

# SIKA BUSINESS YEAR 2017

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BUILDING TRUST



# SUSTAINABILITY REPORT

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

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

## SIKA'S SUSTAINABILITY STRATEGY

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Sika continued to implement its 2014-2018 sustainability strategy during the year under review. With the aim of "enhancing utility and reducing impacts," the company continued to pursue its six strategic target areas, focusing on economic performance, sustainable solutions, local communities/society, energy, waste/water, and occupational safety.

Through its products, systems, and solutions, Sika strives to create long-term benefits and added value for all its stakeholders, and to significantly reduce resource consumption and the impacts associated with production processes.

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

## MATERIALITY ASSESSMENT

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

Sika considers the materiality analysis to be an important tool for identifying the most relevant economic, environmental and social aspects that are consistent with its business strategy,

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

Sika regularly reviews the materiality matrix to ensure that the sustainability agenda remains relevant as the business and the external context may be subject to changes (see GRI Standards). The company originally developed its sustainability materiality matrix in 2013 to identify and prioritize strategic target areas, based on extensive consultation with all stakeholders, through surveys and interviews with employees, customers, suppliers, investors and analysts, and NGOs, and some additional desk research. This shaped the six strategic target areas for the sustainability strategy.

Over the years Sika has developed metrics and targets in each strategic target area to measure the progress, and to meet the evolving expectations of stakeholders. Sika concentrates on the highest priority items in its Annual Report and gives a more detailed review in the annual GRI report. As a result of the review in 2015 the original findings were confirmed. The materiality of the topics was defined by taking into account:

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

## SUSTAINABILITY: TARGETS AND IMPLEMENTATION

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### **MORE VALUE OR ENHANCING UTILITY**

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

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

The development and launch of a Regional Sustainability Academy program for Asia Pacific and Latin America, within the framework of the Sika Business School, was one key activity in the year under review. The regional Academy aims to train employees from local subsidiaries to become sustainability experts, therefore enabling them to drive and accelerate the implementation of the "More Value – Less Impact" strategy at a regional and local level. Commercial and marketing-oriented people were trained to be local champions for "More Value" and operations and EHS people to be the local champions for "Less Impact". On completion of the program, these "ambassadors" have a deeper understanding about Sika's Sustainability strategy, targets, principles and tools, the benefits of using sustainability as a value creation concept, and how to initiate, manage and coordinate local sustainability activities and projects from both perspectives. The Sustainability Academy will be repeated in the future and is set to become an integral part of the Sika Business School's training program. The goal is to initiate even more activities in the area of sustainability and achieve further progress.

### **MANAGEMENT AND ORGANIZATION**

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

The existing network of local and regional EHS&S officers supports the local Sika companies in ideation, planning, and implementation of higher-level regional measures. Through the "More Value – Less Impact" communication campaign, Sika informed all internal stakeholders about the sustainability strategy and included them in planning and implementing respective measures. These activities were extended and intensified in 2017.

Sika has installed a Sika Sustainability Advisory Board (SAB) which became operational in 2016. The SAB has been estab-

lished to support a business model based on sustainability. An independent expert opinion aims to provide Sika management with further impulses regarding the direction and implementation of Sika's sustainability strategy.

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

## ECONOMICAL: PERFORMANCE

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### STANDARDS AND COMPLIANCE

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

**STRENGTHENING OF THE SIKA COMPLIANCE ORGANIZATION:** In the year under review, Sika continued to strengthen and train the Sika Compliance Organization. Sika held several Compliance Meetings, attended by the four Regional Compliance Officers.

**GLOBAL AWARENESS-RAISING CAMPAIGN ON COMPLIANCE:** In 2017, as part of the internal Global Awareness Raising Campaign on Compliance, Sika continued in the joint roll-out of the new digital e-learning module on the company's Code of Conduct and the new internal web-based reporting system for serious misconducts ("Sika Trust Line"), covering an additional 25 countries and training more than 5,000 employees in the different regions. In 2017 two alleged cases for minor misconduct (1 HR and 1 conflict of interest) were submitted through the Sika Trust Line. There has been no case of abuse or misuse of the new reporting platform.

