

SIKA
BUSINESS YEAR

2022

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The 2022 reporting consists of the online report, the complete annual report including the sustainability report as PDF download, and the printed magazine "Beyond the Expected". Through this multimedia approach, added value is being created.



More on the
2022 reporting

LETTER TO SHAREHOLDERS & STAKEHOLDERS

Sika exceeded CHF 10 billion sales mark – record EBIT achieved

Dear Readers,

Sika performed well against an increasingly difficult economic backdrop and exceeded the CHF 10 billion sales mark for the first time with sales of CHF 10,491.8 million. This corresponds to an increase in Swiss francs of 13.4% year-on-year. The currency effect came to -2.4%. Operating profit (EBIT) increased by 13.5%, reaching a new record figure of CHF 1,579.7 million. This equates to an EBIT margin of 15.1%.

RECORD FIGURES FOR SALES AND PROFIT

Not only did Sika achieve an all-time high in sales in fiscal 2022; it also set a record in profit. Price increases, rigorous cost management, efficiency gains, and synergies from acquisitions allowed the company to largely offset a significant rise in raw material costs. A profit from the divestment of the European industrial coatings business came alongside expenses relating to the MBCC acquisition. EBIT amounted to CHF 1,579.7 million (previous year: CHF 1,391.4 million) increasing by 13.5%. The EBIT margin expanded to 15.1% (previous year: 15.0%). Operating free cash flow came to CHF 865.2 million, and is therefore below the previous year's level (CHF 908.4 million) due to increased investments in the maintenance and expansion of factories.

GROWTH IN ALL REGIONS

Rising raw material costs around the globe were a prominent feature of fiscal year 2022, as well as a deceleration in the construction sector in the second half of the year. These developments can be attributed to high inflation and accompanying interest rate hikes.

The EMEA region (Europe, Middle East, Africa) reported a sales increase in local currencies of 8.3% in 2022 (previous year: 16.1%). Sika's distribution business, which includes product distribution via home improvement stores, builders' merchants, and online platforms, saw a decline in sales volume. The extraordinarily high level of demand witnessed during the pandemic moved back into line with pre-pandemic era levels. In contrast, volumes in the project business, which account for around 60% of sales in the region, witnessed a smaller decline. Economic stimulus programs and substantial investments in the transition of the

CO₂eq emissions per ton sold (scope 1 and 2)

-6.9%

energy sector support Sika's business activities even in declining markets. The region's strongest growth rates were recorded in Africa and the Middle East, which once again achieved double-digit sales growth.

The Americas region recorded growth in local currencies of 27.5% (previous year: 21.0%). Sika generated a large part of this growth from the US infrastructure sector, which saw a significantly higher activity in 2022 compared to the previous year. Construction work focused on the modernization and expansion of subway lines, bridges, tunnels, and freeways. High demand also came from investments in commercial construction projects, including stadiums and data centers. In addition, the US is seeing large-scale investment in reshoring, which involves bringing industrial know-how back to the United States from Asia and constructing new manufacturing plants. This will open new business opportunities for Sika. Construction activity in large parts of the US was affected by the severe weather in December, which disrupted deliveries of some Sika products.

The countries in Latin America likewise benefited from a high infrastructure investment, which has been fueled by strong urbanization trends. The expansion of public transportation networks has reached the implementation phase in several major cities, and investments are also being made in water treatment plants and reservoirs incorporating Sika solutions.

Dividend increase

+10.3%

Sales in the Asia/Pacific region rose by 14.8% in local currencies (previous year: 19.4%). The distribution business in China benefited from ongoing strong growth momentum, recording double-digit growth rates, whereas the project business was heavily impacted by pandemic-related lockdowns in the first nine months of the year and by another wave of the virus toward the end of the year. Sika's Indian business activities continued to experience dynamic development, and double-digit growth was achieved in challenging markets in Southeast Asian countries once the numerous lockdowns were lifted.

In Global Business, Sika achieved growth in local currencies of 22.2% (previous year: 4.3%), and thus grew much faster than the market. High demand for new vehicles and a normalization of supply chains boosted business activity. For the automotive business, Sika is anticipating a recovery in the market over the medium term with continued growth stimuli from electromobility and alternative drive concepts in particular.

SIKA ON THE PATH TO NET ZERO

Sustainability has been a key element of Sika's corporate strategy for more than a decade. As an innovation leader, the company develops sustainable solutions for the construction sector and industrial applications. Beyond this, innovations are playing a central role on the path to achieving the company's net zero target. By 2032, Sika will have reduced its GHG emissions by around 25% compared with the baseline year 2022, with this figure rising to 90% by 2050. In 2022, Sika was able to reduce CO₂eq emissions by -6.9% per ton sold (scope 1 and 2).

MBCC ACQUISITION IN THE FINAL STAGES

The takeover of MBCC is now in the final stages. An agreement was signed with Ineos in January of this year for the purchase of parts of MBCC Group's admixtures business with sales of around CHF 920 million. Closing of the acquisition is scheduled for the first half of 2023. The acquisition of MBCC is set to be significantly value-enhancing for Sika. Together with MBCC, Sika intends to strengthen its growth platform and generate annual synergies of CHF 160-180 million.

DIVIDEND INCREASE AND OUTLOOK

At the Annual General Meeting on March 28, 2023, the Board of Directors will propose to increase the gross dividend by 10.3% to CHF 3.20 (previous year: CHF 2.90) given the record high earnings of 2022. This is aligned with the Group profit increase of approximately 10%.

For 2023, we are confident that we will be able to successfully continue our strategy built on sustainable and profitable growth even in a challenging economic environment.

For 2023, we are confident that we will be able to successfully continue our strategy built on sustainable and profitable growth even in a challenging economic environment.

Thanks to our innovative technologies, we are the partner of choice for many customers in the construction and industrial sectors. In addition, the global construction industry is being shaped by the megatrend of climate change as well as by increasing automation, digitalization, and easy-to-apply products. With its broad product portfolio, We are well positioned to offer our customers solutions that allow them to reduce their carbon footprint while facilitating long-lasting, resource-saving construction. On top of this, Sika is benefiting from global, state-driven economic programs supporting infrastructure expansion and investments in climate protection.

For fiscal 2023, Sika expects sales to rise by 6-8% in local currencies and anticipates an over-proportional increase in EBIT (not including the impact of the MBCC acquisition).

EMPLOYEES – THE BEDROCK OF SUCCESS

We performed well last year in a challenging market environment, and – for the first time in our company’s history – we exceeded CHF 10 billion in sales. This solid result was possible thanks to our broad product portfolio, our ability to innovate with a focus on sustainable product technologies, and – in particular – our workforce, whose dedication and agility made outstanding achievements possible. We wish to thank them most sincerely for their considerable commitment, their focus on our shared goals, and the impressive way they identify with our company.

Dear readers: We are convinced that Sika is ideally equipped for future challenges. On behalf of the Board of Directors, our Group Management, and our more than 27,500 employees, we thank you for your trust in what we do.

Sincerely,



DR. PAUL HÄLG
Chair of the Board



THOMAS HASLER
CEO



Dr. Paul Hälg,
Chair of the Board



Thomas Hasler,
CEO

AT A GLANCE

In 2022, Sika exceeded the CHF 10 billion mark for the first time and was able to increase its EBIT margin to 15.1%.

Sales in CHF million

10,491.8

Operating profit (EBIT) in CHF million

1,579.7

FACTS & FIGURES 2022

Another year of record results

In 2022, 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

10,491.8
+13.4%

EBIT

1,579.7
+13.5%

Net profit

1,162.5
+10.9%

ROCE

21.6%
+1.5% points

per ton sold

CO₂eq emissions (scope 1 and 2)

-6.9%

Water consumption -6.1%

Waste -3.3%

Employees 27,708
+2.4%

Proportion of women employees 24.0%

Proportion of women Group Management 25.0%

Lost Time Accidents per 1,000 FTEs 7.0
-23.8%

Acquisitions 2⁺¹

New/expanded factories 5

New patents 104

Inventions 168

Employees in R&D 1,334

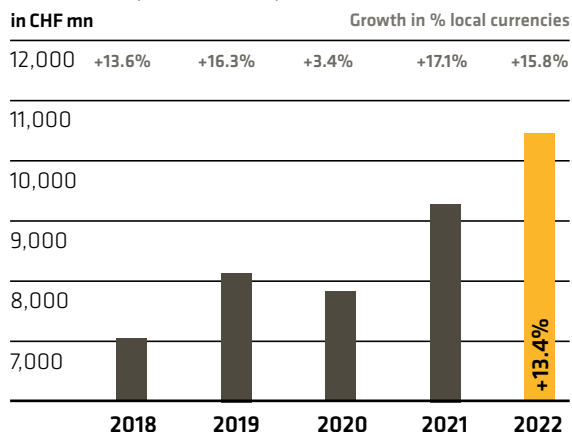
Global Technology Centers 21

¹ Besides the two acquisitions, Sika has signed a definitive agreement to acquire MBCC Group. The closing of the acquisition is targeted for the first half of 2023.

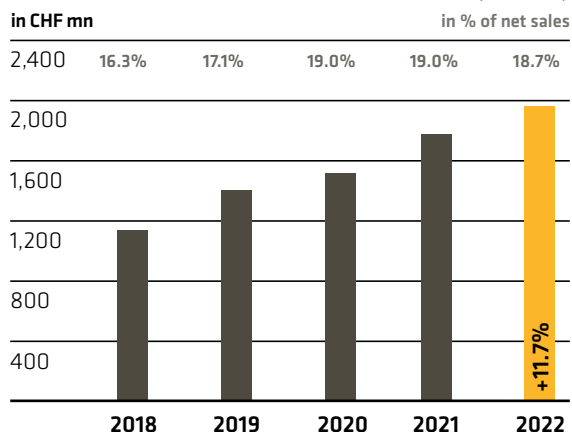
FACTS & FIGURES 2022

Strong development over the years

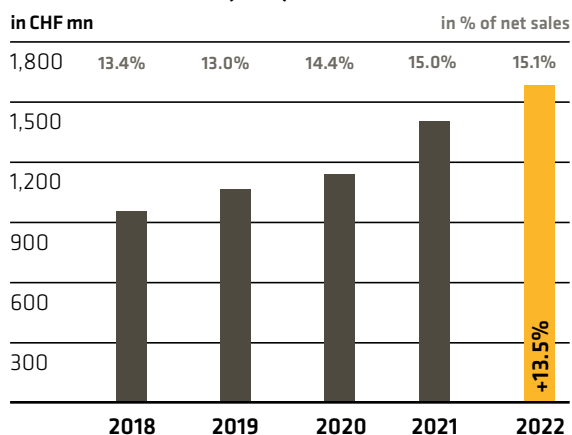
NET SALES (consolidated)



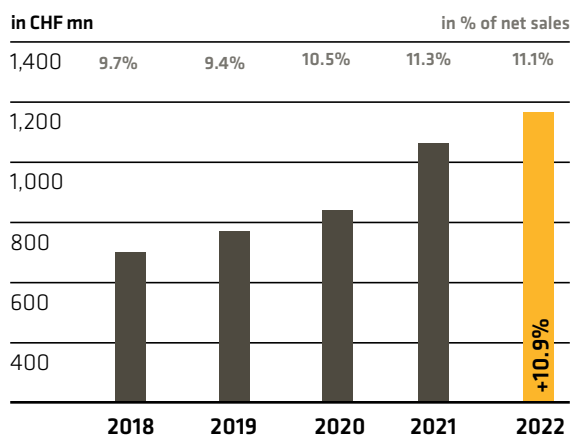
OPERATING PROFIT BEFORE DEPRECIATION (EBITDA)



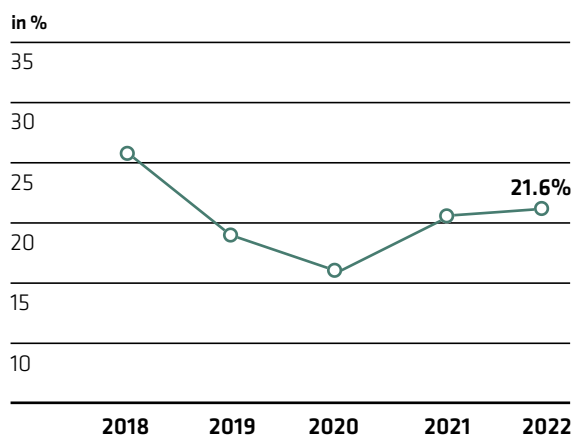
OPERATING PROFIT (EBIT)



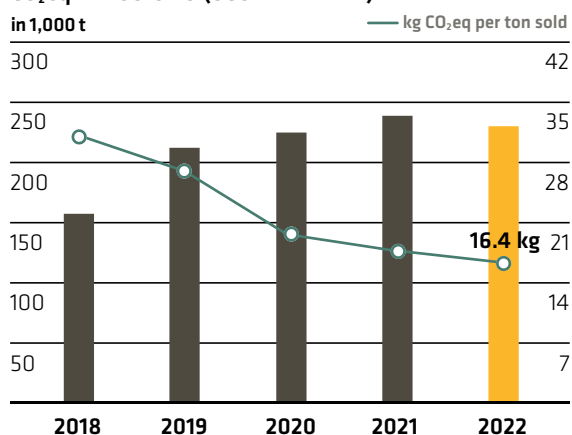
NET PROFIT



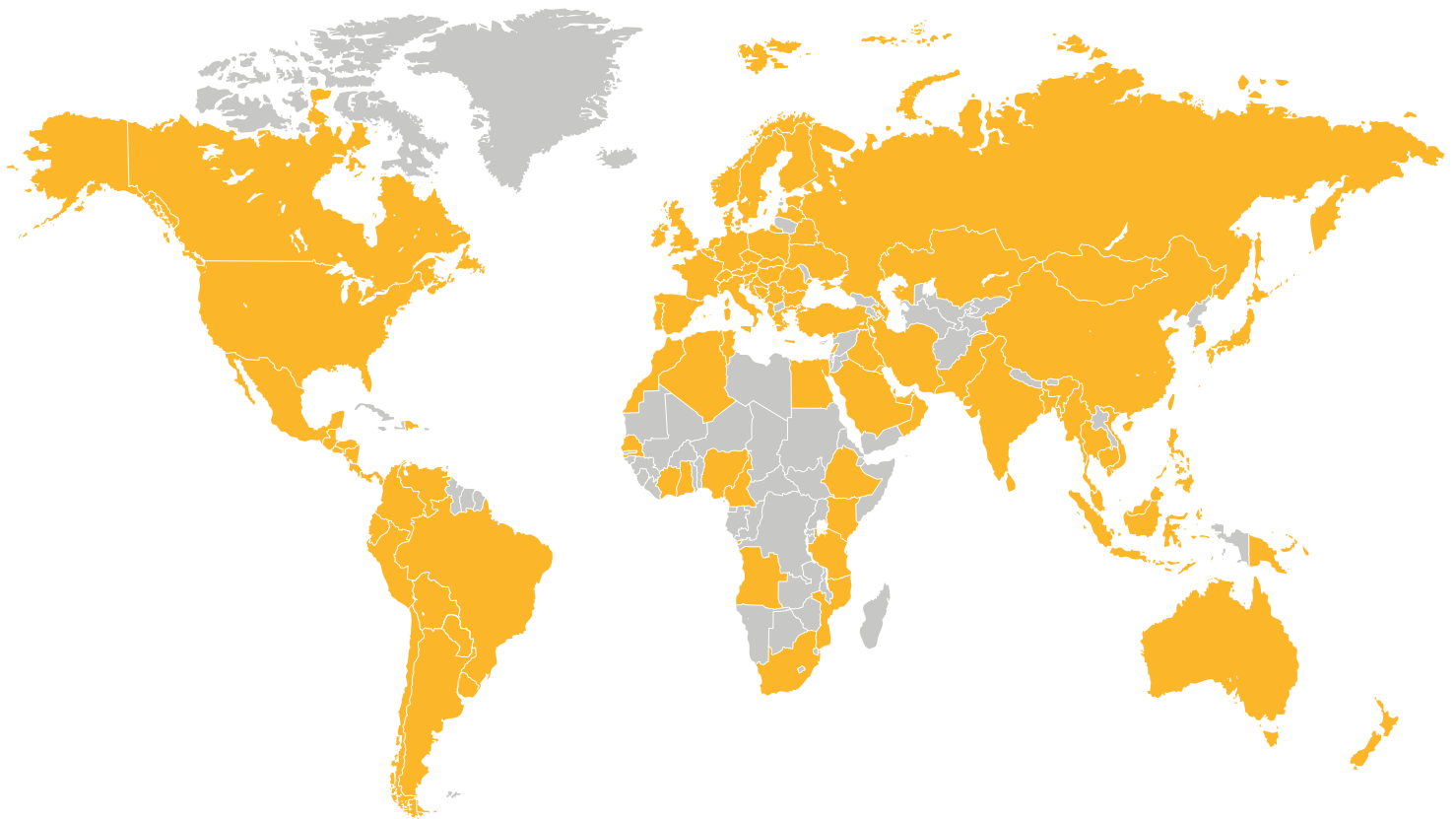
ROCE



CO₂eq EMISSIONS (SCOPE 1 AND 2)



GLOBAL PRESENCE



National subsidiaries

101

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

More than **27,500 employees** around the world put the customers in focus, providing them with excellent service and high-performance products.

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

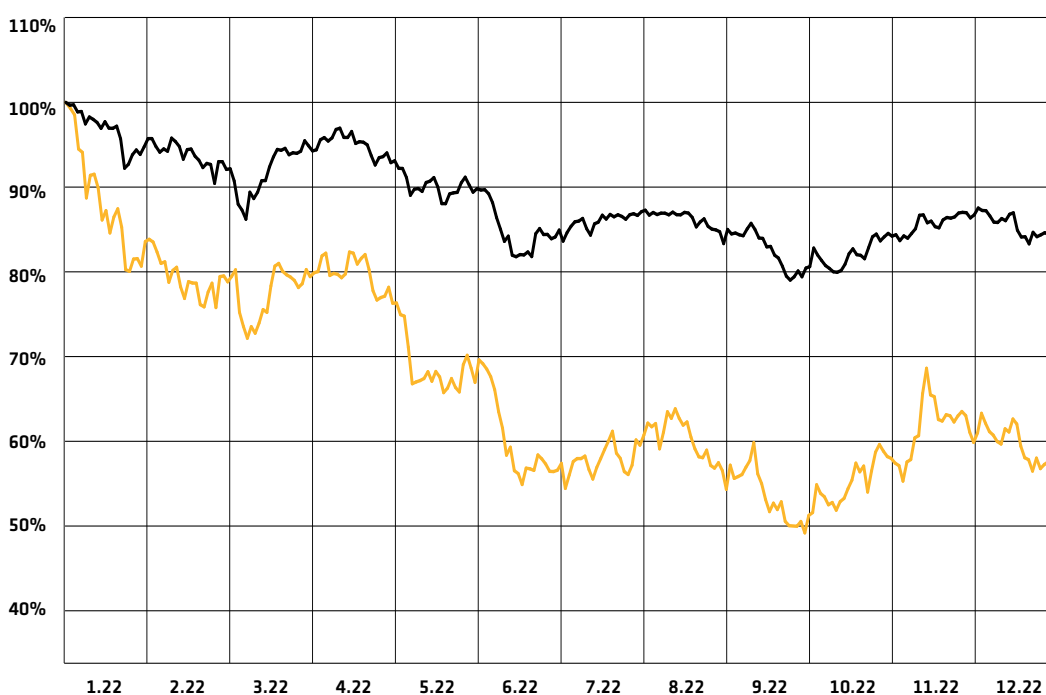
THE SIKA SHARE

Stock market on the decline

In a market characterized by uncertainty as a result of the war in Eastern Europe, high inflation, and rising interest rates, quality growth stocks such as Sika did not perform as well as the overall market. The SMI lost 16.09% in 2022, while the Sika share declined by 41.69%

SIKA VS SMI

1.1.2022–31.12.2022



-41.69%

With a share price decline of -41.69% the Sika share performed worse than the SMI Index.

CHF 221.70

Closing price of the Sika share at the end of 2022.

— Sika share
— SMI

GLOBAL SHARE INDICES

in %	2022
SMI	-16.09
DAX	-12.17
Dow Jones	-9.4
Nikkei	-10.95
Sika share	-41.69

STOCK EXCHANGE RATIO SIKA

in CHF	2022
Market capitalization as at 31.12.2022 in CHF mn	34,083.06
Yearly high	382.30
Yearly low	193.05
Year-end	221.70
Dividend 2021	2.90
Dividend 2022 ¹	3.20
Earnings per share (EPS) ²	7.57

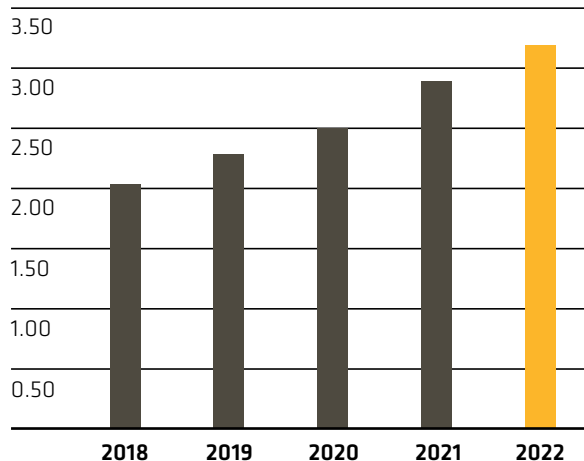
¹ Pursuant to proposal to Annual General Meeting
² Basic earnings per share

DIVIDEND PAYOUT

Dividend increase by 10.3%

At the Annual General Meeting, which will be held on March 28, 2023, the Board of Directors will propose to increase the gross dividend by 10.3% to CHF 3.20 (previous year: CHF 2.90) given the record high earnings of 2022. This is aligned with the Group profit increase of approximately 10%.

DIVIDEND CHF/share



Dividend increase

10.3%

2022: Pursuant to proposal to Annual General Meeting CHF 3.20.

STRATEGIC REPORT

Founded on megatrends,
Sika follows a growth
strategy that creates
value for all stakeholders.

Sales growth in local currencies

+15.8%

EBIT margin

15.1%

BUSINESS ENVIRONMENT

Future-oriented business model, megatrends, and products for sustainable construction and mobility

Sika's innovative products enable sustainable construction and mobility. These high-performance solutions are becoming the cornerstone of smart cities, and they are playing a pivotal role in solving humanity's current and future challenges.

Sika performed strongly in 2022, demonstrating the resilience of its business model, despite a demanding market environment that was affected by pandemic-related issues, inflation, higher interest rates, and the Russia-Ukraine conflict.

Attractive industries and markets

Sika is a pioneer in the development of systems and products for bonding, sealing, damping, reinforcing, and protecting in the building sector and motor vehicle industry. It is active in eight target markets: Concrete, Waterproofing, Roofing, Building Finishing, Flooring, Sealing & Bonding, Engineered Refurbishment, and Industry. The total market volume for construction chemicals is estimated at more than CHF 70 billion. According to current forecasts, the volume of this market should rise to around CHF 80 billion by 2025. This means that Sika is active in large markets with solid medium and long-term growth rates. Moreover, the fragmentation of these markets provides the company with additional potential to expand its business. For example, the combined market share of the ten largest internationally active companies in the construction chemicals sector is at around 40%. Sika's global market share amounts to somewhat more than 10%, and the aim is to increase this going forward. Sika is leveraging its reputation and global presence to steadily expand its market position.

Acquisitions in fragmented markets

Sika's overall strategy is based on organic growth driven by the entrepreneurial spirit of its employees. Organic growth is enhanced by carefully selected external growth opportunities. This is where acquisitions come into play. Well-chosen acquisitions can close business gaps to help Sika access new market segments and consolidate fragmented ones. Sika pursues acquisitions as a means of strengthening its core business, but it also uses acquisitions to integrate complementary technologies. These acquisitions allow Sika to stay competitive and innovate new products for construction and industrial applications. Acquisitions are growth platforms. Sika uses acquisitions as a catalyst for its success through expanding its capacity and improving operational efficiencies. Two acquisitions were made in the past year, namely Sable Marco Inc. in Canada and United Gilsonite Laboratories (UGL) in the US. Sable Marco is a manu-

facturer of cementitious products and mortars. Headquartered in Pont-Rouge, close to Québec City, the complementary acquisition will open new opportunities in the Eastern region of Canada and improve the access to the retail distribution channel. United Gilsonite Laboratories is a well-recognized manufacturer of products for consumer and DIY waterproofing applications. Their product portfolio is sold through the distribution channel and can be found in major retailers in the USA. This business is a perfect complement to Sika's high value-added systems for concrete and masonry waterproofing and refurbishment.

In November 2021, Sika signed an agreement to acquire MBCC Group, which is the former BASF Construction Chemicals. The transaction complements almost all of Sika's core technologies, applications, and solutions. It will create synergies and novel solutions that will help make the construction industry more sustainable. Sika proceeded with the transaction process in 2022 and has received unconditional regulatory approval for the transaction from authorities in most countries, among them Japan, China, Brazil, Serbia, Morocco, Russia, Colombia, Mexico, South Africa, Saudi Arabia, Turkey, and Thailand. In January 2023, an agreement was signed with Ineos for the purchase of parts of MBCC Group's admixtures business with sales of around CHF 920 million. The acquisition of MBCC is set to be significantly value-enhancing for Sika. Together with MBCC, Sika intends to strengthen its growth platform and generate annual synergies of CHF 160–180 million. The closing of the acquisition is scheduled for the first half of 2023.

Business model

Sika is well-positioned in both emerging and mature markets thanks to its global network of 101 subsidiaries, along with its first-class solutions that are tailored to customer needs. The company creates sustainable value for its stakeholders to whom the derived economic value is distributed. This includes governments through taxes, employees through compensation and benefits, shareholders through dividends and increased enterprise value, suppliers and service providers through raw material and service prices, and society through taxes and community projects. Part of the value earned is retained and invested to develop new products and solutions, acquisitions, and capital investments.

THE SIKA WAY

KEY RESOURCES AND RELATIONSHIPS

People

>27,000

Employees are key to Sika's success. Their dedication and customer-focused work contributes to strategic target achievement.

Sika's employees

Research & Development

>1,300

The company operates R&D centers worldwide and has an international network of scientists, partners, suppliers, and customers.

R&D employees

Planet

>4,000 TJ

Environmental resources (energy, water, raw materials, etc.) are needed to develop and produce products and solutions.

Energy consumption

Suppliers

>15,000

Sika purchases direct materials, trading goods, and packaging materials. The supplier network embraces the same set of values as Sika.

Sika's suppliers

Operations

>300

Sika produces products and systems for the building and industrial sectors. The company operates in more than 100 countries.

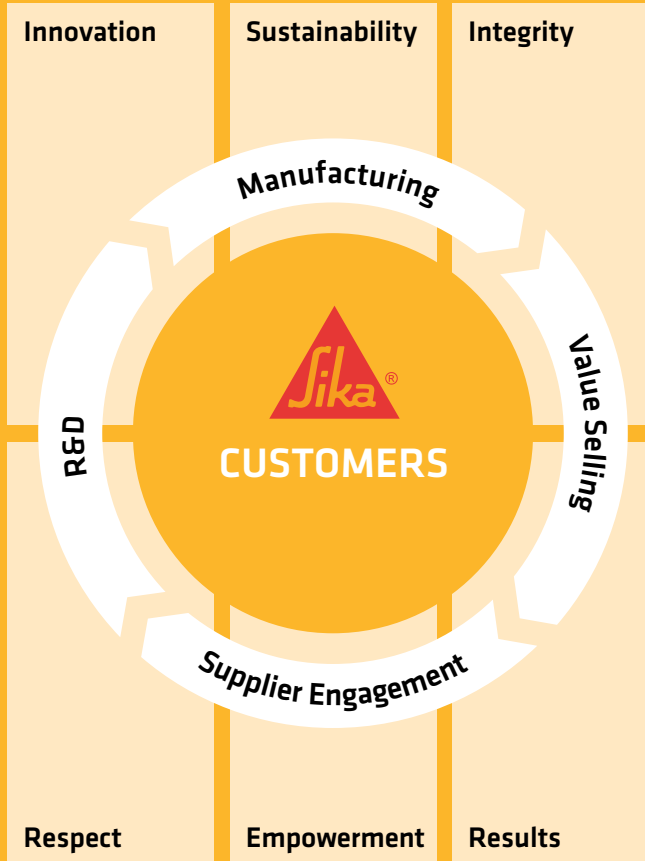
Production sites

Financial resources

CHF 600 mn

Cash, equity, and debt to invest in Sika's long-term, sustainable business development.

Bond issue



VALUE CREATION FOR ALL STAKEHOLDERS

People

CHF 1,711 mn

Sika places a great value on keeping employees' skills sharp, guarantee the highest safety standards and eliminate workplace accidents.

Personnel expenses

Customers

>400

Sika's sustainable solutions lower customers' CO₂ emissions and resource consumption, while maximizing their success.

New product releases

Planet

-6.9%*

Sika promotes efficient use of energy, water, and material resources while minimizing impacts on ecosystems.

Scope 1 and 2 CO₂eq per ton sold

Suppliers

CHF 5,312 mn

Sika engages with suppliers to develop mutually beneficial relationships, drive progress and sustainable development in the industry.

Material expenses

Society & Communities

>400

Sika is committed to being a reliable taxpayer. Tax rate in 2022 was at 24.4%. The company supports communities through engagement projects.

Engagement projects

Shareholders

+11%*

The growth strategy delivers sustainable value creation for shareholders. Dividends and increased enterprise value generate returns.

