	21.4	10.0
Total	48.2	40.4

The underlying average tax rate of tax losses for which no deferred tax assets have been recognized is 27.6% (29.0%).

In the year under review, deferred tax assets from carried forward tax losses of CHF 3.2 million (CHF 4.3 million) were used and deferred carried forward tax losses of CHF 2.9 million (CHF 2.6 million) were capitalized.

There are deductible temporary differences of CHF 373.6 million (CHF 452.8 million) for which no deferred tax asset has been recognized. The underlying average tax rate is 5.2% (5.9%). A realization of these theoretical tax benefits is not expected. CHF 369.0 million (CHF 400.0 million) result from the tax-free disclosure of hidden reserves in the tax balance sheet in Switzerland (so-called step-up). A further CHF 4.6 million (CHF 52.8 million) result from the issuance of the mandatory convertible bond (see note 21).

9. Earnings per share CHF 7.39 (CHF 5.82)

	2020	2021
Net profit attributable to Sika shareholders (in CHF mn)	824.5	1,047.9
Weighted average number of shares outstanding for calculation of basic earnings per share ¹	141,739,791	141,853,421
Additional weighted number of shares upon exercise of all conversion rights	18,297,749	18,431,819
Weighted average number of shares used to calculate diluted earnings per share	160,037,540	160,285,240
Undiluted earnings per share (in CHF)	5.82	7.39
Diluted earnings per share (in CHF)	5.22	6.60

1 Excluding treasury shares held in the Group.

Undiluted earnings per share (EPS) amount to CHF 7.39 (CHF 5.82) and are calculated on the basis of net profit after non-controlling interests and the number of shares entitled to dividend, weighted over the course of the year.

The convertible bonds issued (see note 21) have a dilutive effect. For the calculation of diluted earnings per share, the weighted average number of shares outstanding is adjusted. It is assumed that all conversion rights were already exercised at the time of issue. In addition, the profit attributable to Sika shareholders will be increased by the interest costs for the convertible bonds in the amount of CHF 10.4 million (CHF 10.8 million) after consideration of the tax effect. Diluted earnings per share amount to CHF 6.60 (CHF 5.22).

10. Cash and cash equivalents CHF 1,175.0 mn (CHF 1,318.7 mn)

The cash management of the Group includes cash pooling, in which cash and cash equivalents available within the Group are pooled. The item "Cash and cash equivalents" includes cash and cash equivalents with a maturity of less than three months, bearing interest at a respectively valid rate.

11. Accounts receivable CHF 1,576.8 mn (CHF 1,361.8 mn)

Receivables are recognized net of an allowance for expected credit losses over the entire lifetime. The classification and valuation principles for accounts receivable are described in note 27.

The following tables show accounts receivable, the portion of not overdue and overdue receivables including their age structure as well as the development of the allowance for doubtful debts. Accounts receivable are non-interest-bearing and are generally due within 30 to 90 days.

AGE DISTRIBUTION OF ACCOUNTS RECEIVABLE

in CHF mn	2020	2021
Not overdue	1,105.0	1,277.4
Past due < 31 days	140.0	165.5
Past due 31-60 days	49.8	59.8
Past due 61-180 days	42.1	47.7
Past due 181-360 days	7.7	7.8
Past due > 365 days	17.2	18.6
Net accounts receivable	1,361.8	1,576.8

MOVEMENTS ON THE ALLOWANCE FOR DOUBTFUL DEBTS

in CHF mn	2020	2021
January 1	75.9	78.6
Additions to or increase in allowances	21.1	13.6
Reversal of allowances	-3.5	-7.5
Utilization of allowances	-7.6	-3.3
Exchange differences	-7.3	-0.8
December 31	78.6	80.6

The increase and decrease of allowances for doubtful debts are recognized in other operating expenses. Amounts entered as allowances are usually derecognized when payment is no longer expected.

12. Inventories CHF 1,158.3 mn (CHF 814.0 mn)

in CHF mn	2020	2021
Raw materials and supplies	290.3	452.9
Semi-finished goods	61.6	77.4
Finished goods	383.1	510.8
Merchandise	79.0	117.2
Total	814.0	1,158.3

Raw materials and merchandise are stated at historical cost and finished and semi-finished products are stated at production cost, however not exceeding net realizable sales value. The production costs comprise all directly attributable material and manufacturing costs as well as other costs incurred in bringing the inventories to their present location and condition. Acquisition or production costs are determined using a standard cost approach, or alternatively using the weighted average cost method. Net realizable value corresponds to the estimated selling price in the ordinary course of business less the estimated costs of completion and the selling costs. Allowances are made for obsolete and slow-moving inventories.

13. Prepaid expenses and accrued income CHF 190.4 mn (CHF 120.7 mn)

This includes advance payments and prepaid expenses for the accrual of expenses and income.

14. Other assets CHF 264.4 mn (CHF 106.7 mn)

OTHER CURRENT ASSETS

in CHF mn	2020	2021
Derivatives (at fair value through profit and loss)	7.0	16.5
Securities (at fair value through profit and loss)	2.9	4.5
Loans (at amortized cost)	9.5	9.9
Other financial assets	19.4	30.9
Other current assets	19.4	30.9

OTHER NON-CURRENT ASSETS

in CHF mn	2020	2021
Securities (at fair value through profit and loss)	58.1	64.4
Loans (at amortized cost)	9.4	17.2
Other financial assets	67.5	81.6
Employee benefit assets ¹	18.7	149.5
Other	1.1	2.4
Other non-financial assets	19.8	151.9
Other non-current assets	87.3	233.5

1 Includes the excess of assets for employee benefit plans with defined benefits, see note 23.

Other current assets consist of assets with maturities of less than twelve months. Non-current other assets have a term of more than one year. The classification and valuation principles for financial assets are described in note 27.

15. Held for sale – assets CHF 33.7 mn (CHF 0.0 mn) and liabilities CHF 3.7 mn (CHF 0.0 mn)

Non-current asset and disposal groups are classified as held for sale if it is highly probable that their carrying amounts will be recovered primarily through sale rather than through continuing use. Non-current assets and disposal groups held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis. Once classified as held for sale, intangible assets and property, plant, and equipment are no longer amortized or depreciated.

Sika has agreed to sell its European industrial coatings business (part of the region EMEA), based in Germany, to the American Sherwin-Williams Company. In 2021, the business segment generated sales of approximately CHF 80 million. The headquarters and production plant are located in Vaihingen, Germany. The product range comprises anticorrosive and fire protection coatings which are mainly sold in Germany, Switzerland, Poland, and Austria. Accordingly, the corresponding assets and liabilities are presented as a disposal group held for sale. The transaction is expected to close in the first quarter of 2022.

The disposal group is stated at its carrying amounts (no impairment losses) and comprised the following assets and liabilities.

in CHF mn	2021
Inventories	10.8
Property, plant, and equipment	3.5
Goodwill	19.4
Assets classified as held for sale	33.7
Accrued expenses and deferred income	0.5
Employee benefit obligations	3.2
Liabilities classified as held for sale	3.7
Net	30.0

16. Property, plant, and equipment CHF 1,776.6 mn (CHF 1,702.6 mn)

in CHF mn	2020	2021
Own property, plant, and equipment	1,387.3	1,455.4
Right-of-use assets	315.3	321.2
Property, plant, and equipment	1,702.6	1,776.6

OWN PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment are carried at historical cost less accumulated depreciation required for business purposes. The capitalization is made based on components. Value-enhancing expenses are capitalized and depreciated over their useful lives. Repair, maintenance, and replacement costs are charged directly to the income statement. Depreciation is calculated using the straight-line method and is based on the anticipated useful life of the asset, including its operational usefulness and age-related technical viability. The acquisition costs include borrowing costs for long-term construction projects if the recognition criteria are met. Plant and equipment includes machinery, vehicles, equipment, furnishings, and hardware.

OWN PROPERTY, PLANT, AND EQUIPMENT

in CHF mn	Property	Plant	Equipment and motor vehicles	Plants and buildings under construction	Total
Acquisition cost	197.3	927.3	2,067.7	95.4	3,287.7
Cumulative depreciation and impairment	-2.1	-473.6	-1,337.7	-0.1	-1,813.5
Net values at January 1, 2020	195.2	453.7	730.0	95.3	1,474.2
Additions	0.1	3.6	38.4	78.0	120.1
Acquired on acquisition	4.1	28.6	22.6	0.2	55.5
Exchange differences	-9.5	-23.6	-41.0	-5.6	-79.7
Disposals	-3.2	-1.9	-3.3	0.0	-8.4
Reclassifications ¹	-4.1	8.9	85.9	-95.8	-5.1
Depreciation charge for the year	0.0	-30.6	-138.7	0.0	-169.3
December 31, 2020	182.6	438.7	693.9	72.1	1,387.3
Acquisition cost	183.6	923.4	2,088.3	72.1	3,267.4
Cumulative depreciation and impairment	-1.0	-484.7	-1,394.4	0.0	-1,880.1
Net values at January 1, 2021	182.6	438.7	693.9	72.1	1,387.3
Additions	1.5	3.5	40.1	112.2	157.3
Acquired on acquisition	26.8	22.3	44.1	0.5	93.7
Exchange differences	-4.1	-1.7	0.7	-0.1	-5.2
Disposals	-1.1	-1.3	-4.6	0.0	-7.0
Reclassifications ¹	3.1	4.4	68.9	-77.8	-1.4
Depreciation charge for the year	0.0	-30.1	-135.7	0.0	-165.8
Assets held for sale	-0.7	-0.2	-2.5	-0.1	-3.5
December 31, 2021	208.1	435.6	704.9	106.8	1,455.4
Acquisition cost	209.1	941.3	2,184.8	106.8	3,442.0
Cumulative depreciation and impairment	-1.0	-505.7	-1,479.9	0.0	-1,986.6
Net values at December 31, 2021	208.1	435.6	704.9	106.8	1,455.4

¹ Plants and buildings under construction are reclassified after completion within property, plant, and equipment as well as intangible assets.

DEPRECIATION SCHEDULE

Buildings	25 years
Infrastructure	15 years
Plants and machinery	5-15 years
Furnishings	6 years
Vehicles	4 years
Laboratory equipment and tools	4 years
IT hardware	3-4 years

The recoverability of property, plant, and equipment is reviewed if events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying amount exceeds the recoverable amount, a special depreciation allowance is recorded on the higher of fair value less cost to sell and the value in use of an asset which corresponds to the discounted, anticipated future cash flows. For the purpose of impairment tests, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

CAPITAL COMMITMENTS

Significant capital expenditure for property, plant, and equipment contracted for as at December 31, 2021, but not recognized as liabilities is CHF 19.1 million (CHF 11.3 million).

RIGHT-OF-USE ASSETS

After the inception of a contract, Sika assesses whether the contract is or contains a lease. Sika recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date, except for short-term leases of twelve month or less, low-value asset leases of CHF 5,000 or less, and variable lease payments, which are expensed in the income statement over the lease term. The following expenses were recorded in other operating expenses:

in CHF mn	2020	2021
Expenses relating to leases of low-value assets	6.2	6.4
Expenses relating to short-term leases	21.8	23.1
Expenses relating to variable leases payments not included in lease liabilities	2.7	3.6

For the asset class "motor vehicles" the non-leasing components (e.g. services included in the lease payments) are accounted for separately and are directly expensed in the income statement. For all other asset classes Sika does not account for the non-lease components separately.

At commencement date of the lease, the lease liability, measured at the present value of the lease payments to be made over the lease term, is recognized. The lease payments include fixed payments, variable payments that depend on an index or rate, extension options, and exercise price of a purchase options reasonably certain to be exercised as well as payments of penalties for terminating a lease. The lease liability is subsequently measured at amortized cost using the effective interest rate method and remeasured (with a corresponding adjustment to the related ROU asset) when there is a change in future lease payments. Lease liabilities are recognized under financial liabilities (current and non-current).

The lease payments are discounted using the incremental borrowing rate. For the Group, the rate implicit in the lease cannot be readily determined. To determine the incremental borrowing rate, the Group where possible uses recent intra-Group-financing rates. Otherwise a build-up approach is used per country and currency.

At commencement date of the lease, the ROU asset comprises the initial lease liability and initial direct costs. ROU assets are depreciated on a straight-line basis over the lease term. If Sika is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over their estimated useful life. If there is a change in future lease payments, the liability is revalued (with corresponding adjustment of the ROU asset).

Leases contractually committed but not yet commenced amount to CHF 7.2 million (CHF 3.2 million) as of December 31, 2021.