**CODE OF CONDUCT:** In the year under review, Sika has increased the number of languages in which the Code of Conduct is available from 26 to 32. All 32 Code of Conduct official translations are available and accessible internally on the Corporate Policies and Manuals page on SikaConnect (internal collaboration platform) and SikaWorld (intranet).

**COMPLIANCE CONFIRMATION, COMMITMENT AND CHECKLIST 2018 (COMPLIANCE AUDITS):** General Managers of all Sika companies confirm for each fiscal year compliance of the corresponding Sika Company with the Code of Conduct principles, including information to and training of all staff. This annual confirmation allows Sika to receive assurance that the business had been conducted throughout the organization in compliance with the Code of Conduct principles, with particular focus on the following specific topics: Environment, Anti-corruption, Anti-trust and Human Rights Assessments. General Managers have also renewed, in the year under review, their commitment to lead with integrity by signing a "Compliance Commitment". All Sika Senior Managers have signed the Compliance Commitment 2018-2019.

**TRAININGS:** More than 220 managers have been trained. With regard to compliance training, Sika continues to align the content of the Sika Business School to enhance ethical leadership. In 2017, trainings and presentations on regional and local level informed about the importance of the Code of Conduct, an introduction on the new compliance organization, and the main tools available to support management in mitigating risks.

### INSPECTIONS AND AUDITS

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

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

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

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

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

### INVOLVEMENT OF ALL STAKEHOLDERS

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

## TAX APPROACH

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

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

Sika’s 2016 Country-by-Country Report, following the relevant OECD Guidelines, demonstrates that Sika’s Corporate Tax proactively implements new international tax rules and complies with new requirements where applicable. As a new standard, the OECD/G20 requires countries to request multinational enterprises to prepare and file a Country-by-Country Report containing aggregate tax information per country relating to the global allocation of the income, the taxes paid, and certain other indicators. For the Sika Group, the 2016 Country-by-Country Report was filed during 2017 with the Swiss Tax Administration on a voluntary basis making Sika one of the first Swiss Groups to start filing for the financial year 2016, two years ahead of the time when the reporting obligation will come into effect in Switzerland. As foreseen by the OECD, the Swiss Tax Administration will share this report with other countries where Sika has a taxable presence in order for their authorities to monitor that Sika is paying its fair amount of taxes.

## SUSTAINABLE SOLUTIONS

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

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

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

In the year under review, the sustainability appraisal process was used to assess 108 new local and global product developments. Of these, 12% were identified as relevant and have undergone or are undergoing closer scrutiny as they offer an improvement over the existing product and are therefore of particular importance for the company’s sustainability.

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

Another example is Sarnafil® G-410, a self-adhered thermo-plastic roofing membrane which was successfully launched in North America. The membrane design includes a pre-applied adhesive, which is covered with a release liner at the factory, providing more consistent coverage versus adhesive applied on site and double the speed and ease of application on the roof. By eliminating the use of liquid membrane adhesives, VOCs and adhesive odors were eliminated from potentially harming applicators and entering the building. The membrane is ideal for any project, but especially for those buildings that are sensitive to adhesive odors and fumes, such as schools, healthcare facilities and office buildings.

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

**IMPLEMENTATION:** All of the bigger countries in the key regions North America, Southern Europe, Northern Europe, Central Europe, and Eastern Europe further developed product sustainability road maps in the year under review. A priority in the year under review was to extend the scope of the road map activities into the Asia/Pacific and Latin America region. In this regard, the newly created regional Sustainability Academy programs played an important role in involving further national subsidiaries and increasing the future number of projects and activities.