Net profit

* vs. 2021

NET ZERO COMMITMENT

Economic conditions in the markets of Sika's 100-plus operating entities vary widely. With its agile and empowered organization, Sika delivers solutions adapted to local and global customer needs. This gives the company a highly diversified business model that is crisis-resistant thanks to its presence in all channels, unwavering customer focus, and high-performance portfolio with sustainable product solutions for newbuild and refurbishment projects. Sika distinguishes between three levels of maturity in its construction markets:

- The dominant feature of 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.
- As markets develop, they attract greater investment in advanced building standards and high-quality solutions. The products sought after are those that offer greater environmental compatibility and 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 need investments. In these situations, refurbishing the existing structure is often the most sustainable and cost-efficient solution. For example, renovation projects may require the waterproofing and reinforcement of bridges or improvement of the energy efficiency of a building. The refurbishment business generally operates independently from economic cycles since critical maintenance work cannot usually be postponed. Large backlogs of projects exist especially in Europe and the US where urbanization is driving maintenance projects. Sika Group generates around 55% of its construction-related sales from refurbishment. In mature markets, this share is at about 70%, in emerging markets at about 30%.
- In addition, extensive infrastructure investment programs are having a powerful impact on the building economy. Government initiatives in many countries are tied to environmental legislation. Specifically, worldwide around CHF 10 trillion has been tagged for infrastructure or climate-related projects. The expansion of transportation infrastructure, public buildings such as schools and hospitals, IT infrastructure, renewable energy sources, and the overhaul of bridges and roads are some of the areas being funded by public-sector funds over the next years. As the leader in construction chemicals, Sika is well-positioned to benefit from this development even during challenging economic times.

Lightweight construction and e-mobility

People today want vehicles that are more sustainable, with a high degree of safety and comfort. Despite the coronavirus-related economic shortages in the supply chain of electronic building components, Sika is anticipating growth in the modern automotive construction, e-mobility, and lightweight construction sectors given the supportive underlying megatrends. The transition from traditional combustion engine driving systems to electromobility receives additional stimuli from government support programs in several countries.

MEGATRENDS

Driving structural growth

There are significant global shifts underway that are making it essential to be as agile and innovative as possible. Six megatrends are fueling market opportunities and influencing the way Sika operates. These include digitalization, emerging market growth, climate change, urbanization, automation, and demographic change.

Digitalization

Over the past 15 years, increased access to internet and proliferation of e-commerce has radically changed the way we shop, work, and connect. Furthermore, the democratization of information flow has shifted our market dynamics and social structures. This means that companies must be agile and adopt new digital methods to reach customers, employees, and the public. Sika is connecting with younger generations before they become B2B clients, utilizing platforms such as Meta, WhatsApp, LinkedIn, Semrush and Pardot to capture millions of leads. The company has benefited from the surge in demand in e-commerce as well as the fast-increasing need for IT infrastructure such as computer centers and data warehouses. Digitalization is also revolutionizing the construction and manufacturing sectors through 3D printing, digital planning and support tools that increase accuracy and save time. Sika is accelerating the construction technology space with over 200 digital tools available for customers, including 3D printing, robotic installation, and monitoring solutions.

Emerging market growth

The fastest-growing areas of the world today are in emerging markets. Indeed, just three countries – India, China, and Nigeria – together are expected to account for 37% of the projected growth of the world's urban population by 2050. About half of the world's fastest-growing economies are in Africa, with 20 economies expanding at 5% or more over the next five years. That's why Sika is expanding into these markets to help improve critical infrastructure, including water treatment, sanitation, and the durability of buildings. In 2022, Sika moved to a new site in Tanzania and is now manufacturing mortar products in Dar es Salaam on top of concrete admixtures. It also doubled the size of its facility in Ivory Coast. Southeast Asia is another rapidly growing region where Sika's business is developing dynamically. Emerging economies need to improve their institutions and infrastructure to keep up with population growth and manifest their long-term economic potential. Sika is helping fulfil this urgent need.

Climate change

The connection between rising greenhouse gas emissions and rising temperatures on earth is indisputable. Its negative side effects include more extreme weather patterns, melting ice caps, and damage to biodiversity. But man-made problems can have man-made solutions. That's why in 2022, Sika pledged to achieving net zero emissions by 2050. The company is continuously inventing new products – such as cement-free tile adhesives, biomass-based coatings, light-reflective rooftops, recyclable roofing membranes, high-end admixtures that help decarbonize cement, and adhesives for light-weighting and electrification of vehicles – that contribute to the decarbonization of the construction and industrial sectors. Indeed, Sika is an industry leader in this space. The company has sustainability rooted deep in its strategy. Merging sustainability and innovation has become an emblem. However, Sika knows that sustainability is a journey and collaboration throughout the entire value chain is key. Therefore, Sika encourages all its suppliers to meet Sika's sustainability standards and customers to use more environmentally friendly technologies.

Urbanization

Urban areas offer benefits such as better education, healthcare, entertainment, and culture. By 2050, around 70% of the world population is expected to be living in an urban center. Urbanization can bring progress, but only if there is enough sanitation, education, healthcare, transport, housing, and utilities to go around. This is an opportunity for Sika. Its products are essential for "smart cities" characterized by high living standards, including clean air, digitalization, connectivity, and the efficient use of space to minimize resource consumption. Sika solutions include systems for cool and green roofs that help reduce the urban heat island effect and support biodiversity as well as a wide range of strengthening and repair solutions that extend the life of buildings. With waterproofed basements, energy-efficient buildings, and bio-based materials, Sika is helping construct smarter cities with buildings that are more livable in the long term. Our future cities will be more dependent on e-mobility, solar and wind energy. Cities are becoming higher, greener, and more efficient, allowing people to live in harmony with their environment.

Automation and demographic change

Automation is changing the way we build our world. Today, robots are becoming more capable of complicated tasks that were traditionally carried out by humans, which is altering the future of work in the construction sector. With its innovative products and systems, Sika is accelerating technological progress on construction sites. One example of how Sika is advancing the construction industry is through its investment in MESH AG. This Swiss start-up created the world's first robot-assisted technology that produces complex reinforced concrete structures without formwork. The modular approach to construction is another area where Sika expects increased growth going forward. It improves efficiency in construction projects by moving a part of the construction work to factories and increasing standardization. Automation also can ease the burdens arising from demographic change, as aging populations now strain many economies. While Africa's population is growing fast, the working age population in many advanced countries is shrinking because people are living longer and having fewer children. By 2050, there will be 1.5 working-age people for every one elderly person in Japan – in Nigeria there will be 15. This means that developed countries will struggle to find enough laborers. Sika's solutions increase the efficiency of construction to help cushion any shortage of workers. In addition to advancing automation in construction, Sika develops easy-to-apply, safe and time-saving solutions with high health and safety standards. Easy-to-apply, robust products help contractors complete their building projects faster with fewer workers and lower costs.

STRATEGY 2023

Sustainable and profitable growth

The Sika's Strategy 2023 was developed and launched in 2019. It encompasses both financial and non-financial considerations and targets. The new integrated Strategy 2028 will be presented in October 2023.

THE SIKA GROWTH STRATEGY

SUSTAINABILITY

The Sika Growth Strategy 2023 ensures long-term success and profitable growth. The company's courage to innovate combined with its sustainability ambitions 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% 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, increasing presence in the distribution channels, key project management, and continuing expansion in emerging markets.

INNOVATION

By 2023, the company aims to generate 25% of sales from products that have been launched within the last five years. Innovation at Sika is always focused on the needs of customers. These needs together with the defined megatrends, steer both fundamental and applied research. Furthermore, the company has committed to ensuring that every new product must offer better performance as well as additional sustainability benefits.

Already today, Sika offers its clients a broad spectrum of sustainable product technologies.

OPERATIONAL EFFICIENCY

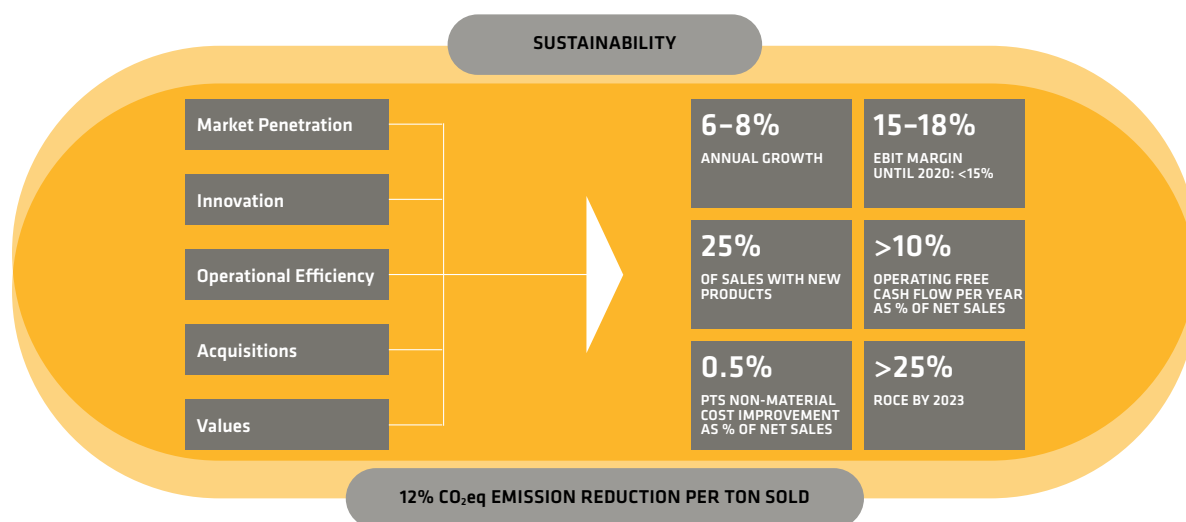
Operational efficiency is an important driver for the improvement in margins. Projects in the areas of operations, logistics, procurement, and product formulation should result in an annual improvement in operating expenses equivalent to 0.5% of sales.

ACQUISITIONS

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

VALUES

Sika's strong corporate culture is 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 lived by employees every day all over the world.



THE SUSTAINABILITY STRATEGY

The Sustainability Strategy 2023 refers to the company'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. Sika pursues six sustainable strategic target areas:

CLIMATE PERFORMANCE

Sika runs its business in a responsible way to mitigate climate change and its impacts. Scope 1 and scope 2 related CO₂eq emissions are a consequence of direct and indirect energy consumption. These can be limited by increasing energy efficiency and improving energy mix. Sika's goal is to reduce the CO₂eq emissions (scope 1 and 2) per ton sold by 12% by 2023.

ENERGY

Sika's operations are not energy-intensive. Nonetheless, the company puts a high focus on the efficient use of energy as it is an important contributor to the improved sustainability performance.

WASTE/WATER

The efficient use of input materials is a top priority for all Sika companies. Efficient production means reducing waste at the source, reusing production scrap and packaging materials, as well as improving packaging design. Sika takes measures to reduce water consumption by treating it or, when possible, using lower-grade water quality especially in geographies with water scarcity.

COMMUNITY ENGAGEMENT

Sika is committed to being a socially responsible company, supporting local communities and implementing engagement projects worldwide to bring social and environmental benefits through the application of company-specific expertise, voluntary work by its employees, and long-term collaboration with partners.

OCCUPATIONAL SAFETY

The health, safety, and well-being of all Sika employees, contractors and visitors is of paramount importance for Sika. Sika strives to guarantee the highest safety standards and eliminate workplace accidents.

SUSTAINABLE SOLUTIONS

Managing innovation and sustainability together means for Sika to minimize the risks and maximize opportunities, creating positive business impact. "Sustainable Solutions" create value-added products that combine performance and sustainability into one concept.

NET ZERO PLEDGE

The construction sector is responsible for 40% of global CO₂ emissions, while road traffic accounts for 20% of global CO₂ emissions. Sustainability has been a key factor in Sika's corporate strategy for over a decade and, as a leading player in its industry, the company possesses the product solutions, technologies, and necessary innovative strength to drive forward the transformation in the construction and transportation sectors.

In 2022, Sika initiated a net zero project to develop a roadmap with GHG emissions abatement targets. The findings of the net zero project will flow into the Strategy 2028 development process. During the first phase of the net zero project, Sika conducted a high-level assessment to identify potential decarbonization levers.

Starting from the official commitment day – September 16, 2022 – Sika has up to 24 months to submit its targets for SBTi validation. The commitment focuses on two time horizons for both scope 1, 2 and scope 3 with a near-term interim target in ten years (2032), and a net zero target by 2050. For more information on Sika's net zero roadmap, levers, and initiatives, please see the "Planet" chapter in the Sustainability Report 2022 on p.85 and the corporate webpage [Sika's Way to Net Zero](#).

SIKA PURPOSE & BRAND

Sika stands for high quality, innovation, and customer 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

The name Sika conjures up many things. Stability. Continuity. Innovation. Forward-thinking. Sustainable. Trustworthy. These are some of the words that people naturally associate with the brand. Customers throughout the world know that they will receive quality and service wherever they see the Sika logo. The founder Kaspar Winkler established the Sika name and logo over a century ago. The cheerful yellow color evokes the place where most Sika products are used – a construction site. Sika's trademark has proven to be an asset during the Group's decades-long expansion.

WORLDWIDE TRADEMARK PROTECTION

Given the widespread awareness of the Sika brand, particularly the graphic word trademark, the company prioritizes a consistent and standardized use of the logo and the associated corporate image guidelines and verifies compliance with them. Over the years, many industrial copycats have attempted to replicate Sika's branding and positioning, which highlights its enormous intangible value.

The Sika umbrella brand, and many 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 10,258 trademark registrations in 153 countries at the end of 2022. Sika continuously monitors its trademarks and takes appropriate legal action in cases of infringement.

CORPORATE IDENTITY

Sika's strong 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. A visual language and system that unifies the user experience across all platforms was established to develop the brand. The co-branding guidelines allow 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 is personality. Sika is pioneering, team-oriented, and committed. Today, these attributes paint an accurate picture of the Sika corporate culture. The famous Sika Spirit encompasses the virtues one will find at any Sika location in the world. The common denominators of the Sika Spirit include collaboration, passion, resourcefulness, entrepreneurial mindset, drive, and an overall "family" feel that is not often found at big companies.

BUILDING TRUST

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

"Our business is specialty chemicals, 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 a spirit of reinvention to the industry. 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. We provide innovative products that add significant value, plus comprehensive services, expertise, training, and custom-designed solutions. We're proud of our achievements and eager to prove 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 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 rising as engineers require better performance from concrete and mortar, especially in urban areas and for infrastructure. Furthermore, demand is rising because Sika additives and admixtures facilitate 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 makes concrete more sustainable and significantly reduces CO₂ emissions in the construction industry. Digitalization is closely linked to sustainability, and it is gaining importance in the concrete industry. Sika offers cross-linked digital tools for efficiency and productivity improvements. With only a smartphone picture and strength sensors, Sika's apps for concrete mix design and sand grading curves bring engineering technology into the palm of your hand.

Roofing

Sika provides a full range of flat roofing systems, incorporating both flexible sheet and liquid-applied membranes. Sika is recognized as a top tier brand in roofing markets with the longest history for single-ply membranes. In 2022, Sika celebrated 60 years of roofing excellence with Sika Sarnafil® roofing systems. Sika roofing solutions are outstanding quality – they are 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 help reduce CO₂ emissions. In recent years, Sika acquired bituminous technologies in markets where bitumen dominates. Liquid applied membranes enable roof renovations to occur without noise, dust, and vibrations. Therefore, renovations can be carried out without interrupting operations inside the building. While refurbishment projects account for a large part of the demand in mature markets, emerging markets are moving towards higher-quality roofing solutions for new structures. For both markets, Sika's innovative roofing systems provide everything that's needed, including vapor control layers, adhesives, insulation, fixation, roof drainages, and accessories. Also, digitalization is enhancing what Sika can offer. The company has developed an efficient system for leak monitoring and detection.

Waterproofing

Sika's solutions for waterproofing cover all technologies used for below, and above-ground waterproofing: flexible membrane systems (polymeric sheets, fully bonded membranes, modified bitumen sheets), liquid applied membranes, joint waterproofing systems (waterstops, swelling profiles, adhered tapes), waterproofing mortars, 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 strict requirements regarding speed and ease of application. The selection of the right system for the customer, together with the support of competent waterproofing contractors, are critical for long-lasting and watertight structures.

Building Finishing

Building Finishing encompasses ceramic tiles and natural stone 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 Finishing Systems (EIFS). Global trends such as urbanization, and the strong demand for home improvement, are fueling market growth. The collective desire for structures with lower energy needs and CO₂ footprints will foster the expansion of facade insulation systems. Sika's position as a global leading company means that there is great potential to increase distribution of its Building Finishing products and systems to additional countries. Building Finishing reinforces Sika's portfolio of technologies for the building envelope from basement to roof.

Flooring

Sika's flooring solutions are based on synthetic resin and cementitious systems for industrial and commercial buildings, such as pharmaceutical and food production plants, educational and healthcare facilities, parking decks, and private houses. Each market segment is subject to its own requirements in terms of mechanical properties, safety regulations, electrostatic conductivity, and chemical or fire resistance. Trends in the flooring market are being dictated by the increasing number of safety and environmental regulations, as well as customized technical requirements. The high volume of renovation and conversion projects nowadays has boosted the importance of efficient solutions for existing flooring systems. Sika has a leading global position in the development of fast-curing systems in various market segments. The company offers a comprehensive range of low-emission, durable, low-maintenance, easy-to-apply flooring solutions which can be adapted to customer needs.

Engineered Refurbishment

This segment includes 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 several decades old and need to be refurbished. Sika engineered refurbishment systems enable the life extension of structures, which is often a more sustainable path than demolition and building from scratch. Sika provides technologies for the entire a life cycle of commercial buildings and infrastructure, as well as design and calculation software for structural engineers. The uptick in demand for refurbishment is stemming from a higher volume of infrastructure projects in the transport, water management, and energy sectors, 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, interior finishing and infrastructure business. Typical applications include the sealing of movement joints between facade elements to weatherproof buildings, the bonding of wood floors to reduce noise, the sealing of joints in airport aprons, or fire stopping. Urbanization is the megatrend underpinning demand in this market. Demand is being fueled by higher awareness of the importance of these agents for the durability, energy efficiency, and indoor air quality of buildings. Moreover, sealing and bonding is becoming more popular due to the growing use of prefabrication, modular building, and the replacement of mechanical fastening systems by adhesives due to better performance and efficiency.

Industry

Sika products are essential for 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. The world's leading industrial manufacturers rely on Sika's solutions to enhance product performance and durability, while increasing their own manufacturing efficiency. Sika is helping to overcome some of today's biggest hurdles in vehicle design. The company helps create lighter, stronger, safer, quieter, and more fuel-efficient vehicles. Moreover, Sika's fast-processing materials and compatibility with automation yields greater productivity. Finally, Sika's fire protection and thermal conductive materials support the trend towards e-mobility.

ACQUISITIONS & INVESTMENTS

Supporting growth in the Target Markets

Acquisitions are key to Sika's growth, allowing the company to gain new market access and additional sales channels. Sika uses acquisitions as a growth platform for future success.

Acquisition strategy

Sika's overall strategy is based on organic growth driven by the entrepreneurial spirit of its employees. The company draws on multiple layers of expansion, including structural growth driven by megatrends, market growth, market penetration, and, carefully selected external growth opportunities. Well-chosen acquisitions can successfully close market gaps to help Sika access new opportunities.

Sika pursues acquisitions as a means of strengthening or extending its core business through the selective addition of related technologies. Target companies are typically medium-sized firms in Europe, the USA, and Asia. These firms can benefit from the fact that Sika, as a strong global player, can leverage their full potential. The acquisitions allow Sika to stay competitive and innovate new products for construction and industrial applications. Acquisitions are growth platforms. Sika uses acquisitions as a catalyst for its success through expanding its capacity and improving operational efficiencies.

When evaluating a target, Sika relies on its highly experienced M&A team and follows a clearly established process. Potential companies are vetted through a rigorous acquisition funnel which eliminates all but a handful that can pass the basic review, formal analysis, due diligence, and cultural fitness tests. For example, only two acquisitions were executed out of more than 60 companies included in the basic review in 2022.

Sika makes every effort to ensure a smooth integration process. Therefore, the team closely evaluates the corporate culture of all takeover candidates prior to any acquisition. The three regional managers (EMEA, Asia/Pacific and Americas) take responsibility for integrating any new business acquired in their region, but the whole process is coordinated at the corporate level by a dedicated M&A team and an Integration Management Office. This

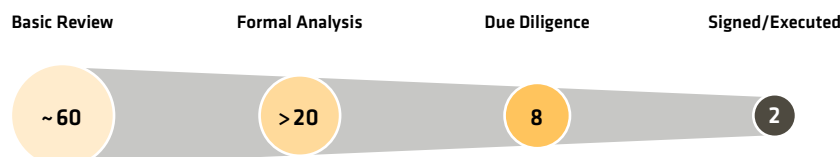
decentralized approach ensures that there is a high level of accountability in the regions, and that information can easily be exchanged between the newly merged companies on a local level.

2022 acquisitions

In November 2021, Sika signed an agreement to acquire MBCC Group, which is the former BASF Construction Chemicals. The transaction complements almost all of Sika's core technologies, applications, and solutions. It will create synergies and novel solutions that will help make the construction industry more sustainable. Sika proceeded with the transaction process in 2022 and has received unconditional regulatory approval for the transaction from authorities in most countries, among them Japan, China, Brazil, Serbia, Morocco, Russia, Colombia, Mexico, South Africa, Saudi Arabia, Turkey, and Thailand. In January 2023, an agreement was signed with Ineos for the purchase of parts of MBCC Group's admixtures business with sales of around CHF 920 million. The acquisition of MBCC is set to be significantly value-enhancing for Sika. Together with MBCC, Sika intends to strengthen its growth platform and generate annual synergies of CHF 160-180 million. The closing of the acquisition is scheduled for the first half of 2023.

In March 2022, Sika acquired Sable Marco Inc., a manufacturer of cementitious products and mortars in Canada. Headquartered in Pont-Rouge, close to Québec City. The acquisition will open new opportunities for Sika in Eastern Canada and improve Sika's access to the retail distribution channel. The acquired business generates annual sales of CHF 20 million. In May 2022, Sika acquired United Gilsonite Laboratories (UGL), a well-known manufacturer of products for consumer and DIY waterproofing applications in the United States. Their product portfolio can be found in major retailers throughout the USA. The acquired business fits well into Sika's high value-added systems for concrete and masonry waterproofing and refurbishment. In 2021, UGL generated sales of CHF 65 million.

ACQUISITIONS M&A FUNNEL 2022



The highly fragmented market opens up a number of acquisition options for Sika. A rigorous and disciplined approach allows the right candidates to be identified every year.

2022 investments

In 2022, Sika continued to invest in future growth with the following expansion projects:

- New site for mortar products and admixture in Dar es Salaam, Tanzania
- Expanding a production site for tile adhesives and repair mortars in Abidjan, Ivory Coast;
- New plant in Santa Cruz de la Sierra for mortars and concrete admixture, Bolivia
- Commissioning a new plant for concrete admixtures near Washington D.C., USA
- New plant for liquid membranes and mortar production in Chongqing, China

For 2023, the company will continue its investment strategy, which is designed to consolidate Sika's global presence by unlocking new markets or expanding its activities. Additionally, Sika will invest in innovation, the expansion of its current footprint, and operational efficiency to reduce costs and lower CO₂ emissions.

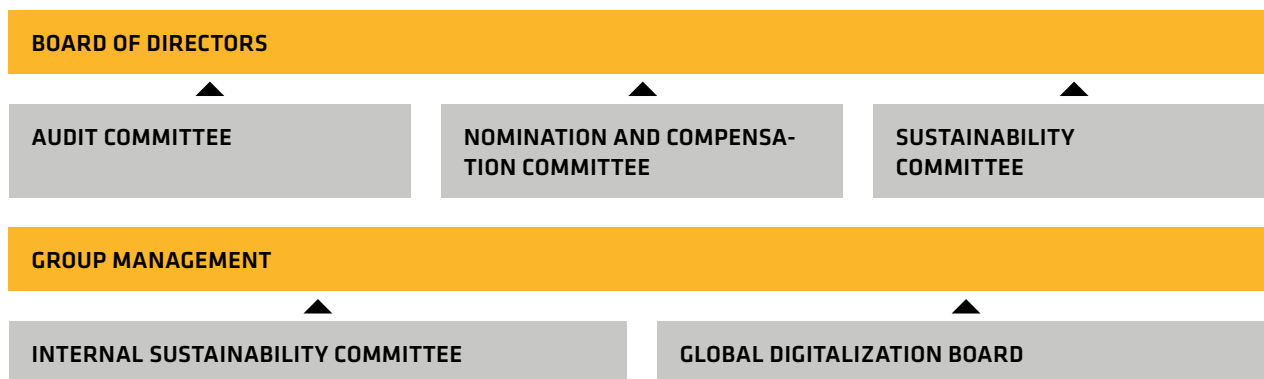
In the year under review, Sika invested CHF 266 million (2021: CHF 170.8 million), which is equivalent to 2.5% of net sales. The breakdown of the investments are as follows: expansion of production capacity at 31% (2021: 23%), 40% (2021: 46%) was needed for maintenance and upgrades in existing facilities, 23% (2021: 24%) was used for rationalization, efficiency improvements and digitalization, and 6% (2021: 7%) was spent on environmental protection, health and safety, and quality control. The share of investment in the emerging markets was 44% (2021: 38%).

RISK MANAGEMENT AND TCFD RECOMMENDATIONS

As a global player in specialty chemicals, Sika is exposed to a variety of risks. To ensure the Group's freedom of action, safeguard its reputation, and protect the capital invested in Sika, the Group management must regularly analyze potential risks and integrate them into the strategic decision-making process. Sika recognizes that climate change is impacting the world, and it must be addressed in the risk management process and strategic planning. Evaluating how climate-related risks and opportunities affect Sika and developing appropriate response measures as recommended by the Task Force on Climate-related Financial Disclosures (TCFD) helps the company ensure long-term sustainable performance and business continuity. 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 integrat-

ing the recommendations of TCFD over time. In 2020, the company committed to reporting annually about issues that consider TCFD recommendations and disclosing a high-level analysis of two climate scenarios. In 2021, Sika presented its second annual disclosure by extending the analysis to three global warming scenarios and listing the related risks and opportunities that may arise. In 2022, the company worked to progress the implementation of TCFD recommendations by strengthening its 2022 scenario analysis with a focus on two scenarios (+1.5°C and +4.4°C), assessing financial implications of potential climate-related physical risks on manufacturing sites and reviewing the list of climate-related transition risks and opportunities. A summary of TCFD 2022 results and a mapping table are presented at the end of this chapter, while a detailed [TCFD report 2022](#) is available on the corporate website.

GOVERNANCE: BOARD OF DIRECTORS, COMMITTEES, 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 reassessment of the risk situation at Group level, and it is also the highest governance level of climate-related risks and opportunities. It is responsible for reviewing and endorsing the implementation of sustainability policies, while the Chair of the Board 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 is committed to the Science Based Target initiative (SBTi) to achieve net zero greenhouse gas emissions by 2050.

The Board of Directors relies on three 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, 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. 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, the Chief Financial Officer (CFO), and the CEO take part in these meetings in an advisory capacity. In the year under review, the Audit Committee met six times. More information is provided in the Corporate Governance Report on p.166.

- 2) The Nomination and Compensation Committee (NCC) is responsible for succession planning, assessments, and the compensation strategy and remuneration system at the level of the Board of Directors and Group Management. In the year under review, the NCC met five times. More information is provided in the Corporate Governance Report on p.166. The Group Management's performance is evaluated based on achievements related to strategic targets, including ESG (environmental, social, and governance) targets such as climate performance, and health and safety. This is explained in more detail in the Compensation Report on p.177.
- 3) The Sustainability Committee (SC) consists of three Board members with expertise in different areas of ESG. The group prepares sustainability-related topics for discussion and decision-making in the Board. The Sustainability Committee focuses on the following four areas: ensuring a formal ESG risk and opportunity assessment, including the materiality analysis; setting measurable goals that are aligned with the strategy; organizing and allocating resources; and providing the appropriate reporting and communication with stakeholders. In the year under review, the SC met four times. More information is provided in the Corporate Governance Report on p.166.

Group Management regularly reviews the processes underlying risk management, and it is responsible for the development and implementation of actions to address risks (including 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 (including climate-change-related risks) falls under the domain of the Corporate Finance department, headed by the CFO. The CFO oversees financial and non-financial information and data, while Mergers & Acquisitions (M&A) reviews and consultations take place as part of the due diligence process.

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

- 1) The internal Sustainability Committee, established in 2021, 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, Communications & Investor Relations, Controlling, Mergers & Acquisitions, Human Resources and Compliance, Procurement, Marketing and Target Markets.
- 2) The Global Digitalization Board was established in 2020 in response to the increasing relevance of topics like digitalization and cyber security. 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. For more information, please read the "Digitalization and IT landscape" chapter in the Sustainability Report on p.140.

SIKA'S RISK MANAGEMENT FRAMEWORK

Sika has a comprehensive risk management system structured at Group level which is effective for all its subsidiaries. Risks are identified at an early stage and integrated into strategic decision-making processes. Risk management helps identify new opportunities and adds value to the business. Sika's risk management framework is in line with the Enterprise Risk Management (ERM) framework. It ensures that business objectives can be achieved and obligations to customers, shareholders, employees, and society can be met. Climate-related risks are integrated into the ERM framework since any unexpected climate-related disasters, and corresponding economic fluctuations, might have an impact on global and local markets. Locally, climate-related risks are 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 via the Area Managers report to their 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 buildup of expertise to evaluate the impact of unexpected risks. In 2022, regular risk management education was provided for staff at various levels within the company.

FOR EXECUTIVE MANAGERS

- Business ethics and anti-corruption: Sika's Senior (SSM) and General Managers (GMs) as well as the participants of Regional or Global Leadership Programs 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-learning). In 2022, Sika organized 17 training courses for a total of 560 SSMs, GMs, Regional and Global Leaders.
- Sustainability and climate change: During 2022, several official meetings were organized to allow Sika's management to discuss the topic of sustainability and climate change. For instance, in September, the Board of Directors visited the Sika Global Technology Center in Lyon (France), meeting the General Manager and employees to address topics like health and safety, and sustainability through innovation. Moreover, the BoD visited the warehouse of a Sika distributor and a Sika production site. In Paris, the BoD visited construction projects where advanced, sustainable building methods are implemented, and a wide range of Sika solutions are used. In the same month, the company organized the Sika Senior Management Meeting (SSMM), where the BoD, 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.