RIGHT-OF-USE ASSETS

in CHF mn	Right-of-use production sites	Right-of-use offices and warehouses	Right-of-use equipment and motor vehicles	Total
Net values at January 1, 2020	111.1	138.8	71.7	321.6
Additions	18.2	22.5	31.7	72.4
Acquired on acquisition	0.0	0.0	1.8	1.8
Exchange differences	-6.2	-6.9	-3.3	-16.4
Remeasurements	6.7	16.9	1.5	25.1
Disposals	-3.4	-1.6	-3.2	-8.2
Reclassifications ¹	4.8	-0.3	0.0	4.5
Depreciation charge for the year	-17.6	-32.1	-35.8	-85.5
December 31, 2020	113.6	137.3	64.4	315.3
Acquisition cost	141.8	191.7	112.9	446.4
Cumulative depreciation and impairment	-28.2	-54.4	-48.5	-131.1
Net values at January 1, 2021	113.6	137.3	64.4	315.3
Additions	10.8	32.4	32.5	75.7
Acquired on acquisition	6.8	0.2	0.6	7.6
Exchange differences	1.1	-0.9	-1.9	-1.7
Remeasurements	1.7	4.3	5.9	11.9
Disposals	-0.7	-1.0	-1.9	-3.6
Reclassifications ¹	0.5	0.0	0.0	0.5
Depreciation charge for the year	-18.0	-31.7	-34.8	-84.5
December 31, 2021	115.8	140.6	64.8	321.2
Acquisition cost	160.6	216.0	128.2	504.8
Cumulative depreciation and impairment	-44.8	-75.4	-63.4	-183.6
Net values at December 31, 2021	115.8	140.6	64.8	321.2

1. Right-of-use assets are reclassified to property, plant, and equipment when the purchase option is exercised.

17. Intangible assets CHF 4,373.0 mn (CHF 4,172.3 mn)

in CHF mn	Goodwill	Software	Trademarks	Customer relations	Other intangibles	Total
Acquisition costs	3,156.1	171.6	365.5	957.7	186.5	4,837.4
Cumulative amortization and impairment	-5.9	-132.7	-40.5	-228.6	-78.7	-486.4
Net values at January 1, 2020	3,150.2	38.9	325.0	729.1	107.8	4,351.0
Additions	0.0	11.6	0.0	0.0	0.0	11.6
Acquired on acquisition	78.5	0.0	6.1	15.3	4.5	104.4
Exchange differences	-139.9	-0.5	-6.4	-32.0	-4.0	-182.8
Disposals	0.0	-0.2	0.0	0.0	0.0	-0.2
Reclassifications	0.0	0.1	0.0	0.0	0.5	0.6
Amortization for the year	0.0	-11.1	-23.1	-54.1	-24.0	-112.3
December 31, 2020	3,088.8	38.8	301.6	658.3	84.8	4,172.3

Acquisition costs	3,094.2	165.6	363.6	930.1	184.9	4,738.4
Cumulative amortization and impairment	-5.4	-126.8	-62.0	-271.8	-100.1	-566.1
Net values at January 1, 2021	3,088.8	38.8	301.6	658.3	84.8	4,172.3
Additions	0.0	13.2	0.2	0.0	0.1	13.5
Acquired on acquisition	200.8	0.1	13.9	56.6	11.1	282.5
Exchange differences	19.5	0.1	7.6	11.4	1.2	39.8
Disposals	0.0	-0.1	0.0	0.0	-0.2	-0.3
Reclassifications	0.0	0.9	0.0	0.0	0.0	0.9
Assets held for sale	-19.4	0.0	0.0	0.0	0.0	-19.4
Amortization for the year	0.0	-10.7	-28.5	-53.8	-23.3	-116.3
December 31, 2021	3,289.7	42.3	294.8	672.5	73.7	4,373.0
Acquisition costs	3,294.5	175.9	385.8	996.2	194.6	5,047.0
Cumulative amortization and impairment	-4.8	-133.6	-91.0	-323.7	-120.9	-674.0
Net values at December 31, 2021	3,289.7	42.3	294.8	672.5	73.7	4,373.0

Internally generated patents, trademarks, and other rights are not capitalized. Research and development expenditures for new products are recognized in the income statement, since these do not fulfil the recognition criteria. Acquired intangible assets are generally capitalized and amortized using the straight-line method.

Development costs for software are capitalized as intangible assets, provided that the software will generate a future economic benefit through sale or use within the Group and that its cost can be reliably measured. Conditions for capitalization are the technical feasibility of the asset and the intention and ability to complete its development, as well as the availability of adequate resources.

AMORTIZATION SCHEDULE

Software	3–8 years
Patents	5–10 years
Customer relations	1–23 years
Trademarks	3–20 years

The intangible assets (except for goodwill) each have finite useful lives over which the assets are amortized.

Acquired trademarks are amortized if a useful life can be determined. Otherwise, trademarks are not amortized. Useful life assumptions are regularly reviewed. The latest review revealed indicators that lead to a change in estimation regarding the useful life of the Sarna brand (CHF 72.4 million). The expected remaining useful life is now 20 years as of January 1, 2021. Before, Sika expected an indefinite useful life. According to the branding policy, the Sika brand will be more prominently used, hence the Sarna brand has partially become less visible. The recoverability was reviewed and no need for impairment was identified. No other acquired brand's useful life had been assessed to be indefinite.

GOODWILL ITEMS TESTED FOR IMPAIRMENT

Impairment tests were performed on all goodwill items (including the still provisionally allocated goodwill items from the purchase price allocations of the acquired companies). The operating segments constitute the cash-generating units.

The impairment tests are based on the discounted cash flow method. The calculation of the value in use is based on the target figures and cash flow forecasts. The forecasting horizon is three years as approved by the Board of Directors. The sales growth rates used in the impairment test correspond to market expectations of the segments.

The growth rates used outside the three-year planning period (terminal growth rates) correspond to weighted expected inflation rates of the segments. The discount rates are determined based on the weighted average cost of capital of the Group, considering country- and currency-specific risks within the context of cash flows taken into consideration. The sensitivity analyses performed on the growth rate outside the planning period and the discount rates indicate that a realistic change in assumptions would not result in the realizable value falling below the carrying amount.

GOODWILL ASSIGNED TO CASH-GENERATING UNITS

in CHF mn	Growth rates beyond the planning period (%)	Discount rates pre-tax (%)	Trademarks with indefinite useful lives	Goodwill
EMEA	2.0	8.4	23.7	1,259.6
Americas	3.3	10.9	48.7	525.9
Asia/Pacific	2.2	10.0		1,025.4
Global Business	1.9	8.9		277.9
December 31, 2020¹			72.4	3,088.8
EMEA	2.2	8.7		1,226.9
Americas	2.8	11.4		678.4
Asia/Pacific	2.0	10.7		1,102.5
Global Business	2.1	9.3		281.9
December 31, 2021				3,289.7

¹ The Advanced Resins' business has been reallocated from the Global Business segment to the geographical regions. The prior year has been restated accordingly.

18. Investments in associated companies CHF 9.2 mn (CHF 2.5 mn)

The following associated companies are included in the consolidated financial statements as of December 31, 2021: HPS North America, LLC, USA (Sika Stake 20%), Condensil SARL, France (40%), Chemical Sangyo Ltd., Japan (50%), and Seven Tech Co. Ltd., Japan (50%). The 20% stake in HPS North America, LLC, USA, was acquired in March 2021. Hayashi-Sika Automotive Ltd., Japan (50%) was liquidated in 2021. The other stakes are unchanged compared to the prior year.

STAKE IN NET SALES AND NET INCOME OF ASSOCIATES

in CHF mn	2020	2021
Sales	1.7	2.9
Profit (+) / loss (-)	0.0	0.4

19. Accounts payable CHF 1,033.2 mn (CHF 846.3 mn)

Accounts payable do not bear interest and will usually become due within 30 to 60 days.

20. Accrued expenses and deferred income CHF 519.9 mn (CHF 454.0 mn)

Accrued expenses and deferred income relate to outstanding invoices and liabilities for the past financial year, including performance-based compensation payable to employees and social security expenses in the following year. In addition, deferred revenues for warranty extensions in the amount of CHF 3.9 million (CHF 3.9 million) are included (see note 1).

21. Financial liabilities CHF 3,728.8 mn (CHF 4,186.6 mn)

in CHF mn	2020			2021		
	Current	Non-current	Total	Current	Non-current	Total
Derivatives	9.2	0.0	9.2	10.4	0.0	10.4
Bank loans	0.6	2.0	2.6	18.0	0.0	18.0
Lease liabilities	75.9	244.7	320.6	73.5	244.1	317.6
Straight bonds	170.0	1,944.8	2,114.8	150.0	1,748.5	1,898.5
Convertible bond	0.0	1,609.4	1,609.4	0.0	1,381.9	1,381.9
Mandatory convertible bond	48.7	48.3	97.0	48.7	0.0	48.7
Other financial liabilities	30.3	2.7	33.0	34.3	19.4	53.7
Total	334.7	3,851.9	4,186.6	334.9	3,393.9	3,728.8

Current financial liabilities consist of liabilities with maturities of less than twelve months. Non-current financial liabilities include financing operations with a term of more than one year.

Furthermore, Sika has the following credit facilities:

- Revolving credit facility of CHF 750.0 million, drawable in CHF, EUR, USD, or GBP. The term ends on April 1, 2026. As of December 31, 2021, Sika has not utilized this credit line.
- Revolving credit facility of CHF 750.0 million, drawable in CHF, EUR, USD, or GBP. The term ends on December 13, 2026, with the option of two one-year extensions. As of December 31, 2021, Sika has not utilized this credit line.

OUTSTANDING STRAIGHT BONDS

in CHF mn						2020	2021
Issuer	Bond		Nominal	Coupon	Term	Book value	Book value
Sika AG, Baar, Switzerland	Straight bond	CHF	170.0	0.125%	2018-07/12/2021	170.0	0.0
	Straight bond	CHF	150.0	1.750%	2012-07/12/2022	150.0	150.0
	Straight bond	CHF	200.0	1.875%	2013-11/14/2023	199.6	199.8
	Straight bond	CHF	250.0	0.625%	2018-07/12/2024	250.4	250.2
	Straight bond	CHF	140.0	0.600%	2018-03/27/2026	140.0	140.0
	Straight bond	CHF	130.0	1.125%	2018-07/12/2028	130.8	130.7
Sika Capital B.V., Utrecht, Netherlands	Straight bond	EUR	500.0	0.875%	2019-04/29/2027	537.3	514.3
	Straight bond	EUR	500.0	1.500%	2019-04/29/2031	536.7	513.5
Total						2,114.8	1,898.5

CONVERTIBLE BONDS

A convertible bond is a compound financial instrument. The bond contains a conversion option embedded in the bond. On initial recognition, the convertible bond is split into a liability component and an equity component. The liability component corresponds to the fair value of an identical bond, but without a conversion option, and is accounted for at amortized cost. The difference between the carrying amount of the liability component and the redemption amount is amortized over the remaining term of the convertible bond using the effective interest method. The equity component is calculated as the difference between the liability component and the amount of the issue proceeds. The equity component is not remeasured and remains unchanged in equity until conversion. The issue costs are allocated proportionately to the liability and equity components.

In May 2018, Sika placed a convertible bond in the amount of CHF 1,650.0 million due in 2025. The convertible bond has a coupon of 0.15% p.a. The shares to be delivered upon conversion will be provided by existing shares or by the issue of new shares from the conditional capital. At the end of December 2021, the conversion price per share is CHF 189.10. The convertible bond can be converted early or redeemed early in accordance with the general bond conditions. In the reporting year, bonds with a nominal value of CHF 241.0 million were converted (no conversion in the previous year).

RECONCILIATION LIABILITY COMPONENT 0.15%-CONVERTIBLE BOND 2018-2025

in CHF mn	2020	2021
January 1	1,600.4	1,609.4
Interest expense (amortized cost)	9.0	9.0
Conversion of bond into registered shares	0.0	-236.5
December 31	1,609.4	1,381.9
Open par value	1,650.0	1,409.0

On January 22, 2019, Sika placed a mandatory convertible bond in the amount of CHF 1,300.0 million due in 2022. The mandatory convertible bond has a coupon of 3.75% p.a. These interest payments are classified as a liability component. Accordingly, the liability component is reduced annually by the interest payments made. The bond will be mandatorily converted into registered shares of Sika at maturity, subject to the early conversion rights of Sika and bondholders in accordance with the terms and conditions of the bond. The shares to be delivered upon conversion will be made available by either existing shares or by the issue of new shares from the conditional capital. At the end of December 2021, the bond has a minimum conversion price of CHF 125.17 and a maximum conversion price of CHF 140.82. In the reporting year, bonds with a nominal value of CHF 0.2 million were converted (no conversion in the previous year).

RECONCILIATION LIABILITY COMPONENT 3.75%-MANDATORY CONVERTIBLE BOND 2019 – 2022

in CHF mn	2020	2021
January 1	145.0	97.0
Interest expense (amortized cost)	0.8	0.5
Repayment liability component (interest)	-48.8	-48.8
December 31	97.0	48.7
Open par value	97.6	48.8

CHANGE IN FINANCIAL LIABILITIES

in CHF mn	Bank loans	Bonds	Lease liabilities	Other financial liabilities	Total financial liabilities
January 1, 2020	17.9	4,024.8	329.2	41.1	4,413
Proceeds	250.1	0.0	0.0	2.7	252.8
Repayments	-294.6	-208.8	-95.8	-10.0	-609.2
Cash flow	-44.5	-208.8	-95.8	-7.3	-356.4
Acquired on acquisition	30.0	0.0	1.8	0.0	31.8
Exchange differences	-0.8	-5.2	-17.1	-1.6	-24.7
New leases	0.0	0.0	71.8	0.0	71.8
Other changes	0.0	10.4	30.7	10.0	51.1
Non-cash movements	29.2	5.2	87.2	8.4	130.0
December 31, 2020	2.6	3,821.2	320.6	42.2	4,186.6
January 1, 2021	2.6	3,821.2	320.6	42.2	4,186.6
Proceeds	1.5	0.0	0.0	3.6	5.1
Repayments	-32.4	-218.8	-97.7	-14.2	-363.1
Cash flow	-30.9	-218.8	-97.7	-10.6	-358.0
Acquired on acquisition	46.2	0.0	1.2	1.6	49.0
Exchange differences	0.1	-46.8	-2.6	-0.5	-49.8
New leases	0.0	0.0	75.5	0.0	75.5
Conversion of bonds into shares	0.0	-236.5	0.0	0.0	-236.5
Other changes	0.0	10.0	20.6	31.4	62.0
Non-cash movements	46.3	-273.3	94.7	32.5	-99.8
December 31, 2021	18.0	3,329.1	317.6	64.1	3,728.8

The classification and valuation principles for financial liabilities are described in note 27.

22. Provisions CHF 121.6 mn (CHF 125.1 mn)

Provisions required for liabilities arising from guarantees, warranties, and environmental risks as well as restructuring costs are recognized as liabilities. Provisions are only recognized if Sika has a third-party liability that is based on a past event and can be reliably measured. Contingent liabilities are not recognized in the balance sheet but only for acquisitions. Potential losses due to future incidents are not recognized in the balance sheet.

in CHF mn	Warranties	Sundry risks	Total
Current provisions	19.4	6.6	26.0
Non-current provisions	38.7	56.9	95.6
Provisions	58.1	63.5	121.6
Reconciliation			
January 1, 2021	42.7	82.4	125.1
Additions	16.4	6.8	23.2
Assumed on acquisition	14.5	15.7	30.2
Exchange differences	-0.4	-1.0	-1.4
Utilization	-9.2	-11.3	-20.5
Reversal	-5.9	-29.1	-35.0
December 31, 2021	58.1	63.5	121.6

Provisions for guarantees reflect all known claims anticipated in the near future. The amounts of the provision are determined based on experience and are therefore subject to a degree of uncertainty. The outflow of funds depends on the timing of the filing and conclusion of warranty claims. Provisions for sundry risks include loan guarantees as well as open and anticipated legal and tax cases with a probability of occurrence above 50%.