The regional Sustainability Academy courses in Bangkok in July and Bogota in November were attended by 37 employees from various business segments from 19 country organizations in the Asia/Pacific and Latin America region. The participants were empowered to draw up and implement local market-oriented road maps with the support of local teams. Here, the commercial and marketing-oriented persons were nominated to be trained to be local champions for “more value” and operations and EHS persons to be the local champion for “less impact”. On completion of the program, the “ambassadors” have a deeper understanding of Sika’s sustainability strategy, targets, principles and tools, the benefits of using sustainability as a value creation concept and how to initiate, manage and coordinate local sustainability activities and projects from both perspectives. Based on the learnings of the Sustainability Academy, initial action plans were locally developed for Japan, China, Vietnam, Indonesia, Malaysia, and New Zealand. Roadmaps for the key Latin America countries Mexico, Colombia, Brazil, Chile, Peru, Ecuador, Argentina, and Uruguay will follow in 2018.

Customers, as well as legislature, increasingly demand that companies make the environmental performance or environmental impact of its products more transparent. This calls for sound data and knowledge about the effects of product manufacturing and the added value of finished products in their application and use phase. In the year under review, as in years before, Sika expanded the existing reference database for Environmental Product Declarations (EPD) for its products and systems in accordance with the international ISO and EN standards, which creates an increase in confidence by providing informa-

tion on the environmental performance of Sika solutions. Examples include the preparation of various EPDs for major polyurethane liquid-applied membranes for roof waterproofing solutions under the UK BRE standard. With this, Sika has published product-specific EPDs for all its major European single-ply and LAM (liquid applied membrane) roofing brands and technologies. Furthermore, Sika was the first company in the North American roofing market to publish third party certified cradle-to-grave Environmental Product Declarations (EPD). They include the full life cycle from resource extraction to factory gate, through the use phase and end of life treatment. Thanks to the long life expectancy of the Sarnafil membranes and the company’s recycling program to take back old membranes at the end of their service life, the figures show very good results. In 2018 the EPD activities in the North American market will be further extended to other product categories utilizing local US EPD standards.

The interest in EPDs has grown significantly since recent versions of the US Green Building Council’s (USGBC) LEED, the Green Building Initiative’s (GBI) Green Globes program and the UK’s British Research Establishment Environmental Assessment Method (BREEAM), amongst others, award credits for buildings incorporating products with EPD, which provide added value and comprehensive information for assessing buildings and other structures. With the increasing number of green building projects in commercial and public construction, and having a product portfolio that contributes to multiple green building requirements, Sika is in a good position to benefit.

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

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

Brochures, product and project case studies, and videos containing more detailed information from a range of target markets can be found at [www.sika.com/sustainability](http://www.sika.com/sustainability). They show how Sika solutions support sustainable construction and help to save energy, raw materials, and water, and reduce CO<sub>2</sub> emissions while meeting sustainable building standards.

## SOCIAL: PEOPLE

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### **SOCIAL RESPONSIBILITY**

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

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

**TARGET:** 5% more social projects per year. Social projects benefit all non-commercial stakeholder groups of local companies and their neighborhoods. They encompass monetary benefits or material donations, local projects and community engagement programs, dialog with stakeholder groups, communal consultation procedures, social activities and programs, training, environmental projects, or recovery programs. In 2017, this target was achieved.

**IMPLEMENTATION:** Sika sponsored 118 projects during the year under review (previous year: 90 projects). This equates to a year-on-year increase of 31%.

The projects can be classed under the headings “social” (including donations), “ecological,” “scientific,” and “sports and cultural.”

### **SOCIAL SPONSORSHIPS AND DONATIONS**

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

**Support of children and young people:** Projects sponsored by Sika in the year under review include initiatives like the continued support of the non-profit organization Operation Smile in Vietnam and Thailand. Sika has supported the activities of Operation Smile in Vietnam since 2010, and in Thailand since 2014. Thanks to the assistance of committed volunteers, the organization has, since 1989, arranged operations for some 220,000 children and youths with cleft lips and palates or similar facial disfigurements. Likewise, in 2017 Sika continued the support of children's homes throughout the world, for example in Lurín, Peru, Brasov, Romania, Madh Island, India and in Querétaro, Mexico.