FOR ALL EMPLOYEES

- Business ethics and anti-corruption: All sales, procurement, finance, and R&D employees are regularly invited to participate in anti-corruption training. The targeted training is delivered either face-to-face or online (via virtual workshops or focused e-learning). In 2022, hundreds of local employees were re-assigned the global anti-bribery and anti-corruption e-learning course. In addition, nearly 100 focused face-to-face and online compliance trainings were offered to nearly 4,000 employees exposed to ABC risks.
- Ethical leadership, speak-up culture, incident management: In 2022, Sika organized hundreds of local, regional and corporate training courses for thousands of employees including controllers, procurement managers, HR managers and regional and local compliance officers. GMs around the world confirmed that they organized at least one local ethics & speak-up training for all their employees in 2022.
- Innovation and sustainability: In October 2022, representatives of Sika Technology Centers worldwide gathered at the Technology Center Management Meeting (TCMM) in Konstanz, Germany. Seminars and workshops were focused on multiple aspects of innovation, sustainability, collaboration, and digitalization. Safety at Work, Sustainability and Compliance, Risk Management and levers for product development supporting net zero were important parts of the agenda too.
- Product development and marketing: Sika operates a global

program to minimize the risks in advisory and sales activities that could generate product complaints. Thanks to various measures, including regular employee training, clearly formulated standards, detailed causal analyses, and stricter controls, expenditure for product-related claims has steadily declined. 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 being reviewed with the help of external specialists and adapted in line with any new situations that may arise. All Sika employees must complete the IT Security E-Learning yearly.
- Supplier engagement and assessment: In 2022, internal trainings were provided to around 50 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 scope, procurement process, supplier audit process, audit technique, audit checklist, reporting, and a personalized workshop on audit planning. In 2022, three online training courses were executed covering all regions and business units. 140 Sika employees successfully completed this training.

TOP RISKS

Sika's risk management process is reviewed regularly, allowing the company to better identify potential risks and establish well-structured mitigation practices. Sika continues to use this process stringently to ensure that any potential risk for the company and its customers is mitigated. The list of top risks was approved by the Board of Director and Audit Committee in October 2022.

Top Risk	Description	Risk Mitigation	Trend	Status
CATEGORY: STRATEGIC				
Pressure on margins	Supply chain disruptions, raw material price increases 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 and sales prices to measure and manage the material margin. 	↗	Mature
Changing EHS requirements and regulations for products	Changing EHS-related customer requirements and regulations for products, product solutions and production processes. Net zero commitments of regions and countries will drive regional and local compliance.	<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, potential targets are examined to ensure that they operate in full compliance with prevailing laws and regulations. – As part of the capital investment process, attention is given to 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 a clear improvement path, including the net zero commitment. 	↗	Mature
Country risks	Political and economic instability.	<ul style="list-style-type: none"> – Constant monitoring of development in the critical countries. – Implement risk-reducing measures. – Review investment/acquisition strategy in affected countries. 	↗	Mature

Top Risk	Description	Risk Mitigation	Trend	Status
Climate change risk	Climate change is increasing the frequency and severity of extreme weather events and reducing the availability of natural resources. Increasing awareness about the severe consequences of climate change will lead to changes in consumption and investment behavior, which can lead to increased business costs for additional transparency, due diligence, reporting, R&D, and innovation.	<ul style="list-style-type: none"> – Sika committed to the Science Based Targets initiative to achieve net zero by 2050. The company is currently developing a CO₂ emissions reduction roadmap (scopes 1, 2 and 3) with mid-term (2030) and long-term (2050) targets. – Ongoing company-wide initiative to systematically identify and calculate emissions from material scope 3 GHG categories in accordance with the requirements of the Greenhouse Gas Protocol (GHGP). – Reporting in accordance with TCFD recommendations to assess and quantify the impact of climate change on Sika's business. – Operational efficiency programs implemented worldwide to reduce CO₂ emissions, energy, and water consumption. – 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 its research on better understanding how consumers may be affected by environmental change, and therefore, the company can better anticipate needs and offer sustainable solutions. 	↗	Mature
Multipolar world	Geopolitical instability and a rise in protectionism may impact international trade and the global economy.	<ul style="list-style-type: none"> – Maintain and reinforce geographical balance of the businesses across regions and countries. – Maintain an agile supply chain to mitigate single source supply and to react rapidly to supply chain disruptions, changes in tariffs and sanctions. – Centralization of key technologies and intellectual proprietaries at Sika Technology to protect Sika's core values. – Strengthen capabilities of local organizations to maintain know-how locally. 		Emerging
CATEGORY: OPERATIONAL				
Product-related claims	Selling of products carries the risk of product-related claims.	<ul style="list-style-type: none"> – To properly control risk, a strict Product Creation Process (PCP) is established within Sika (including the SPM framework). – Long-term behavior of products is tested in technical service depending on the real application. – Proper quality control is set up in production. – Regular training of employees ensures the necessary competence. – Corporate technical services define the needs of the regional and local organizations, and check compliance with 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. 	→	Mature

Top Risk	Description	Risk Mitigation	Trend	Status
Talent shortage	Challenge to attract and retain talent. Sika's growth and the diversification of the markets will require a strong pipeline of future successors for business-critical key positions.	<ul style="list-style-type: none"> – Sika's Talent Management across global, regional, and local levels prepares its workforce for challenging tasks. Solid performance, succession, and development processes foster a high-performance organization and a unique leadership culture. – Embed the Sika employer brand in all recruitment activities and redefining the recruitment strategy of talent at all hierarchy levels. – Conduct an annual talent review of Corporate/Regional Management with a focus on succession planning for business-critical key positions. – Conduct an annual talent review of Corporate/Regional Management with a focus on succession planning for business-critical key positions. – Policies for international assignments should provide more flexibility and adapt to the business needs. – Integrate SuccessFactors as a global HRIS database to enhance people analytics and provide cross-regional alignment across the talent population. 	→	Mature
Business interruption	Business interruptions can jeopardize daily business continuity and impact operational business profit.	<ul style="list-style-type: none"> – Implement Crisis Management on country level for a swift adaptation to meet country-specific events and regulations. – The 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. – Maintain a corporate insurance program with worldwide coverage. 	↓	Mature
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 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. 	↗	Mature

Top Risk	Description	Risk Mitigation	Trend	Status
Cyber security risk	International Corporations are exposed to cyberattacks which can be any type of an offensive maneuvers that target 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 its cyber maturity. – Building 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. 	→	Mature
Technology risk for PU & SMP sealant products	The risk that innovations or other market developments would have a severe effect on the product offering.	<ul style="list-style-type: none"> – Develop 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. 	→	Mature
CATEGORY: FINANCIAL				
Impairments	The risk that tangible and intangible assets may be impaired with a corresponding negative P&L impact. In volatile markets, there is a risk that acquisitions will not perform according to the business plan/valuation, and therefore, finances may be impaired.	<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, to quickly identify shortcomings and to swiftly initiate corrective actions. – The integration of acquisitions is monitored very closely by a dedicated integration management team. 	↗	Mature
Currency fluctuation/ FX risk	Volatility of foreign currencies and uncertainty in financial markets.	<ul style="list-style-type: none"> – Report and constantly monitor the FX exposure of Sika Group. Appropriate actions taken whenever required. – FX exposures related to IC Financing are fully hedged. – Group internal transactions are netted monthly and hedged at the corporate level. – All other FX exposures are kept at a minimum. 	→	Mature
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. Government authorities in the countries where Sika operates may increase or impose new taxes or revise the interpretations of existing tax rules.	<ul style="list-style-type: none"> – Risks are assessed on a regular basis considering ongoing developments with tax audits and tax cases, as well as any changes in legislation and tax laws. – Sika's Tax Policy provides binding rules for all countries where Sika operates. These rules are aligned with the Organisation for Economic Cooperation and Development (OECD) and local arm's-length standards. – The Group Tax team continuously works with Internal Control on aligning, improving, and implementing processes and controls within Group Tax and countries. It also continuously develops the right skills in-house. 	→	Mature
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 and Sika's Values and Principles provide clear standards for employee integrity and ethical conduct. All employees and new joiners are trained on the Code of Conduct and on how to use the Sika Trust Line (whistleblower line). – A comprehensive, Group-wide compliance program is in place. – External tools support the monitoring and managing of potential reputational issues. – There is zero tolerance for compliance violations. Compliance violations lead to consequent imposition of sanctions. 	↗	Mature

Top Risk	Description	Risk Mitigation	Trend	Status
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"> – Continuously monitor the market, maintain close contact with investors, review of Sika's performance and rely on crisis management plans in an emergency to reduce risk. 	→	Mature
Loss of Sika's unique culture/ entrepreneurship	Sika's unique corporate culture can be defined as a Unique Selling Proposition (USP). The fast pace of acquisitions brings new employees on board regularly. This constantly changing work environment requires proactive and dynamic management to mitigate the risk of diluting the corporate culture. Factors that accelerate the immediate need for actions are, amongst others, an increasing digitalization of the workplace and business model (remote work, less travelling), the need to align working environments among various cultures and to engage different generations.	<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 life cycle. – 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 not only on traditional measures, but also on qualitative criteria that demonstrate the Sika Spirit. – Ensure an inclusive work environment and a clear communication about the Sika culture/values/leadership when welcoming and onboarding acquired employees. – Continue to invest in employees' learning and development, internal promotions/careers, and international professional exposure/assignments. 	↗	Mature

FOCUS: CLIMATE CHANGE

As recommended by the TCFD, Sika monitors the impact of climate-related risks and opportunities on its business through the company risk management framework and strategic planning. Sika understands that climate change is still an evolving topic that requires regular climate impact analysis with further implications on business, strategy, and reporting robustness. Assessing climate-related risks under different scenarios helps Sika to better understand the implications on its current business model and to drive the respective mitigation activities.

To face the global challenge, Sika is addressing climate change comprehensively in its strategy with its commitment to become a net zero company. Since 2019, Sika has defined a strategic target for reducing scope 1 and 2 CO₂e emissions by 12% until 2023. Moreover, the compensation scheme of Group Management and Sika Senior Managers is linked to the CO₂ performance of the company (scope 1 and 2). In October 2022, Sika finalized a two-year company-wide initiative to systematically identify and calculate emissions from its material scope 3 GHG categories. The continuous assessment and reporting of overall scope 1, 2 and 3 emissions will contribute to the definition of Sika's climate strategy and carbon reduction pathway to reach net zero by 2050. More information on Sika's Net Zero commitment is available in the "Planet" chapter, "Climate Change" section on p.88 of the Sustainability Report 2022. Sika's detailed 2022 [TCFD Report 2022](#) is available in the download center of the corporate website.

In 2022, Sika strengthened its scenario analysis with a focus on two scenarios for 2050 (+1.5 °C and +4.4 °C) for its transition and physical risks¹. A first assessment of climate-related physical risks on manufacturing sites and the respective financial implications related to turnover and assets was conducted for both scenarios. Physical risks will increase significantly in a +4.4°C trajectory in 2050 compared to a +1.5°C scenario. With more than 300 production sites globally there are regional variations in exposure to risk and intensity. This first quantification demonstrates that the financial impact for Sika would not significantly change in a +4.4°C scenario in 2050 compared to today's baseline. In fact, compared to the baseline, maximum revenues at risk would slightly reduce by -0.2% while the share of assets at risks would remain the same at Group level.

The list of climate-related transition risks and opportunities disclosed in 2021 for both scenarios was again analyzed in 2022 and has been reviewed by an internal cross-functional team. Considering Sika's commitment to SBTi and its target to become a net zero company by 2050, there will be various transition risks and opportunities in a +1.5°C aligned scenario. Sika has identified various external factors which create risks and opportunities arising from efforts to address environmental change, including, but not limited to, abrupt or disorderly introduction of public policies, technological changes, shifts in consumer demand, investor sentiment, and disruptive business model innovation. By offering products and solutions for durable, resource-saving buildings and infrastructure, the company can help customers implement measures to prevent and mitigate adverse effects of climate change in all regions.

In order to limit global warming to +1.5°C, significant changes in legislation, policy and technology will be required. These changes in market dynamics will impact Sika's business practices. The efforts required to align with this +1.5°C trajectory represent transition risks and opportunities. In a +4.4°C world however, the significant impact lies mainly in potential business interruption arising from a continued increase in severe physical climate events, which outweigh transition efforts.

¹ In 2021, Sika focused its analysis on three scenarios (1.5°C, 2.7°C, and 4.4°C). Based on the conclusions of this first qualitative assessment, Sika decided to exclude the 2.7°C scenario for further analysis since the most significant risks lie in the two extreme scenarios (1.5°C and 4.4°C).

TCFD MAPPING TABLE

In accordance with the recommendations of the TCFD, the table is divided into the governance, strategy, risk management, metrics and targets areas, and the eleven recommended disclosures. The table shows in which report, chapter, section or link the specific information can be found.

Areas	Recommended Disclosures	Annual report reference pages/links
Governance Disclose the organization's governance around climate-related risks and opportunities.	a) Describe the Board's oversight of climate-related risks and opportunities.	p.25-26 Board of Directors
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	p.25-26 TCFD Report 2022
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	p.33 TCFD Report 2022
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	p.33 TCFD Report 2022
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	p.33 TCFD Report 2022
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.	p.33 TCFD Report 2022
	b) Describe the organization's processes for managing climate-related risks.	p.25-26
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	p.26
Metrics and targets Disclose the metrics and targets set to 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.	TCFD Report 2022
	b) Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas (GHG) emissions, and the related risks.	p.90-92 Sika Methodology for Scope 3 Emissions Calculation
	c) Describe the targets set by the organization to manage climate-related risks and opportunities and performance against targets.	p.19, p.187

GROUP PERFORMANCE 2022

In a difficult environment, Sika delivered record results. All regions contributed to the growth.

Sales growth in CHF

+13.4%

EBIT growth

+13.5%

RECORD FIGURES FOR SALES AND PROFIT

Sika exceeded CHF 10 billion sales mark for the first time

Reaching CHF 10,491.8 million in revenues (previous year: CHF 9,252.3 million), Sika did not only achieve an all-time high in sales in fiscal 2022; it also set a record in profit. Price increases, rigorous cost management, efficiency gains, and synergies from acquisitions allowed the company to largely offset a significant rise in raw material costs. A profit from the divestment of the European industrial coatings business came alongside expenses relating to the MBCC acquisition. EBIT amounted to CHF 1,579.7 million (previous year: CHF 1,391.4 million) increasing by 13.5%. The EBIT margin expanded to 15.1% (previous year: 15.0%). Operating free cash flow came to CHF 865.2 million, and is therefore below the previous year's level (CHF 908.4 million) due to increased investments in the maintenance and expansion of factories.

EBIT in CHF mn

1,579.7

KEY BALANCE SHEET FIGURES

The ratio of net working capital to net sales declined slightly in 2022, to 18.3% (previous year: 18.4%). This reduction was possible despite a higher valuation of inventories due to increased raw material prices. At the end of 2022, cash and cash equivalents amounted to CHF 1,873.3 million (previous year: CHF 1,175.0 million). Net debt was reduced further, to CHF 2,051.6 million (previous year: CHF 2,547.1 million), while gearing was lowered to 41.3% (previous year: 57.9%). The equity ratio increased again and now stands at 43.9% (previous year: 41.1%). Return on capital employed (ROCE) was markedly higher at 21.6%, (previous year: 20.1%). In addition, net debt to EBITDA was reduced further and now stands at 1.0x (previous year: 1.5x).

Return on capital employed (ROCE)

21.6%

GROWTH IN ALL REGIONS

Rising raw material costs around the globe were a prominent feature of fiscal year 2022, as well as a deceleration in the construction sector in the second half of the year. These developments can be attributed to high inflation and accompanying interest rate hikes.

With its broad-based business model and operational implementation speed, Sika quickly adapted to market conditions. The targeted exploitation of new business opportunities as well as the implementation of corresponding operational measures have contributed to growth in all regions (see detailed information on the regions on p.37).

REGIONS

All regions reported growth – Sika performed well in challenging markets

In a difficult economic environment characterized by war in Eastern Europe, high inflationary pressure, and rising interest rates, Sika grew further in all regions. The Asia/Pacific region continued to feel the repercussions of the pandemic.

EMEA (Europe, Middle East, Africa)

Economic growth in the eurozone slowed noticeably last year and the euro depreciated. Both manufacturers and the service sector experienced a fall in order volumes. The construction industry likewise could not escape this trend. There were fewer residential and commercial construction projects in 2022, with expenditure up a modest 1.1% and 0.6% in these sectors respectively. By contrast, expenditure on infrastructure projects increased by 2.2%.

Whereas total spending in the Western European construction sector was higher than the previous year, with moderate growth of 1.2%, Eastern Europe saw a sharp -9% decline year on year. Dynamism was most apparent in the African and Middle Eastern construction markets, which grew by approximately 5%.

In the project business, Sika was able to supply several key construction projects with high-performance solutions. Among others, these included the Semmering base tunnel in Austria, which was sealed with Sika's waterproofing solutions, and the port of Dakhla in Morocco, which was expanded with the help of Sika concrete admixtures. Sika's high-quality products were also used in the realization of new factories for large key accounts in Germany, Ireland, and Romania.

The **EMEA region** (Europe, Middle East, Africa) reported a sales increase in local currencies of 8.3% in 2022 (previous year: 16.1%). Sika's distribution business, which includes product distribution via home improvement stores, builders' merchants, and online platforms, saw a decline in sales volume. The extraordinarily

Region EMEA sales growth in local currencies

+8.3%

high level of demand witnessed during the pandemic moved back into line with pre-pandemic era levels. In contrast, volumes in the project business, which account for around 60% of sales in the region, witnessed a smaller decline. Economic stimulus programs and substantial investments in the transition of the energy sector support Sika's business activities even in declining markets. The region's strongest growth rates were recorded in Africa and the Middle East, which once again achieved double-digit sales growth. Sika moved to a new site in the East African country of Tanzania in 2022, and is now manufacturing mortar products in Dar es Salaam on top of concrete admixtures. It also extended its facility in Western Africa's Ivory Coast. This site is now double its previous size, enjoying not only additional manufacturing facilities but also new warehousing capacities, office space, and laboratories.

Americas

High rates of inflation and a rising interest rate environment were also dominant features of the Americas region. This caused declines in both residential construction and in retail trading. In Latin America, there were several changes of government in various countries due to elections, with short-term repercussions on the investment trend in construction. Nonetheless, Sika made the most of the business opportunities available in the overall region in a targeted way. The major metropolitan regions are generating above-average growth, and Sika is optimally positioned to benefit from the dynamism of the construction economy. Furthermore, several multi-billion-dollar investment programs to expand infrastructure are being implemented, and manufacturing processes are being reshored to the US.

The **Americas region** recorded growth in local currencies of 27.5% (previous year: 21.0%). Sika generated a large part of this growth from the US infrastructure sector, which saw a significantly higher activity in 2022 compared to the previous year. Construction work focused on the modernization and expansion of subway lines, bridges, tunnels, and freeways. High demand also came from investments in commercial construction projects, including stadiums and data centers. In addition, the US is seeing large-scale investment in reshoring, which involves bringing industrial know-how back to the United States from Asia and constructing new manufacturing plants. This will open new business opportunities for Sika. Construction activity in large parts of the US was affected by the severe weather in December, which disrupted deliveries of some Sika products.

The countries in Latin America likewise benefited from a high infrastructure investment, which has been fueled by strong urbanization trends. The expansion of public transportation networks has reached the implementation phase in several major cities, and investments are also being made in water treatment plants and reservoirs incorporating Sika solutions.

Region Americas sales growth in local currencies

+27.5%

With Sable Marco in Canada and United Gilsonite Laboratories (UGL) in the United States, Sika acquired two companies in 2022 that sell their high-performance products via established distribution channels. Furthermore, a new mortar and concrete admixture production facility came on stream in Bolivia, and a new manufacturing plant for concrete admixtures is now operational near Washington D.C.

Asia/Pacific

The economic situation was strained in most countries across the Asia/Pacific region. Alongside the intermittent, radical COVID-19-related restrictions, the Chinese economy was hit by a crisis in the real estate market. At 3.2%, the increase in gross domestic product (GDP) was much lower than in the previous year (6–8%). By contrast, India developed much more dynamically, recording GDP growth of 6.8%. Expenditure in the construction sector increased by 6.6%. In addition, India is investing heavily in the expansion of its transportation infrastructure. Besides extending the rail network, huge sums are earmarked for investment in electric buses for local public transport by 2030. Sika is active in all these markets with innovative technologies. As markets opened following the pandemic, this triggered an economic recovery in Southeast Asia. With overall GDP at approximately CHF 3,000 billion, the economic output of this region was above the pre-pandemic level. Particularly strong growth was recorded by Thailand, Singapore, Indonesia, the Philippines, Malaysia, and Vietnam, with growth rates ranging from 3.2% to 7.6%.

Region Asia/Pacific sales growth in local currencies

+14.8%

Sales in the **Asia/Pacific region** rose by 14.8% in local currencies (previous year: 19.4%). The distribution business in China benefited from ongoing strong growth momentum, recording double-digit growth rates, whereas the project business was heavily impacted by pandemic-related lockdowns in the first nine months of the year and by another wave of the virus toward the end of the year. Sika's Indian business activities continued to experience dynamic development, and double-digit growth was achieved in challenging markets in Southeast Asian countries once the numerous lockdowns were lifted. In 2022, Sika opened a new plant for liquid membranes and mortar production in Chongqing, a city in southwestern China with 30 million inhabitants. With the commissioning of this plant, the Group is strengthening its market position in a fast-growing metropolitan area.

Global Business

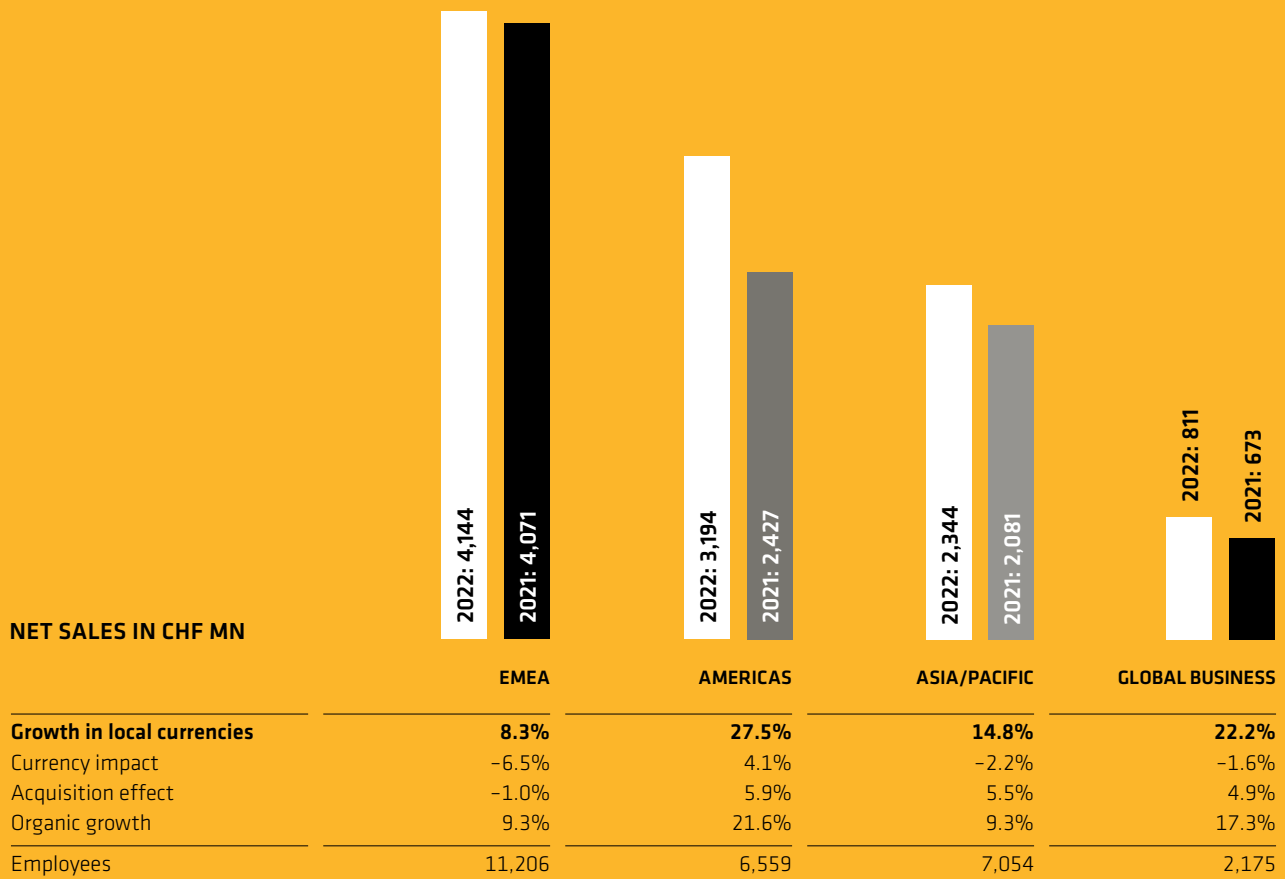
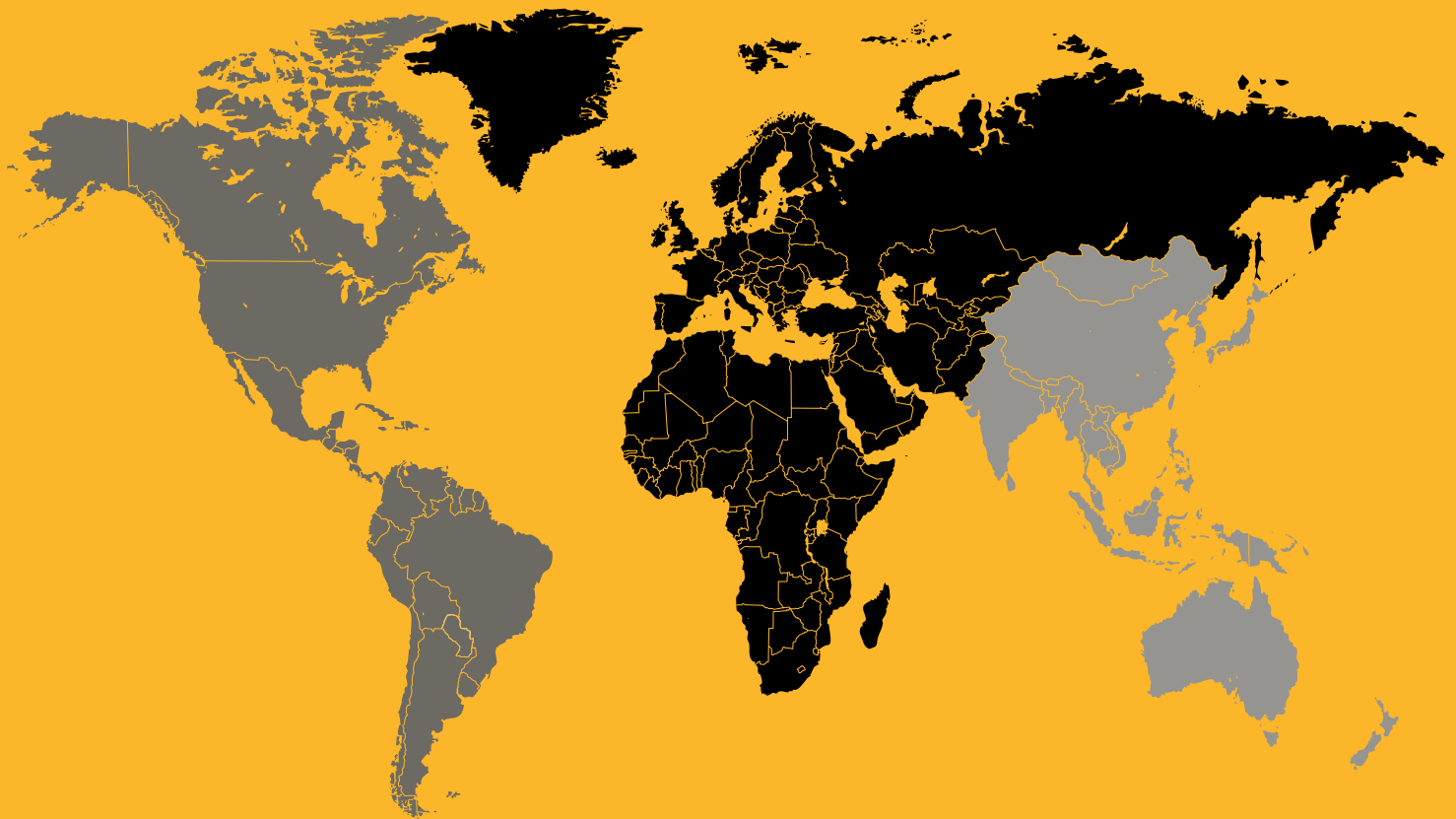
In fiscal 2022, global automotive production grew by 6.2%. Growth stimuli were apparent in the second semester following an improvement in supply chain bottlenecks. In North America, the volume of new vehicles manufactured rose to 14.3 million, which is almost 10% higher than the previous year. The Chinese automotive market grew by 6%, with more than 26 million new vehicles produced. Local automotive manufacturers recorded particularly high sales of electric cars. However, India displayed the greatest dynamism with impressive double-digit growth in new vehicle production of about 20%. The market is dominated by higher-specification vehicles, with an associated increase in materials built into the interior.

In the **Global Business**, Sika achieved growth in local currencies of 22.2% (previous year: 4.3%), and thus grew much faster than the market. High demand for new vehicles and a normalization of supply chains boosted business activity. For the automotive business, Sika is anticipating a recovery in the market over the medium term with continued growth stimuli from electromobility and alternative drive concepts in particular.

Global Business sales growth in local currencies

+22.2%

THE REGIONS IN BRIEF



OUTLOOK

Continuation of successful growth strategy

For 2023, Sika is confident that it can successfully continue its strategy built on sustainable and profitable growth even in a challenging economic environment.