From the sum of provisions, CHF 95.6 million (CHF 98.3 million) are shown as non-current liabilities, since an outflow of funds is not expected within the next twelve months. For provisions of CHF 26.0 million (CHF 26.8 million), an outflow of funds is expected during the next twelve months. These amounts are shown as current provisions.

This year, several legal cases were resolved where the amount accrued exceeded the amount required for settlement. In addition, certain legal cases were reassessed based on the current best estimates.

CONTINGENT LIABILITIES

In ongoing business activity the Group may be involved in legal proceedings such as lawsuits, claims, investigations, and negotiations due to product liability, mercantile law, environmental protection, health and safety, etc. There are no current proceedings of this nature pending which could have significant influence on business operations, or on the Group's financial position or income. The Group is active in countries in which political, economic, social, and legal developments could impair business activity. The effects of such risks which can occur in the normal course of business is unforeseeable. In addition, their probability of occurrence lies below 50%.

23. Employee benefit obligations

in CHF mn	2020			2021		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Employee benefit plans with defined benefits	18.7	213.9	195.2	149.5	205.8	56.3
Other employee commitments	-	105.6	105.6	-	117.1	117.1
Total	18.7	319.5	300.8	149.5	322.9	173.4

The Group maintains various employee benefit plans that differ in accordance with local practices. Group contributions to defined contribution plans are recognized in the income statement. Defined benefit plans are administered either through self-governed pension funds (funded) or recognized directly in the balance sheet (unfunded). The amount of the liabilities resulting from defined benefit plans is regularly determined by independent experts under application of the projected unit credit method. Actuarial gains and losses are recognized directly in the statement of other comprehensive income and are not reclassified subsequently to profit and loss. Asset surpluses of employee pension funds are considered only to the extent of possible future reimbursement or reduction of contributions.

Other long-term liabilities arise from long-service bonuses and similar benefits that Sika grants to its employees.

DEFINED CONTRIBUTION PENSION FUNDS

The majority of Sika subsidiaries operate defined contribution pension plans. In these, employees and employer regularly contribute to funds administered by third parties. This does not give rise to any assets or liabilities in the consolidated balance sheet.

DEFINED BENEFIT PENSION FUNDS

Defined benefit pension plans for staff exist in 47 Group companies. The biggest plans are in Switzerland, accounting for 80.0% (79.8 %) of Sika's entire defined benefit pension obligations and 96.9% (96.3%) of plan assets.

SWISS PENSION PLANS

Sika companies in Switzerland have legally independent foundations, thereby segregating their pension obligation liabilities. The Federal Law on Occupational Retirement, Survivors', and Disability Pensions (BVG) regulates occupational benefits in Switzerland. In the event of a significant deficit, employees and employers must jointly bear any restructuring measures, for example through additional contributions. The Swiss pension plans therefore qualify as defined benefit plans and the actuarially determined surplus or deficit is recognized in the consolidated balance sheet. In accordance with local statutory requirements, Sika has no further obligations towards the pension plans beyond the regulatory contribution payments.

The Sika pension fund insures employees in Switzerland against the risks of old age, death, and disability. In addition, there is a management pension plan and a welfare foundation which provide for further regulatory benefits. Together with the statutory requirements, the retirement regulations form the basis for occupational pension benefits. The retirement pension is calculated by multiplying the retirement assets available at the time of retirement by the conversion rates stipulated in the regulations. The employee has the option of drawing the retirement benefit as a lump sum. The employee also has the right to early retirement.

The administration of the Sika pension fund is the responsibility of the board of trustees as the supreme body, which is composed of the same number of employee and employer representatives. It is responsible for the enactment and implementation of the pension fund regulations, the financing of benefits, and the investment of assets. The investment strategy is defined in such a way that the benefits can be paid when they fall due. The Sika pension fund as well as the welfare foundation bear the investment risks and the longevity risk themselves. The pension fund has taken out congruent reinsurance for the risks of death and disability. The insurance-related and investment risks of the management pension scheme are fully reinsured.

In the current year, as in the prior year, the Swiss pension plans are showing a surplus under BVG and it is not expected that additional contributions will be necessary for the next year.

MOVEMENT IN THE NET DEFINED BENEFIT OBLIGATION

in CHF mn	Present value of obligation	Fair value of plan assets	Impact of asset ceiling	Total
At January 1, 2020	-1,032.2	858.1	-2.4	-176.5
Current service cost	-32.1			-32.1
Past service cost (-) and gains (+)/ losses (-) on settlements and curtailments	0.4			0.4
Interest expense (-)/interest income (+)	-4.6	2.9		-1.7
Total expense recognized in income statement	-36.3	2.9		-33.4
thereof Switzerland	-26.1	2.5		-23.6
thereof others	-10.2	0.4		-9.8
Return on plan assets, excluding amounts included in interest income		20.1		20.1
Actuarial gains (+)/losses (-) from change in financial assumptions	-12.0			-12.0
Actuarial gains (+)/losses (-) from change in demographic assumptions	0.3			0.3
Experience gains (+)/losses (-)	-22.6			-22.6
Change in asset ceiling			-0.5	-0.5
Total remeasurement recognized in other comprehensive income	-34.3	20.1	-0.5	-14.7
thereof Switzerland	-38.9	20.7	-0.5	-18.7
thereof others	4.6	-0.6	0.0	4.0
Exchange differences	3.5	-0.7		2.8
Contributions by employers		19.3		19.3
Contributions by plan participants	-14.9	14.9		0.0
Benefits paid	27.5	-20.3		7.2
Settlements paid	0.1			0.1
At December 31, 2020	-1,086.6	894.3	-2.9	-195.2
thereof Switzerland	-867.5	861.4	-2.9	-9.0
thereof others	-219.1	32.9	0.0	-186.2

MOVEMENT IN THE NET DEFINED BENEFIT OBLIGATION

in CHF mn	Present value of obligation	Fair value of plan assets	Impact of asset ceiling	Total
At January 1, 2021	-1,086.6	894.3	-2.9	-195.2
Current service cost	-34.0			-34.0
Past service cost (-) and gains (+)/ losses (-) on settlements and curtailments	1.8			1.8
Interest expense (-)/interest income (+)	-3.8	1.8		-2.0
Total expense recognized in income statement	-36.0	1.8		-34.2
thereof Switzerland	-27.1	1.3		-25.8
thereof others	-8.9	0.5		-8.4
Return on plan assets, excluding amounts included in interest income		97.0		97.0
Actuarial gains (+)/losses (-) from change in financial assumptions	26.0			26.0
Actuarial gains (+)/losses (-) from change in demographic assumptions	34.0			34.0
Experience gains (+)/losses (-)	-9.9			-9.9
Change in asset ceiling			-1.0	-1.0
Total remeasurement recognized in other comprehensive income	50.1	97.0	-1.0	146.1
thereof Switzerland	47.5	95.9	-1.0	142.4
thereof others	2.6	1.1	0.0	3.7
Exchange differences	10.2	-1.1		9.1
Contributions by employers		21.2		21.2
Contributions by plan participants	-16.9	16.9		0.0
Benefits paid	36.6	-28.4		8.2
Acquired in a business combination and others	-51.0	37.5		-13.5
Liabilities held for sale	2.0	0.0		2.0
At December 31, 2021	-1,091.6	1,039.2	-3.9	-56.3
thereof Switzerland	-873.4	1,006.7	-3.9	129.4
thereof others	-218.2	32.5	0.0	-185.7

The contributions expected to be paid into the defined benefit pension plans for 2022 amount to CHF 22.9 million.

The Group's total expenses for employee benefits are included in the consolidated financial statements under "Personnel expenses".

The stated deficit results mainly from the defined benefit obligation of the unfunded benefit plans of CHF 163.9 million (CHF 159.6 million). Schemes in Germany, in particular, do not have segregated assets. For the Swiss pension plan the result is a surplus of CHF 129.4 million (deficit of CHF 9.0 million).

MAJOR CATEGORIES OF TOTAL PLAN ASSETS

in CHF mn	2020			2021		
	Switzerland	Others	Total	Switzerland	Others	Total
Cash and cash equivalents	25.1	5.4	30.5	28.3	4.7	33.0
Equity instruments	384.6	2.2	386.8	462.2	1.7	463.9
Debt instruments	293.8	4.5	298.3	345.1	5.0	350.1
Real estate investments	150.7	0.0	150.7	169.0	0.0	169.0
Other assets	7.2	20.8	28.0	2.1	21.1	23.2
Total	861.4	32.9	894.3	1,006.7	32.5	1,039.2

Most of the plan assets of the pension schemes are invested in assets with quoted market prices. In the year under review, 9.6% (10.2%) of the investments in real estate did not have a quoted market price.

AMOUNTS INCLUDED IN PLAN ASSETS

in CHF mn	2020		2021	
	Switzerland	Others	Switzerland	Others
Shares Sika AG ¹	42.1	0.0	43.2	0.0
Own property occupied by Sika	10.6	0.0	11.4	0.0
Total	52.7	0.0	54.6	0.0

1 According to Swiss law, employer shareholdings may not exceed 5% of assets.

ACTUARIAL ASSUMPTIONS - WEIGHTED AVERAGE

	2020		2021	
	Switzerland	Others	Switzerland	Others
Discount rate in the year under review (%)	0.15	1.07	0.35	1.10

THE SENSITIVITY OF THE DEFINED BENEFIT OBLIGATION TO CHANGES IN THE PRINCIPAL ASSUMPTIONS

in CHF mn	Change in assumptions	Impact on defined benefit obligation	
		Switzerland	Others
Discount rate	+0.25%	-32.1	-8.0
Discount rate	-0.25%	34.4	8.2

FURTHER INFORMATION

	2020		2021	
	Switzerland	Others	Switzerland	Others
Total number of defined benefit plans	5	39	4	41
thereof number of defined benefit plans funded	4	12	3	12
thereof number of defined benefit plans unfunded	1	27	1	29
Average weighted duration in years	15.5	16.2	14.2	15.3

24. Other liabilities CHF 36.4 mn (CHF 31.3 mn)

Other liabilities consist of deferred revenue for warranty extensions that will not be realized within the next twelve months.

25. Shareholders' equity CHF 4,395.9 mn (CHF 3,288.0 mn)

in CHF mn	2020	2021
Capital stock	1.4	1.4
Capital surplus	203.1	437.4
Treasury shares	-5.2	-10.7
Currency translation differences	-1,047.7	-995.2
Retained earnings	4,134.2	4,960.9
Equity attributable to Sika shareholders	3,285.8	4,393.8
Non-controlling interests	2.2	2.1
Shareholders' equity	3,288.0	4,395.9

Equity accounts for 41.1% (33.6%) of the balance sheet total.

CAPITAL STOCK

The capital stock is equal to the nominal capital of all issued registered shares at par value of CHF 0.01. Share capital is structured as follows and changed this year according to the table below (no changes in the previous year):

	Units ¹	Par value in CHF
At January 1, 2021	141,781,160	1,417,812
Capital increase from conditional capital	1,263,807	12,638
At December 31, 2021	143,044,967	1,430,450

1 Includes treasury shares which do not carry voting and dividend rights.

CAPITAL SURPLUS

This item consists of the value of paid-in capital in excess of par value (less transaction costs).

TREASURY SHARES

Treasury shares are valued at acquisition cost and deducted from shareholders' equity. Differences between the purchase price and sales proceeds of treasury shares are shown as a change in retained earnings.

CURRENCY TRANSLATION DIFFERENCES

This item consists of the differential amount that arises from the translation into Swiss francs of assets, liabilities, income, and expenses of Group companies that do not use Swiss francs as their functional currency.

RETAINED EARNINGS

Retained earnings mainly comprise accumulated retained earnings of the Group companies that are not distributed to shareholders as well as profit/loss of treasury shares. Profit distribution is subject to local legal restrictions.

The Board of Directors proposes to the Annual General Meeting payment of a dividend of CHF 2.90 per registered share to the shareholders of Sika AG. This corresponds to a maximum possible payout amount of CHF 465.3 million assuming the potential exercise of all conversion rights (see notes 9 and 21).

NON-CONTROLLING INTERESTS

Non-controlling interests are accounted for at the corresponding share of the respective company. There are no material companies with non-controlling interests. The capital shares of all companies are disclosed in the list of group companies (see page 237 et seq. of this report).

26. Cash flow statement

Compared to previous year, cash flow statement was influenced by:

- a higher net profit before taxes (CHF + 275.2 million).
- an increase in net working capital of CHF 324.9 million compared to a decrease of CHF 124.5 million in the previous year. Due to higher raw material costs and the global supply chain disruptions, inventory values increased.
- reversal of provisions of CHF 25.4 million compared to additions of CHF 26.4 million in the previous year.
- higher tax payments (CHF -26.8 million).
- an increased investment activity in property, plant, and equipment (-37.2 million).
- increased acquisition activity (CHF -168.3 million).

CASH FLOW ANALYSIS

in CHF mn	2020	2021
Cash flow from operating activities	1,373.4	1,064.1
Cash flow from investing activities	-253.1	-469.2
Cash flow from financing activities	-769.0	-736.8
Exchange differences	-27.7	-1.8
Net change in cash and cash equivalents	323.6	-143.7

FREE CASH FLOW AND OPERATING FREE CASH FLOW

in CHF mn	2020	2021
Cash flow from operating activities	1,373.4	1,064.1
Net investment in		
Property, plant, and equipment	-102.7	-142.4
Intangible assets	-11.3	-13.3
Acquisitions less cash and cash equivalents	-136.1	-304.4
Disposals less cash and cash equivalents	2.9	0.0
Acquisition of associated companies	0.0	-7.8
Acquisitions (-)/disposals (+) of financial assets	-5.9	-1.3
Free cash flow	1,120.3	594.9
Acquisitions (+)/disposals (-) less cash and cash equivalents	133.2	312.2
Acquisitions (+)/disposals (-) of financial assets	5.9	1.3
Operating free cash flow	1,259.4	908.4

OTHER ADJUSTMENTS

in CHF mn	2020	2021
Profit (-)/loss (+) from disposals of non-financial assets	-9.1	-7.8
Personnel expenses settled through treasury shares	9.7	9.1
Others	4.3	-3.4
Total	4.9	-2.1

27. Financial instruments and risk management

Sika's financial instruments and the related risk management are presented in this note.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

The classification depends on the financial asset's contractual cash flow characteristics. Sika uses the following categories:

- At amortized cost – financial assets at amortized cost are measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the income statement when the asset is derecognized, modified, or impaired. Financial assets measured at amortized cost mainly comprise accounts receivable as well as smaller loans and other receivables. Accounts receivable are measured at the transaction price.
- At fair value through profit or loss – financial assets held for trading and derivatives are carried at fair value through profit or loss. Fluctuations in value are recognized in the income statement. The classification of equity instruments in this category is consistent with the Group's risk management and investment strategy. Sika does not apply hedge accounting.