**Education and schooling:** Another focus was to support schools. In China, Sika supports the Library Project, a nationwide initiative to sponsor libraries in public schools. In the year under review Sika donated 18,450 books to establish libraries at 20 schools.

Overall Sika has established 61 school libraries since 2015, benefiting 53,159 children. Sika was also involved in work to renovate 21 school libraries in the mountainous regions of the Chongqing and Sichuan provinces in the south and less developed areas of the country. In 2017, Sika also continued its support of a new school for girls and young women in Madagascar. The school prepares the young women for careers in education and is located in Tulear, a city of 150,000 inhabitants over 900 kilometers southwest of Antananarivo.

Sika Cambodia intensified its cooperation with “Smiling Gecko”, an NGO which runs several construction projects in the country. The projects are headed by architect and Professor Dirk E. Hebel of ETH Zurich and supported by the Center for Development and Cooperation (CDC) of the Berner Fachhochschule. With the support of Sika, Smiling Gecko was able to open a carpentry, which provides nine additional jobs and training places for young Cambodians. Furthermore, five bungalows and a restaurant have been completed in the “farmhouse project”.

Improving lives of people with a disability: In the year under review, Sika increased its engagement for improving the lives of people with physical or intellectual disabilities. The team from Sika Spain, for example, is helping to improve the recreation areas of the “Carmen Pardo Valcarce” Foundation, a pioneer in defending the fundamental rights of people with intellectual disabilities. At Sika’s facility in Gournay-en-Bray, France, a partnership with the local governmental initiative “ESAT” (‘Centre d’Aide par le Travail’) supports the professional reinsertion of disabled people.

Volunteering: Sika aims to vigorously support volunteering work in relation to social activities and personal development. In the year under review, Sika teams in Switzerland provided a group of refugees with an enjoyable and productive day out and brought help and assistance to mentally impaired working individuals. Volunteering work was carried out by Sika teams in all regions: volunteers from Sika USA, Construction Specifications Institute (CSI), and the local AEC community joined forces with “Rebuilding Together San Francisco” to take part in the “Give-Back Day.” The goal was to help provide maintenance and refurbishment to the popular community garden at Adam Rogers Park in San Francisco’s Hunter’s Point neighborhood. In Chile, students, teachers, and Sika staff worked together to improve the access to the pre-elementary school area, including the playground, the bicycle parking, and the trees.

#### ECOLOGICAL SPONSORSHIP

The focus of Sika’s ecological sponsorship is on water, building, infrastructure, and renewable energy projects. The main sponsorship partner in this field is the Global Nature Fund (GNF). Sika has supported the GNF and its international Living Lakes environmental program since 2004. Made up of over 100 partner organizations from various lake regions across the globe, the Living Lakes network aims to promote sustainable development and the protection of drinking water, lakes, and wetlands. The initiative uses concrete projects to demonstrate how, with the involvement of the local population, positive social and economic developments can be achieved in different regions and societies without any threat to nature and the environment. In the

reporting year, Sika sponsored drinking water and environmental projects in Ivory Coast, Tanzania, and Mexico. In the year under review the GNF obtained the Energy Globe Award for Green Filter Projects. These projects have been supported by Sika for some years, and focus on innovative and cost-effective systems for sewage treatment.

#### SCIENTIFIC SPONSORSHIP

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

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

2017 was the eighth year in which the Sika Master Award was presented to the author of an outstanding master’s thesis in the field of applied chemistry, based on the recommendation of ETH’s Department of Chemistry and Applied Biosciences. Sika also participates in ETH Zurich’s Partnership Council Sustainable Construction. This interdisciplinary forum promotes dialog on current research topics, supports resources and knowledge transfer, and encourages the launch of joint research projects in the field of sustainable construction.