Thanks to its innovative technologies, Sika is the partner of choice for many customers in the construction and industrial sectors. In addition, the global construction industry is being shaped by the megatrend of climate change as well as by increasing automation, digitalization, and easy-to-apply products. With its broad product portfolio, Sika is well positioned to offer its customers solutions that allow them to reduce their carbon footprint while facilitating long-lasting, resource-saving construction. On top of this, Sika is benefiting from global, state-driven economic programs supporting infrastructure expansion and investments in climate protection.

For fiscal 2023, Sika expects sales to increase by 6–8% in local currencies and anticipates an over-proportional increase in EBIT (not including the impact of the MBCC acquisition).

Expected sales increase in local currencies of

6–8%

SUSTAINABILITY REPORT

Sika creates value for all stakeholders – always considering ESG and economic aspects in all its activities by adhering to clear strategic targets.

CO₂eq emissions per ton sold (scope 1 and 2)

-6.9%

Lost Time Accident per 1,000 FTEs

-23.8%

Women in Group Management

25%

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SUSTAINABILITY AT SIKA

As a technology leader with a global presence, Sika focuses on creating value for all stakeholders across the entire value chain – always considering environmental, social, governance (ESG) and economic aspects in all its activities by adhering to clear strategic targets.

Sika can make the largest positive impact by offering innovative technologies which allow the construction and transportation industries to be more sustainable. The company helps its customers build healthier and safer buildings and vehicles with a lower carbon footprint. By offering such innovative and sustainable products and solutions along its entire value chain, and keeping employee well-being at the center of its business and operations, Sika directly contributes to the United Nations Sustainable Development Goals (UN SDGs).

The outstanding engagement of its employees and their identification with the company are a key contributor to Sika's success. Sika's healthy corporate culture promotes an inclusive work environment where everyone is treated fairly and has equal access to opportunities. Since the company foundation over 100 years ago, social responsibility has been integral to the culture. Sika is committed to fostering stakeholder engagement in all the countries where it is active.

The progress made on sustainability targets is closely monitored and measured. To ensure accountability, there is a clear structure in place whereby financial and non-financial performance metrics are transparently integrated into incentive programs for senior management.

The Sika Sustainability Report 2022 provides a comprehensive overview of the company's sustainability performance across its six target areas and beyond. Simultaneously, it highlights the performance of the new material topics, reflecting the sustainability impact and dependencies between Sika's operations, products, solutions, and employees, suppliers, customers, communities, and planet.

SUSTAINABILITY ORGANIZATIONAL STRUCTURE

GRI 2-12

GRI 2-13

GRI 2-14

Over the past two years, Sika has strengthened its sustainability organization, defining new roles and responsibilities at corporate level, regional level and throughout the entire organization.

BOARD LEVEL

The Board of Directors (BoD) and the Board Chair are responsible for Sika sustainability performance. The BoD reviews and endorses the development and implementation of sustainability policies and strategies, and the Board Chair oversees sustainability-related topics by receiving regular updates from the Group Management.

The Sustainability Committee consists of three Board members, each of whom bring expertise in a specific ESG area. The group prepares sustainability-related topics for discussion and decision-making in the Board. The Sustainability Committee focuses on the following four areas: completing a formal ESG risk and opportunity assessment, including the materiality analysis; setting measurable goals that are aligned with the company's overall strategy; maintaining organization and allocating resources; and communicating effectively through reporting and stakeholder engagement. In 2022, the Sustainability Committee met four times. After each meeting, a report was issued to the BoD. For more information on Sika's BoD and Board Committees, please see the Corporate Governance Report on p.166.

GROUP MANAGEMENT LEVEL

Group Management is responsible for the development and implementation of actions that help achieve the defined sustainability strategy and targets. Group Management is also responsible for risk management at the highest executive level and provides regular updates to the Board.

The Chief Financial Officer (CFO) is a member of the Group Management and leads the corporate finance function which is responsible for financial and non-financial (ESG) controlling. The holistic controlling system enables Sika to track finance, operations, quality, and sustainability performance in a coordinated way, ensuring a high quality of non-financial data and information. Furthermore, this organization strengthens the controlling activities and supports management in their decision-making process. Risk management (incl. climate-related risks) falls also under the domain of the Corporate Finance department, headed by the CFO.

The Chief Innovation and Sustainability Officer is a member of the Group Management and contributes to the agenda of the Sustainability Committee at Board level. Combining leadership for Innovation, Sustainability and Operation Technologies allows Sika to accelerate the integration of sustainability within the organization at all levels, and to remain a leader within the industry. The Chief Innovation and Sustainability Officer is responsible for:

- taking on the leadership and development of the company's global R&D strategy and organization, as well as external innovation collaborations with parties such as academia or start-ups;
- aligning sustainability and R&D teams, strengthening, and accelerating the Sika concept for enabling sustainable construction and transportation by placing sustainability aspects at the core of strategic and operational innovation processes;
- raising awareness and knowledge about sustainability and innovation throughout the organization. Strategize towards transformational leadership for impactful innovation and competitive advantage through the creation of sustainable values. The role brings into focus ESG governance standards and compliance with sustainability-related legal and regulatory obligations;
- planning and guiding the net zero and innovation journey in Sika's operations and along the entire value chain.

The Head of Human Resources (HR) and Compliance is a member of the Group Management who leads both the human resources and compliance functions to ensure business integrity, respect for human rights, diversity and people development. Compliance plays a key role in fostering ethical business conduct and speak-up culture. It helps the management team become aware of regulatory compliance requirements and addresses any violations of the Code of Conduct. Furthermore, the organization provides systematic trainings to employees, and monitors the effectiveness of the compliance management system, to ensure business integrity and respect for human rights. The Human Resources function defines the people strategy and promotes a culture of learning, which facilitates training and development for all Sika employees. Human Resources is also concerned with giving everyone equal opportunities. Sika has developed a framework to promote diversity, as well as measures to ensure fair, inclusive and equal treatment of all employees.

The Head of Global Procurement reports directly to the CEO. This function is not a member of Group Management but attends all meetings, and ensures that sustainability is embedded in procurement, focusing on sustainable supply and supplier engagement. Procurement plays a key role in supply chain transparency by selecting, evaluating, and cooperating with vendors that are committed to ESG standards. With a strong focus on sustainable supply, cost, and efficiency improvement, the Head of Procurement ensures responsible sourcing and compliance with sustainability and quality standards within procurement and Sika upstream supply chain. As of 2022, the global Quality, and Environment, Health & Safety (Q&EHS) function reports to the Head of Procurement.

CORPORATE LEVEL

The Sustainability Leadership Team, created in 2022, orchestrates sustainability-related projects and facilitates the interaction and information exchange across functions and departments at Group and regional level, combining three areas: Controlling, Sustainable Products and Sustainable Portfolio. The Leadership Team reports directly to the Chief Innovation and Sustainability Officer and is responsible for:

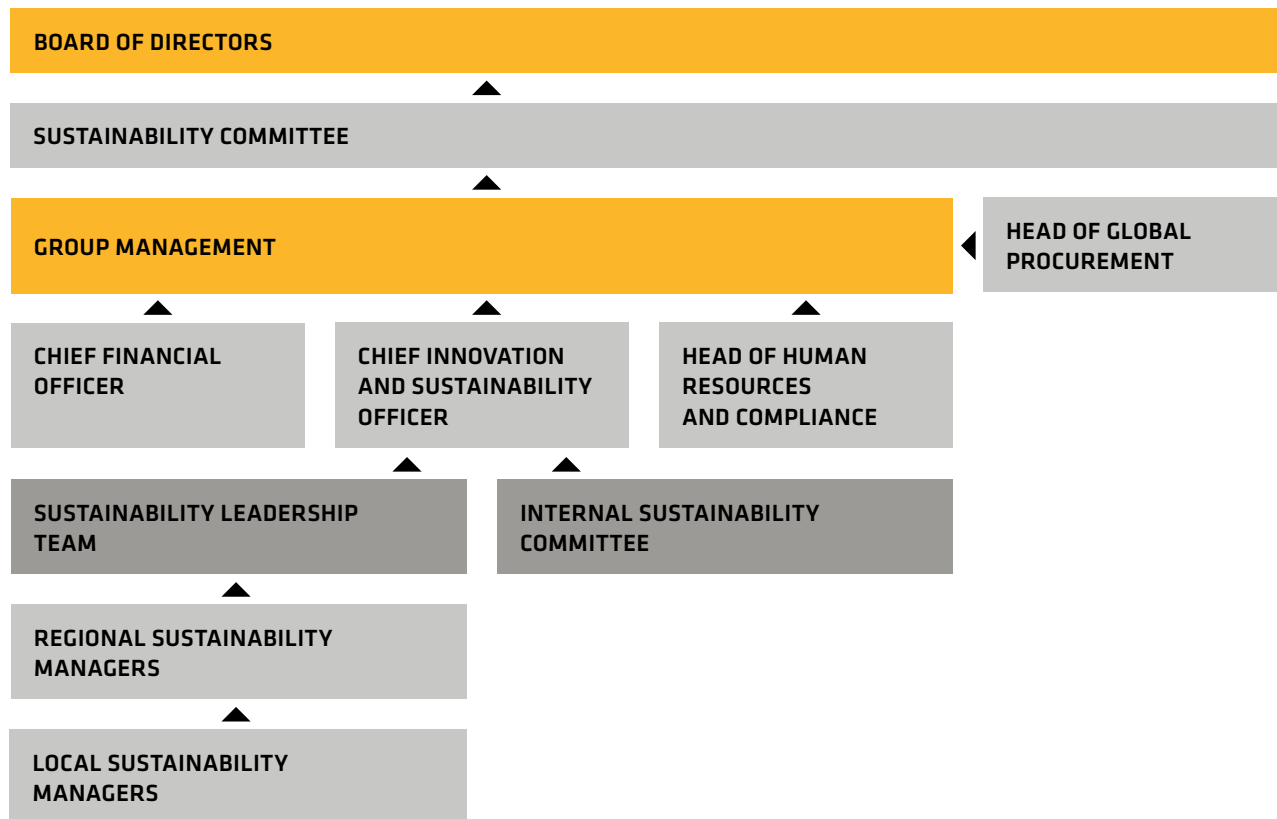
- formulating and reviewing policies and guidelines, and allocating budget for projects and initiatives;
- ensuring the ESG program integration – including the net zero roadmap and targets – into the business strategy and risk management process;
- supporting all four regions and corporate organizations in their sustainability journey to ensure a consistent approach throughout the Group;
- raising awareness and knowledge among the workforce about sustainability-related topics;
- liaising with the Sustainability Committee at Board level and the Internal Sustainability Committee;
- ensuring that all relevant sustainability aspects are considered into new product development, from the integration of life-cycle assessments (LCA) principles and circular economy approaches, to strategic improvements in product carbon footprint and the application of the Sustainable Portfolio Management (SPM) methodology;
- optimizing Sika's product portfolio, focusing on GHG emissions reduction, circular economy, and new business models;
- ensuring a comprehensive ESG reporting framework to best monitor Sika's sustainability performance.

The Internal Sustainability Committee coordinates all sustainability-related projects aimed at achieving sustainability targets and monitoring 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 quarterly. It includes the following corporate functions: Innovation and Sustainability, Operation, Quality & EHS, Communications & Investor Relations, Controlling, Mergers & Acquisitions, Human Resources, Compliance, Procurement, Marketing, and Target Markets. From 2022, Regional Sustainability Managers joined the Committee to coordinate all projects requiring strong collaboration of corporate and regional functions.

REGIONAL AND LOCAL LEVEL

At the regional level, a network of four Regional Sustainability Managers, coordinated by the Sustainability Leadership Team, is tasked with implementing the Sustainability Strategy. Together with Regional EHS and Operations managers, they support local subsidiaries in setting and developing their dedicated sustainability roadmaps and in implementing Group initiatives. At the local level, Local Sustainability Managers are responsible for planning sustainability initiatives and developing a sustainability roadmap at country level, with the support of General Managers, Operations, EHS, Target Market and R&D Managers.

SIKA SUSTAINABILITY GOVERNANCE



SUSTAINABILITY STRATEGY 2019–2023

The Sustainability Strategy 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 current Strategy, Sika pursues six strategic target areas, focusing on Climate Performance, Energy, Waste/Water, Community Engagement, Occupational Safety, and Sustainable Solutions. For more information on Sika's business growth and sustainability strategic pillars, please see the Strategic Report on p.12 of the Annual Report 2022.

SUSTAINABILITY PERFORMANCE AGAINST TARGETS

	TARGET 2023 (BASELINE: 2019)	PERFORMANCE 2019–2022
STRATEGIC TARGETS	<p>Climate Performance</p> <p>We run our business in a responsible way and mitigate climate change and its impacts.</p> <p>-12% reduction of CO₂eq emissions per ton sold (scope 1 and 2)</p>	<p>-6.9% reduction of CO₂eq emissions per ton sold (scope 1 and 2)¹. The emission of greenhouse gases was reduced significantly to 16.4 kg per ton sold, a reduction of 1.2 kg compared to 2021. Compared to baseline 2019: -39.2%</p>
	<p>Energy</p> <p>We manage resources and costs carefully.</p> <p>-15% less energy consumption per ton sold</p> <p>⚡ Increase share of electricity from renewable energy sources</p>	<p>-2.8% reduction in the energy consumption per ton sold. Energy consumption per ton sold decreased by 9 MJ to 315.5 MJ per ton sold. Compared to baseline 2019: -16.7%</p> <p>62.7% of purchased electricity was derived from renewable sources. This was an important rise compared to the prior-year figure (+10.4% points)</p>
	<p>Waste /Water</p> <p>We increase material and water efficiency.</p> <p>-15% less waste generation per ton sold</p> <p>+25% higher recycling rate of total waste</p> <p>-15% less water consumption per ton sold</p>	<p>-3.3% less waste per ton sold. The volume of waste was reduced to 10.8 kg per ton sold. Compared to baseline 2019: -23.1%</p> <p>40.4% of the waste generated was recycled, a strong increase of 18.9% compared to 2021. Compared to baseline 2019: +18.7%.</p> <p>-6.1% reduction in water consumed per ton sold. The amount of water used per ton sold declined to 0.18 m³. Compared to baseline 2019: -46.1%</p>

¹ Based on market-based GHG emissions.

	TARGET 2023 (BASELINE: 2019)	PERFORMANCE 2019-2022
STRATEGIC TARGETS	<p>Community Engagement</p> <p>We build trust and create value – with customers, communities, and society.</p> <p>10,000 working days of volunteering work</p> <p>+50% more projects</p> <p>+50% more direct beneficiaries</p>	<p>2,595 working days of employees were dedicated to volunteering work, an increase of +86.5% compared to prior year.</p> <p>406 projects were carried out in and for local communities, +67.8% more projects than in the prior year. Compared to baseline 2019: +174.3%</p> <p>53,666 direct beneficiaries of the Community Engagement Program. Compared to baseline 2019: +591.1%</p>
	<p>Occupational Safety</p> <p>Sika employees leave the workplace healthy.</p> <p>-50% Lost Time Accidents</p> <p>0 fatalities</p>	<p>206 Lost Time Accidents, a -19.5% decrease compared to prior year. Compared to baseline 2019: -21.1%</p> <p>Zero fatalities among Sika employees and contractors.</p>

	TARGET 2023 (BASELINE: 2019)	PERFORMANCE 2019-2022
STRATEGIC TARGETS	<p>Sustainable Solutions</p> <p>We are leading the industry by pioneering a comprehensive portfolio of customer-focused solutions, combining both higher performance and improved sustainability.</p> <p> All new product developments with Sustainable Solutions</p>	<p>When it comes to product development, Sika combines higher performance with additional sustainability benefits.</p>



For more information, please visit www.sika.com/sustainability

SIKA AND THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (UN SDGs)

The United Nations Sustainable Development Goals (UN SDGs), also known as the Global Goals, were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. The 17 SDGs are integrated – they recognize that action in one area will affect outcomes in others, and that development must balance social, economic, and environmental sustainability. Achieving these targets requires concerted and immediate action from the public and private sectors around the world. The creativity, knowhow, technology, and financial

resources from all of society is necessary to achieve the SDGs in every context. In 2022, Sika identified, prioritized, and assessed its activities to demonstrate how it translates global sustainability commitments into action. The analysis allowed Sika to evaluate which UN SDGs, targets, and indicators its activities contributed to during the reporting year. In total, the company contributes to 12 of the 17 UN SDGs. For more detailed information, please consult the document [Sika and the UN SDGs](#) available on the corporate website.



MATERIALITY ANALYSIS 2022

GRI 3-1

GRI 3-2

A materiality assessment is a process to identify the most important sustainability topics, opportunities, and risks from two perspectives: the importance to stakeholders and the importance to the company. 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 its stakeholders. The information gained through this process supports decision-making about the direction of the business, allows the integration of sustainability topics into the business strategy, and the selection of relevant topics for sustainability reporting. Between 2021-2022, Sika conducted a new Materiality Analysis, focusing on potential ESGE – environmental, social, governance and economically – material topics, to capture the sustainability impact, dependencies, risks, and opportunities of Sika's operations, products, and services, along the entire value chain. The analysis was structured applying a multistep approach:

- Inventory of ESGE topics: identification of material topics influenced by the global and local contexts in which Sika operates, as well as key reporting standards (e.g., GRI, SASB, TCFD, UN SDGs, etc.), regulatory requirements, peers' benchmarking, and best practices.
- Stakeholders' identification and prioritization: involvement of a core team of Sika senior managers in a workshop to discuss and identify relevant internal and external stakeholders to be engaged during phase
- Prioritization of ESGE topics: completion of a stakeholders' survey to prioritize ESGE topics. The outcome is a shortlist of ESGE material topics.
- Materiality matrix: graphic representation of ESGE material topics on a matrix showing their level of relevance for both external and internal stakeholders.
- Approval: approval of the materiality matrix by the Board of Directors.

The analysis resulted in the selection of 29 out of over 100 potential material topics. Compared to the previous Materiality Matrix 2018, the following topics were added: Climate Change, Public Policy, Tax Strategy, Responsible Procurement, Responsible Marketing, Compliance, IT Landscape, Risk and Crisis Management, Stakeholder Engagement, Digitalization, Innovation Management; while others were removed: Emerging Markets, Transport and Logistics, Equal Remuneration, Employee and Management Relation, Employee Fluctuation. All the others were integrated in the definitions of current material topics.

For more information on the Materiality Analysis conducted in 2022, please see the summary report [Sika Materiality Analysis 2022](#) available on the corporate website.

MATERIAL TOPIC BOUNDARIES

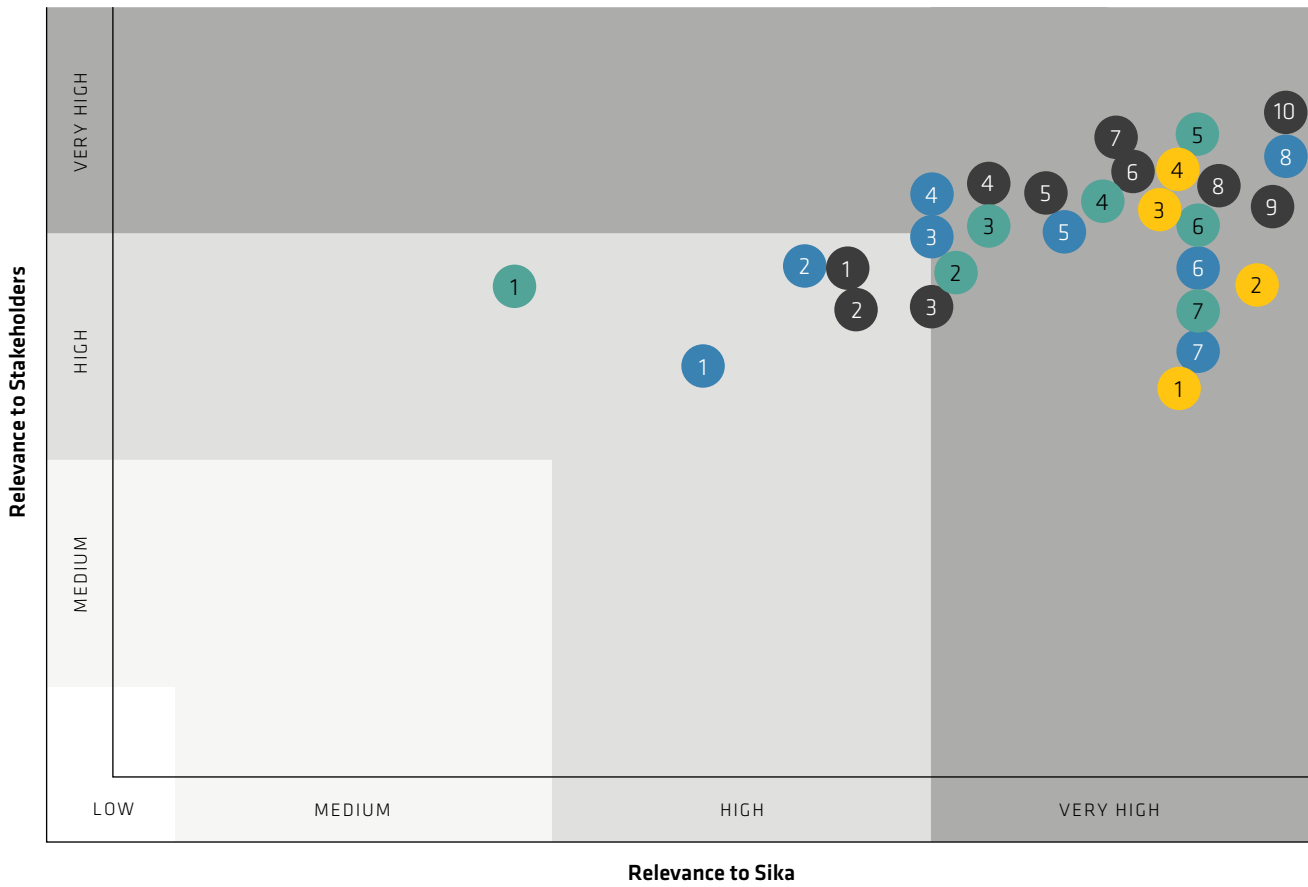
The concept of "topic boundary" is based on the expectation that organizations have a responsibility not only for the direct impact they cause, but also for the indirect impact resulting from their business relationships. These concepts are covered in the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises¹. Sika structured the Sustainability Report around its material topics, organized by dimensions – environmental, social, governance, economics – their related sub-topics and boundaries. For more detailed information on material topics and boundaries, please see the document [Material Topic Boundaries 2022](#) available on the corporate website.

STAKEHOLDER ENGAGEMENT

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 organization's ability to achieve its objectives. In the materiality analysis approved by the BoD in May 2022, Sika identified the most relevant internal and external stakeholder groups for the company. Please see the summary report [Sika Materiality Analysis 2022](#) available on the corporate website for more information. Regular stakeholder engagement is essential for responsible business practice and key to capturing insights from across the business by ensuring inclusiveness. For more detailed information on engagement activities conducted in 2022 and the key topics and concerns raised, please see the document [Stakeholder Engagement Activities 2022](#) available on the corporate website.

¹ [OECD Guidelines for multinational enterprises](#)

Sika Materiality Matrix



ENVIRONMENTAL

- 1. Biodiversity and Nature
- 2. Water Management
- 3. Air Emissions
- 4. Waste Management
- 5. Product Portfolio
- 6. Energy Management
- 7. Climate Change

SOCIAL

- 1. Community Relations
- 2. Stakeholder Engagement
- 3. Labor Management
- 4. Human Rights
- 5. Diversity and Inclusion
- 6. Human Capital Development
- 7. Talent Attraction and Retention
- 8. Health and Safety

GOVERNANCE

- 1. Public Policy
- 2. Tax Strategy
- 3. Corporate Governance
- 4. Responsible Procurement
- 5. Responsible Marketing
- 6. Customer Relationship Management
- 7. Compliance
- 8. IT Landscape
- 9. Risk and Crisis Management
- 10. Business Ethics and Integrity

ECONOMIC

- 1. Digitalization
- 2. Economic Performance
- 3. Circular Economy
- 4. Innovation Management

PARTNERSHIPS AND COLLABORATIONS

GRI 2-28

Sika partners with numerous organizations to actively drive the progress of sustainability in its industries and develop its own performance. Moreover, collaborations across the entire value chain are part of the principles for strategic management. The list below provides a non-exhaustive overview of industry as-

sociations, initiatives, and relevant strategic partners. For more detailed information, please see [Partnerships and Collaborations](#) and [ESG Indices and Ratings](#) available on the corporate website.

Reporting Standards & Frameworks



Membership of Associations



Initiatives



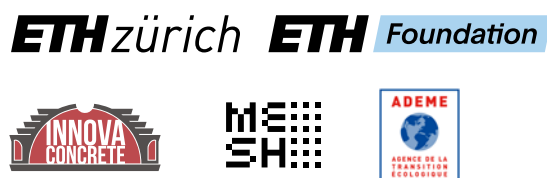
Ratings



Indices



Collaborations



For more information, please visit www.sika.com/partnerships

PEOPLE

SUMMARY & HIGHLIGHTS

AMBITION

Sika aspires to create an attractive, inclusive and safe work environment where people can grow and unlock their full potential.

APPROACH

Sika's corporate culture promotes an inclusive and safe work environment where everyone is treated fairly and has access to equal opportunities.

HIGHLIGHTS

Revised Code of Conduct (CoC)

The revised CoC has a stronger focus on sustainability, in particular on human rights and the promotion of equal opportunities, diversity and inclusion.

Safety campaign 2022

Under the motto "Caring for Employees Beyond the Expected", the campaign strengthens Sika's safety message and reaffirms duty of care towards employees.

Establishment of a new Senior Management layer

From 2023, a new management layer of Regional and Corporate Senior Managers will be added to the organizational setup to strengthen the talent development and retention approach.

KEY FIGURES

change vs 2021

Employees

27,708

+2.4%

Proportion of women in the workforce

24%

+0.8% points

Lost Time Accidents per 1,000 FTEs

7.0

-23.8%

Average training hours per employee

13.4

+20.2%



“Our aim is to attract, engage and develop all employees at Sika to unlock their full potential. We are committed to offering an attractive and inclusive working environment. By investing in the development and upskilling of our employees, we create a highly engaged organization that is prepared to succeed in the future.”

Raffaella Marzi
Head of Corporate HR and Compliance

MATERIAL TOPICS

Corporate Governance	Health and Safety	Business Ethics and Integrity
Compliance	Human Rights	Labor Management
Diversity and Inclusion	Human Capital Development	Talent Attraction and Retention
Community Relations	Public Policy	Stakeholder Engagement

SDGs



CORPORATE GOVERNANCE

GRI 3-3

POLICIES AND GUIDELINES



For more information, please visit the corporate webpage **ESG Policies and Guidelines**

Sika is committed to creating an attractive and inclusive work environment where people can unlock their full potential. A place where everyone returns home safely at the end of the workday. 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 passionately solve daily challenges.

STRONG VALUES AS A SHARED BASIS

Customer First, Courage for Innovation, Sustainability & Integrity, Empowerment & Respect, and Manage for Results: these are the five core values and principles that define 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.

In addition to these core values, Sika introduced a Leadership Commitment framework in 2021 that is designed to inspire the whole organization and guide the next generation of leaders. It reflects a close connection between values and principles and consists of the following four pillars: Drive Change, Unlock Potential, Win Together and Inspire. As the company grows and evolves, this framework helps preserve Sika's corporate culture and inspire employees. For more information on Sika sustainability organizational structure, please see the "Sustainability at Sika" chapter on p.43 of the Sustainability Report 2022. For more information on Sika corporate governance, please see the "Corporate Governance Report" on p.166 of the Annual Report 2022.

Under the motto "Caring for our Employees. Beyond the Expected", the second Sika Day was celebrated globally in 2022. It emphasized the importance of employee safety at and around work. People appreciated to gather in person in many places around the world as COVID-19 restrictions were lifted. The annual Sika Day allows the company to celebrate its people, culture, and success.

SIKA VALUES AND PRINCIPLES

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.

HEALTH AND SAFETY

GRI 3-3	GRI 403-1	GRI 403-2
GRI 403-3	GRI 403-4	GRI 403-5
GRI 403-5	GRI 403-6	GRI 403-7
GRI 403-9	GRI 403-10	

POLICIES AND GUIDELINES



For more information, please visit the corporate webpage ESG Policies and Guidelines

STRONG COMMITMENT TO HEALTH AND SAFETY

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

EMPLOYEE AND CONTRACTOR HEALTH AND SAFETY

The health, safety, and well-being of all Sika employees, suppliers, and contractors is paramount for Sika. In 2022, Sika focused on increasing awareness about health and safety throughout the whole company via a dedicated communications campaign and key initiatives (Start with Safety, Visual Performance, Safety Walks, and EHS tool deployment), supported by a strengthened network of EHS professionals at global, regional, and local level. Sika continues to improve its occupational health and safety programs with further attention given to safe conduct, employee participation in safety programs, and a focus on prevention. A Global Safety Survey of all Sika employees was launched in 2022, with the results available in early 2023. The action plans derived from the global, regional, and local survey results will ensure that safety remains on the agenda of all Sika employees.

COMMITMENT

Sika strives to protect employees at work and ensures 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 strategic target 2023 is to reduce Lost Time Accidents by at least 50% (baseline 2019: 9.6 LTA/1000 FTEs) and to have no fatalities. Sika evaluates the effectiveness of its management approach according to target achievement. For more information on safety targets and Sika's related performance, please see the "Sustainability at Sika" chapter, "Sustainability Strategy 2019-2023" section on p.47 of the Sustainability Report 2022.

RESPONSIBILITIES

General Managers bear full responsibility for the implementation of labor practices and safe working conditions in Sika's local operations. They report to the regional management, who is in

charge of the development of regional strategic plans and targets in accordance with the Group Strategy. All of them ultimately report to the CEO.