All purchases and sales of financial assets are recognized on the settlement date. Financial assets are derecognized when Sika loses the rights to receive cash flows that comprise the financial asset. Normally this occurs through the sale of assets or the repayment of loans and accounts receivable.

At each balance sheet date Sika determines whether a financial asset is impaired. If there are objective indications that an impairment of assets carried at amortized cost has occurred or could occur based on forward-looking data, the amount of the impairment is the difference between the carrying amount of the asset and the present value of expected future cash flows, discounted at the original effective interest rate.

For accounts receivable, Sika applies a simplified approach in calculating expected credit losses. Therefore, an allowance is recognized at initial recognition and at each subsequent balance sheet date for the expected credit losses over the entire term. Sika has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors. Receivables are derecognized if they are classified as uncollectible.

PROVISION MATRIX OF ACCOUNTS RECEIVABLE

in CHF mn	Estimated total gross carrying amount at default	Expected credit losses
Not overdue	1,107.1	2.1
Past due < 31 days	142.1	2.1
Past due 31-60 days	52.4	2.6
Past due 61-180 days	50.7	8.6
Past due 181-360 days	23.2	15.5
Past due > 360 days	64.9	47.7
December 31, 2020	1,440.4	78.6
Not overdue	1,279.8	2.4
Past due < 31 days	167.8	2.3
Past due 31-60 days	62.5	2.7
Past due 61-180 days	55.8	8.1
Past due 181-360 days	20.9	13.1
Past due > 360 days	70.6	52.0
December 31, 2021	1,657.4	80.6

CLASSIFICATION AND MEASUREMENT OF FINANCIAL LIABILITIES

All financial liabilities are initially recognized at fair value, in the case of bonds and loans less directly attributable transaction costs. Subsequent measurement depends on their classification:

- At amortized cost – after initial recognition, interest-bearing bonds and loans are measured at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the liabilities are amortized or derecognized. Amortized cost is calculated taking into account any premium or discount and any fees or costs that are an integral part of the effective interest rate. Amortization using the effective interest method is included in the income statement as part of interest expense.
- At fair value through profit or loss – financial liabilities held for trading and derivative financial instruments are carried at fair value through profit or loss. Fluctuations in value are recognized in the income statement. Sika does not apply hedge accounting.

All purchases and sales of financial liabilities are recognized on the settlement date. A financial liability is derecognized when the underlying obligation has been fulfilled, cancelled, or expired. If an existing financial obligation is replaced by another financial liability of the same lender with substantially different contractual terms or if the terms of an existing liability are significantly changed, such an exchange or change is treated as a derecognition of the original liability and recognition of a new liability.

FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The hierarchy below classifies financial instruments, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: procedures in which all input parameters having an essential effect on the registered market value are either directly or indirectly observable.
- Level 3: procedures applying to input parameters that have an essential effect on the registered market value but are not based on observable market data.

An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing data on an ongoing basis.

Sika holds level 2 derivative financial instruments, namely swaps and forward contracts. Their fair value is based on forward exchange rates.

Although the own bonds are listed on the stock exchange, their transaction frequency does not reliably meet our expectation of an active market and are therefore assigned to level 2. The disclosed fair value is based on the prices of the last transactions on or before the balance sheet date.

Sika does not own any financial instruments requiring evaluation according to level 3 procedures.

FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

in CHF mn	Level	2020		2021	
		Book value	Fair value	Book value	Fair value
Cash and cash equivalents		1,318.7		1,175.0	
Accounts receivable		1,361.8		1,576.8	
Loans (at amortized cost)		18.9		27.1	
Securities (at fair value through profit and loss)	1	61.0	61.0	68.9	68.9
Derivatives (at fair value through profit and loss)	2	7.0	7.0	16.5	16.5
Financial assets at December 31		2,767.4		2,864.3	
Bank loans		2.6		18.0	
Accounts payable		846.3		1,033.2	
Lease liabilities		320.6		317.6	
Bonds	2	3,724.2	4,502.4	3,280.4	4,812.6
Mandatory convertible bond		97.0		48.7	
Other financial liabilities		33.0		53.7	
Financial liabilities measured at amortized cost		5,023.7		4,751.6	
Derivatives (at fair value through profit and loss)	2	9.2	9.2	10.4	10.4
Financial liabilities at December 31		5,032.9		4,762.0	

The book value of cash and cash equivalents, accounts receivable, loans, bank loans, accounts payable, lease liabilities, the liability component of the mandatory convertible bond, as well as other financial liabilities almost equal the fair value.

MANAGEMENT OF FINANCIAL RISKS

BASIC PRINCIPLES

The Group's activities expose it to a variety of financial risks: market risks (primarily foreign exchange risks, price risks, and interest rate risks), credit risks, and liquidity risks.

The corporate finance department identifies, evaluates, and hedges financial risks in close cooperation with the Group's operating units. Accounts receivable of CHF 0.1 million (CHF 1.9 million) as well as property, plant, and equipment of CHF 17.0 million (CHF 4.3 million) are pledged as security for own liabilities.

FOREIGN EXCHANGE RISKS

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and the US Dollar. Foreign exchange risks arise when commercial transactions as well as recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group makes every effort to offset the impact of exchange rate movements as far as possible by utilizing natural hedges. Foreign exchange forward contracts/swaps are used to hedge foreign exchange risks. Gains and losses on foreign exchange hedges and assets or liabilities carried at fair value are recognized through profit or loss. The Group does not apply hedge accounting.

OPEN DERIVATIVES

in CHF mn	Replacement value		Contractual value upon maturity		
	(+)	(-)	Contract value	Up to 3 months	3 to 12 months
Forward contracts (foreign exchange)	0.4	-2.6	163.6	58.1	105.5
Swaps (foreign exchange)	6.6	-6.6	1,005.3	299.3	706.0
Open derivatives 2020	7.0	-9.2	1,168.9	357.4	811.5
Forward contracts (foreign exchange)	1.1	-0.6	130.2	64.3	65.9
Swaps (foreign exchange)	15.4	-9.8	1,639.4	393.8	1,245.6
Open derivatives 2021	16.5	-10.4	1,769.6	458.1	1,311.5

Losses from currency differences recognized in the income statement amounted to CHF 32.8 million (loss CHF 63.5 million), including a net gain of CHF 18.9 million (net gain of CHF 38.3 million) from currency hedging transactions, which is included in other financial expenses. The currency differences arise from purchases and sales as well as financing activities in foreign currencies and are recognized in the corresponding income statement account.

Sika carries out a sensitivity analysis for the dominant foreign currencies', namely the Euro and US Dollar. The assumption is that the Euro and US Dollar respectively change against all other currencies by +/- 10%. The other currencies remain constant. The assumed possible currency fluctuations are based on historical observations and future prognoses. Incorporated into calculations are the financial instruments, Group-internal financing, and foreign currency hedge transactions in the corresponding currencies. The following table shows the sensitivity of a reasonably possible change in exchange rates in relation to the financial instruments included in the balance sheet. All other variables remain constant for this test. Changes in exchange rates can have an impact on consolidated profit before tax and, in the case of net investments in a foreign operation, on the translation differences recognized directly in other comprehensive income.

SENSITIVITY ANALYSIS ON EXCHANGE RATES

Impact in CHF mn on	2020		2021	
	Profit before tax	Comprehensive income	Profit before tax	Comprehensive income
EUR: +10%	13.5	0.0	-6.0	0.0
EUR: -10%	-13.5	0.0	6.0	0.0
USD: +10%	-7.9	0.0	-7.6	10.5
USD: -10%	7.9	0.0	7.6	-10.5

PRICE RISKS

The Group is exposed to purchasing price risks because the cost of materials represents one of the Group's largest cost factors. Purchasing prices are influenced far more by the interplay between supply and demand, the general economic environment, and intermittent disruptions of processing and logistics chains, ranging from crude oil to purchased merchandise, than by crude oil prices themselves. Short-term crude oil price increases have only limited impact on raw material prices. Sika limits market price risks for important products by means of maintaining corresponding inventories and Group contracts (lead buying). The most important raw materials are polymers such as polyurethane, epoxy resins, polyvinyl chloride and cementitious basic materials. Other measures such as hedging are not practical because there is no corresponding market for these semi-finished products.

INTEREST RATE RISK

Interest rate risks result from changes in interest rates, which could have a negative impact on the Group's financial position, cash flow, and earnings situation. Interest rate risk is limited through the issue of fixed-interest long-term bonds (see note 21). A change in the rate of interest would therefore alter neither annual financial expenses nor shareholders' equity materially. Local bank loans and mortgages are insignificant. Interest rate developments are closely monitored by management.

CREDIT RISK

Credit risks arise from the possibility that the counterparty to a transaction may not be able or willing to discharge its obligations, thereby causing the Group to suffer a financial loss. Counterparty risks are minimized by only concluding contracts with reputable business partners and banks. In addition, accounts receivable are monitored on an ongoing basis via internal reporting procedures. Potential concentrations of risks are reduced by the large number of customers and their geographic dispersion. No individual customer represents more than 2% of the Group's net sales. The Group held no securities for loans and accounts receivable at year-end 2020 nor at year-end 2021. The largest possible risk represented by these items is the carrying amount of the accounts receivable and any warranties granted.

LIQUIDITY RISK

Liquidity risk refers to the risk of Sika no longer being able to meet its financial obligations in full. Prudent liquidity management includes maintaining sufficient cash and cash equivalents and securing the availability of liquidity reserves which can be called upon at short notice. Group Management monitors the Group's liquidity reserve based on expected cash flows.

The table below summarizes the maturity profile of the Group's financial liabilities at the balance sheet date based on contractual undiscounted payments.

MATURITY PROFILE OF FINANCIAL LIABILITIES

in CHF mn	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Bank loans	0.6	2.0	0.0	2.6
Accounts payable	846.3	0.0	0.0	846.3
Lease liabilities	82.4	162.6	120.6	365.6
Bonds	195.8	2,335.2	1,413.5	3,944.5
Mandatory convertible bond (liability component)	48.8	48.8	0.0	97.6
Other financial liabilities	30.2	1.8	1.0	33.0
Financial liabilities measured at amortized cost	1,204.1	2,550.4	1,535.1	5,289.6
Financial liabilities at fair value through profit and loss	9.2	0.0	0.0	9.2
December 31, 2020	1,213.3	2,550.4	1,535.1	5,298.8
Bank loans	18.0	0.0	0.0	18.0
Accounts payable	1,033.2	0.0	0.0	1,033.2
Lease liabilities	80.5	163.8	122.3	366.6
Bonds	174.6	2,070.5	1,209.3	3,454.4
Mandatory convertible bond (liability component)	48.8	0.0	0.0	48.8
Other financial liabilities	34.3	18.4	1.0	53.7
Financial liabilities measured at amortized cost	1,389.4	2,252.7	1,332.6	4,974.7
Financial liabilities at fair value through profit and loss	10.4	0.0	0.0	10.4
December 31, 2021	1,399.8	2,252.7	1,332.6	4,985.1

CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy equity ratios to support its business. The Group manages its capital structure and adjusts it considering changes in economic conditions. No changes were made in the objectives, policies, or processes during the years ended December 31, 2021, and December 31, 2020. The Group monitors its equity using the equity ratio, which is shareholders' equity divided by total capital.

Other information

SIGNIFICANT SHAREHOLDERS

As at the balance sheet date December 31, 2021, Sika had received notification of four significant shareholders whose voting rights exceed 3%: (1) BlackRock Inc., which owned 7.7% of all voting rights. (2) William H. Gates and Melinda French Gates, who held 5.3% of all voting rights via Cascade Investment L.L.C. and Bill & Melinda Gates Foundation Trust. (3) The Capital Group Companies, who held 5% of all voting rights via Capital Research and Management Company, Capital Bank and Trust Company, Capital International Limited, Capital International, Inc., and Capital International Sarl. (4) Norges Bank (the Central Bank of Norway), which held 3.01% of all voting rights.

A list of changes in significant shareholdings reported to the Disclosure Office of SIX Swiss Exchange during the year under review can be found at https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/. There are no cross-shareholdings exceeding 3%, either in terms of capital or votes.

As at the balance sheet date December 31, 2020, Sika had received notification of four significant shareholders whose voting rights exceed 3%: (1) BlackRock Inc., which owned 7.7% of all voting rights. (2) William H. Gates and Melinda French Gates, who held 5.3% of all voting rights via Cascade Investment L.L.C. and Bill & Melinda Gates Foundation Trust. (3) The Capital Group Companies, who held 5% of all voting rights via Capital Research and Management Company, Capital Bank and Trust Company, Capital International Limited, Capital International, Inc., and Capital International Sarl. (4) Massachusetts Financial Services Company, which held 3.03% of all voting rights.

RELATED PARTIES

ASSOCIATED COMPANIES.

In the year under review, goods and services totaling CHF 1.1 million (CHF 2.0 million) were delivered to associated companies. These transactions occurred on the usual conditions between wholesale partners.

EMPLOYEE BENEFIT PLANS

In Switzerland, employee benefit plans are handled through independent foundations, to which a total of CHF 27.2 million (CHF 26.5 million) was paid in the year under review. As of the balance sheet date, no material receivables or payables were due from these foundations. Sika offices are located in a building leased from the pension fund foundation. Rent for 2021 amounted to CHF 0.7 million (CHF 0.7 million).

All transactions were conducted at market conditions.

REMUNERATION OF THE BOARD OF DIRECTORS AND GROUP MANAGEMENT

The Board of Directors and Group Management are entitled to the following remuneration:

in CHF mn	2020	2021
Current benefits	14.1	12.7
Share-based payments ¹	4.3	4.3
Pension benefits	1.3	1.4
Total	19.7	18.4

¹ Refer to note 4, employee participation plan - share-based payments.