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

In the year under review, Sika received the “Research Cooperation Prize” from the Technical University of Madrid for its socio-economic impact and relations with the university. The accolade recognizes the company’s commitment to innovation and its model relationship with the university, which has been close for more than 20 years.

#### SPORTS AND CULTURAL SPONSORSHIP

Sika supports sports and cultural projects throughout the world. The focus of sponsorship in Switzerland is on the Lucerne Symphony Orchestra, the EV Zug ice hockey club, the Oberwil Rebels, and the Swiss Sliding sports association. Sika France sponsors the French national handball team, who won the world championship in 2017. Furthermore, Sika was presenting partner of the Zug Sports festival where athletes and sport clubs had the opportunity to inspire the people of Zug/Switzerland.



Throughout the weekend of August 19-20, 2017, the Zug Sports festival offered a variety of activities for everyone to participate in or watch.

### **OCCUPATIONAL SAFETY**

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

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

**TARGET:** 5% fewer accidents per year. This refers to the number of work-related accidents leading to injuries and covers all Sika employees, including temporary and subcontracted staff, at the company's operating companies and units, and both industrial and nonindustrial sites. Construction projects are not factored in. In 2017, this target was achieved.

**IMPLEMENTATION:** The number of occupational accidents leading to lost work time of more than one day showed a year-on-year decrease of 8.4%. In the year under review, 8.7 occupational accidents per 1,000 employees were recorded (previous year: 9.5). In 2017, injuries again caused absences of an average of around 22 days (previous year: 22). This figure was strongly influenced by longer absences due to injuries to the system caused by accidents while walking.

Sika will continue to make constant improvements to safety in 2018, placing greater emphasis on employee participation. In the US, the comprehensive safety concept, which was launched in 2015 under the name "Sika Safe", led again to a significant reduction in accident numbers in 2017 resulting in approximately 70% less accidents per 1,000 employees over the past two years.

## **ECOLOGICAL: PLANET**

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### **LESS IMPACT: REDUCING THE NEGATIVE FOOTPRINT**

The following details relate to all business operations of the Sika Group, including the activities of newly acquired companies, and focus on the core themes of energy, water/waste, occupational safety, and CO<sub>2</sub> emissions at the more than 200 Sika production sites.

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

### **ENERGY**

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

**TARGET:** 3% less energy consumption per ton and year. This includes the total energy produced and consumed by all Sika operating companies and units, both industrial and nonindustrial sites. In 2017, this target was not achieved.

**IMPLEMENTATION:** In 2017 Sika consumed 1,961 terajoules of energy (previous year: 1,779 terajoules). Approximately 55% of Sika's energy requirements were met by electrical power from the local grid. The remaining demand was mainly covered by natural gas and liquid fuels.

Energy consumption per ton sold added up to 450 megajoules (previous year: 428 megajoules).

This increase is mainly due to acquisitions of factories with very energy-intensive production processes (resulting in plus 2.5% of total energy consumption in comparison to last year, adjusted for acquisitions). It is part of the integration process to review and analyze the impact performance, such as energy consumption, of newly acquired sites. This will consequently initiate local improvement projects to align with Sika expectations and targets. However these improvements not only need time but also investments on shop floor level.

However, overall energy consumption reduced by 17% (target 12%) from 2013 to 2017 from 541 MJ/t to 450 MJ/t which is an average of 4.25% per year.

## CO<sub>2</sub> EMISSIONS

CO<sub>2</sub> is a consequence of fossil energy consumption, and can only be limited within Sika by increasing energy efficiency. This is why Sika controls its CO<sub>2</sub> emissions via its energy target and has not set a specific reduction target at Group level. The total emissions fluctuate due to the energy mix consumed by the individual Sika entities and acquisitions. Sika's total CO<sub>2</sub> emissions run to around 193,000 tons compared to 187,800 tons in 2016.