At local level, all General Managers, Operations Managers, and line managers are responsible for meeting Sika's occupational health and safety targets and for setting local targets accordingly. From 2023 onwards, the compensation scheme of Group Management and Sika Senior Managers will be linked to the safety performance of the company.

THE SIKA VISION ZERO PROGRAM

The following activities, which all happened during 2022, constitute a part of the Vision Zero program which was rolled out in 2020:

- Five Regional Safety Summits involving Regional Managers, Regional EHS Managers, General and Local EHS Managers were organized to raise awareness and generate specific action plans for improvement at regional and country level.
- Behavior-Based Safety (BBS) programs led by Regional and Local EHS Managers were rolled-out in each region to further develop safety awareness at the workplace.
- Trainings on several specific topics such as EHS Minimum Requirements, Root Cause Analysis, Risk Mitigation or Near Misses and Safety Observations were implemented throughout the Group.
- Several communication initiatives were launched to strengthen Sika's safety message and awareness through the company, such as the annual Sika Day focused on Safety, roll out of a Sika Safety Communication campaign worldwide and deployment of a Global Safety Survey to all employees.
- A new EHS Community was created on Sika intranet. Available to all Sika employees, this community enhances Sika's communication on safety through the deployment of safety communication tools. As an example, a dedicated library of Safety Moments is available for use during safety talks at the beginning of a meeting.

In addition, at Group level, four key initiatives were implemented in 2022 as part of a new and systematic approach for improving EHS performance:

- "Start with Safety" behavior at all management levels throughout the company is crucial. Managers demonstrate that safety is a core value for Sika by speaking about it. This

leadership behavior is known to be a key factor in establishing a strong safety culture.

- “Safety Walks” were initiated across the Group. Since most accidents are caused by unsafe behavior or conditions, such visits to the shop floor aim to proactively change behaviors and conditions. Organized at local level, they involve on-site teams (Production, R&D, EHS or Administration for example) in the review of the processes to trigger immediate changes and improvements.
- “Manage Visual Safety Performance” through setting up visible EHS corners to display Safety performance, news, best demonstrated practices, etc., and using them as meeting points where employees can talk about safety.
- The “SpheraCloud Incident Management” tool was implemented across Sika globally. It allows employees to report any incident, near miss, or safety observation for investigation and follow-up of corrective and preventive actions, bringing transparency on Sika’s Safety performance and supporting the continuous improvement approach.

SIKA SAFETY CAMPAIGN 2022

A new Sika Safety Campaign under the motto “Caring for Employees Beyond the Expected” was launched during the Sika Day 2022 and rolled out during the year in all regions. It strengthens Sika’s safety message by triggering employee’s personal mindset and encouraging them to be aware of risks, and to actively apply the predefined safety rules in the workplace. The newest internal global safety campaign concept clearly highlights how employees are Sika’s top priority.

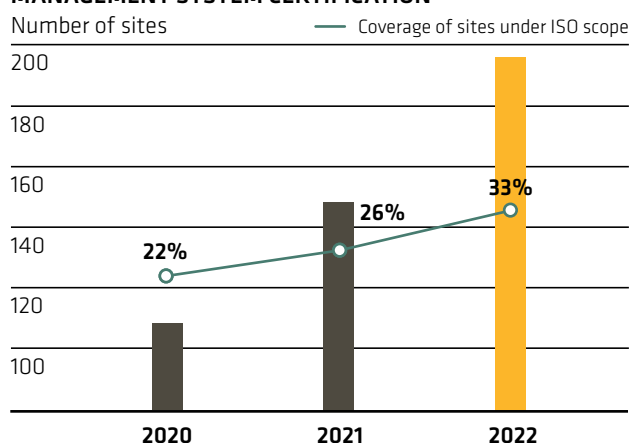
OCCUPATIONAL HEALTH AND SAFETY AND QUALITY MANAGEMENT SYSTEM

Sika maintains 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 monthly reviews of health and safety performance

support the continuous improvement of the management system and its implementation. In 2022, nine internal audits with a specific focus on EHS have been conducted.

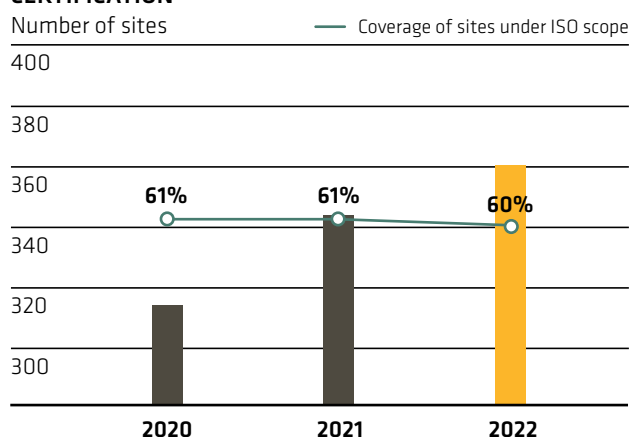
In 2022, among 601 Sika sites under ISO scope¹, 33% are certified according to ISO 45001:2018 (↓ **Table 01: ISO 45001:2018 – Occupational Health and Safety Management System Certification**, in the “Key Performance Indicators” section at the end of this chapter). The percentage of certified Sika sites improved in line with the increased focus on safety.

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



In 2022, among 601 Sika sites under ISO scope¹, 60% are certified according to ISO 9001:2015 (↓ **Table 02: ISO 9001:2015 – Quality Management System Certification**, in the “Key Performance Indicators” section at the end of this chapter). The percentage of certified Sika sites has stagnated due to acquisitions and the number of newly opened sites.

ISO 9001:2015 – QUALITY MANAGEMENT SYSTEM CERTIFICATION



1. Considered under ISO scope there 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 respective ISO standards.

HAZARD IDENTIFICATION, RISK ASSESSMENT, AND INCIDENT INVESTIGATION

Sika considers hazard identification to be the basis of safe work, and therefore applies the STOP principle (Substitution, Technical measures, Organizational measures, Personal protective measures) to all risk and incident investigations. Sika companies are required to regularly assess hazards and analyze risks within their premises and operations, and to define corrective and preventive measures accordingly. Each Sika site carries out adequate 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, raw material, incidents, accidents, near misses, etc.

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) must be reported within 24 hours 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. From 2023, this process will be supported by the Global EHS Incident Management tool, which was rolled out during 2022.

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.

GLOBAL ROLLOUT OF THE EHS INCIDENT MANAGEMENT TOOL

The integrated incident management digital tool SpheraCloud enables Sika employees to report, manage, analyze, and share EHS observations, near misses, and incidents. The development of the tool started in the first semester of 2022 with the rollout of a pilot successfully deployed across 31 locations. From June to December 2022, the tool was rolled out across the group. All employees are obliged to complete an online training on EHS basics and on how to use the Incident Management tool as part of the onboarding.

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. 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.
- 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. 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. In addition, dedicated trainings on specific work-related hazards and hazardous activities are also provided to workers and contractors under the framework of the internal EHS Minimum Requirements. Each country has set up its own program to roll out and train employees to these standards.

An e-learning tool dedicated to EHS Minimum Requirements is currently under development at Group level and will be finalized in 2023.

OCCUPATIONAL HEALTH SERVICES & WORKERS' HEALTH PROMOTION

Knowing what to do and who to get in contact with in the event of an accident or injury can make it easier to get medical treatment and help prevent similar accidents. If an employee sustains an injury or illness at work, the supervisor or manager must be notified immediately. The setup of occupational health services is under the responsibility of local management teams in accordance with Sika internal Safety Manual and Sika Life Saving Rules and might differ depending on local regulations and healthcare systems:

- In the US, for example, a dedicated procedure has to be strictly followed in case of Emergency Medical Attention or Non-Emergency Medical Attention – relying either on emergency assistance or on a medical hotline.
- In Brazil, Argentina, Mexico, a doctor is available on factory sites to carry out consultations and occupational clinical assessments related to the occupational risk of each employee.
- In the Asia/Pacific region, a REBA (Rapid Entire Body Assessment) initiative for ergonomics risks assessment has been deployed.
- In all locations in Switzerland, a network of internal first aiders is available for employees. They are the first contact for any health-related incident.

- In the Global Business region, the safety hands-on brochure “My Safety Guide” has been communicated to all employees to promote safety awareness. Informing about Sika's safety rules and programs, the booklet guides everyone through simple safety tools such as interviewing an employee or assessing a workplace and provides concrete recommendations for safety observations.

In November 2022, Sika kicked off its first Global Safety Survey in order to assess the state of safety according to all employees. Feedback will be collected until early 2023, and the results of the survey will be used to strengthen the health and safety approach throughout the organization. Promoting employees' health goes beyond work-related incident prevention. All local companies are responsible for promoting workers' health beyond the workplace and for facilitating access to non-occupational medical and healthcare services depending on the local context and according to local regulations. Across the globe, Sika promotes employees' health via different channels, such as health campaigns, financial support to participate in sports activities, dedicated sessions delivered by mental health professionals, lectures on stress release techniques and first aid trainings. In 2022, several initiatives were rolled out:

- All Sika companies carry out awareness campaigns about the importance of vaccination and prevention of COVID-19.
- In some countries (for example Brazil and Switzerland), HR Departments carry out an annual flu vaccination campaign for employees and their families.
- In Argentina, trainings on health-related topics, such as first aid, workplace ergonomics, smoke and AIDS are regularly organized. Participation in sports, such as running events, are also encouraged by the local office.
- In the UK, a mental health hotline is available for all employees.

WORKERS PARTICIPATION, CONSULTATION AND COMMUNICATION ON OCCUPATIONAL HEALTH AND SAFETY

In addition to the Safety Campaign rollout, Sika ensures that employees can have direct contact with superiors and management on occupational health and safety issues at all times. This allows employees to raise their concerns to improve safety and health at work and the management system. All local entities are responsible for organizing formal joint management-worker health and safety meetings on a regular basis in line with local regulatory requirements. In addition, employees are involved in the analyses of errors, accidents and other events if they wish or can contribute. For instance:

- In Sika North America, the Incident Review Committee meets monthly to discuss lost time incidents and significant near misses. A statement from the injured worker is generally collected prior to the incident review meeting. The supervisor or the Local EHS Manager has the responsibility to present the facts to the rest of the team for discussion and corrective actions. The Operations Leadership Team meets monthly and discusses health and safety as first item on the agenda and the Steering Team meets quarterly and discusses safety as a first item on the agenda.

- In Latin America, the “Big Brother – Small Brother” scheme consisting of mutual support between countries in the EHS field has been strengthened. In addition, a systematic monthly meeting gathering all EHS managers to review the status of incidents, share best demonstrated practices and update the EHS roadmap has been set up in 2022.
- In the Asia/Pacific region, factories installed EHS corners and a VPM (Visual Performance Management) board, which communicates regular information on safety issues and EHS-related regulatory updates. At such corners, workers are also invited to provide inputs and suggestions on EHS improvements and protection measures. Non-managerial representatives are invited to contribute to local EHS Committee. In China, a “Safety Star” is nominated every month to further promote health and safety awareness in Sika premises.
- In the EMEA region, employees participate in the preventive programme as event reporters and report on the near misses and observations. Furthermore, through the hazard hunting groups, employees and managers carry out safety walks together. Employees are also involved in the development of decisions and decision-making processes based on team memberships in topics such as Suggestion-System and improvements.

EMPLOYEE WORK-RELATED INJURIES

In 2022, no work-related fatalities occurred among Sika employees. The number of lost time accidents decreased compared to 2021 (-19.5%), leading to a lower Lost Time Accident (LTA) rate per 1,000 FTEs (7.0, -23.8%). Sika continues to focus on initiatives to improve safety awareness and culture, bring transparency on health and safety performance, and mitigate risks. Analysis of lost time accidents showed that the majority were related to manual handling and slips, trips and falls. For each serious incident or accident with lost time, a root cause investigation is conducted and corrective and preventive actions defined. An internal report summarizing circumstances, causes and actions is circulated across the Group by the EHS function.

WORK-RELATED INCIDENTS OF SIKA EMPLOYEES¹

	2020	2021	2022
Fatalities (No.)	1	0	0
Lost Time Accidents (No.) ²	230	256	206
Days lost due to Lost Time Accidents (No.)	4,650	4,919	5,707
Average days lost per Lost Time Accidents (No.)	20.2	19.2	27.7
LTA/1,000 FTES (Rate)	8.4	9.2	7.0
LTIFR ³ per 200,000 hours (Rate)	0.84	0.92	0.69
Occupational illnesses (No.)	16	10	12
OIFR ⁴ per 200,000 hours (Rate)	0.059	0.036	0.040

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

2 A Lost Time Accident is an accident which results in one or more lost days, not including the day of the accident.

3 Lost Time Injury Frequency Rate.

4 Occupational Illness Frequency Rate.

Additional health and safety indicators are monitored internally to help strengthen Sika's EHS preventive approach: recordable work-related injuries leading to restricted work or transfer work, incidents with impact beyond first aid leading to medical treatment, potential and minor injuries and also commuting accidents or work-related stress cases.

In 2022, no work-related fatalities of Sika contractors occurred. The number of contractor lost time accidents decreased compared to 2021 (-13.3%). Implementation of Group-wide minimum requirements for on-site contractors management contributed to this improvement. Sika places equal importance on the health, safety and well being of contractors as on Sika employees.

WORK-RELATED INCIDENTS OF CONTRACTORS

	2020	2021	2022
Fatalities (No.)	1	0	0
Lost Time Accidents (No.)	11	30	26

OCCUPATIONAL ILLNESSES

In 2022, twelve occupational illnesses have occurred for Sika employees, an increase by two cases compared to 2021, as reflected in the OIFR⁴ development. The most common causes were related to skin or respiratory diseases, or musculoskeletal disorders. In all cases, the employees were supported by local Human Resources and Health and Safety functions.

CUSTOMER 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. For more information on how Sika guarantees customer health and safety through product safety, please see the "Products and Customers" chapter, "Product Safety, Quality and Reliability" section on p.126 of the Sustainability Report 2022.

BUSINESS ETHICS AND INTEGRITY

GRI 2-16	GRI 2-25	GRI 2-26
GRI 3-3	GRI 205-1	GRI 205-2
GRI 205-3	GRI 206-1	GRI 406-1

POLICIES AND GUIDELINES

For more information, please visit the corporate webpage [ESG Policies and Guidelines](#)

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. The company believes that sustainable and successful business results from acting in compliance with laws and regulations.

Sika operates a Group-wide, culturally well-accepted Compliance Management System. The Group pursues a comprehensive approach to compliance and engages the whole organization through all hierarchies, functions and geographical areas.

In the first half of 2022, the Board of Directors approved a revision of Sika's Code of Conduct, which underscored the company's strong commitment to sustainable development, including human rights, labor standards and environmental protection. In addition, the revised Code now reflects all recent changes of Sika-internal policies including the Sika Trust Policy, Supplier Code of Conduct, Gift & Entertainment Policy, and Global Privacy Policy.

COMMUNICATING CRITICAL CONCERNS, THEIR NATURE AND TOTAL NUMBER

Sika promotes transparency and a speak-up culture around the world. Concerns are defined as "critical" based on their severity. The company classifies reported concerns, distinguishing three priority levels: 1) reports concerning the most severe violations or misconduct are addressed and managed under the lead of Corporate Compliance; 2) concerns may be handled regionally or even locally, with the agreement of Corporate Compliance; 3) concerns may be handled locally, without involvement of Corporate Compliance. Sika identifies critical concerns based on surveys, audits and complaints that are escalated to Corporate HR & Compliance.

A digitalized questionnaire called "Compliance Confirmation" is the main survey tool used to foster transparency and speak-up. This survey is sent to all General Managers by Corporate Compliance once per year. In early 2023, all GMs confirmed that during the calendar year 2022, Sika's core compliance policies and manuals regarding fundamental environmental, anti-corruption, fair competition, labor laws and human rights were implemented at each entity, and that all GMs provided adequate information and training concerning these topics to their staff.

Audits may uncover possible or actual misconduct or violations of Sika policies. If this is the case, the involved audit function – up to 2022 primarily Internal Audit, henceforth also Corporate Compliance with its targeted compliance audits – escalates the matter, thus triggering a compliance investigation (about the Compliance Audit program, see also further below).

Compliance investigations may also be triggered by complaints. Employees and external stakeholders are encouraged to report perceived violations or misconduct, either through the commonly used communication channels (phone, email, mail) or via an online grievance mechanism. The online reporting channel, called **Sika Trust Line**, is operated on the server of an external party and allows for anonymous reporting directly to the attention of Corporate Compliance. In accordance with its motto "Building Trust", Sika invites everyone to speak up openly rather than anonymously, and grants all those who speak up in good faith far-reaching protection against retaliation.

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).

COMPLIANCE COMPLAINTS RECEIVED, INVESTIGATED AND SUBSTANTIATED

	2020	2021	2022
Received complaints (No.)	60	63	48
Investigated complaints (No.)	44	50	47
Substantiated complaints (No.)	23	33	22 ¹
Complaints leading to disciplinary measures ² (No.)	21	23	23
Thereof cases with dismissals/voluntary resignations (No.)	15	14	11
Thereof cases with only warning letters (No.)	6	9	11
Thereof assignment of new role (No.)	-	-	1

1 Four complaints still under review for 2022. 2021 figures have been updated since some cases were still open at the time of the 2021 report publication.

2 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).

COMPLIANCE INVESTIGATIONS

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 a defined escalation process, these initial recipients are required to handle the complaints either locally or escalate them to Corporate Compliance. If escalated, Corporate Compliance 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 20 incident reports per year via the Sika Trust Line. Another roughly 30 reports per year were submitted via internal escalation channels. Around 70–90% of the annually reported incidents are investigated. Of the investigated incidents, roughly 40–70% are being substantiated, meaning that in its final investigation report, Corporate Compliance confirms the unethical or illegal behavior. If a report is being substantiated, Corporate Compliance submits recommendations to the management team concerned regarding adequate disciplinary and organizational measures to prevent the reoccurrence of similar violations. In 2022, Corporate HR & Compliance received 48 complaints, triggering 47¹ investigations:


- 22 allegations of misconduct could be confirmed/substantiated.
- 21 complaints could not be substantiated.
- Four complaints are still under investigation at the publication of this report.

The 2022 compliance investigations analysis allows for the following conclusions:

- Most investigations centered on either interpersonal tension (20, equivalent to 43%) or fraudulent behavior (18, equivalent to 38%).
- Twelve reports (25%) were submitted anonymously, seven of them via the Sika Trust Line. One could be substantiated, while two are still under investigation at the writing of this report.

- 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 bribery. In four instances, the allegations could be confirmed. To the extent that the involved employees were still employees of Sika, they were dismissed with immediate effect. In addition, anti-corruption training efforts were intensified for the concerned entities and their management.
- Sika employees (including former employees) remain the main channel to report misconduct (38 of 48 reports). Of the 31 complaints they submitted with their identity revealed, 19 (61%) could be substantiated.
- 14 of the 48 reports were reported by business line employees or management (1st line), four were reported by assurance functions (2nd line) and five by Internal Audit (3rd line).

ANTI-CORRUPTION AND ANTI-COMPETITIVE BEHAVIOR

Corruption – unfortunately – exists worldwide, causing economic damage and contributing to an unfavorable business environment by distorting market mechanisms and increasing the cost of doing business. To reduce the negative impact of corruption, Sika financially supports  **Transparency International** and its global fight against corruption.

Corporate Compliance assesses all Sika operations regarding potential and actual corruption risks every year. It does so based on Transparency International's corruption index, combined with internal reports it receives about incidents of bribery, and findings resulting from its own compliance assessments (see also below). As in previous years, the General Managers (GMs) of all Sika entities in the context of Sika's annual Compliance Confirmation survey confirmed that no corruption investigations took place 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 specialty chemicals company, and therefore 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 a 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 assessments of local practices related to third-party engagements and expenses.

To prevent anti-competitive behavior, Sika not only prohibits such behavior in its internal policies, but also runs annual trainings with risk-exposed employees, reminding them not to share

1 Two reports about the same matter resulted in only 1 investigation.

sensitive market information with competitors. The risk of abusing a market dominant position is negligible because Sika operates in very fragmented markets and does not hold a 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 issued such a confirmation for the calendar year 2022.

ETHICAL LEADERSHIP VOWS

By means of a biannual 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 that 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. GMs 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 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 implementing targeted policies, trainings, audits, investigations, as well as disciplinary and improvement measures. A separate team is assuring compliance with data protection and privacy regulations. Where required by local law, they are supported by a designated local data protection manager.

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. Together, they assess the situation, decide on whether further investigation is needed, and ultimately propose adequate disciplinary actions and organizational measures 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, to Group Management, and to the external auditors, 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. To strengthen the "Detect" component, Corporate Compliance will roll out a Group-wide audit program in 2023 to conduct 15 compliance audits around the globe. The number of audits is expected to increase thereafter, depending on available resources. To assure proper documentation and follow-up, the Group-wide audit tool will be used. The compliance audits focus on four specific risk areas: 1) Ethical leadership and human rights, 2) Anti-bribery & corruption, 3) Anti-trust & fair competition, and 4) Third-party risks including sanctions, marketing expenses, and contracts with intermediaries. The program is closely aligned with the audit activities of other functions, such as Internal Audit and Legal.

TARGETED TRAINING INITIATIVES

Members of the Global Compliance Organization conduct annual 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).

STRINGENT COST CODING AND CONTROLLING

Internal regulations including the Gift & Entertainment Policy and the Controlling Manual require all Sika entities and functions to record transparently in their 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, analyzes expense patterns regularly and investigates where unusual or unclear patterns are identified.

THIRD-PARTY DUE DILIGENCE AND MONITORING

In 2022, Sika tightened its Third-Party Due Diligence and Monitoring on a global level. On one hand, Procurement continued to implement Sika's Supplier Code of Conduct across its supply base. The Supplier Code of Conduct prohibits any act of bribery or corruption, and states that such acts, if identified, will lead to the immediate termination of cooperation. Every supplier is required to commit to this prohibition or demonstrate that it has similar internal rules reflecting a zero-tolerance policy to bribery or corruption. Suppliers are further required to have systems in place that ensure the proper communication training and auditing of their personnel and subcontractors to comply with Sika's ESG requirements concerning human rights, labor standards and EHSQ across their own supply chain. On the other hand, Procurement reviews supplier performance on a regular basis, thus monitoring whether Sika's business partners indeed comply with the Group's strict ESG requirements. Further, suppliers are obliged to immediately inform Sika of any known violation of its Supplier Code of Conduct. For more information on Sika's supply chain, please see the "Procurement" chapter on p.133 of the Sustainability Report 2022. Business contracts with suppliers accused of violating Sika's ESG requirements are terminated with immediate effect, unless the supplier can demonstrate during the investigation that it has a compliance management system in place that aims at preventing such violations.

HUMAN RIGHTS

GRI 3-3

GRI 406-1

GRI 406-1

GRI 407-1

GRI 408-1

GRI 409-1

POLICIES AND GUIDELINES



For more information, please visit the corporate webpage [ESG Policies and Guidelines](#)

As a signatory of the UN Global Compact and in accordance with the UN's Universal Declaration of Human Rights (UDHR) and the core Conventions of the International Labor Organization (ILO), 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 hundreds of operations around the globe, Sika is active in many regions that rank high on human rights risk indices. Sika takes its responsibility seriously to prevent human rights violations in its own operations and to implement adequate measures to assure that no such violations occur in its supply chain.

COMPLIANCE CONFIRMATION

General Managers and their local management team are obliged to monitor the protection of human rights and labor standards within their entities and their areas of responsibility. Collected by Corporate Compliance, Sika's Compliance Confirmation asks all General Managers to confirm yearly that they have implemented and communicated the following principles to their staff: the prohibition of forced, slave, compulsory, or child labor; the freedom of association; the right to fair work hours and fair compensation, and the non-discrimination and equal opportunity principles.

The Compliance Confirmation also affirms that Sika promotes diversity, inclusion, equal opportunities and fair treatment in employment and occupation, and that Sika prohibits any form of discrimination (discrimination being defined as "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"). Further, the Confirmation underscores the right of workers – to the extent permitted by local laws – to establish and join labor organizations of their own choosing without the need for prior authorization.

For 2022, 100% of Sika's General Managers have confirmed – by means of their annual Compliance Confirmation – that no violations of fundamental human or labor rights have been identified.

INTERNAL HUMAN RIGHTS-RELATED AUDITS, ASSESSMENTS, AND INSPECTIONS

General Managers are obliged to strictly adhere to internal human rights-related guidelines and applicable local laws, and to supervise their entities accordingly. They are also responsible for taking preventive action and providing adequate training to their staff.

By means of audits and inspections, Sika ensures the protection of human and labor rights among its Group companies. On an annual basis, Corporate Compliance, Corporate Legal and Internal Audit are expected to run a total of roughly 50 assessments to monitor the implementation of Sika's human and labor rights standards and to implement improvement measures if necessary. In addition, on-site EHS risk and quality audits are partially focused on protecting human rights and labor standards by ensuring the implementation of minimum health and safety requirements. Sika conducts about 15 such risk and quality audits each year. In 2022, the above-mentioned functions performed a total of 46 human-rights-related audits, assessments and inspections across the globe.

SUPPLIER AUDITS AND ASSESSMENTS

For more information on this topic, please see the "Procurement" chapter on p.133 of the Sustainability Report 2022.

CHILD LABOR

In line with Sika's commitments to human rights (see above), Sika categorically prohibits child labor. General Managers are obliged to strictly adhere to the prohibition. For 2022, 100% of them have confirmed compliance with the norm. To date, no child labor has ever been reported internally, whether via the Sika Trust Line or other speak-up channels. To ensure that no child labor exists in its supply chain, Sika requires all of Sika's tier 1 suppliers to sign its Supplier Code of Conduct (SCoC), which also contains a categorical child labor prohibition. Suppliers are expected to have systems in place that ensure the proper implementation, training and monitoring of the "no child labor" principle and all other 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 its SCoC.

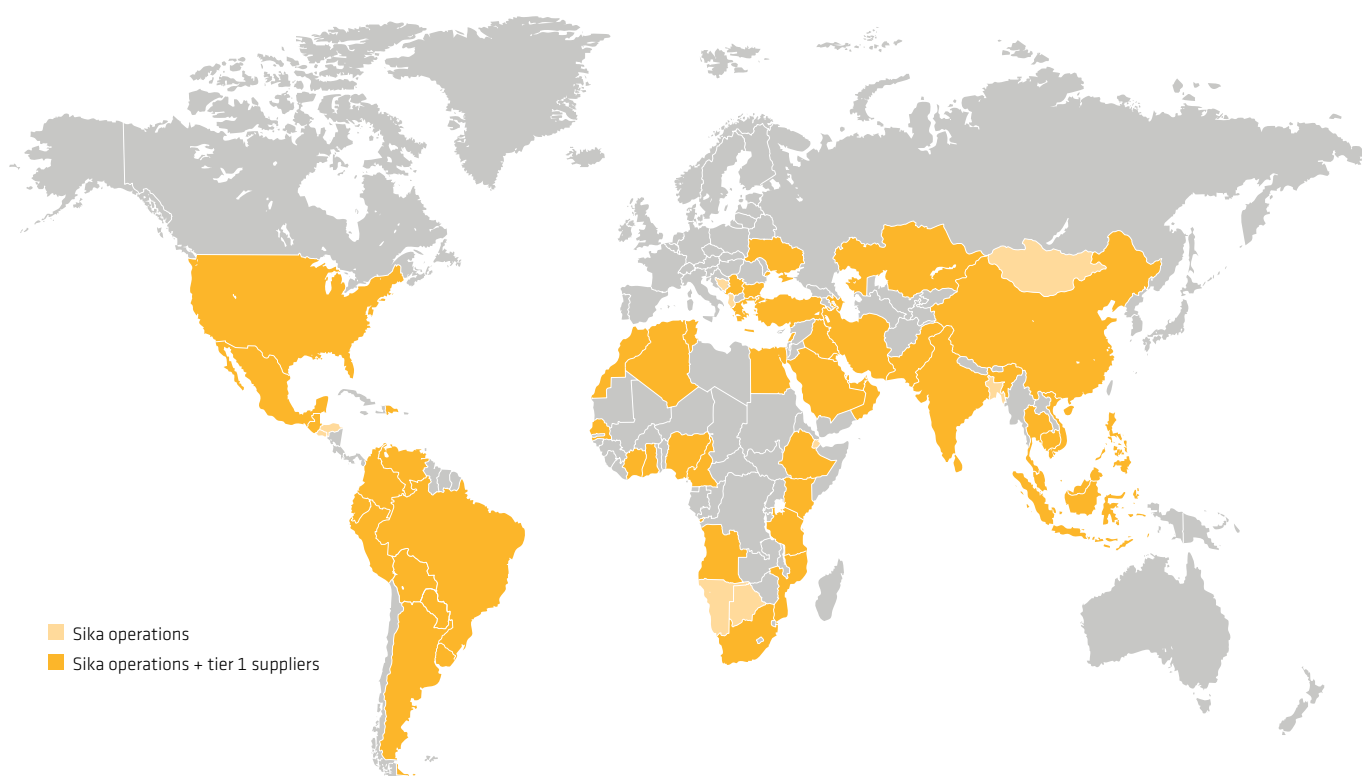
Additionally, to prepare for the new Swiss non-financial reporting and due diligence requirements that are applicable as of 2023¹, Sika started to focus on the requirements of the Swiss Code of Obligation Art. 964, k, l and Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labor (DDTrO). In 2022, as a first step towards the child labor reporting obligation, Sika assessed the geographical network of its own operations and of its tier 1 suppliers and the prevalence of child labor violations within those countries. This evaluation is based on the UNICEF Index of Children's Rights in the Workplace².