Information regarding participations of the Board of Directors and Group Management of Sika AG can be found in the Sika AG's financial statements (on page 259 of this report).

RELEASE OF FINANCIAL STATEMENTS FOR PUBLICATION

The Board of Directors of Sika AG approved the consolidated financial statements for publication on February 15, 2022. The financial statements will be submitted for approval to the Annual General Meeting on April 12, 2022.

EVENTS AFTER THE BALANCE SHEET DATE

The following event occurred between December 31, 2021, and the release of these consolidated financial statements:

On January 25, 2022, the extraordinary shareholders' meeting of Sika AG decided to increase the existing conditional capital (see note 16 at Sika AG financial statements) by 3.2 million registered shares with a par value of CHF 0.01 each.

OTHER INFORMATION

PLANNED ACQUISITION

On November 11, 2021, Sika has signed a definitive agreement to acquire MBCC Group, the former BASF Construction Chemicals, from an affiliate of Lone Star Funds, a global private equity firm, for a consideration of CHF 5.5 billion.

MBCC Group is a leading supplier in construction chemicals worldwide. The acquisition will complement and broaden Sika's product and solution offerings in four of five core technologies and seven of eight Sika Target Markets and will further strengthen its geographic footprint. MBCC Group, headquartered in Mannheim, Germany, is active in the field of construction systems and admixture systems. With approximately 7,500 employees MBCC Group has operations in over 60 countries and more than 130 production facilities. In 2021, the company is expected to generate net sales of CHF 2.9 billion. MBCC Group has a world-renowned product portfolio of global and local brands which enjoy a strong reputation for quality and reliability. With its broad and balanced product offering, MBCC Group participates in all phases of the construction life cycle and is a key contributor to the decarbonization of the construction industry.

The financing of the planned transaction is secured by a bridge loan facility. Sika intends to put in place a long-term funding structure comprising a combination of cash-on-hand, bank loans, and capital markets instruments. The acquisition is subject to regulatory approval. The closing of the acquisition is targeted for the second half of 2022.

LIST OF GROUP COMPANIES

Country	Company ¹		Capital stock in thousands	Voting and capital share in %	Certifi- cation
EMEA (Europe, Middle East, Africa)					
Albania	❖ Sika Albania SHPK, Tirana	ALL	96,831	100	
Algeria	☐ Sika El Djazaïr SpA, Les Eucalyptus	DZD	313,400	100*	◆★★
	○ Mortero Spa, Béjaïa	DZD	60,000	71.5*	
Angola	○ Sika Angola (SU), Limitada, Luanda	AOA	172,596	100	
Austria	○ Sika Österreich GmbH, Bludenz	EUR	2,500	100	◆★
Azerbaijan	○ Sika Limited Liability Company, Baku	AZN	5,311	100	◆
Bahrain	○ Sika Gulf B.S.C., Adliya	BHD	1,000	100*	◆★★
	▲ Sika Arabia Holding Company WLL, Manama	BHD	6,000	100	
Belarus	○ Sika Bel LLC, Minsk	USD	14,175	100	
	○ BelINECO LLC, Brest	BYN	10,509	100*	◆
Belgium	○ Sika Belgium NV, Nazareth	EUR	10,264	100	◆★
	❖ Sika Automotive Belgium S.A., Saintes	EUR	1,649	100	★
Bosnia- Herzegovina	❖ Sika BH d.o.o., Sarajevo	BAM	795	100	
Bulgaria	○ Sika Bulgaria EOOD, Sofia	BGN	340	100	◆★
Cameroon	○ Sika Cameroon SARL, Douala	XAF mn	1,058	100	◆
Croatia	❖ Sika Croatia d.o.o., Zagreb	HRK	4,000	100	◆★
Czech Republic	○ Sika CZ s.r.o., Brno	CZK	30,983	100	◆★
	○ KVK PARABIT, a.s., Svoboda nad Upou	CZK	97,232	100*	◆★
	○ Krkonošské vápenky Kunčice, a.s., Kunčice nad Labem	CZK	25,000	100*	◆★
Denmark	○ Sika Danmark A/S, Farum	DKK	6,000	100	◆★
Djibouti	❖ Sika Djibouti FZE, Djibouti City	USD	300	100	
Egypt	○ Sika Egypt for Construction Chemicals S.A.E., Cairo	EGP	246,025	100	◆★★
	○ Sika Manufacturing for Construction S.A.E., Cairo	EGP	2,000	100	◆★★
	○ Modern Waterproofing Company S.A.E., Cairo	EGP	119,000	98.89	◆★★
Estonia	❖ Sika Estonia Oü, Tallinn	EUR	3	100	
Ethiopia	○ Sika Abyssinia Chemicals Manufacturing PLC, Addis Ababa	ETB	130,480	100	◆★★
Finland	○ Oy Sika Finland Ab, Espoo	EUR	850	100	◆★
France	○ Sika France SAS, Paris	EUR	468,018	100	◆★★
	○ Sika Automotive France SAS, Cergy-Pontoise Cedex	EUR	1,343	100*	◆★★
	○ ParexGroup SAS, Issy-Les-Moulineaux	EUR	4,065	100*	◆★★
Germany	▲ Sika Holding CH AG & Co KG, Stuttgart	EUR	26,000	100*	
	○ Sika Deutschland GmbH, Stuttgart	EUR	75	100*	◆★
	○ Sika Automotive Hamburg GmbH, Hamburg	EUR	5,300	100*	◆★
	○ Sika Trocal GmbH, Troisdorf	EUR	4,000	100*	◆★
	○ Sika Automotive Frankfurt-Worms GmbH, Worms	EUR	1,000	100*	◆★★
	▲ Sika Frankfurt Grundstücksgesellschaft mbH, Worms	EUR	25	100*	
	▲ Sika Worms Grundstücksgesellschaft mbH, Worms	EUR	25	100*	
○ Hago PU GmbH, Munich	EUR	1,000	100	◆	
Ghana	❖ Sika Chemicals Ghana Ltd., Accra	GHS	18,181	100	
Greece	○ Sika Hellas ABEE, Kryoneri	EUR	9,000	100	◆★★
Hungary	○ Sika Hungária Kft., Biatorbágy	HUF	483,000	100	◆★

Country	Company ¹		Capital stock in thousands	Voting and capital share in %	Certifi- cation
Iran	○ Sika Parsian P.J.S. Co., Tehran	IRR mn	293,229	100	
Iraq	○ Sika Company for General Trading LLC, Erbil	IQD	1,000	100	
Ireland	❖ Sika Ireland Ltd., Dublin	EUR	635	100	◆
Italy	○ Sika Italia S.p.A., Peschiera Borromeo	EUR	5,000	100	◆★★
	○ Sika Engineering Silicones S.r.l., Peschiera Borromeo	EUR	1,600	100*	◆★
	○ Sika Polyurethane Manufacturing S.r.l., Cerano	EUR	1,600	100	◆★★
	○ Index Construction Systems and Products S.P.A., Castel d'Azzano	EUR	7,740	100*	◆★
Ivory Coast	○ Sika Côte d'Ivoire SARL, Abidjan	XOF mn	1,942	100	◆
Kazakhstan	○ Sika Kazakhstan LLP, Almaty	KZT mn	1,413	100	◆★
Kenya	○ Sika Kenya Limited, Nairobi	KES	50,000	100	◆
Kuwait	❖ Sika Kuwait for Construction Materials & Paints Co WLL, Shuwaikh Industrial Area	KWD	55	100*	
Latvia	○ Sika Baltic SIA, Riga	EUR	1,237	100	
Lebanon	○ Sika Near East s.a.l., Beirut	LBP mn	1,340	100	◆
Mauritius	○ Sika (Mauritius) Ltd., Plaine Lauzun	MUR	2,600	100*	◆
Morocco	○ Sika Maroc, Casablanca	MAD	264,000	100	◆★★
Mozambique	○ Sika Moçambique Limitada, Maputo Province	MZN	410,535	100	
Netherlands	○ Sika Nederland B.V., Utrecht	EUR	1,589	100	◆★
	▲ Sika Capital B.V., Utrecht	EUR	10,000	100	
Nigeria	○ Sika Manufacturing Nigeria Limited, Lagos	NGN mn	512,236	100	
Norway	○ Sika Norge AS, Skjetten	NOK	42,900	100	◆★
Oman	❖ Sika LLC, Muscat	OMR	150	100*	
Pakistan	○ Sika Pakistan (Pvt.) Limited, Lahore	PKR	824,786	100	◆★★
Poland	○ Sika Poland Sp. z o.o., Warsaw	PLZ	12,188	100	◆★★
	○ Sika Automotive Zlotoryja Sp. z o.o., Zlotoryja	PLZ	6,000	100	◆★★
Portugal	○ Sika Portugal – Produtos Construção e Indústria SA, Vila Nova de Gaia	EUR	1,500	100	◆★
Qatar	○ Sika Qatar LLC, Doha	QAR	200	100*	◆
	○ Parex Group WLL, Doha	QAR	200	97*	
Romania	○ Sika Romania s.r.l., Brasov	RON	665,138	100	◆★★
	○ Adeplast S.R.L., Ploiești city	RON	157,632	100*	◆★★
Russia	○ Sika LLC, Lobnya	RUB	535,340	100	◆★
	○ Kreps Limited Liability Company, St. Petersburg	RUB	338,379	100	
Saudi Arabia	○ Sika Saudi Arabia Limited (A Single Shareholder Limited Liability Company), Jeddah	SAR	41,750	100	◆★
Senegal	○ Sika Sénégal S.U.A.R.L, Dakar	XOF mn	1,764	100	
Serbia	○ Sika Srbija d.o.o., Simanovci	EUR	373	100	◆★
Slovakia	❖ Sika Slovensko, spol.s r.o., Bratislava	EUR	1,131	100	◆★★
	○ Sika Automotive Slovakia s.r.o., Zlaté Moravce	EUR	7	100	◆★★
Slovenia	❖ Sika d.o.o., Trzin	EUR	1,029	100	◆★
South Africa	○ Sika South Africa (Pty) Ltd, Pinetown	ZAR	25,000	100	◆★★
Spain	○ Sika S.A.U., Alcobendas	EUR	19,867	100	◆★★
	○ Sika Automotive Terrassa S.A., Terrassa	EUR	2,965	100	◆★★
Sweden	○ Sika Sverige AB, Spånga	SEK	10,000	100	◆★
Switzerland	○ Sika Schweiz AG, Zurich	CHF	1,000	100	◆★★

Country	Company ¹		Capital stock in thousands	Voting and capital share in %	Certifi- cation
	▲ Sika Services AG, Zurich	CHF	300	100	◆★★
	▲ Sika Technology AG, Baar	CHF	300	100	◆★★
	▲ Sika Informationssysteme AG, Zurich	CHF	400	100	
	■ SikaBau AG, Schlieren	CHF	5,300	100	◆
	▲ Sika Finanz AG, Baar	CHF	2,400	100	
	○ Sika Manufacturing AG, Sarnen	CHF	14,000	100	◆★★
	▲ Sika Supply Center AG, Sarnen	CHF	1,000	100	◆★
	○ Sika Automotive AG, Romanshorn	CHF	3,000	100	★★
	▲ Sika Europe Management AG, Zurich	CHF	100	100	
	▲ Sika Americas Management AG, Baar	CHF	100	100	
	▲ Sika Germany Management AG, Baar	CHF	50	100	
	▲ Sika Global Business Management AG, Widen	CHF	100	100	
	○ Polypag AG, Altstätten	CHF	700	100	◆
	▲ Sika International AG, Baar	CHF	100	100	
Tanzania	○ Sika Tanzania Construction Chemicals Limited, Dar es Salaam	TZS mn	4,721	100	◆★
Tunisia	❖ Sika Tunisienne Sàrl, Douar Hicher	TND	150	100*	◆★
Turkey	○ Sika Yapi Kimyasallari A.S., Tuzla	TRY	48,700	100	◆★★
	○ ABC Kimya Sanayi ve Dış Ticaret Anonim Şirketi, Istanbul	TRY	5,200	100*	◆
	❖ Sika Turkey Otomotiv Sanayi ve Tic. Ltd. Şti., Istanbul	TRY	5,900	100	◆
	▲ ParexGroup Yapi Kimyasallari Sanayi Ve Ticaret AŞ., Istanbul	TRY	57,301	100*	
UAE	○ Sika UAE LLC, Dubai	AED	1,000	100*	◆★★
	❖ Sika International Chemicals LLC, Abu Dhabi	AED	300	100*	◆★★
	▲ Sumam Arabia Holding Co Limited, Dubai	AED	1	100	
Ukraine	○ LLC Sika Ukraina, Kiev	UAH	2,933	100	◆
	▲ LLC Sika Property, Kiev	UAH	4,000	100	
United Kingdom	○ Sika Limited, Welwyn Garden City	GBP	10,000	100	◆★★
	○ Everbuild Building Products Limited, Leeds	GBP	21	100*	◆★★
	○ Incorez Limited, Preston	GBP	1	100	◆★★
	▲ Axson UK Ltd., Suffolk	GBP	1	100*	
	▲ Sika Fibers Limited, Chesterfield	GBP	1	100	
	▲ Sika Fibers (Australia) Limited, Chesterfield	GBP	1	100*	
	▲ Dry Mix Solutions UK Ltd., Welwyn Garden City	GBP	1	100*	
	▲ Enevis Group Ltd, Lanarkshire	GBP	1	100*	
	○ Enewall Ltd, North Lanarkshire	GBP	947	100*	◆
	▲ Parex Ltd., Welwyn Garden City	GBP	345	100*	
Americas					
Argentina	○ Sika Argentina SAIC, Caseros	ARS	7,600	100	◆★★
	○ ParexKlaukol S.A., San Justo	ARS	1,001	100*	◆★
	▲ Spinna Argentina SRL, San Justo	ARS	790	100	
	▲ VDP Logistica SA, Ciudad de Buenos Aires	ARS	100	100*	