**CO<sub>2</sub> EMISSIONS (DIRECT):** CO<sub>2</sub> emissions from energy consumed directly by all Sika operating companies and units, both industrial and nonindustrial sites, and by its own vehicles are calculated based on the reported fuel quantities. In 2017, CO<sub>2</sub> emissions from the use of primary energy sources ran to around 53,000 tons (previous year: 45,000 tons). Two factories in China still rely on locally sourced coal as fuel. However overall, coal consumption was cut by approximately 50%. Coal has a low gross calorific value and entails higher CO<sub>2</sub> emissions than natural gas. Emissions were reduced at two plants by adjusting the product mix, partially replacing a coal-intensive process with a coal-free process.

**CO<sub>2</sub> EMISSIONS (INDIRECT):** CO<sub>2</sub> emissions from indirect energy consumption, i.e., emissions not due to Sika's own primary energy usage, including leased vehicles and business travel, are derived from the reported energy quantities. CO<sub>2</sub> emissions caused by purchased electricity are calculated using current emission factors from the Greenhouse Gas protocol (GHG), applying average values for electric power production in each particular country. In 2017, CO<sub>2</sub> emissions caused by electricity consumption were calculated at 102,000 tons (previous year: 109,000 tons), i.e. approximately twice as high as direct CO<sub>2</sub> emissions. Leased vehicles and business travel caused additional CO<sub>2</sub> emissions of 22,000 and 16,000 tons respectively (previous year: 20,000 and 13,800 tons).

## WATER

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

**TARGET:** 3% less water consumption per ton and year. This includes water consumed by all Sika operating companies and units, both industrial and nonindustrial sites, whether from public utilities or from ground or surface water sources. In 2017, this target was not achieved.

**IMPLEMENTATION:** In 2017 Sika used approximately 1.4 million cubic meters of water (previous year: 1.3 million cubic meters). The water consumption per ton sold was around 0.32 cubic meters (previous year: 0.32 cubic meters).

From 2016 to 2017 there was no change in the water consumption. However overall, the water consumption was significantly reduced by 52% (target 12%) from 2013 to 2017 from 0.67 m<sup>3</sup>/t to 0.32 m<sup>3</sup>/t, which is an average of 13% per year.

## WASTE

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

**TARGET:** 3% less waste per ton and year. This includes all waste material sent to external contractors for disposal – except for materials returned to suppliers – and covers all Sika operating companies and units, including industrial and nonindustrial sites. In 2017, this target was not achieved.

**IMPLEMENTATION:** With an increased production volume, the company generated some 80,000 tons of waste (previous year: 74,000 tons). This corresponds to 18.4 kilograms of waste per ton sold (previous year: 17.8 kilograms per ton sold) or an increase of 3.4%. This significant increase is mainly due to newly enforced regulations in Pennsylvania, USA, in regard to the discharge of sewage water. This has an impact of more than 8% of the total generated waste. As a consequence Sika is in the process of designing its own, local waste water treatment station in order to reduce the main amount of waste and to recycle regenerated water for its production processes.

# IMPRINT

## **PUBLISHED BY**

Sika AG  
Zugerstrasse 50  
6341 Baar  
Switzerland

Phone +41 58 436 68 00  
Fax +41 58 436 68 50  
sikagroup@ch.sika.com  
www.sika.com

## **PROJECT TEAM**

Corporate Communications & Investor Relations and Corporate Finance,  
Sika AG, Baar, Switzerland

## **CONCEPT, DESIGN, REALIZATION**

ehingerbc AG, Zurich, Switzerland

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## **PHOTOGRAPHY**

Marc Eggimann, Basel, Switzerland  
Henrik Spohler, Hamburg, Germany

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**Sika AG**  
Zugerstrasse 50  
6341 Baar  
Switzerland

**Contact**  
Phone +41 58 436 68 00  
Fax +41 58 436 68 50  
[www.sika.com](http://www.sika.com)