The analysis conducted shows that at operational level, Sika does not operate in countries with a high risk of child labor. However, the company is present in 64 countries with medium risk. As far as Sika's suppliers are concerned, there are tier 1 suppliers in 55 medium risk countries and no suppliers in high risk countries. In line with Sika's Together for Sustainability (TfS) membership, over 1,000 Sika suppliers have been assessed and/or audited under the TfS framework at global level. In 2022, 770 TfS supplier assessments³ with EcoVadis, and 239 TfS and Sika supplier audits were carried out including suppliers in the identified medium-risk countries. This assessment provides the nec-

essary transparency and visibility on the sustainability activities and contributions of Sika supplier based on international standards, with a focus on child labor where applicable. This allows Sika to rely on guidelines and tools in place to achieve measurable improvements within the supply chain (i.e., TfS Academy and EcoVadis Guidelines). If the findings of any assessment or audit highlight a suspicion or violation of child labor prohibition, a case-by-case approach is applied. A Corrective Action Plan would be initiated, the case would be escalated at regional procurement level where needed, and Sika could decide to stop any further business or cooperation with the involved parties.

In 2022, the Sika procurement organization reviewed its Supplier Due Diligence process to enhance its risk identification criteria in line with upcoming regulatory requirements. In 2023, Sika will implement an extended approach by utilizing Supplier Risk Profiling, supported by an external solution, to ensure a broad and detailed risk evaluation. Risks associated to child labor will need to be a key consideration in the formulation of these supplier profiles and provide Sika with the necessary risk identification methods to prioritize suppliers for ESG assessments and audits. For more information, please see the "Procurement" chapter on p.133 of the Sustainability Report 2022.

CHILD LABOR RISK MAP



1 With a first mandatory reporting in 2024.

2 The methodology of the Atlas is guided by the United Nations Guiding Principles for Business and Human Rights (UNGPs) and Children's Rights and Business Principles (CRBPs), which set out the expectations of companies in respect for human and children's rights. Many of the more than 150 indicators are child-specific and some are human rights indicators that affect children directly and indirectly in the contexts in which they and their families work and live. The Workplace Index measures the extent to which countries eliminate child labor and provide decent work for young workers, parents, and caregivers. It evaluates five issues categories such as minimum age of employment, categorical worst forms of child labor, hazardous work, decent work conditions and maternity protection. The focus of Sika is on countries considered at "enhanced" (medium risk) and "heightened" (high risk) risk of child labor.

3 Can refer to assessments or re-assessments.

LABOR MANAGEMENT

GRI 2-7	GRI 2-8	GRI 2-30
GRI 3-3	GRI 401-1	GRI 401-2
GRI 401-3	GRI 402-1	GRI 405-2

POLICIES AND GUIDELINES

For more information, please visit the corporate webpage [ESG Policies and Guidelines](#)

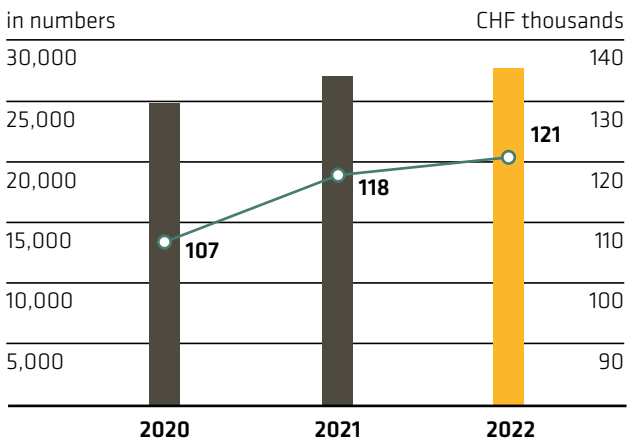
Sika's success is only possible with committed employees who have the necessary specialist knowledge and share a common purpose. Each day, more than 27,000 employees worldwide are highly dedicated to work for the company. Sika's commitments reflect the following priorities and goals: Empowerment & Respect;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

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 2.4% during the year under review to 27,708 (previous year: 27,059) (↓ **Table 03: Total Number of Employees**, in the "Key Performance Indicators" section at the end of this chapter). Female employees in the Group account for 24.0% of the total workforce (previous year: 23.2%).

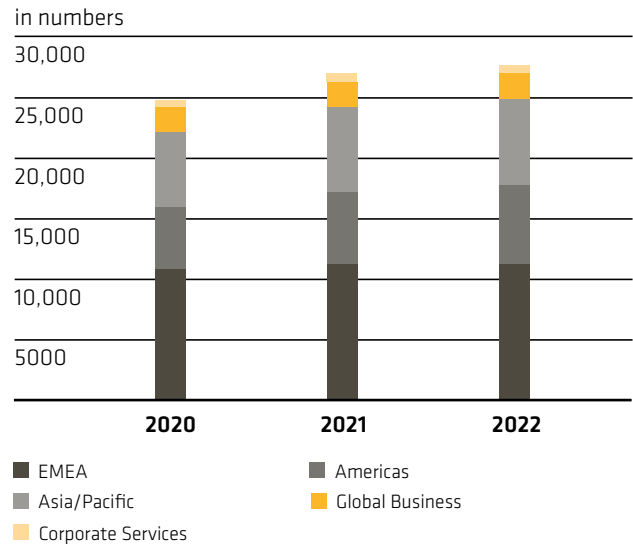
EMPLOYEES



Together, the workforce generated a net added value of CHF 3,321 million in 2022 (previous year: CHF 3,072 million). This corresponds to a net added value per employee of CHF 121,000 (previous year: CHF 118,000) (↓ **Table 04: Net Added Value per Employee**, in the "Key Performance Indicators" section at the end of this chapter).

In 2022, the Americas region saw the most employee growth, with an increase of 9.3% over the previous year thanks to acquisitions (+242 employees) and an organic growth of 315 employees (↓ **Table 05: Breakdown of Employees per Region**, in the "Key Performance Indicators" section at the end of this chapter).

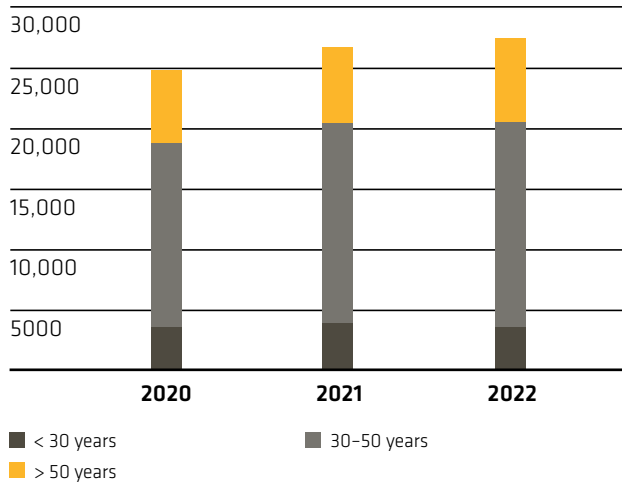
BREAKDOWN OF EMPLOYEES PER REGION



The age structure at Sika is broadly balanced with 12.8% of employees under 30 years old and 25.3% over 50 (previous year: 25.2%). The number of employees between 30 – 50 years old grew the most in 2022 and 604 employees were added to this cohort. To attract, engage, and promote more women, the company provides numerous Trainee programs (e.g., Women in Sales initiative) that cater to the needs of young women and support their professional development. With a demographic that has 17% of female employees under 30 years old, compared to 11.4% of males in the same age group, Trainee programs offer valuable opportunities for young women to advance in their careers and should contribute to a higher share of women in the company and senior management over time (↓ **Table 06: Breakdown of Employees per Age and per Gender**, in the “Key Performance Indicators” section at the end of this chapter). To increase the number of employees under 30 years old, Sika’s employer branding strategy positions the company as an attractive employer for the next generations. As a project sponsor of several universities, Sika engages in a lively dialogue 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.

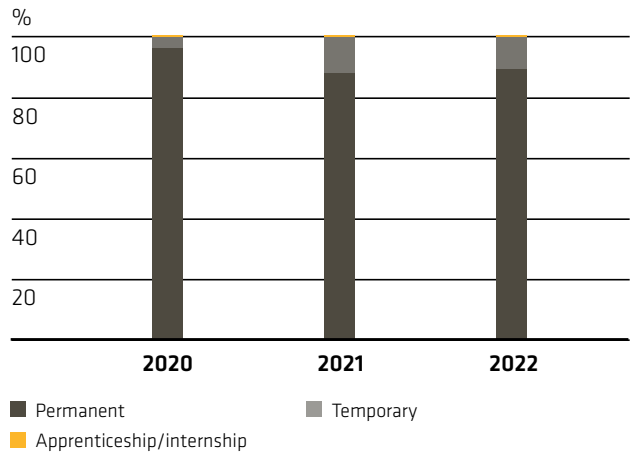
BREAKDOWN OF EMPLOYEES PER AGE

in numbers



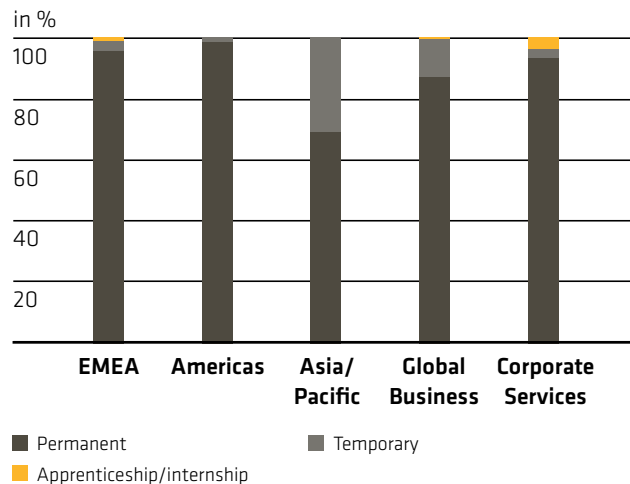
Sika is committed to offering its employees long-term prospects within the company and supports internal promotions. 88.6% of employees (89.2% of men and 86.8% of women) have permanent employment contracts (previous year: 87.4% of employees), ensuring that the workforce has the stability and security it needs to thrive (↓ **Table 07: Breakdown of Employees per Contract and per Gender**, in the “Key Performance Indicators” section at the end of this chapter).

BREAKDOWN OF EMPLOYEES PER CONTRACT



More than 40% of apprentices and interns are women, which is higher than the average percentage of women at Sika and is providing opportunities for women to gain valuable experience and training through apprenticeship programs. The percentage of temporary workers in the region Asia/Pacific is higher due to China. (↓ **Table 08: Group Distribution of Employees per Contract and per Region**, in the “Key Performance Indicators” section at the end of this chapter).

BREAKDOWN OF EMPLOYEES PER CONTRACT AND PER REGION (2022)



NON-REGULAR EMPLOYEES

Sika is committed to limiting the use of non-regular employment (e.g., using external 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., Sika assures (i) instruction of external 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 8.3% of Sika’s total workforce by the end of the year (previous year: 10%). These workers are not on Sika’s payroll, but under contract with employment agencies. The number of external 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 related to manufacturing, warehousing and logistics. The number of outside workers fluctuated between 8.3% and 9.2% throughout 2022.

COLLECTIVE BARGAINING AGREEMENTS AND TRADE UNIONS

Sika operates 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 2022, almost 33% of the total workforce was covered either by trade unions or work councils, while roughly 43% of the total workforce was bound by collective bargaining agreements.

INTERESTING PERSPECTIVES ALL AROUND THE WORLD

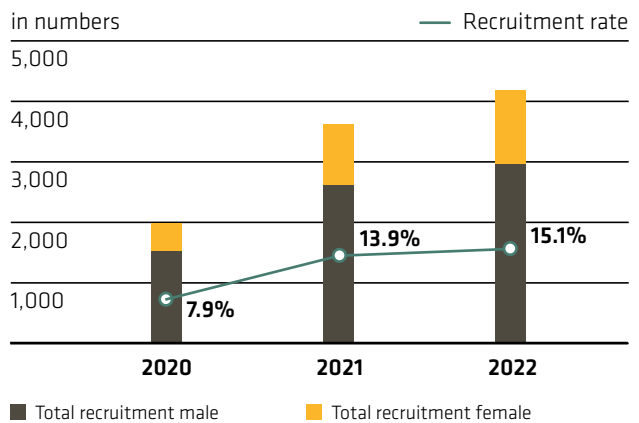
Sika is growing fast and can offer employees adaptable career paths. With its flexible and nurturing culture, Sika offers a vast array of individual career opportunities. Internal candidates are given preference for job openings. Sika is proud to employ individuals who remain with the company for a long time and contribute with their knowledge and experience over several years. Sika has fully embraced digital communications channels to connect with younger generations and enhance its reputation as a top employer. The external recruitment strategy is aimed at hiring and developing young talents, improving gender balance, and attracting more candidates from emerging economies. Sika also invests in upskilling and reskilling of long-term employees to improve their knowledge and ensure their continuous employability.

NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER

Sika monitors its performance regarding new employee hires and employee turnover in real-time utilizing targeted dashboards. Corporate and Local HR analyze reports based on different dimensions such as “gender” or “age” to ensure a balanced workforce. In the past year, Global HR has made significant improvements in its reporting capabilities in order to better understand employee fluctuation at group and regional level. In 2022, Sika’s global reporting initiatives focused on different dimensions such as gender, age and geographical dimensions to gain valuable insights that will drive targeted measures to support employee retention.

Sika hired 4,137 new employees in 2022 (3,597 in 2021) (↓ **Table 09: Group Recruitment Rate per Gender**, in the “Key Performance Indicators” section at the end of this chapter). 242 new employees joined Sika through acquisitions and 164 left due to divestments. If employee movements through acquisitions and divestments are not considered, the headcount increased organically by 578 employees (+2.1% compared to previous year).

GROUP RECRUITMENT RATE¹



29.5% of new employees are women, which is higher than in 2021 (26.5%). The recruitment rate for both genders significantly rose in 2022, the female ratio went up to 18.9% (16.0% in 2021) and the male ratio went up to 13.9% (13.2% in 2021). The Americas region had the greatest impact on the increased hiring rate. This was due to a combination of factors, including a high organic growth of the total headcount and higher fluctuation rates that resulted in more replacements (↓ **Table 10: Breakdown of Recruitments per Region and per Gender**, in the “Key Performance Indicators” section at the end of this chapter).

1 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).

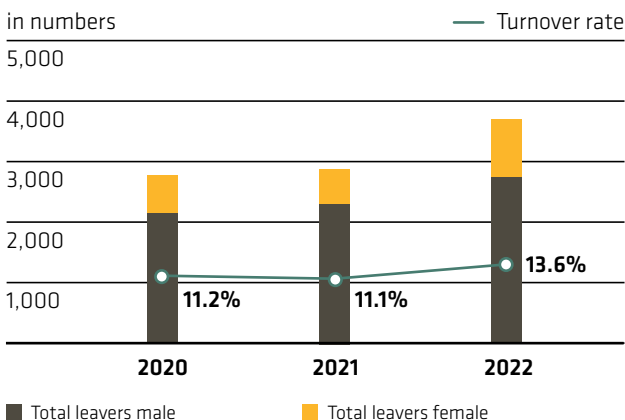
BREAKDOWN OF RECRUITMENT RATE PER REGION

in %	2020	2021	2022
EMEA	7.9	10.5	10.9
Americas	5.1	15.6	22.0
Asia/Pacific	8.6	16.5	14.6
Global Business	13.1	12.7	18.3
Corporate Services	8.0	7.9	15.3

Sika invests in the development of its managers who demonstrate the leadership skills and competencies to drive superior performance. In 2022, Sika promoted 399 employees into higher management positions (previous year: 446), resulting in an internal promotion rate of 1.4% (previous year: 1.6%) (📄 **Table 11: Internal Promotions**, in the “Key Performance Indicators” section at the end of this chapter).

Despite the global trend of high resignations, Sika’s reputation helped to maintain a relatively stable employee turnover rate. Both the voluntary and overall fluctuation rates slightly increased, respectively to 9.3% (7.4% in 2021) and to 13.6% (11.1% in 2021). Women’s overall fluctuation was 14.3% (10.6% in 2021) and men’s overall fluctuation was at 13.4% (11.3% in 2021). The Group fluctuation rate was mostly impacted by the challenging landscape of the American labor market (+5.7% increase in the overall regional turnover compared to 2021). In the chemical industry, for example, fluctuation rates of production workers exceeded 60%. In response to that, Sika focused on initiatives to strengthen employee engagement, retention, and talents attraction. In the other Sika Regions, the overall fluctuation rates slightly increased (📄 **Table 12: Group Turnover Rate per Gender**, in the “Key Performance Indicators” section at the end of this chapter).

GROUP TURNOVER RATE¹



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.

Considering only the voluntary fluctuation rate, women were at 10.3% (previous year: 7.4%) and men at 9.0% (previous year: 7.4%) (📄 **Table 13: Breakdown of Turnover per Region and per Gender**, in the “Key Performance Indicators” section at the end of this chapter). In Americas, the male population was slightly more affected by fluctuation rates due to the higher proportion of men working in the manufacturing department, where fluctuation rates are overproportional. The Corporate Services division has low fluctuation rates for both genders, while EMEA, Asia/Pacific, and Global Business regions have higher fluctuation rates for women.

BREAKDOWN OF TURNOVER RATE PER REGION

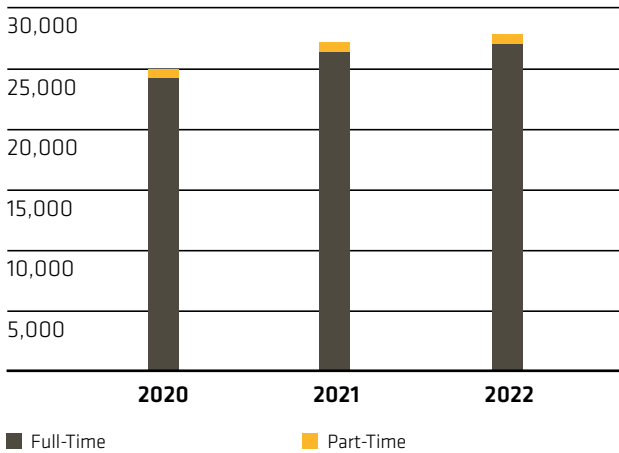
in %	2020	2021	2022
EMEA	10.4	9.1	10.2
Americas	10.9	13.5	19.1
Asia/Pacific	11.6	13.0	13.4
Global Business	16.0	11.1	17.4
Corporate Services	8.4	5.7	7.7

The company has decided to adapt the organizational setup from 2023 on and install a new senior management group that will increase the agility and dynamism of the organization. Around 300 managers will be nominated either as Regional Senior Managers (RSM) or Corporate Senior Managers (CSM). They will complement the Sika Senior Management (SSM) group. As current and future leaders, they will actively shape the development of the company, act as ambassadors for Sika’s culture and values, and be tasked with implementing the strategy within the organization. Sharing knowledge will stimulate innovation by bringing together different perspectives and broadening the horizons of managers across the company.

In 2022, the percentage of part-time employees was stable at 2.8% (previous year: 2.9%). 8.3% of women and 1.1% of men are employed in a part-time position (📄 **Table 14: Breakdown of Employees per Employment Type (Full-Time, Part-Time) and per Gender**, in the “Key Performance Indicators” section at the end of this chapter).

BREAKDOWN OF EMPLOYEES PER EMPLOYMENT TYPE

in numbers



FULL-TIME EMPLOYEES' BENEFITS 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 therefore flexible working hours are made available to a high percentage of the workforce. Also, considering the positive experience with home office during the COVID-19 pandemic, Sika continues to allow home office for a part of employee 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 for a majority of its employees in many countries including Switzerland, United States, China, France, Japan, India, and Peru.

MINIMUM NOTICE PERIOD REGARDING OPERATIONAL CHANGES

In 2022, several operational changes that could have a substantial impact on employees occurred: two divestments, one factory relocation and one factory closure. More specifically:

- Regarding Aliva's divestment (Switzerland), employees concerned were informed three months before the closing that the entity was sold to Normet Group Oy. With the entity's sale, an automatic transfer of the employment contracts with all rights and obligations to the new owner was triggered.
- Regarding the divestment of Sika's former European industrial coatings business based in Vaihingen (Germany), a six weeks notice was sent before the closing, in line with the local law. Vaihingen's employees were covered by a collective bargaining agreement, which was taken over by the new owner Sherwin-Williams Company with all rights and duties.
- Regarding Santa Cruz factory relocation (Bolivia), the employees were informed of the relocation from the beginning of the project and got an official notice four weeks before the transfer.
- Regarding the closure of the Kadut factory in Singapore, 15 employees could not be transferred to Sika Tuas factory in Singapore. They were notified and all transferred to another company with their consent. All other employees were transferred to the Tuas factory.

PAY EQUALITY

Sika is committed to pay equality and fairness in all countries the company operates in. The company performs regular internal analysis to ensure that employees are paid fairly and to address any potential pay gap. In 2021, Sika completed the equal pay analysis in Switzerland as required by the Swiss Federal Act on Gender Equality introduced in 2020. The results of the analysis showed that Sika is fully compliant with Swiss equal pay standards.

DIVERSITY AND INCLUSION

GRI 3-3	GRI 202-2	GRI 401-2
GRI 401-3	GRI 402-1	GRI 405-1
GRI 405-2	GRI 406-1	

POLICIES AND GUIDELINES

For more information, please visit the corporate webpage [ESG Policies and Guidelines](#)

SIKA'S FIRM COMMITMENT TO DIVERSITY

Sika's global presence and proximity to customers makes it extremely important to understand diverse cultures and share experience 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:

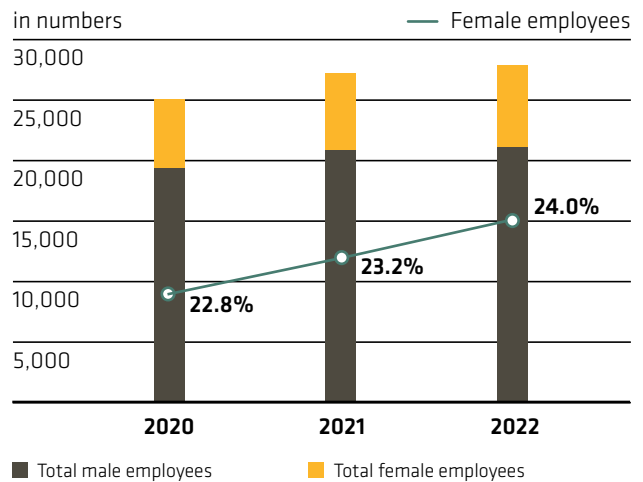
- Fight against discrimination based on race, religion, gender, nationality, disability, age, or any other discriminatory characteristic which is of high importance due to its global presence. This is also reflected in a diverse senior management team.
- Provide equal opportunities for all its employees.
- Recruit and 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.

To support this commitment, Sika established a Global Diversity Steering Committee (GDSC) that presides over Diversity, Inclusion and Equal Opportunity initiatives and sets global targets. In 2022, the GDSC met for the first time to measure the effectiveness of the Diversity, Inclusion and Equal Opportunity strategy and propose adjustments. It focuses on three levels of actions: the individual level, in order to challenge the conscious and unconscious biases of both women and men; the company level, in order to provide equal opportunities; and the society level, in order to be a role model and contribute to changing mindsets. Discussions of the GDSC cover critical topics such as Sika's Speak-up Culture initiative, awareness raising for bias, and equity analysis to inform company policies. Similar focus groups are operating at regional and local level – supported for specific initiatives by a global working team.

GENDER MIX

Sika is constantly working on increasing the percentage of women in all regions and conducted many initiatives during the period under review. For the company as a whole, the quota of female employees improved from 23.2% in 2021 to 24.0% in 2022. The region with the highest ratio of female employees is Corporate Services with 35.3% women in 2022 (32.3% in 2021) (Table 15: Breakdown of Employees per Gender and per Region, in the "Key Performance Indicators" section at the end of this chapter).

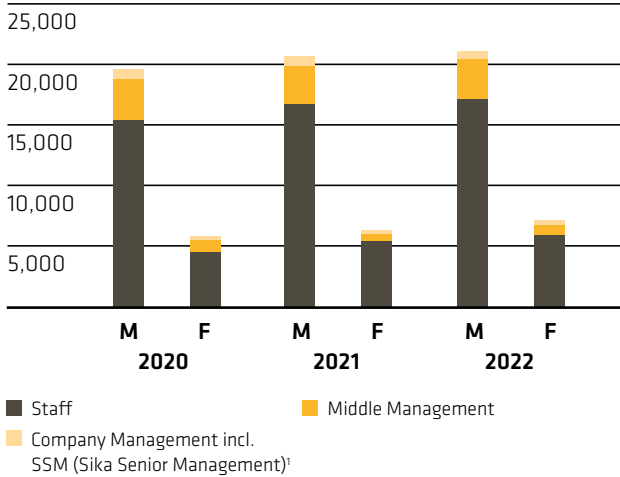
BREAKDOWN OF EMPLOYEES PER GENDER



In 2022, the percentage of women in Staff level increased by 0.7% points to 24.3%, the percentage of women in Middle Management also grew by 1.3% points to 23.2%. The number of women in Company Management increased by 1.1% points to 22.2% (↓ **Table 16: Breakdown of Employees per Gender and per Category**, in the “Key Performance Indicators” section at the end of this chapter).

BREAKDOWN OF EMPLOYEES PER GENDER AND PER CATEGORY

in numbers

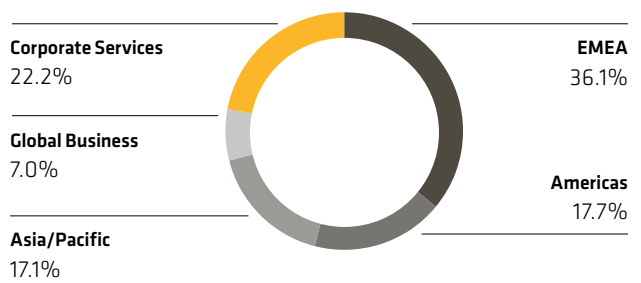


DIVERSITY OF SIKA SENIOR MANAGEMENT

The company believes that employee diversity is a major factor of its success, especially among senior management. At courses and seminars, Sika managers are encouraged to give high priority to diversity in team and project planning. Sika counts 43 nationalities among its senior managers (previous year: 45). 59% of Sika General Managers are from the country they manage. The regional split of Sika senior managers remained stable over the last three years. 36.1% of Sika senior managers are located in countries that belong to the EMEA region. 22.2% belong to the Corporate Organization, 17.1% to Asia/Pacific, 17.7% to Americas and 7.0% to the region Global Business (↓ **Table 18: Breakdown of Senior Managers per Region**, in the “Key Performance Indicators” section at the end of this chapter).

BREAKDOWN OF SENIOR MANAGERS PER REGION²

in %



DIVERSITY OF BOARD OF DIRECTORS

At the end of 2022, the Board of Directors consisted of eight members – five men and three women. All eight members were over 50 years old (↓ **Table 17: Board of Directors – Breakdown per Gender and per Age**, in the “Key Performance Indicators” section at the end of this chapter).

WOMEN OF SIKA CAMPAIGN

A clear focus of Sika’s strategy is to attract, engage, and promote more women, particularly in sales. Recruitment campaigns across 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. 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 the 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. In the United States, Sika signed a partnership with two key women associations with the goal of attracting more women: the National Association of Women Sales Professionals and the National Association of Women in Construction.

1 Sika Senior Managers and local Company Management Teams are included in this category.

2 Corporate services: Including Group Management members.

HUMAN CAPITAL DEVELOPMENT

GRI 3-3

GRI 404-1

GRI 404-2

GRI 404-3

POLICIES AND GUIDELINES



For more information, please visit the corporate webpage **ESG Policies and Guidelines**

Even as a large, multinational company, Sika has maintained its agility, which allows the company to implement business opportunities quickly. To ensure that this remains the case, employee knowledge must keep up with current trends and market demands. That's why Sika invests in its employees to promote business resilience by improving their skills, knowledge and expertise as well as attracting diverse talents, in terms of age, gender, and culture.

TALENT ATTRACTION AND RETENTION

The attraction, retention, and development of talent is key for future Sika growth prospects. Therefore, talent shortage is deemed as one of the top risks for Sika in the Enterprise Risk Management framework. Sika's fast growth and the diversification of the markets will demand numerous management and technical talents, so highly targeted hiring and retention measures are very important to mitigate another risk: the loss of the unique Sika culture. To mitigate such risks, the company implements several measures which are reviewed and updated yearly. Sika's Talent Management program aims to improve people development through comprehensive training offering. Also, the Learning and Development function offers a myriad of skills-based programs supporting the continuous improvement of all employees. Overall, these functions form the Sika Business School. This paves the way to achieving an engaged workforce, and fosters a high performance culture. In addition, the following activities help Sika attract and retain talent:

- Sika Employee Survey, Leadership Commitment, Sika Day and Women of Sika campaign, which aim at preserving Sika's unique culture.
- Fostering international careers by offering attractive opportunities to work abroad and supporting assignees with customized agreements based on the international assignment framework and guidelines.
- Annual Alignment of HR strategy review on regional and functional level among Corporate/Regional Management (i.e., succession planning, talent review).
- Deployment of Success Factors as a global HRIS which provides new insights through reporting and analytics in global workforce and talent pool.
- Pilote phase of the Global Performance Debrief Dialogue (PDD) initiative to encourage meaningful debrief conversations between managers and employees and integrate continuous feedback into the daily business life. The initiative will be rolled out in several phases, starting with more than 10,000 employees in 2023.

For more information on Sika's Risk Management, please check the chapter "Risk Management and TCFD Recommendations" on p.25 of the Annual Report 2022.

GRADUATES AT SIKA – EXPERT TALKS

In June 2022, Sika organized an event for the ETH (Swiss Federal Institute of Technology) civil engineering graduates to showcase the strong company culture also known as the "Sika Spirit" and collaborative atmosphere amongst the speakers from different Sika functions at corporate level. The objective of expert talks is to present Sika as an employer and to give authentic insights into the company, its business, and its work. Such expert talks are part of the corporate employer branding strategy and foster the relationship to renowned universities, which is valuable from both an HR and a business perspective.