Country	Company ¹		Capital stock in thousands	Voting and capital share in %	Certifi- cation
Bolivia	○ Sika Bolivia SA, Santa Cruz de la Sierra	BOB	1,800	100	◆
Brazil	○ Sika S/A, Osasco	BRL	309,731	100	◆ ★ *
	○ Parexgroup Indústria e Comércio de Argamassas Ltda., Osasco	BRL	111,427	100	◆ ★ *
	○ Quimicryl S/A, Cotia	BRL	301	100*	◆
	○ Supermassa do Brasil Ltda., Pedro Leopoldo	BRL	2,440	100*	
Canada	○ Sika Canada Inc., Pointe Claire/QC	CAD	82,096	100	◆ ★
	○ Parex Construction Chemical Canada Inc., Anjou/QC	CAD	18,000	100*	
	○ Hydrotech Membrane Corporation, Anjou/QC	CAD	100	100*	
Chile	○ Sika S.A. Chile, Santiago de Chile	CLP mn	4,430	100	◆ ★
Colombia	○ Sika Colombia S.A.S, Tocancipá	COP mn	14,500	100	◆ ★ *
Costa Rica	○ Sika productos para la construcción S.A., Heredia	CRC mn	2,620	100	
Dom. Republic	○ Sika Dominicana SRL, Santo Domingo Oeste	DOP	37,848	100	
Ecuador	○ Sika Ecuatoriana S.A., Durán	USD	1,982	100	◆ ★
El Salvador	❖ Sika El Salvador S.A. de C.V., San Salvador	USD	2	100	
Guatemala	○ Sika Guatemala S.A., Ciudad de Guatemala	GTQ	2,440	100	
Honduras	❖ Sika Honduras, S.A. de C.V., Ciudad de San Pedro Sula	HNL	236	100	
Mexico	○ Sika Mexicana SA de CV, Corregidora	MXN	957,620	100	◆ ★
	○ Bexel Internacional S.A. de C.V., Monterrey	MXN	87,855	100*	
	▲ Bexel PI S.A. de C.V., Monterrey	MXN	25	100*	
	❖ Bexel Productos Innovadores en Acabados S.A. de C.V., Monterrey	MXN	50	100*	
Nicaragua	❖ Sika Nicaragua, Sociedad Anonima, Managua	NIO	20,000	100	
Panama	○ Sika Panama S.A., Ciudad de Panamá	USD	7,200	100	
Paraguay	○ Sika Paraguay S.A., Asunción	PYG mn	40	100	
	○ Parex Group S.A., Limpio	PYG mn	5,867	67*	
Peru	○ Sika Perú S.A.C., Lima	PEN	3,500	100	◆ ★
Uruguay	○ Sika Uruguay SA, Montevideo	UYP	22,800	100	◆ ★
	▲ Parex Group SA, Montevideo	UYP	18,551	100*	
USA	○ Sika Corporation, Lyndhurst/NJ	USD	72,710	100	◆ ★
	▲ Sarnafil Services Inc., Canton/MA	USD	1	100*	★
	○ Emseal Joint Systems Ltd., Westborough/MA	USD	1,040	100*	
	○ Emseal LLC, Westborough/MA	USD	1	100*	◆
	○ Sika Automotive Gastonia Inc., Gastonia/NC	USD	1	100*	◆ ★
	○ Parex USA, Inc., Anaheim/CA	USD	7,176	100*	
	○ Sika Automotive Kentucky LLC, Lyndhurst/NJ	USD	1	100*	★
	○ American Hydrotech, Inc., Chicago/IL	USD	7	100*	
Venezuela	○ Sika Venezuela SA, Valencia	VES	294	100	
Asia/Pacific					
Australia	○ Sika Australia Pty. Ltd., Wetherill Park	AUD	49,200	100	◆ ★ *
Bangladesh	❖ Sika Bangladesh Limited, Dhaka	BDT	79,416	100	
Cambodia	○ Sika (Cambodia) Ltd., Phnom Penh	KHR	422,000	100	◆ *
China	○ Sika (China) Ltd., Suzhou	USD	35,000	100	◆ ★ *

Country	Company ¹		Capital stock in thousands	Voting and capital share in %	Certifi- cation
	○ Sika Sarnafil Waterproofing Systems (Shanghai) Ltd., Shang- hai	USD	22,800	100	◆ ★ *
	○ Sika Guangzhou Ltd., Guangzhou	CNY	80,731	100	◆ ★
	❖ Sika Ltd. Dalian, Dalian	CNY	45,317	100	
	❖ Sika (Guangzhou) Trading Company Ltd., Guangzhou	CNY	3,723	100*	
	○ Sika (Sichuan) Building Material Ltd., Chengdu	CNY	60,010	100*	◆ ★ *
	○ Sika (Jiangsu) Building Material Ltd., Zhengjiang	CNY	60,010	100*	◆ ★ *
	○ Sika Automotive Shanghai Co. Ltd., Shanghai	CNY	2,666	100	◆ ★
	○ Sika Automotive (Tianjin) Co. Ltd., Tianjin	CNY	83,262	100	◆ ★ *
	○ Ronacrete (Guangzhou) Construction Products Limited, Guangzhou	CNY	17,056	100*	◆ ★
	❖ Home of Heart (Shanghai) E-Commerce Co. Ltd., Shanghai	CNY	10,000	100*	
	▲ Sika (Shanghai) Management Co., Ltd., Shanghai	USD	2,000	100*	
	▲ SikaDavco (Guangzhou) Management Co. Ltd., Guangzhou	USD	2,000	100*	
	❖ SikaDavco (Guangzhou) Co. Ltd., Guangzhou	USD	4,000	100*	◆ ★ *
	○ SikaDavco (Guangdong) New Materials Co. Ltd., Conghua	CNY	30,000	100*	◆ ★ *
	○ Changsha SikaDavco New Materials Co. Ltd., Changsha	CNY	10,000	100*	
	○ SikaDavco (Chengdu) Co. Ltd., Chengdu	CNY	20,000	100*	◆ ★ *
	○ SikaDavco (Dongguan) Co. Ltd., Dongguan	CNY	10,000	100*	◆ ★ *
	○ SikaDavco (Nanjing) Co. Ltd., Nanjing	CNY	10,000	100*	◆ ★ *
	○ SikaDavco (Quanzhou) Co. Ltd., Quanzhou	CNY	10,000	100*	◆ ★ *
	○ SikaDavco (Shanghai) Co. Ltd., Shanghai	CNY	25,000	100*	◆ ★ *
	○ Davco (Shijiazhuang) Co. Ltd., Shijiazhuang	CNY	10,000	100*	◆ ★ *
	○ SikaDavco (Hubei) Co. Ltd., Ezhou	CNY	10,000	100*	◆ ★ *
	○ Suzuka International (Shanghai) Co. Ltd., Shanghai	CNY	35,000	100*	◆ ★ *
	▲ Suzuka International (Shijiazhuang) Co. Ltd., Shanghai	CNY	10,000	100*	
	○ Sika (Jiangsu) Industrial Material Ltd., Jiangsu	CNY	59,312	100*	◆
	○ SikaDavco (Zhejiang) New Materials Co. Ltd., Zhejiang	CNY	32,760	100*	
	○ SikaDavco (Zhanjiang) New Materials Co. Ltd., Zhanjiang	CNY	10,000	100*	
	○ Sika Hamatite Automotive (Zhejiang) Ltd., Zhejiang	CNY	113,700	100*	◆ ★ *
	▲ Shenzhen Landun Holding Co. Ltd., Shenzhen	CNY	35,000	100*	
	○ Guangdong Landun Science and Technology Star Co., Ltd., Shenzhen	CNY	38,000	100*	
	○ Hubei Landun Science and Technology Star Co., Ltd., Xiaogan	CNY	36,660	100*	
	○ Sika Hongkong Ltd., Hong Kong	HKD	30,000	100	◆ ★
	❖ Ronacrete (Far East) Ltd., Hong Kong	HKD	450	100*	
	▲ Parex (China) Ltd, Hong Kong	HKD	35,950	100*	
	▲ Suzuka International Ltd, Hong Kong	HKD	10	100*	
India	○ Sika India Private Ltd., Mumbai	INR	85,000	100	◆ ★ *
	❖ Axson India Private Limited, Pune	INR	3,000	100*	
	○ Apurva India Pvt Ltd., Mumbai	INR	76,100	100*	◆
Indonesia	○ Sika Indonesia P.T., Bogor	IDR mn	3,282	100	◆ ★ *
Japan	○ Sika Ltd., Minato-ku	JPY	490,000	100	◆ ★ *
	❖ Dic Proofing Co. Ltd., Tokyo	JPY	90,000	100*	

Country	Company ¹		Capital stock in thousands	Voting and capital share in %	Certifi- cation
	○ Dyflex Co. Ltd., Tokyo	JPY	315,175	100	◆ ★ *
	■ DCS Co. Ltd., Toda-shi	JPY	30,000	100*	
	○ Sika Hamatite Co. Ltd., Tokyo	JPY	310,000	100*	
	✦ Sika Hamatite Sales Co. Ltd., Tokyo	JPY	10,000	100*	
Korea	○ Sika Korea Ltd., Seoul	KRW mn	5,596	100	◆ ★
Malaysia	○ Sika Kimia Sdn. Bhd., Nilai	MYR	44,000	100	◆ ★ *
	▲ Sika Harta Sdn. Bhd. (in liquidation), Nilai	MYR	10,000	100	
	▲ LCS Optiroc Sdn. Bhd., Johor Bahru	MYR	100	100	
	▲ ParexGroup Sdn Bhd (in liquidation), Port Klang	MYR	10,000	100*	◆ ★ *
	▲ Sika Asia Pacific Services Sdn. Bhd., Kuala Lumpur	MYR	500	100	
Mongolia	○ Sika Mongolia LLC, Ulaanbaatar	MNT mn	7,091	100	◆ *
Myanmar	○ Sika Myanmar Limited, Dagon Myothit (South) Township	MMK mn	1,700	100	◆ ★
New Zealand	○ Sika (NZ) Ltd., Auckland	NZD	1,100	100	◆ ★ *
Philippines	○ Sika Philippines Inc., Las Pinas City	PHP	55,610	100	◆ ★ *
	▲ ParexGroup Inc (in liquidation), Taguig City	PHP	1,000	100*	
Singapore	○ Sika (Singapore) Pte. Ltd., Singapore	SGD	6,250	100	◆ ★ *
	▲ Sika Asia Pacific Mgt. Pte. Ltd., Singapore	SGD	100	100	
Sri Lanka	○ Sika Lanka (Private) Limited, Ekala	LKR	129,100	100	◆ ★
Taiwan	○ Sika Taiwan Ltd., Taoyuan County	TWD	40,000	100	◆ ★
Thailand	○ Sika (Thailand) Ltd., Chonburi	THB	302,100	100	◆ ★ *
Vietnam	○ Sika Limited (Vietnam), Dong Nai Province	VND mn	44,190	100	◆ ★
	▲ A&P Construction Chemicals Joint Stock Company, Hanoi	VND mn	30,000	80*	

- Production, sales, construction contracting
- Production and sales
- ✦ Sales
- ▲ Real estate and service companies
- Construction contracting

- ◆ ISO 9001 (Quality Management)
- ★ ISO 14001 (Environmental Management)
- * 45001 (Occupational Health and Safety)

¹ For associated companies see note 18.

* Company indirectly held by Sika AG.

REPORT OF THE STATUTORY AUDITORS to the annual general meeting of Sika AG, Baar

Statutory auditor's report on the audit of the consolidated financial statements

OPINION

We have audited the consolidated financial statements of Sika AG and its subsidiaries (the Group), which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows, and appendix to the consolidated financial statements, including a summary of significant accounting policies, for the year ended December 31, 2021.

In our opinion the consolidated financial statements (pages 187 to 242 of this report) give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

BASIS FOR OPINION

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs), and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

GOODWILL - VALUATION

AREA OF FOCUS

Goodwill represents 31% of the Group's total assets and 75% of the Group's total shareholders' equity as at December 31, 2021. Goodwill recorded by the Group represents the purchase price in excess of the fair value of net assets of businesses acquired. As stated in the accounting principles included in the notes to the consolidated financial statements, the carrying amount of goodwill is tested annually or more frequently if impairment indicators are present. The Group performed its annual impairment tests of goodwill in the third quarter of 2021 and determined that there was no impairment. Key assumptions as well as the results of the impairment tests are disclosed in note 17 of the consolidated financial statements. In determining the recoverable amount of cash-generating units ("CGU"), management must apply judgment when using assumptions in respect of future market and economic conditions such as the economic growth and expected inflation rates. Due to the significance of the carrying values of goodwill and the judgment involved in performing the impairment test, this matter was considered significant to our audit.

OUR AUDIT RESPONSE

We assessed the design and implementation of the Group's internal controls over its annual impairment test and key assumptions applied as well as its authorization and approval. Further, we evaluated whether the CGU structure is aligned with the organizational structure. We included in our team a valuation expert to assist us with our assessment of the key assumptions including WACC, expected growth rates, and the overall model used. We analyzed sensitivities in the available headroom of CGUs and whether a possible change in assumptions such as forecasted EBITDAs, growth rates based on the underlying economic outlook, and WACC could cause the carrying amount to exceed its recoverable amount. We also inspected the historical accuracy of the Group's estimates and long-term business plans. Finally, we analyzed the adequacy of the Group's disclosures included in note 17 of the consolidated financial statements about those assumptions to which the outcome of the impairment test is most sensitive.

Our audit procedures did not lead to any reservations regarding to the valuation of the goodwill.

OTHER INFORMATION IN THE ANNUAL REPORT

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report, and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITY OF THE BOARD OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs, and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://www.expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Zurich, February 15, 2022

ERNST & YOUNG LTD

Christoph Michel
Licensed audit expert
(Auditor in charge)

Stefan Pieren
Licensed audit expert

FIVE-YEAR REVIEWS

CONSOLIDATED INCOME STATEMENT for the year ended December 31

in CHF mn	2017	2018	2019	2020	2021
Net sales	6,248.3	7,085.4	8,109.2	7,877.5	9,252.3
Material expenses	-2,849.2	-3,333.7	-3,765.2	-3,562.7	-4,461.0
Gross result	3,399.1	3,751.7	4,344.0	4,314.8	4,791.3
Personnel expenses	-1,212.1	-1,345.4	-1,544.3	-1,525.9	-1,635.3
Other operating expenses	-1,118.5	-1,256.4	-1,412.1	-1,291.3	-1,398.0
Operating profit before depreciation	1,068.5	1,149.9	1,387.6	1,497.6	1,758.0
Depreciation/amortization/impairment	-172.2	-204.0	-332.5	-367.1	-366.6
Operating profit	896.3	945.9	1,055.1	1,130.5	1,391.4
Interest income/interest expense	-16.4	-24.2	-55.0	-51.9	-45.4
Financial income/expense and income from associated companies	-17.8	-28.8	-33.5	-18.2	-10.4
Profit before taxes	862.1	892.9	966.6	1,060.4	1,335.6
Income taxes	-213.1	-205.8	-208.1	-235.3	-287.1
Net profit	649.0	687.1	758.5	825.1	1,048.5
Free cash flow	173.7	38.8	-717.0	1,120.3	594.9
Operating free cash flow	496.8	513.2	1,026.1	1,259.4	908.4
Gross result as % of net sales	54.4	53.0	53.6	54.8	51.8
Operating profit as % of net sales	14.3	13.4	13.0	14.4	15.0
Net profit as % of net sales (ROS)	10.4	9.7	9.4	10.5	11.3
Net profit as % of shareholders' equity (ROE)	19.0	41.0	24.0	25.1	23.9

SEGMENT INFORMATION

in CHF mn	EMEA					Americas				
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
Net sales	2,787	3,276	3,530	3,496	4,071	1,703	1,840	2,183	2,012	2,427
Operating profit	392	451	488	572	691	289	304	356	345	446
in % of net sales	14.1	13.8	13.8	16.4	17.0	17.0	16.5	16.3	17.1	18.4
Depreciation/amortization	85	91	141	154	153	36	44	78	82	81
Capital expenditures	85	114	89	48	54	55	46	41	36	47

in CHF mn	Asia/Pacific					Global Business				
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
Net sales	1,144	1,201	1,613	1,723	2,081	614	768	783	647	673
Operating profit	209	219	263	285	349	103	111	92	55	50
in % of net sales	18.3	18.2	16.3	16.5	16.8	16.8	14.5	11.7	8.5	7.4
Depreciation/amortization	25	25	59	76	78	9	19	25	25	25
Capital expenditures	25	29	35	27	44	17	19	17	11	14

in CHF mn	Other segments and activities					Total				
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
Net sales	0	0	0	0	0	6,248	7,085	8,109	7,878	9,252
Operating profit	-97	-139	-144	-126	-145	896	946	1,055	1,131	1,391
in % of net sales						14.3	13.4	13.0	14.4	15.0
Depreciation/amortization	17	25	29	30	30	172	204	332	367	367
Capital expenditures	6	6	11	10	12	188	214	193	132	171

A change in internal reporting practice was implemented effective January 1, 2021. The Advanced Resin business has been reallocated from the Global Business segment to the geographical regions. The prior years have been restated accordingly.

CONSOLIDATED BALANCE SHEET as at December 31

in CHF mn		2017	2018	2019	2020	2021
Cash and cash equivalents		1,037.9	914.0	995.1	1,318.7	1,175.0
Accounts receivable	a	1,188.8	1,322.7	1,441.9	1,361.8	1,576.8
Inventories	b	729.5	800.7	866.5	814.0	1,158.3
Other assets ¹		128.9	139.1	166.4	140.1	255.0
Current assets		3,085.1	3,176.5	3,469.9	3,634.6	4,165.1
Property, plant, and equipment		1,065.2	1,214.2	1,795.8	1,702.6	1,776.6
Intangible assets		1,317.1	1,693.9	4,351.0	4,172.3	4,373.0
Other assets ²		328.4	297.4	343.0	284.5	385.2
Non-current assets		2,710.7	3,205.5	6,489.8	6,159.4	6,534.8
ASSETS		5,795.8	6,382.0	9,959.7	9,794.0	10,699.9
Accounts payable	c	730.9	733.8	837.2	846.3	1,033.2
Financial liabilities		202.3	237.5	342.9	334.7	334.9
Other liabilities ³		420.4	435.5	632.9	644.1	719.9
Current liabilities		1,353.6	1,406.8	1,813.0	1,825.1	2,088.0
Financial liabilities		553.3	2,795.0	4,070.1	3,851.9	3,393.9
Non-current provisions, employee benefit obligations		316.4	316.8	414.9	417.8	418.5
Other liabilities ⁴		161.4	188.2	500.5	411.2	403.6
Non-current liabilities		1,031.1	3,300.0	4,985.5	4,680.9	4,216.0
LIABILITIES		2,384.7	4,706.8	6,798.5	6,506.0	6,304.0
Capital stock		1.5	1.4	1.4	1.4	1.4
Treasury shares		-6.6	-11.1	-7.3	-5.2	-10.7
Reserves		3,389.8	1,655.4	3,130.0	3,289.6	4,403.1
Equity attributable to Sika shareholders		3,384.7	1,645.7	3,124.1	3,285.8	4,393.8
Non-controlling interests		26.4	29.5	37.1	2.2	2.1
SHAREHOLDERS' EQUITY	d	3,411.1	1,675.2	3,161.2	3,288.0	4,395.9
LIABILITIES AND SHAREHOLDERS' EQUITY	e	5,795.8	6,382.0	9,959.7	9,794.0	10,699.9

1 Prepaid expenses and accrued income, other current assets, and assets classified as held for sale.

2 Investments in associated companies, deferred tax assets, and other non-current assets.

3 Accrued expenses and deferred income, income tax liabilities, current provisions, other current liabilities, and liabilities classified as held for sale.

4 Deferred tax liabilities and other non-current liabilities.

KEY BALANCE SHEET DATA

in CHF mn	Calculation	2017	2018	2019	2020	2021
Net working capital	(a+b-c)	1,187.4	1,389.6	1,471.2	1,329.5	1,701.9
Net working capital as % of net sales		19.0	19.6	18.1	16.9	18.4
Net debt ¹	f	-290.2	2,114.1	3,407.8	2,855.8	2,538.9
Gearing in %	(f:d)	-8.5	126.2	107.8	86.9	57.8
Equity ratio in %	(d:e)	58.9	26.2	31.7	33.6	41.1

1 Net debt: Financial liabilities (less derivatives) less interest-bearing current assets (cash and cash equivalents and securities).

VALUE-BASED KEY DATA

in CHF mn	Calculation	2017	2018	2019	2020	2021
Capital employed ¹		3,246.3	3,975.6	7,026.4	6,582.1	7,263.9
Annual average of capital employed	g	3,009.4	3,611.0	5,501.0	6,804.3	6,923.0
Operating profit	h	896.3	945.9	1,055.1	1,130.5	1,391.4
Return on capital employed (ROCE) in %	(h:g)	29.8	26.2	19.2	16.6	20.1

1 Capital employed: current assets, PPE, intangible assets less cash and cash equivalents, current securities, current liabilities (excluding bank loans and bond).

EMPLOYEES

	2017	2018	2019	2020	2021
EMEA (Europe, Middle East, Africa)¹	9,822	10,983	12,284	12,534	13,004
Germany	1,808	2,354	2,334	2,247	2,256
Switzerland	1,970	2,024	2,013	1,948	1,985
France	701	685	1,392	1,362	1,375
United Kingdom	837	864	951	890	972
America¹	4,621	4,867	6,271	5,936	6,820
USA ¹	1,911	2,164	2,547	2,438	2,671
Mexico	477	525	499	476	1,061
Brazil	574	589	964	824	833
Asia/Pacific	4,041	4,210	6,586	6,378	7,235
China	1,066	1,181	2,753	2,806	3,414
Japan	661	673	682	672	988
Total	18,484	20,060	25,141	24,848	27,059
Personnel expenses (in CHF mn)					
Wages and salaries	991	1,095	1,257	1,235	1,328
Social charges, other	221	250	287	291	307
Personnel expenses	1,212	1,345	1,544	1,526	1,635
Personnel expenses as % of net sales	19.4	19.0	19.0	19.4	17.7
Key data per employee (in CHF thousands)					
Net sales	348	368	359	315	356
Net value-added ²	117	117	116	107	118

1 Does not correspond to the Sika segments. The employees of Global Business were assigned to the respective company locations.

2 See next page, five-year reviews, value-added statement.

VALUE-ADDED STATEMENT

in CHF mn	2017	2018	2019	2020	2021
Source of value-added					
Corporate performance (net sales)	6,248	7,085	8,109	7,878	9,252
Intermediate inputs	-3,994	-4,619	-5,157	-4,819	-5,838
Gross value-added	2,254	2,466	2,952	3,059	3,414
Non-liquidity related expenses					
Depreciation and amortization	-172	-204	-333	-367	-367
Change in provisions	10	2	-6	-26	25
Net value-added	2,092	2,264	2,613	2,666	3,072
Distribution of value-added					
To employees					
Wages and salaries	991	1,095	1,257	1,235	1,328
Social charges	224	253	287	293	309
To governments	213	206	254	280	331
To lenders (interest expenses)	15	23	56	33	55
To shareholders (dividend payout, incl. non-controlling interests)	246	283	293	327	355
To the company					
Net profit for the year	649	687	759	825	1,049
Less dividend payout	-246	-283	-293	-327	-355
Net value-added	2,092	2,264	2,613	2,666	3,072
Number of employees					
End of year	18,484	20,060	25,141	24,848	27,059
Annual average	17,952	19,272	22,601	24,995	25,954
Net value-added per employee (in CHF thousands)	117	117	116	107	118

SIKA AG, BAAR

FINANCIAL STATEMENTS

SIKA AG INCOME STATEMENT for the year ended December 31

in CHF mn	Notes	2020	2021
Dividend income	1	342.7	470.6
Financial income	2	125.3	135.5
Other income	3	39.3	41.3
Income		507.3	647.4
Financial expenses	4	-154.5	-160.0
Personnel expenses		-22.3	-23.3
Other operating expenses	5	-31.0	-51.7
Operating profit before depreciation		299.5	412.4
Impairment losses (-)/reversal of a impairment losses (+) on investments		20.5	-9.9
Depreciation and amortization expenses		-0.1	-0.1
Net profit before taxes		319.9	402.4
Direct taxes		-10.9	-3.5
Net profit for the year		309.0	398.9

SIKA AG BALANCE SHEET as at December 31

in CHF mn	Notes	2020	2021
Cash and cash equivalents	6	849.9	617.9
Securities		0.3	0.1
Other current receivables from subsidiaries	7	2,910.0	2,677.9
Other current receivables from third parties	7	1.9	2.1
Prepaid expenses and accrued income		5.4	13.2
Current assets		3,767.5	3,311.2
Investments	8	3,339.3	3,412.0
Property, plant, and equipment		0.3	0.3
Other non-current assets	9	28.9	18.0
Non-current assets		3,368.5	3,430.3
ASSETS		7,136.0	6,741.5
Accounts payable to subsidiaries		1.8	13.7
Accounts payable to third parties		1.3	1.2
Current interest-bearing liabilities to subsidiaries	10	545.6	307.9
Current interest-bearing liabilities to third parties	10	170.0	1,449.8
Other current liabilities to third parties		1.3	2.1
Accrued expenses and deferred income	11	74.7	88.0
Current liabilities		794.7	1,862.7
Non-current interest-bearing liabilities	10	3,820.0	2,129.0
Non-current interest-bearing liabilities from subsidiaries	12	1,090.6	1,043.0
Other non-current liabilities	13	3.6	2.9
Non-current provisions	14	5.3	4.3
Non-current liabilities		4,919.5	3,179.2
LIABILITIES		5,714.2	5,041.9
Share capital		1.4	1.4
Legal capital reserves		56.5	295.4
Legal retained earnings		4.0	4.0
Voluntary retained earnings		121.7	121.7
Profit brought forward		1,243.4	1,287.8
Treasury shares	15	-5.2	-10.7
Shareholders' equity	16	1,421.8	1,699.6
LIABILITIES AND SHAREHOLDERS' EQUITY		7,136.0	6,741.5

NOTES TO THE SIKA AG FINANCIAL STATEMENTS

Principles

GENERAL

The 2021 financial statements were prepared according to the Swiss Law on Accounting and Financial Reporting. The significant accounting and valuation principles applied are as described below.

SECURITIES

Securities are valued at historical costs.

RECEIVABLES

The receivables are recorded at nominal value. If necessary, an allowance for doubtful debts is made on receivables from third parties, whereas for receivables from subsidiaries no allowance for doubtful debts is considered.

INVESTMENTS

Investments are initially recognized at cost. On an annual basis the investments are assessed individually and adjusted to their recoverable amount if required (individual value adjustment principle).

PROPERTY, PLANT, AND EQUIPMENT, AND INTANGIBLE ASSETS

Property, plant, and equipment, and intangible assets are valued at acquisition cost less accumulated depreciation and impairment losses. Depreciation is calculated using the straight-line method based on the useful life of the asset.

CURRENT AND NON-CURRENT INTEREST-BEARING LIABILITIES

Interest-bearing liabilities are recognized in the balance sheet at nominal value. Discounts and issue costs for bonds are recognized as other non-current assets and amortized on a straight-line basis over the bond's maturity period. Premiums (less issue costs) are recognized in the other non-current liabilities and amortized on a straight-line basis over the bond's maturity period.

PROVISIONS

Provisions are recognized to cover general business risks based on the most probable cash outflow, considering the principle of prudence.

TREASURY SHARES

Treasury shares are recognized at acquisition cost and disclosed as a negative position within shareholders' equity. In case of a resale, the gain or loss is recognized through the income statement as financial income or financial expenses.

SHARE-BASED PAYMENTS

For treasury shares used for share-based payment programs, the difference between the acquisition cost and the value at vesting date is recognized as personnel expenses.

INFORMATION ON BALANCE SHEET AND INCOME STATEMENT ITEMS

1. Dividend income CHF 470.6 mn (CHF 342.7 mn)

Dividends from subsidiaries are recognized in this position.

2. Financial income CHF 135.5 mn (CHF 125.3 mn)

Financial income includes interest income and gains from foreign exchange transactions. The increase in financial income is mainly driven by higher interest income and realized gains from hedging transactions.

3. Other income CHF 41.3 mn (CHF 39.3 mn)

Other income includes income from the cost allocation to subsidiaries. The increase is mainly caused by higher management fees.

4. Financial expenses CHF 160.0 mn (CHF 154.5 mn)

Financial expenses include the interest costs on bonds as well as foreign currency losses on loans to subsidiaries. Financial expenses mainly increased as a result of exchange losses on the valuation of loans, costs in connection with the early conversion of the convertible bonds (see note 10), and other financing costs.