TRAINING OFFERED TO EMPLOYEES

Sika's Learning and Development (L&D) team organizes a broad range of internal and external training programs based on the Group Management's strategic initiatives and works closely with General Managers, Regional HR Managers, Area HR Managers, Country HR Managers, and other key business leaders to identify focus areas. Sika's offering is structured around three pillars, focusing on trainings and strategic talent management: talent management and leadership trainings portfolio; sales training, professional skills trainings and Sika academies in the areas of procurement, operations, and sustainability.

TALENT MANAGEMENT AND COMPREHENSIVE LEADERSHIP DEVELOPMENT PORTFOLIO

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 strengthening Sika's talent pipeline, securing the succession for business critical key positions.

Sika offers **Leadership Development Programs** at global, regional and local levels. In 2022, the curriculum of the Global Leadership Program was completely redesigned, and all regional leadership programs have been aligned cross-regionally to ensure comparability and synergies. A new General Manager Program was delivered on a global scale in November 2022. A Leadership Accelerator Program, dedicated to middle-management employees has also been initiated for team leaders willing to expand their leadership competencies and increase their individual and team performance. All talent programs have incorporated new sessions on compliance, legal matters, and executive presence. Starting from 2023, Sika plans to create dedicated programs for different senior management levels, including the Regional Senior Managers and Corporate Senior Managers as well as put more focus on Young Talent programs across Sika with cross-regional alignment.

Training activities for each Sika employee are determined based on the evaluation by the line manager. Each nomination to a talent program is validated by the local organization, the regional management team and by the CEO in case of global talent programs' offerings. Furthermore, Sika encourages the external education of its employees by providing sponsorships on a case by case basis. All non-management functions are evaluated and managed by their line managers and HR to identify training and development needs. As part of the new Performance Debrief Dialogue process, yearly performance evaluation discussions will also integrate a systematic focus on employees' aspirations, competencies, training, and development needs.

GLOBAL INNOVATION CHALLENGE

Innovation is part of Sika's DNA and brand positioning. Sika has created the **Global Innovation Challenge** as part of its ambition to foster the innovative drive of high potential employees. The purpose of this program is to prepare a new generation of innovation leaders and to embrace key change drivers such as sustainability, digitalization, and the circular economy. The innovation and development journey 2021/22 involved 33 candidates from twelve different countries that have worked together across regions in five different innovation teams.

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 Academies, and external education partners. In 2022, 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.

LEADERSHIP COMMITMENT



SALES TRAINING

SIKA BUSINESS SCHOOL

The 🏆 **Sika Business School** provides more than 70 programs which, during the reporting year, have shown a 95% attendance rate. More than 60% of all Sika Business School courses are sales-oriented and aim to develop sales skills within the company. In 2022, 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”. Each Sika Business School program has its own goals, targets, and specific attendees nominated by local management/HR and regional HR managers. Furthermore, many training courses on Sika products and their applications have been moved to a virtual or digital learning format, which expands the reach of these opportunities. To improve the program offerings, the Sika Business School conducts post-programme surveys for all employees undergoing the trainings, and develops action plans based on collected feedback.

PROFESSIONAL SKILLS TRAININGS AND SIKA ACADEMIES

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 🏆 **Sika 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 in all sustainability focus areas to contribute to Sika’s sustainability strategy. In 2022, after a two-year break due to the COVID-19 pandemic, the Sika Sustainability Academy took place again. 27 participants from 20 different countries attended the academy and worked on the development of sustainability roadmaps at country or regional level. The Sustainability Academy is an important initiative which enables strong engagement of Sika subsidiaries, increasing the number of sustainability-related projects and activities across Sika countries.

SIKA OPERATIONS ACADEMY

The Sika Operations Academy provides training for Operations managers to develop and increase their knowledge about how to run a manufacturing facility with a short, medium and long-term approach. This initiative allows the establishment of an international network among Operations, Plant, Engineering Managers, aimed at sharing challenges, advice and best demonstrated practices within Sika. The Academy normally takes place on an annual basis.

SIKA PROCUREMENT ACADEMY

The Sika Procurement Academy took place for the first time in 2022. The goal of the Academy is to strengthen and develop the skills of procurement team members working at corporate, regional, and local levels by sharing knowledge and best demonstrated practices (BDPs), and by building a strong network among employees in attendance. The Academy was attended by 32 participants, including procurement managers, country procurement heads and procurement area managers from five continents. The program was divided in two parts: 1) other departments/functions such as Finance, Operation Efficiency, Legal, HR, Compliance, Sustainability, and Tools Systems & Processes, provided insights about their daily work, projects and initiatives, and how they interact and develop synergies with the procurement team; 2) external experts organized a “negotiations” training where participants were asked to work in groups, evaluating and solving real case studies coming from Sika countries. The Procurement Academy will take place once per year.

SIKA CONCRETE ACADEMY

The Sika Concrete Academy was founded in 2009. Every year, 15 to 25 trainings are conducted across the regions for up to 150 participants. The main goal is to allow Sika sales and technical employees from around the world to build knowledge and provide competent concrete consulting at the customers’ sites. Trainings provide basic as well as specialized concrete technology know-how, focusing on specific customer groups or applications for dedicated sales persons. All participants are expected to conduct a specific implementation plan in their countries. In 2022, the Academy offered 18 trainings, ranging from highly specialized 3D printing to the basics in concrete technology. Approximately half was conducted on-site and the other half virtually. For 2023, the Academy plans to launch a revised program, adding a package of 50 new basic trainings and the internal e-learning platform.

SIKA INDUSTRY ACADEMY

The Sika Industry Academy is the global learning environment of Sika Industry and Global Business. The Academy provides employees with the necessary technical skills to successfully perform in markets with increasingly challenging requirements. The Academy offers training for sales representatives, account managers, employees of local technical departments, R&D functions, and customer service representatives. Participants are trained by studying best demonstrated practices (BDPs), which allows them to improve their ability in managing innovative projects, selecting well-fitting technologies, and assessing risks. As of 2022, 25 e-learning, webinars, laboratory workshops and face-to-face courses are tracked by the Learning Management System. In 2022, 317 participants from 38 countries successfully completed more than two courses each, on average. The total learning time was 3,559 hours. Furthermore, six experts were trained on designing and managing new training. Currently, five more courses are under development and planned for launch in 2023.

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 2022, each employee received on average 13.4 hours of training, an increase of 20.2% compared to 2021 due to the further strengthening of digital learning and more in-class training held due to less COVID-19 restrictions in several countries.

AVERAGE TRAINING HOURS PER EMPLOYEE¹

	2020	2021	2022
Hours of training/ per employee (No.)	10.1	11.1	13.4

1. Excluding apprenticeships, MBA, and PhD at educational institutions.

Digitalization has been a major transformation driver, enhancing collaboration, innovation, and learning across the organization. Sika uses this momentum to implement a global Learning Management System, called “SikaLearn”, which will be live in all Sika countries in early 2023.

In 2022, Sika expanded the online portfolio with 183 new e-learning courses and 16 blended learning courses. 243 virtual classroom trainings were conducted (previous year: 190). A total number of 365 online programs was offered, reaching 17,188 Sika learners (previous year: 17,741). This represents approximately 33,000 hours dedicated to compliance training, technical skill building, and leadership development for employees (previous year: 31,107).

The 243 virtual classroom trainings, representing 21% (40.3% in 2021) of the total learning programs on SikaLearn in 2022, were attended by 1,166 participants (previous year 2,269) which is illustrating the move towards more offline classroom programs while still benefiting from the strong adoption of virtual meeting platforms.

In the year under review, Sika spent a total of CHF 10.8 million (previous year: CHF 8.8 million) on employee development (📄 **Table 19: Spending on Employee Development**, in the “Key Performance Indicators” section at the end of this chapter).

SIKA'S NEW DIGITAL LEARNING INFRASTRUCTURE

In line with Sika's people strategy and performance culture, the Corporate HR team has embarked on a journey to strengthen its L&D organization and reinforce the digital learning experience with a new technology. The goal is to augment the learning experience and simplify content creation with an integrated learning interface called “SikaLearn”. This new generation learning platform is now interfaced with SAP SuccessFactors and will exponentially expand Sika's training portfolio in strategic capability areas. As a blended learning platform, this interface simplifies and facilitates content sharing while creating a more intuitive and user-friendly learning experience.

EMPLOYEE PERFORMANCE REVIEW AND DEVELOPMENT

All Sika entities have a local performance evaluation system in place which includes a Management By Objectives (MBO) and Employee Development discussion. Around 50% of Sika employees¹ receive regular performance reviews (monetary) (📄 **Table 20: Employee Performance Reviews**, in the “Key Performance Indicators” section at the end of this chapter).

In 2022, a pilot of a new performance review system – the Global Performance Debrief Dialogue (PDD) – was introduced to approximately 1,400 employees with regional or area roles in Canada, USA, Chile, Mexico, and Colombia. The PDD looks closer into the context of performance by encouraging meaningful conversations between managers and employees. It encourages employees to hold debrief discussions with enthusiasm, integrate continuous feedback into daily business life, check in with team members regularly and take time to prioritize development. The initiative will be rolled out in a staged approach starting with more than 10,000 employees in 2023. This is complementary to the existing management approach and it does not have direct monetary implications.

1. This figure covers all employees who have a performance review process regardless of their Staff Level.

COMMUNITY RELATIONS

GRI 2-27

GRI 3-3

GRI 413-1

GRI 413-2

POLICIES AND GUIDELINES



For more information, please visit the corporate webpage **ESG Policies and Guidelines**

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 recovery programs. Community engagement activities bring the following advantages to Sika:

- Working together improves communication and understanding of mutual points of view;
- Committing to social issues demonstrates Sika’s responsibility to society;
- Increasing awareness and understanding of Sika’s values and expertise locally;
- Supporting collaborative efforts to advance social and business-related projects.

In turn, such projects have a positive impact on communities and local citizens by:

- Helping underprivileged stakeholders gain greater control over their lives and improve their situation on a sustained basis;
- Drawing on Sika knowledge leads to practical and effective solutions;
- Encouraging individuals to learn about issues in-depth through practical experience;
- Helping community members to develop capabilities that enable them to be an active part of society and to contribute to the community itself.

COMMITMENT

Sika is committed to building trust and creating value with its customers, communities, and society.

GOALS AND TARGETS

Sika’s targets for 2023 are to complete 10,000 working days of volunteering work, run 50% more projects, and increase the number of direct beneficiaries by 50% compared to 2019. For more information on community engagement targets and Sika’s related performance, please see the “Sustainability at Sika” chapter, “Sustainability Strategy 2019–2023” section on p.47 of the Sustainability Report 2022.

RESPONSIBILITIES

The corporate teams of Corporate Communications and Innovation and Sustainability, with the strategic involvement of the Global HR organization, are responsible for developing and monitoring the community engagement scheme. 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.

“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 employees enjoy many intangible benefits from this program, including greater connection with their communities, team building, 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 2022, Sika updated the community engagement guideline to create a common understanding of project management in this domain. In addition, since several Sika subsidiaries were already addressing health-related issues, promoting well-being, and taking action on the infrastructural and social determinants of health, an additional focus area on health and well-being has been included in the “Sika Cares” program. As of 2022, “Sika Cares” focuses on the following thematic 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 provides support on training and capacity building in terms of refurbishment and construction projects. The company promotes quality education for orphans and vulnerable children or neighborhood-focused employability approaches. 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.
- Health and well-being: Healthy communities rely on campaigns and solutions in support of health promotion and disease prevention across a wide range of dimensions. By recognizing and working to improve their impacts on health and well-being among their own employees, across global value chains, and within local communities, Sika aims to help to foster and benefit from a more robust economy and marketplace, healthier, happier and more productive workforce, and more resilient supply chains and communities.

For each project, 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 through the application of company-specific expertise, voluntary work, and long-term collaboration with partners. For more information, please visit the corporate webpage [Community Relations](#).

In 2022, Community engagement activities took place in 54 countries. Sika sponsored 406 projects (previous year: 242 projects). This equates to a year-on-year strong increase of 67.8%. In total, Sika employees spent 2,595 days of volunteering work (previous year: 1,392 days, +86.5%). 53,666 individuals were benefitting directly (previous year: 44,188). The increase in community engagement activities resulted from the fact that, due to the relaxation of COVID-19-related restrictions, there were more opportunities for volunteering in most countries. The “community engagement” topic was subjected to additional scrutiny within the entire company and was therefore increasingly used by Sika teams to help other people and gain new, shared experiences as a team.

REPORTING SYSTEM

In order to facilitate the processing, communication, and reporting of community engagement activities worldwide, a new tool was developed during 2022 and will be launched in 2023. It will enable all Sika employees to share insights on local projects and get inspired from activities taking place in other countries. The tool is aligned with Sika corporate reporting system and will provide qualitative insights and additional granularity to the current reporting.

COMMUNITY ENGAGEMENT INDICATORS

	2020	2021	2022
Community engagement projects (No.)	183	242	406
Volunteering days of employees (Days) ¹	1,119	1,392	2,595
Direct beneficiaries (No.) ²	268,581	44,188	53,666

- 1 Some of the projects do not require any volunteering work from Sika employees and therefore not all projects led to volunteering days. A working day is considered as 8 hours.
- 2 The decrease in the number of direct beneficiaries compared to 2020 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.

OPERATIONS WITH SIGNIFICANT ACTUAL AND POTENTIAL NEGATIVE IMPACTS ON LOCAL COMMUNITIES

As a socially responsible company, Sika works collaboratively with local communities to address issues affecting their well-being. In 2022, less than 5% of Sika’s General Managers indicated – by means of their annual Compliance Confirmation – that they have received complaints from local communities regarding Sika’s operations. The very few received complaints were primarily related to traffic, noise, or dust. All have been or are in the process of being resolved. Sika’s operations have not been subject to any local protests. Sika fosters an ongoing dialogue with local communities, e.g., through open door events or special phone numbers to get in touch with the local management.

When opening a new site, Sika follows defined steps to interact with community stakeholders. The planning process focuses on compliance with all laws and regulations, that required approvals are in place, coordination with local fire departments, as well as information and interaction with the neighboring community. The steps of this process include early-stage contacts with local authorities regarding environmental, commercial, health and safety aspects as well as information sessions for the local neighborhood. Actions and initiatives are partly adapted to the local situation.

PUBLIC POLICY

GRI 3-3

GRI 415-1

POLICIES AND GUIDELINES




For more information, please visit the corporate webpage [ESG Policies and Guidelines](#)


The UN Sustainable Development Goal 17 stresses the need for public-private partnerships. Companies are playing an increasingly active role in society to support sustainable growth and innovation.

Sika contributes to positive global initiatives where it can, in line with the company's strategy and business objectives, in order to shape sustainable policy development. As a responsible corporate actor, Sika facilitates open, honest and transparent communication with all stakeholders, including politicians, authorities, business associations, as well as non-government organizations, in a number of relevant policy areas including: chemistry, climate change, energy, circular economy and industrial, trade and innovation policies.

POLITICAL CONTRIBUTIONS

According to its  **Code of Conduct (CoC)**, Sika commits to ethical and sustainable operations and development in all business activities. One company rule prescribes that "using Sika funds to support politicians, political candidates or political parties is prohibited. Donations to political campaigns supporting Sika's strategy or business activities need to be approved by Group Management". In 2022, Sika did not give donations to parties, politicians, or related organizations.

MEMBERSHIPS IN ASSOCIATIONS AND OTHER FORUMS

Sika's engagement with associations and other platforms supports strategic alignment across the industry and provides an opportunity for exchange on perspectives and best practices. For more information on memberships of associations, initiatives and collaborations, please visit the corporate webpage  **Partnerships and Collaborations**.

KEY PERFORMANCE INDICATORS

↑ **TABLE 01: ISO 45001:2018 – OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM CERTIFICATION¹**

	2020	2021	2022
Sites certified ISO 45001:2018 (No.)	114	147	196
Coverage of sites under ISO scope (%)	22	26	33

¹ Considered under ISO scope there 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 respective ISO standards.

↑ **TABLE 02: ISO 9001:2015 – QUALITY MANAGEMENT SYSTEM CERTIFICATION¹**

	2020	2021	2022
Sites certified ISO 45001:2018 (No.)	315	345	361
Coverage of sites under ISO scope (%)	61	61	60

¹ Considered under ISO scope there 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 respective ISO standards.

↑ **TABLE 03: TOTAL NUMBER OF EMPLOYEES**

	2020	2021	2022
Employees (No.)	24,848	27,059	27,708

↑ **TABLE 04: NET ADDED VALUE PER EMPLOYEE**

	2019	2020	2021
Net added value per employee (CHF thousands)	107	118	121

↑ **TABLE 05: BREAKDOWN OF EMPLOYEES PER REGION**

	2020	2021	2022
EMEA (No.)	10,811	11,243	11,206
Americas (No.)	5,195	6,002	6,559
Asia/Pacific (No.)	6,182	6,995	7,054
Global Business (No.)	2,016	2,138	2,175
Corporate Services (No.)	644	681	714
Group (No.)	24,848	27,059	27,708

↑ **TABLE 06: BREAKDOWN OF EMPLOYEES PER AGE AND PER GENDER¹**

	2020	2021	2022
<30 years (%)	13.2	13.5	12.8
Female	-	-	31.9
Male	-	-	68.1
30–50 years (%)	62.0	61.3	62.0
Female	-	-	24.6
Male	-	-	75.4
>50 years (%)	24.8	25.2	25.3
Female	-	-	18.6
Male	-	-	81.4

¹ In 2022, Sika added granularity to the reporting of headcount-related indicators. The breakdown of employees per age is now available per gender. 2020 and 2021 have not been restated accordingly.

↑ **TABLE 07: BREAKDOWN OF EMPLOYEES PER CONTRACT AND PER GENDER¹**

	2020	2021	2022
Permanent (%)	95.6	87.4	88.6
Female	-	-	23.5
Male	-	-	76.5
Temporary (%)	3.7	11.9	10.6
Female	-	-	26.8
Male	-	-	73.2
Apprenticeship/internship (%)	0.7	0.7	0.8
Female	-	-	43.2
Male	-	-	56.8

¹ In 2022, Sika added granularity to the reporting of headcount-related indicators. The breakdown of employees per contract is now available per gender. 2020 and 2021 have not been restated accordingly.

↑ **TABLE 08: GROUP DISTRIBUTION OF EMPLOYEES PER CONTRACT AND PER REGION**

	2020			2021			2022		
	Permanent	Temporary	Appren- tices/ interns	Permanent	Temporary	Appren- tices/ interns	Permanent	Temporary	Appren- tices/ interns
EMEA (%)	95.1	3.6	1.3	95.0	3.8	1.2	95.5	3.1	1.4
Americas (%)	96.9	2.9	0.2	95.2	4.7	0.1	98.1	1.8	0.0
Asia/Pacific (%)	95.0	5.0	0.0	67.2	32.8	0.0	68.9	31.1	0.0
Global Business (%)	96.7	2.3	1.0	89.0	10.1	0.9	87.1	11.9	1.0
Corporate Services	94.7	2.6	2.6	93.8	2.1	4.1	93.1	2.7	4.2

↑ **TABLE 09: GROUP RECRUITMENT RATE PER GENDER¹**

	2020	2021	2022
Recruitment rate (%)	7.9	13.9	15.1
Female	8.8	16.0	18.9
Male	7.7	13.2	13.9

¹ 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).

↑ **TABLE 10: BREAKDOWN OF RECRUITMENTS PER REGION AND PER GENDER**

	2020				2021				2022			
	Recruitments (No.)		Rate (%)		Recruitments (No.)		Rate (%)		Recruitments (No.)		Rate (%)	
	F	M	F	M	F	M	F	M	F	M	F	M
EMEA	230	613	9.8	7.4	330	903	13.5	10.5	397	830	15.4	9.6
Americas	58	216	5.1	5.1	247	682	20.2	15.6	406	977	28.4	20.1
Asia/Pacific	117	424	7.4	9.0	258	816	15.7	16.5	257	768	14.9	14.5
Global Business	77	191	17.2	11.9	91	205	19.7	12.7	109	286	21.6	17.3
Corporate Services	20	33	9.7	7.2	29	36	13.9	7.9	53	54	22.5	11.7
Group	502	1,477	8.8	7.7	955	2,642	16.0	13.2	1,222	2,915	18.9	13.9

↑ **TABLE 11: INTERNAL PROMOTIONS**

	2020	2021	2022
Internal promotions into a higher management position (No.)	218	446	399
Internal promotions into a higher management position (%)	0.9	1.6	1.4

↑ **TABLE 12: GROUP TURNOVER RATE PER GENDER**

	2020	2021	2022
Employee turnover rate ¹ (%)	11.2	11.1	13.6
Female	11.6	10.6	14.3
Male	11.1	11.3	13.4
Employee voluntary turnover rate (%)	6.4	7.4	9.3

1 The employee turnover rate considers all departures: natural fluctuations (natural fluctuations refer to retirement or death for example), 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).

↑ **TABLE 13: BREAKDOWN OF TURNOVER PER REGION AND PER GENDER**

	2020				2021				2022			
	Leavers (No.)		Turnover (%)		Leavers (No.)		Turnover (%)		Leavers (No.)		Turnover (%)	
	F	M	F	M	F	M	F	M	F	M	F	M
EMEA	275	826	11.7	10.0	245	761	10.1	8.9	293	856	11.4	9.9
Americas	140	443	12.2	10.5	106	648	8.7	14.8	255	946	17.9	19.5
Asia/Pacific	142	590	9.0	12.5	218	638	13.3	12.9	269	675	15.6	12.7
Global Business	79	249	17.7	15.5	54	176	11.7	10.9	93	283	18.4	17.1
Corporate Services	27	29	13.1	6.3	10	28	4.8	6.2	18	36	7.6	7.8
Group	663	2,137	11.6	11.1	633	2,251	10.6	11.3	928	2,796	14.3	13.4

↑ **TABLE 14: BREAKDOWN OF EMPLOYEES PER EMPLOYMENT TYPE (FULL TIME, PART TIME) AND PER GENDER¹**

	2020	2021	2022
Full-time (No.)	24,136	26,272	26,923
Female	-	-	6,100
Male	-	-	20,823
Part-time (No.)	712	787	785
Female	-	-	551
Male	-	-	234
Group (No.)	24,848	27,059	27,708

1 In 2022, Sika added granularity to the reporting of headcount-related indicators. The breakdown of employees per employment type is now available per gender. 2020 and 2021 have not been restated accordingly.

↑ **TABLE 15: BREAKDOWN OF EMPLOYEES PER REGION AND PER GENDER**

	2020		2021		2022	
	F	M	F	M	F	M
EMEA (No.)	2,363	8,448	2,509	8,734	2,637	8,569
Americas (No.)	1,108	4,087	1,338	4,664	1,519	5,040
Asia/Pacific (No.)	1,559	4,623	1,731	5,264	1,718	5,336
Global Business (No.)	439	1,577	486	1,652	525	1,650
Corporate Services (No.)	197	447	220	461	252	462
Group (No.)	5,666	19,182	6,284	20,775	6,651	21,057

↑ **TABLE 16: BREAKDOWN OF EMPLOYEES PER GENDER AND PER CATEGORY**

	2019		2020		2021	
	F	M	F	M	F	M
Staff (No.)	4,632	15,224	5,180	16,715	5,439	16,933
Middle Management (No.)	803	3,041	870	3,096	983	3,252
Company Management ¹ (No.)	231	917	230	946	229	872
Thereof Group Management (No.)	1	8	2	6	2	6

¹ Sika Senior Managers and local Company Management Teams are included in this category.

↑ **TABLE 17: BOARD OF DIRECTORS – BREAKDOWN PER GENDER AND BY AGE**

	2020	2021	2022
Male (No.)	7	7	5
Female (No.)	1	1	3
30-50 (No.)	1	0	0
>50 years (No.)	7	8	8

↑ **TABLE 18: BREAKDOWN OF SENIOR MANAGERS PER REGION**

	2020	2021	2022
EMEA (No.)	72	63	57
Americas (No.)	32	28	28
Asia/Pacific (No.)	31	34	27
Global Business (No.)	12	13	11
Corporate Services (No.) ¹	37	36	35

¹ Including Group Management members.

↑ **TABLE 19: SPENDING ON EMPLOYEE DEVELOPMENT**

	2020	2021	2022
Spending on employee development (CHF mn)	6.4	8.8	10.8

↑ **TABLE 20: EMPLOYEE PERFORMANCE REVIEWS¹**

	2020	2021	2022
Employees with performance reviews (%)	>20	50	50

¹ 2020 figures only covered employees with management functions. 2021 and 2022 figures cover all employees who have a performance review process regardless of their Staff Level. 2020 figures have not been restated.

PLANET

SUMMARY & HIGHLIGHTS

AMBITION

Sika plays a key role helping its industry achieve net zero. The company promotes efficient use of resources while minimizing impacts on ecosystems.

APPROACH

Sika contributes to a sustainable development by offering sustainable solutions in construction and transportation. Global sustainability trends generate business opportunities.

HIGHLIGHTS

SBTi commitment – “Our Way to Net Zero”

Sika committed to the SBTi to reach net zero not later than 2050. The company now has until 2024 to develop a roadmap with targets and submit it for SBTi validation.

Scope 3 assessment

Sika finalized a two-year company-wide initiative to systematically identify and calculate emissions from its material scope 3 GHG categories in accordance with the requirements of the GHG Protocol.

TfS PCF guideline

Sika contributed together with the other Together for Sustainability (TfS) members to the publication of the Product Carbon Footprint (PCF) Guideline.

KEY FIGURES

change vs 2021

GHG emissions intensity (scope 1 and 2)

in kg CO₂eq per ton sold

16.4

-6.9%

Water consumption intensity

in m³ per ton sold

0.18

-6.1%

Waste production intensity

in kg per ton sold

10.8

-3.3%



“Tackling climate change is important even in more demanding economic environments. Our clear goal is to continue growing sustainably and deploy new innovations to decouple our growth from GHG emissions. We intend to use groundbreaking solutions that enable our customers to reduce their CO₂ emissions.”

Thomas Hasler
Chief Executive Officer

MATERIAL TOPICS

Climate Change	Energy Management	Water Management
Waste Management	Circular Economy	Biodiversity and Nature
Air Emissions	Compliance	Risk and Crisis Management

SDGs



ENVIRONMENTAL SUSTAINABILITY

POLICIES AND GUIDELINES



For more information, please visit the corporate webpage ESG Policies and Guidelines

Environmental sustainability at Sika includes all environmental strategic targets and those additional material topics identified in the materiality analysis 2022. All the topics disclosed in the “Planet” chapter share the following goals, targets, commitments and organizational responsibilities.

COMMITMENT

To achieve 2023 targets, “environmental sustainability” roadmaps have been developed and implemented since 2020 in all relevant local countries and plants. These roadmaps include the planned initiatives to reduce CO₂eq emissions, energy/water consumption, waste generation, and increase the share of renewable energy for the period 2020–2023. The roadmaps are being updated yearly.

GOALS AND TARGETS

For more information on environmental sustainability targets and Sika’s related performance, please see the “Sustainability at Sika” chapter, “Sustainability Strategy 2019–2023” section on p.47 of the Sustainability Report 2022.

RESPONSIBILITIES

For more information on Sustainability governance at corporate, regional, and local level, please see the “Sustainability at Sika” chapter, “Sustainability Organization Structure” section on p.44 of the Sustainability Report 2022.

CLIMATE CHANGE

GRI 3-3

POLICIES AND GUIDELINES

For more information, please visit the corporate webpage **ESG Policies and Guidelines**

SIKA'S WAY TO NET ZERO

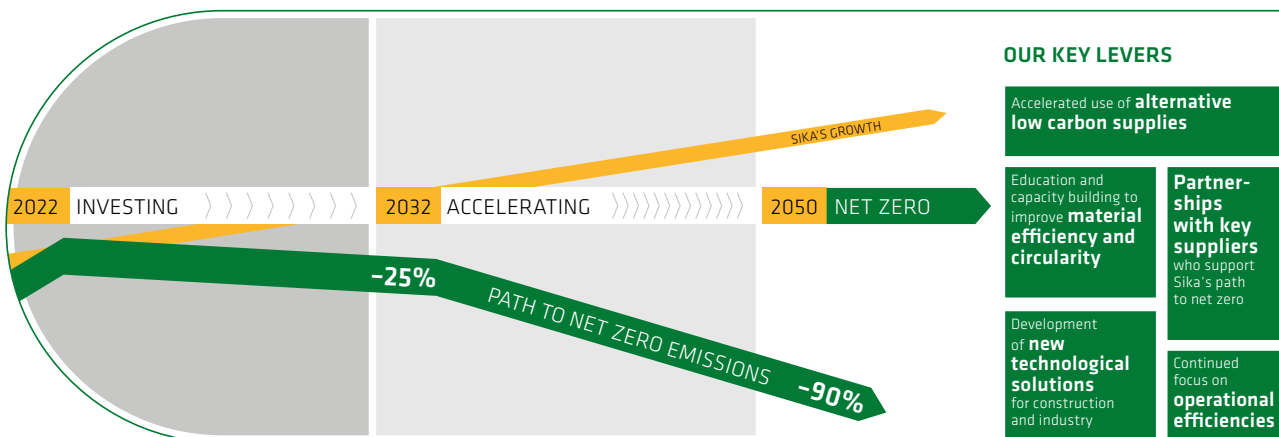
To keep the world livable, we must limit temperature increase at a maximum of 1.5°C above pre-industrial levels. Achieving this goal will require rapid system transformation, and the private sector has a crucial role to play in the process. Businesses need to match their climate ambition with robust strategies and effective implementation to transition to a net zero economy. Sika supports the Science-Based Target initiative (SBTi) and joined the growing group of leading corporations that are setting emissions reduction targets in line with the objective of the Paris Agreement. By doing so, Sika recognizes the crucial role companies can play in minimizing the risk climate change poses to the future of our planet.

SIKA NET ZERO ROADMAP

In 2022, Sika initiated a net zero project to develop a detailed roadmap with GHG emissions abatement targets. Steered by the Sustainability Leadership Team, the project involves several functions including R&D, Procurement, Operations, Logistics and Target Markets, both at corporate and regional level. The findings of the net zero project will flow into the Strategy 2028 development process.