5. Other operating expenses CHF 51.7 mn (CHF 31.0 mn)

This position includes the holding company's general expenses. Other operating expenses mainly include legal and consulting fees, costs related to management training, marketing expenses, as well as other operating expenses. Higher costs have been incurred this year with planned and already completed acquisitions.

6. Cash and cash equivalents CHF 617.9 mn (CHF 849.9 mn)

Bank deposits of CHF 571.0 million (CHF 826.4 million) are invested in Swiss francs and CHF 46.9 million (CHF 23.5 million) in foreign currencies.

7. Other current receivables from subsidiaries and third parties CHF 2,680.0 mn (CHF 2,911.9 mn)

Receivables consist of short-term loans to subsidiaries in the amount of CHF 2,612.4 million (CHF 2,860.7 million). In addition, Sika AG has receivables of CHF 65.5 million (CHF 49.3 million) from Sika subsidiaries and receivables from third parties in the amount of CHF 2.1 million (CHF 1.9 million).

8. Investments CHF 3,412.0 mn (CHF 3,339.3 mn)

The change in investments is mainly caused by capital increases at subsidiaries and acquisitions. Major participations are indicated on the list of Group companies beginning on page 237 of this report.

9. Other non-current assets CHF 18.0 mn (CHF 28.9 mn)

The other non-current assets contain the discounts and issue costs for bonds as well as non-current receivables from subsidiaries.

10. Interest-bearing liabilities current CHF 1,757.7 mn (CHF 715.6 mn)/ non-current CHF 2,129.0 mn (CHF 3,820.0 mn)

The current interest-bearing liabilities consist of loans to subsidiaries resulting from the worldwide cash management concept.

Furthermore, included in interest-bearing liabilities are the following bonds.

OUTSTANDING BONDS – CURRENT

in CHF mn			2020	2021
	Coupon	Term	Book value	Book value
Straight bond	0.125%	2018-07/12/2021	170.0	0.0
Straight bond	1.750%	2012-07/12/2022	n.a.	150.0
Mandatory convertible bond	3.750%	2019-01/30/2022	n.a.	1,299.8
Total			170.0	1,449.8

The mandatory convertible bond in the amount of CHF 1,300.0 million due in January 2022 was placed by Sika AG in 2019. The bond will be mandatorily converted into registered shares of Sika at maturity, subject to the early conversion rights of Sika and bondholders in accordance with the terms and conditions of the bond. The shares to be delivered upon conversion will be made available by either existing shares or by the issue of new shares from the conditional capital. At the end of December 2021, the bond has a minimum conversion price of CHF 125.17 and a maximum conversion price of CHF 140.82. In the reporting year, bonds with a nominal value of CHF 0.2 million were converted (no conversion in the previous year).

The following bonds are disclosed in the non-current interest-bearing liabilities.

OUTSTANDING BONDS – NON-CURRENT

in CHF mn			2020	2021
	Coupon	Term	Book value	Book value
Straight bond	1.750%	2012-07/12/2022	150.0	n.a.
Mandatory convertible bond	3.750%	2019-01/30/2022	1,300.0	n.a.
Straight bond	1.875%	2013-11/14/2023	200.0	200.0
Straight bond	0.625%	2018-07/12/2024	250.0	250.0
Convertible bond	0.150%	2018-06/05/2025	1,650.0	1,409.0
Straight bond	0.600%	2018-03/27/2026	140.0	140.0
Straight bond	1.125%	2018-07/12/2028	130.0	130.0
Total			3,820.0	2,129.0

The convertible bond in the amount of CHF 1,650.0 million due in 2025 was placed by Sika AG in 2018. The shares to be delivered upon conversion will be provided by existing shares or by the issue of new shares from the conditional capital. At the end of December 2021, the conversion price per share is CHF 189.10. The convertible bond can be converted early or redeemed early in accordance with the general bond conditions. In the reporting period, bonds with a nominal value of CHF 241.0 million were converted for the first time (no conversion in the previous year).

11. Accrued expenses and deferred income CHF 88.0 mn (CHF 74.7 mn)

Accrued expenses and deferred income include in particular pro rata interest on bonds issued of CHF 49.7 million (CHF 49.9 million). Also included are employee-related accruals and other accruals.

12. Non-current interest-bearing liabilities from subsidiaries

CHF 1,043.0 mn (CHF 1,090.6 mn)

Non-current interest-bearing liabilities are a loan liability to Sika Capital B.V., Netherlands. Sika Capital B.V. transferred the funds from the placement of the Euro bonds (nominal EUR 1,000.0 million) to Sika AG.

13. Other non-current liabilities CHF 2.9 mn (CHF 3.6 mn)

The other non-current liabilities mainly include the premium, less issue costs of the bonds.

14. Non-current provisions CHF 4.3 mn (CHF 5.3 mn)

The non-current provisions contain accruals for long-term employee retention and bonus programs as well as jubilee payments.

15. Treasury shares CHF 10.7 mn (CHF 5.2 mn)

In general, treasury shares are used for a Group-wide employee participation program and for liquidity investments. The shares are traded on the stock exchange at current market prices.

In addition, Sika AG has issued convertible bonds (see note 10). The shares to be delivered upon conversion are provided by existing shares or by the issuance of new shares from conditional capital. In the year under review, convertible bonds of CHF 2.3 million were converted into existing shares of Sika AG.

in CHF mn	Units	Share value
January 1, 2020	41,859	7.3
Reductions	-701,806	-127.8
Additions	682,742	125.7
December 31, 2020	22,795	5.2
January 1, 2021	22,795	5.2
Reductions	-208,397	-56.0
Additions	228,779	65.2
Conversion of bonds into shares	-12,052	-3.7
December 31, 2021	31,125	10.7

In the year under review, the average share price was CHF 300.27 (CHF 195.84).

16. Shareholders' equity CHF 1,699.6 mn (CHF 1,421.8 mn)

The ratio of shareholders' equity to balance sheet amounts to 25.2% (19.9%).

in CHF mn	Capital stock	Legal capital reserves ¹	Retained earnings ²	Treasury shares	Shareholders' equity
January 1, 2020	1.4	56.5	1,386.1	-7.3	1,436.7
Dividend payment			-326.0		-326.0
Transactions with treasury shares				2.1	2.1
Net profit for the year			309.0		309.0
December 31, 2020	1.4	56.5	1,369.1	-5.2	1,421.8
January 1, 2021	1.4	56.5	1,369.1	-5.2	1,421.8
Dividend payment			-354.5		-354.5
Increase from conditional capital		238.9			238.9
Transactions with treasury shares				-5.5	-5.5
Net profit for the year			398.9		398.9
December 31, 2021	1.4	295.4	1,413.5	-10.7	1,699.6

1 Thereof CHF 239.2 million (CHF 0.3 million) capital contribution reserves.

2 Retained earnings: legal retained earnings, voluntary retained earnings, and profit brought forward.

The higher profit in 2021 is mainly due to higher dividend income. In April 2021, the dividend of CHF 354.5 million from profit brought forward for 2020 was paid out to shareholders.

As of December 31, 2021, there is an unlimited conditional capital of CHF 143,255.13, divided into 14,325,513 registered shares with a par value of CHF 0.01 each (CHF 155,893.20, divided into 15,589,320 registered shares). These shares are reserved for the exercise of option or conversion rights. In the reporting year, 1,263,807 new shares were issued from conditional capital, which were used for the conversion of the issued bonds (see note 10 and 15).

The share capital corresponds to the nominal capital of all issued shares, is fully paid up, and is structured as follows (no changes in the previous year):

	Units	Par value in CHF
At January 1, 2021	141,781,160	1,417,812
Capital increase from conditional capital	1,263,807	12,638
At December 31, 2021	143,044,967	1,430,450

1 Includes treasury shares which do not carry voting and dividend rights.

Other information

FULL-TIME EQUIVALENTS

The number of full-time equivalents for the reporting year is 47 (54) employees.

CONTINGENT LIABILITIES

Letters of guarantee are issued to finance business transactions. Sika AG guarantees for Euro bonds issued by Sika Capital B.V., Netherlands (a 100% subsidiary of Sika AG), in 2019 in the total amount of nominal EUR 1,000.0 million. No guarantees are required for the established zero-balance cash pooling.

Letters of comfort are issued to subsidiaries, e.g. to secure rents for buildings, obligations to customers, or when required by local regulations.

in CHF mn	2020	2021
Letters of guarantee		
Issued	1,081.6	1,034.5
Used	0.0	0.0
Letters of comfort		
Issued	p.m.	p.m.
Used	0.0	0.0

Sika AG is part of Sika Schweiz AG's value-added tax group and is jointly liable to the tax authorities for the value-added tax obligations of the tax group.

NET RELEASE OF HIDDEN RESERVES

There is no net release of hidden reserves (net release of CHF 52.7 million).

SIGNIFICANT SHAREHOLDERS

On December 31, 2021, the company had 30,226 (21,764) registered shareholders. Information regarding significant shareholders can be found on page 235 of this report.

PARTICIPATIONS IN SIKA AG

Members of the Board of Directors and Group Management hold the following participations in Sika AG:

	Number of shares	
	2020	2021
Board of Directors		
Paul Hälg, Chair of the board	53,053	55,925
Viktor Waldemar Balli	871	1,669
Frits van Dijk, until April 2021	9,031	n.a.
Justin Marshall Howell	1,221	2,019
Monika Ribar	7,531	8,329
Daniel J. Sauter	49,788	50,586
Paul Schuler, since April 2021	n.a.	107,633
Christoph Tobler	7,291	8,089
Thierry F.J. Vanlancker	2,031	2,829
Group Management		
Thomas Hasler, CEO since May 2021	24,000	26,280
Paul Schuler, former CEO until May 2021	87,663	n.a.
Mike Campion	6,060	7,500
Christoph Ganz	26,800	28,400
Patricia Heidtman, since October 2021	n.a.	768
Frank Höfflin, until October 2021	9,086	n.a.
Philippe Jost	2,803	2,803
Raffaella Marzi	1,496	1,783
Ivo Schädler	7,907	9,947
Adrian Widmer	24,940	28,360
Total	321,572	342,920

Sika AG granted the following number of shares as part of employee participation programs. The shares were issued in April 2021 at a market price of CHF 271.80 (CHF 164.60).

in CHF thousands	2020		2021	
	Units	Nominal	Units	Nominal
Board of Directors	9,230	1,519.3	8,458	2,298.9
Group Management	11,880	1,955.4	11,400	3,098.5
Employees	4,621	760.6	2,840	771.9
Total	25,731	4,235.3	22,698	6,169.3

EVENTS AFTER THE BALANCE SHEET DATE

On January 25, 2022, the extraordinary shareholders' meeting of Sika AG decided to increase the existing conditional capital (see note 16) by 3.2 million registered shares with a par value of CHF 0.01 each.

Proposed appropriation of profit brought forward

The board of directors proposes to the annual general meeting the following appropriation of profit brought forward:

in CHF mn	2020	2021
Composition of the profit brought forward		
Net profit for the year	309.0	398.9
Results carried forward from prior year	934.4	888.9
Profit brought forward	1,243.4	1,287.8
Dividend payment		
Dividend payment out of the profit brought forward ¹	354.5	465.3
Results carried forward	888.9	822.5

1 Corresponds to the maximum possible distribution amount assuming potential exercise of all conversion rights (see note 10).

As the general statutory reserve currently exceeds 20% of shareholders' equity, a further allocation to the reserve was waived.

On approval of this proposal, the following payment will be made:

in CHF	2020	2021
Registered share¹ par value CHF 0.01		
Gross dividend	2.50	2.90
35% withholding tax on gross dividend	0.87	1.02
Net dividend	1.63	1.88

1 Registered shares, held by Sika AG, are non-voting shares and do not qualify for a dividend.

The Board of Directors proposes to the Annual General Meeting that a dividend of CHF 2.90 per single-class registered share be distributed to shareholders. The dividend for 2020 was CHF 2.50 per single-class registered share.

Payment of the dividend is tentatively scheduled for Wednesday, April 20, 2022. Registered shareholders will receive payment of the dividend at the address provided to the company for the purposes of dividend distribution.

The Annual General Meeting of Sika AG will be held on Tuesday, April 12, 2022.

Baar, February 15, 2022

For the Board of Directors
The Chair of the board:
Dr. Paul Hälgi

REPORT OF THE STATUTORY AUDITORS to the annual general meeting of Sika AG, Baar

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Sika AG, which comprise the income statement, balance sheet, and notes to the financial statements (pages 251 to 260 of this report), for the year ended December 31, 2021.

BOARD OF DIRECTORS' RESPONSIBILITY

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing, and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements for the year ended December 31, 2021, comply with Swiss law and the company's articles of incorporation.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the auditor's responsibilities section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

INVESTMENTS IN SUBSIDIARIES

AREA OF FOCUS

Sika AG holds investments in subsidiaries that represent 51% of the total assets of its statutory financial statements. The various investments are disclosed in note "List of Group Companies" of the consolidated financial statements of Sika AG. Total investments are material to the entity and may be subject to changes in value. Accordingly, management performs regular impairment considerations and calculations to determine the value of each single investment. The investments in subsidiaries were considered significant to our audit as the amounts concerned are material and the assessments involve judgment in preparing the underlying key assumptions for the valuation.

OUR AUDIT RESPONSE

Our audit procedures for the valuation of the investments consisted of auditing management's valuation assessment and the underlying key assumptions. We also assessed the historical accuracy of the Company's estimates and long-term business plans. We performed our own calculations to assess the valuation of each investment.

Our audit procedures did not give rise to any reservations regarding the valuation of the investments in subsidiaries.

REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of profit brought forward complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Zurich, February 15, 2022

ERNST & YOUNG LTD

Christoph Michel
Licensed audit expert
(Auditor in charge)

Stefan Pieren
Licensed audit expert

FINANCIAL CALENDAR

NET SALES FIRST QUARTER 2022	Tuesday, April 12, 2022
54TH ANNUAL GENERAL MEETING	Tuesday, April 12, 2022
DIVIDEND PAYMENT	Wednesday, April 20, 2022
HALF-YEAR REPORT 2022	Friday, July 22, 2022
RESULT FIRST NINE MONTHS 2022	Friday, October 21, 2022
NET SALES 2022	Wednesday, January 11, 2023
FULL-YEAR RESULT 2021	Friday, February 17, 2023

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