During the first phase of the net zero project, Sika conducted a high-level assessment to identify potential decarbonization levers. The results show that to reduce scope 1 and 2 emissions, Sika must focus on continuous energy-efficiency improvements (e.g. sand drying optimization) while using low-carbon and renewable energy sources for its equipment and vehicle fleet. To reduce scope 3 emissions, Sika must collaborate with its suppliers to source low-carbon alternative raw materials and reduce those deriving from virgin cement and petrochemicals. An engagement strategy is needed to support suppliers in achieving their decarbonization targets. Moreover, product reformulations and optimization (less material, same or better performance), and improved process efficiency play a key role. Emissions from upstream and downstream transportation must be limited. Lastly, circularity must be fully integrated into Sika's business model. For more information on Sika's net zero roadmap and detailed levers, please see the corporate webpage [Sika's Way to Net Zero](#).

SIKA'S WAY TO NET ZERO - KEY LEVERS



SBTI TARGETS

Starting from the official commitment date – September 16, 2022 – Sika has up to 24 months to submit its targets for SBTi validation. Sika’s commitment focuses on two time horizons for both scope 1 and 2 as well as scope 3 with a near-term interim target in ten years, and a net zero target by 2050.

SBTI TARGETS AND TIME HORIZONS


	Near-term (2032)	Net-zero (2050)
Scope 1 and 2 emissions ¹	-42% (1.5°C scenario aligned)	-90% (1.5°C scenario aligned)
Scope 3 emissions ²	-25% (well below 2°C scenario aligned)	-90% (1.5°C scenario aligned)
Total emissions	-25%	-90%

For more information on Sika’s carbon accounting methodology that serves as a basis for its SBTi commitment, please see the “GHG Emissions” section on p.90 of the Sustainability Report 2022.


NET ZERO CAMPAIGN

The engagement of Sika’s employees is crucial for the success of the net zero project. During the reporting year, Sika launched an innovation campaign called “Scouts” (for more information on this innovation platform, please see the “Products and Customers” chapter, “Innovation Management” section on p.115 of the Sustainability Report 2022). All employees were invited to submit their individual or group ideas on how to reduce the company’s emissions. More than 270 ideas were submitted and commented by Sika employees during the collection phase of the campaign which lasted 1.5 month. The review phase is taking place in 2023, with the best ideas being integrated into Sika’s net zero roadmap.

PARTNERSHIPS AND COLLABORATIONS FOR NET ZERO

Achieving net zero requires a combined effort from all stakeholders up and downstream of the company’s value chain. Thus, creating strong partnerships and collaboration is key for the success of this initiative. As of 2022, Sika is involved in the following strategic  **Partnerships and Collaborations:**

- Together for Sustainability (TfS): Sika is a TfS member and chairs the TfS workstream 5 (WS5) which aims to develop a global solution to measure scope 3 GHG emissions in the chemical industry. To ensure TfS member companies meet the Paris Climate Agreement goal, TfS was committed to finding a solution knowing that scope 3 GHG emissions constitute a major share of chemical company’s emissions³. Monitoring, managing, and reducing these emissions require an industry-wide harmonized approach to calculation. Prod-


uct Carbon Footprint (PCF) calculations provide the best product level emissions transparency for the identification, tracking and reduction of scope 3 GHG emissions. In September 2022, TfS launched the  **PCF Guideline**, the first-of-its-kind guideline to transform the way chemical companies calculate, monitor and reduce upstream supply chain emissions. It will enable suppliers and corporations to produce, compare and later share high-quality carbon footprint data. To ensure alignment with existing standards, TfS partnered with organizations such as GHG Protocol, WEF, Science-Based Targets initiative and WBCSD. The PCF Guideline is ISO and GHG Protocol accounting standards compliant. Open-source, the guideline will be a vital instrument for working on real and meaningful emission reductions to help decarbonize the entire chemical industry. TfS is also preparing an IT solution, a platform, that will enable corporations and suppliers to share upstream product carbon footprints. This should make it easier for businesses to conduct cross-industry comparisons and compile and manage their emissions across all three scopes. The IT solution will be piloted first half and launched second half of 2023. For more information on TfS, please see the “Procurement” chapter on p.133 of the Sustainability Report 2022. Beyond the TfS membership, Sika also engages individually with its suppliers on the climate journey.

- World Business Council for Sustainable Development (WBCSD): As a member of the WBCSD, in 2022, Sika was involved in various projects such as SOS 1.5, Built Environment Decarbonization, Circular Built Environment or Chemicals Group. For each project, the company participated in various sub-workstreams. Through such initiatives, Sika engages and shares with other companies on how to navigate the global climate challenges and how to make the most of available standards and tools.
- TCFD supporter⁴: Sika has officially supported the TCFD and its recommendations since 2021. The company believes that the TCFD recommendations provide a useful framework to increase transparency on climate-related risks and opportunities and their related financial impacts. For more information, please see the dedicated  **TCFD Report 2022** available on the corporate website.
- Participation in consultation processes on reporting approaches and standards: The GHG emissions topic is continuously evolving, and better knowledge, understanding, and data availability will impact Sika’s accounting methodology in its net zero journey. Therefore, in 2022, Sika contributed to the review of the GHGP Land Sector and Removals Guidance⁵, which will help companies on how to account for and report CO₂ removals and storage, and biogenic products within their corporate inventories.

1 As of 2022, scope 1 and 2 emissions account for ~2% of the total GHG emissions emitted by Sika.

2 As of 2022, scope 3 emissions account for ~98% of the total GHG emissions emitted by Sika.

3 CDP, “Running Hot: Accelerating Europe’s Path to Paris” (p.31).

4  **Supporters | Task Force on Climate-Related Financial Disclosures (www.fsb-tcfd.org).**

5  **ghgprotocol.org/land-sector-and-removals-guidance.**

GHG EMISSIONS

GRI 3-3

GRI 305-1

GRI 305-2

GRI 305-3

GRI 305-4

GRI 305-5

POLICIES AND GUIDELINES



For more information, please visit the corporate webpage [ESG Policies and Guidelines](#)

Sika monitors its greenhouse gas (GHG) emissions as part of the environmental responsibility the company has for climate. Sika's corporate carbon accounting (scope 1, 2 and 3) follows the reporting guidelines of the Greenhouse Gas Protocol (GHGP).

SCOPE 1 AND 2

Since 2019, Sika has defined the strategic target "climate performance" for reducing scope 1 and 2 CO₂e 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 and 2 per ton sold).

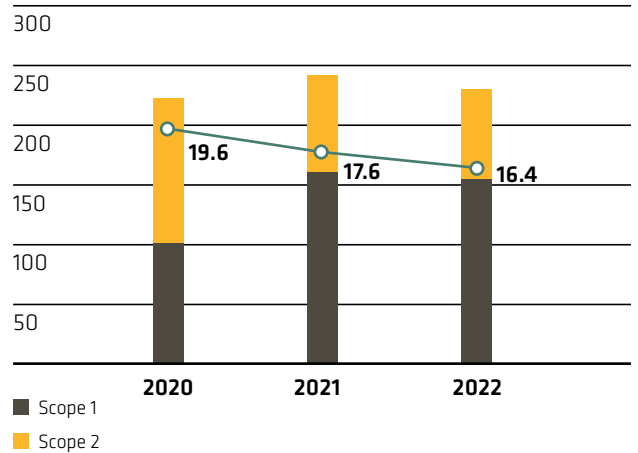
GHG EMISSIONS INTENSITY – SCOPE 1 AND 2¹

In 2022, the GHG emissions intensity per ton sold (scope 1 and 2) was reduced from 17.6 to 16.4 kg CO₂e per ton sold, a reduction of -6.9%. Excluding acquisitions, the organic reduction was at -11.7%. The GHG emissions intensity was negatively impacted by 2021 and 2022 acquisitions (0.8 kg per ton sold), and by emission factor changes (0.2 kg per ton sold). The continuous focus on maximizing renewable electricity sources in Sika operations (-0.9 kg per ton sold) and on various energy saving initiatives (-0.8 kg per ton sold) were the most important levers to improve the GHG emissions intensity per ton sold for the year under review. The additional granularity in the reporting of vehicle fuel per type of fuel and the increased tons sold from less-carbon intensive technologies also positively contributed (-0.5 kg per ton sold) (📄 **Table 01: GHG Emissions Scope 1 and 2 – Market-Based**, in the "Key Performance Indicators" section at the end of this chapter).

GHG EMISSIONS SCOPE 1 AND 2 – MARKET-BASED

in 1,000 tons

— kg CO₂e per ton sold

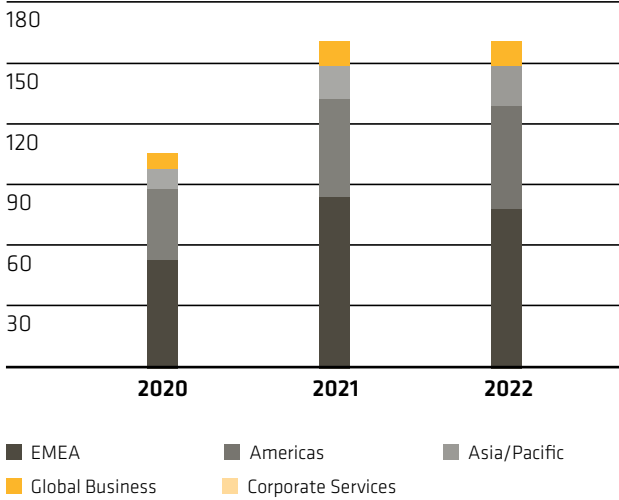


In absolute figures, scope 1 emissions remained stable at group level compared to 2021 (156,096 tons, -0.2% compared to 2021) (📄 **Table 02: Breakdown of Scope 1 GHG Emissions per Region**, in the "Key Performance Indicators" section at the end of this chapter). This stable development is mainly driven by the additional granularity in the reporting of vehicle fuel per type of fuel and the increased tons sold from less-carbon intensive technologies. From a regional perspective, Asia/Pacific and Americas increased their scope 1 emissions the most in absolute terms due to the impact on direct energy from recent acquisitions: Shenzhen Landun Holding Co., Ltd. (China), Sika Hamatite Co., Ltd. (Japan), Sable Marco Inc. (Canada) and United Gilsonite Laboratories, Inc. (USA).

¹ Based on GHG market-based emissions. In 2022, fugitive emissions related to refrigerant gases have been added to the scope 1 inventory as per the Greenhouse Gas Protocol. The GHG Emissions Intensity – scope 1&2 of 2019, 2020 and 2021 has not been restated accordingly.

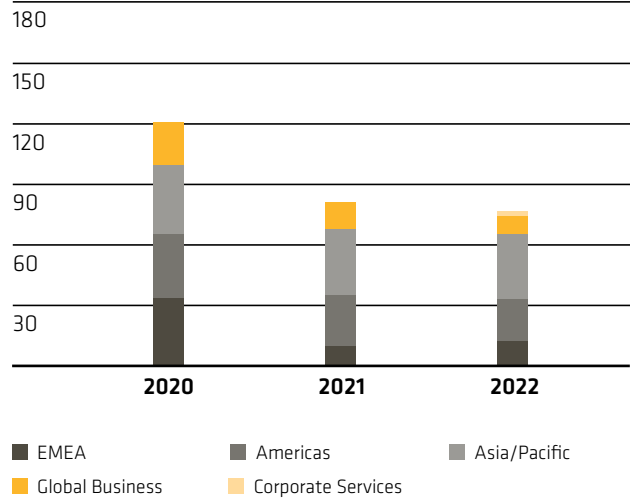
BREAKDOWN OF SCOPE 1 GHG EMISSIONS PER REGION

in 1,000 tons of CO₂eq



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

in 1,000 tons of CO₂eq



FUGITIVE EMISSIONS RELATED TO REFRIGERANT GASES

As part of Sika's continuous improvement approach, the environmental reporting has been expanded in 2022 to include the climate impact of refrigerant gases. These gases have extremely high climate impact (up to or above 1,000 kg CO₂eq/kg). Refrigerants are gases used in air conditioning units, cold storage warehouse equipment, cooling devices or fire suppression systems. While these systems are in theory in closed-loop, leakages occur over time, generating an occasional need to refill these systems. All local companies must comply with applicable laws and regulations related to refrigerant gases. Local maintenance teams are responsible for monitoring refills of such gases and equipment changes. In the year under review, 1,093 tons of CO₂eq¹ were emitted due to leakages of refrigerant gases. In accordance with the Greenhouse Gas Protocol, refrigerant gas emissions are considered as fugitive emissions under Sika's scope 1 inventory and represent 1% of Sika's scope 1 emissions for 2022. The related volume is included in the GHG Emissions intensity indicator, with an impact of 0.08 kg per ton sold.

Market-based scope 2 emissions decreased to 74,557 tons of CO₂eq (-9.2% compared to 2021) thanks to an increased coverage of energy attribute certificates compared to previous year in all regions. Global Business impacted the most the decrease of scope 2 emissions in absolute figures thanks to a Power Purchase Agreement settled in the United States and a new energy attribute certificate settled in Poland (↓ **Table 03: Breakdown of Scope 2 GHG Emissions - Market-Based per Region**, in the "Key Performance Indicators" section at the end of this chapter).

For additional information on Sika's GHG emissions reporting – location based, please refer to (↓ **Table 04: GHG Emissions - Location-Based** and ↓ **Table 05: Breakdown of Scope 2 GHG Emissions - Location-Based per Region**, in the "Key Performance Indicators" section at the end of this chapter).

INTERNAL CARBON PRICING – A STRATEGIC TOOL FOR INVESTMENT DECISIONS

From 2021 onwards, Sika implemented internal carbon pricing to favor solar panel investments and increase self-produced renewable energy. Relying on a shadow price mechanism, the initiative continued in 2022. In the context of Sika's net zero SBTi commitment, a broader concept will be defined and set up over the coming years. From 2023 onwards, the internal carbon price, set at CHF 80 per ton/CO₂eq², will be extended to all investments, with a focus on scope 1 and 2 emissions. Scope 3 emissions will only be considered for process in-/outsourcing. Embedding a hypothetical cost of carbon emissions in the calculation for potential investments provides a deeper understanding of how pricing GHG emissions affect business cases. This strategic tool will further help Sika to focus its investment decisions on climate-adapted operations, low-carbon investments, and opportunities.

1 Fugitive emissions of refrigerant gases are calculated based on BEIS/Defra 2021 emission factors.

2 The price of the internal carbon mechanism of Sika is based on Bloomberg, Traded EU Carbon certificates. The price used is a fixed price per year, based on the average yearly price.

SCOPE 3

In October 2022, Sika finalized a two-year 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). This analysis will contribute to the definition of a climate strategy and carbon reduction pathway to reach net zero by 2050. For additional information on the scope 3 assessment and calculation, please see the [Sika Methodology for Scope 3 Emissions Calculation](#) available in the download center of the corporate website. The calculation of scope 3 carbon emissions is an evolving topic based on various data sources. Sika is continuously reviewing the calculation methodology to ensure transparency and data robustness. This process helps Sika better understand how it can lower its scope 3 emissions and engage within the organization. Moreover, the identification of material scope 3 categories provides detailed information to drive scope 3 reduction initiatives. Based on this assessment and with the development of the net zero roadmap, Sika will focus on key dedicated reduction opportunities along the company's value chain considering scope 3 emission hotspots. For more information, please see the "Climate Change" section on p.88 of the Sustainability Report 2022.

Sika's scope 3 emissions represent 98.2% of the company carbon footprint and are driven by category 1 – purchased goods (57.0%), category 12 – end of life of sold product (29.1%) and category 4 – upstream transportation (7.8%). The changes in Sika's scope 3 GHG emissions from 2021 to 2022 are mainly due to increases or decreases in the underlying activity data. For category 1, the expenditure and invoiced quantities increased. Additionally, emission factor updates and changes resulted in an overall increase of purchased raw materials emissions. As a result, category 1 increased by 8.1%. Moreover, updates to the scope 3 assessment methodology, relevant for categories 6, 9 and 12-packaging, impacted the overall results. The methodological changes applicable to the end-of-life emissions for packaging generates a decrease of 54%.

SCOPE 3 GHG EMISSIONS

	2021	2022
Scope 3 GHG emissions (1,000 tons of CO₂eq)	12,553	12,511
Cat. 1 Purchased goods and services	6,595	7,129
Cat. 12 End of Life of sold products (EoL)	4,190	3,644
Cat. 4 Upstream transportation	1,070	971
Cat. 2 Capital goods	172	189
Cat. 9 Downstream transportation	139	171
Cat. 11 Use of sold products	108	138
Cat. 5 Waste generated in operations	108	80
Cat. 3 Fuel and energy-related activities	81	77
Cat. 7 Employee commuting	63	66
Cat. 8 Upstream leased assets	21	23
Cat. 6 Business travels	6	23

OUT-OF-SCOPE EMISSIONS

According to the GHGP, CO₂ emissions from biogenic sources should be reported separately from the total scope 1, 2 and 3 inventory. Sika calculated these emissions for the first time in 2022 as part of its ongoing methodological review for scope 1 and 2. Based on its renewable sources of energy that fall under scope 1 and 2, Sika generated 3,485 tons of CO₂ emissions from biogenic sources. For scope 1, Sika's biogenic CO₂ emissions come from the consumption of biodiesel and ethanol as vehicle fuel. For scope 2, biogenic CO₂ emissions relate to the consumption of renewable electricity from biomass sources for one factory in Brazil. ([Table 06: Out-of-Scope Emissions](#), in the "Key Performance Indicators" section at the end of this chapter). The assessment of out of scope emissions for scope 3 categories will be reviewed and assessed at a later stage

ENERGY MANAGEMENT

GRI 2-4

GRI 3-3

GRI 302-1

GRI 305-3

GRI 302-4

POLICIES AND GUIDELINES



For more information, please visit the corporate webpage [ESG Policies and Guidelines](#)

Even if Sika's own production is not energy-intensive, Sika sees itself as responsible for minimizing its impact by reducing its energy consumption and improving energy efficiency throughout its production processes. Through the Global Energy Efficiency Monitoring Program initiated in 2020, which has been rolled out in all regions with the support of the Global Operations Technology Department, Sika continues to implement energy efficiency projects around four categories:

- Sand dryer optimization: Natural gas is the major source of Sika's direct GHG emissions, so the optimization of sand dryer processes is an important energy efficiency lever in mortar production facilities. Installing moisture sensors connected to the control system of the dryer, active drainage systems in sand storage areas, and heat recovery systems can significantly reduce energy consumption. Following the successful implementation of moisture sensors in Serbia and Chile in 2021, the initiative was extended to 15 additional factories in 2022. Planned for completion by the end of 2023, the initiative will cover around 57% of the drying volume, which will significantly reduce natural gas consumption. The active drainage systems are being installed with a staged approach. A medium-scale installation is already operating in Romania, which has significantly reduced the moisture of sand (-25%). Another trial will start in Latin America in 2023.
- Manufacturing process optimization: The optimization and replacement of energy-intensive equipment (chillers, motors or heating and cooling systems) lead to energy savings. Production process improvements such as energy recovery, compressed air control (leakage detection and elimination of air losses in pressurized air system) or energy-efficient processes of cooling water in membrane production also have an impact. Checklists, recommendations and best demonstrated practices (BDPs) related to energy efficiency through process optimization in operations are shared and available to an extensive network of Sustainability and Operations representatives within Sika. 93 initiatives have been ongoing in 2022 for optimizing compressed air systems in a total of 77 sites, saving approximately a total of 1,400 tons of CO₂eq. In Innsbruck (Austria), the heating control system of the factory has been optimized to regulate the energy usage required by the burner to heat bitumen tanks, leading to approximately 100 tons of CO₂eq savings per year. In Sarnen (Switzerland), the building heating system was changed: instead of relying on an oil-based heating system, the heat generated through the cooling process in production is now recovered and used for building heating through a heat pump, saving around 160 tons of CO₂eq per year.

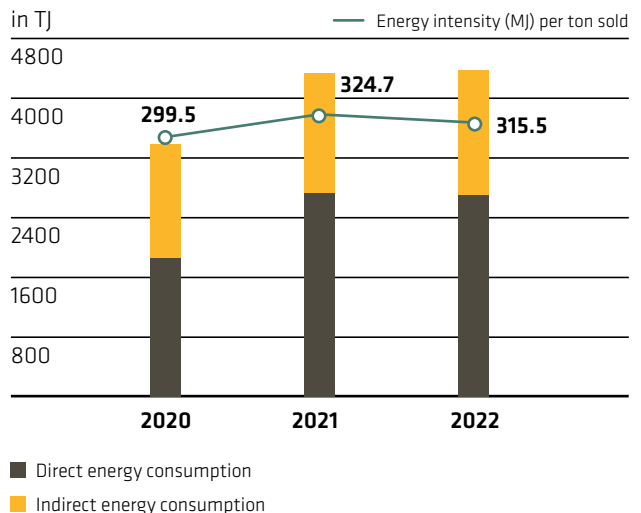
- Utilities management: Sika aims to improve the energy efficiency of its premises with various initiatives such as LED lighting, building, and roofing insulation improvement, air conditioning system improvement and vehicle fleet optimization. Energy efficiency is integrated into the planning and building of new premises. In Americas, for example, 18 LED lighting initiatives have been deployed in 2022, leading to 484 tons of CO₂eq savings for 2022.
- Self-production of renewable energy: Solar panel projects have been installed in several new countries.

Every quarter, a regional reporting on this program, its initiatives, and their associated impacts on energy and CO₂eq savings is submitted by Regional Sustainability Managers to ESG Controlling to ensure consistent aggregation and monitoring at Group level and ensure the sharing of best practices.

ENERGY INTENSITY¹

The company strives to improve its manufacturing energy efficiency and has set the target of reducing its energy intensity by 3.0% per ton of product sold per year. In 2022, the energy intensity of Sika operations per ton sold was 315.5 MJ, a decrease of 2.8% compared to 2021. This improvement was driven by the implementation of several energy saving initiatives and increased tons sold from technologies that are less energy intensive (see [Table 07: Energy Intensity](#), in the "Key Performance Indicators" section at the end of this chapter).

ENERGY INTENSITY



1. In 2022, Sika updated the conversion factors related to primary energy from m³ to GJ to reflect the gross CV (calorific value) based on BEIS/Defra recommendations. All energy-related data from 2019, 2020 and 2021 have been restated accordingly.

ENERGY CONSUMPTION WITHIN SIKA OPERATIONS

Sika relies on several energy types for drying, stirring, mixing, melting, cooling, ventilation, heating processes, and pumping, as well as buildings' heating or air conditioning and transportation. For 2022, Sika used 4,430 terajoule (TJ) of energy, an increase of 1.0% compared to 2021. More than half of the energy used in Sika direct operations (62.1%) comes from the conversion of primary energy, such as Liquefied Petroleum Gas (2.5%), light liquid fuel (3.0%), vehicle fuel (15.9%) and natural gas (40.5%). Purchased electricity makes up 37.7% of the energy used in Sika sites while district heating remains minor (0.2%). Self-produced renewable energy represented 0.2% of Sika's total energy consumption for 2022. The overall increase in energy consumption is mainly driven by higher vehicle fuel consumption compared to previous year (+2.5%) due to increased sales activities as a result of the relaxation of COVID-19-related restrictions (↓ **Table 08: Breakdown of Direct Energy Consumption per Region**, and ↓ **Table 09: Breakdown of Indirect Energy Consumption per Region** in the "Key Performance Indicators" section at the end of this chapter).

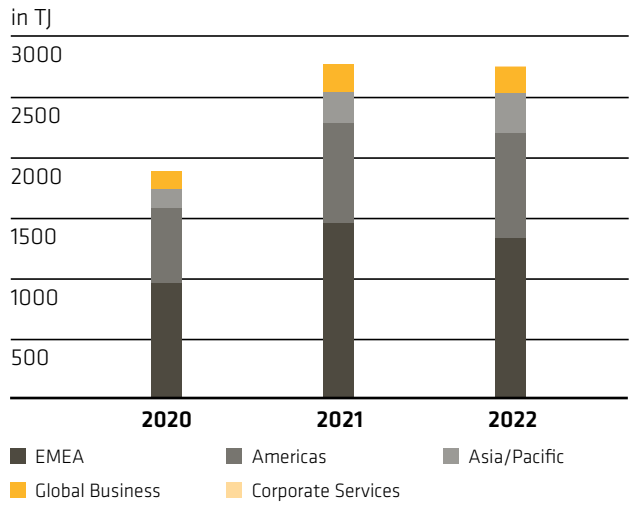
BREAKDOWN OF ENERGY CONSUMPTION PER SOURCE

	2020	2021	2022
Direct Energy (TJ)	1,882	2,771	2,750
Heavy liquid fuel (TJ)	2	3	-
Light liquid fuel (TJ)	166	192	133
Natural gas (TJ)	1,417	1,786	1,794
Liquified petroleum gas (LPG) (TJ)	87	98	109
Vehicle fuel ¹ (TJ)	208	689	707
Self-produced electricity from renewable sources (TJ)	2	3	7
Indirect energy (TJ)	1,540	1,617	1,680
Total purchased electricity (TJ)	1,540	1,617	1,672
District heating (TJ) ²	-	-	8
Total energy consumption (TJ)	3,422	4,388	4,430

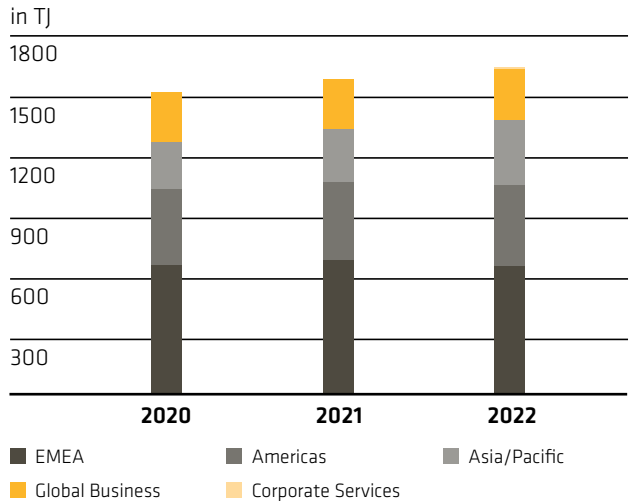
1 In 2022, Sika added granularity to the reporting of vehicle fuel. The reporting is now split per type of fuel (diesel, gasoline, biodiesel, ethanol, LPG and natural gas) with a different conversion factor into TJ applied to each category.

2 In 2022, district heating has been added to the company scope 2 inventory as per the Greenhouse Gas Protocol and included in Sika's indirect energy consumption. 2019, 2020 and 2021 data have not been restated accordingly.

BREAKDOWN OF DIRECT ENERGY CONSUMPTION PER REGION



BREAKDOWN OF INDIRECT ENERGY CONSUMPTION PER REGION



FOCUS ON VEHICLE FLEET MANAGEMENT

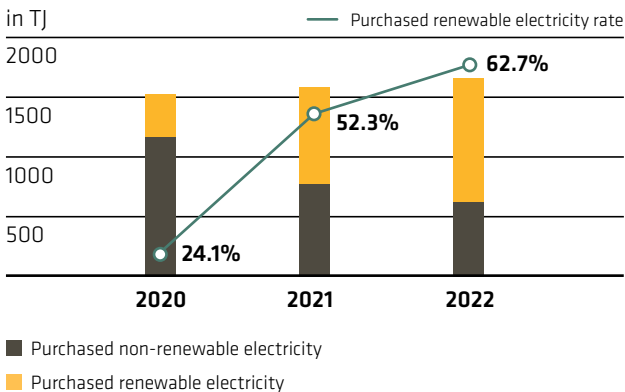
Vehicle fuel used for Sika's sales fleet, forklifts, and trucks represents the second source of direct energy consumption for the company. 20.7% of Sika's scope 1 and 2 emissions in 2022 came from vehicle fuel. Sika's vehicle fleet emissions are mainly driven by the consumption of diesel (63.4% of total consumption) and petrol (31.7% of total consumption). Ethanol, biodiesel and LPG represent 4.9% of vehicle fuel consumed across Sika's vehicle fleet. Several initiatives were launched across the company to reduce the carbon footprint of the vehicle fleets, which involved switching from diesel/gasoline to biofuel, hybrid or electric cars:

- In Brazil, the car policy has been redefined to switch 100% of the vehicle fleet to ethanol instead of gasoline. In 2022, it led to savings of 225 tons of CO₂eq.
- In the US, the transition to electric vehicles has just started and will be further rolled out in 2023.
- In China, part of the fleet of forklifts has been switched from diesel to electric vehicles, leading to savings of approximately 558 tons of CO₂eq for 2022.

RENEWABLE ELECTRICITY

In addition of its focus on energy efficiency, Sika also aims at maximizing the share of renewable electricity supply in its operations through diverse types of renewable instruments. As a result, Sika's renewable electricity purchased rate increased to 62.7% at the end of 2022, an improvement by 10.4 percentage points compared to 2021. These improvements help Sika reduce its scope 2 emissions and meet its renewable energy target in a cost-effective manner (see **Table 10: Purchased Renewable Electricity Rate**, in the "Key Performance Indicators" section at the end of this chapter).

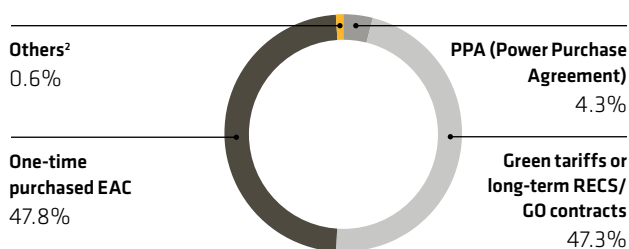
PURCHASED RENEWABLE ELECTRICITY RATE¹



Securing long-term renewable electricity instruments is preferable, and 47.3% of renewable electricity purchased is covered by those instruments. However, depending on the local context, the availability of green contracts can be limited. Thus, 47.8% of the renewable electricity purchased comes from one-time Energy Attribute Certificates (EAC) such as RECs (Renewable Energy Certificates), I-RECs (International Renewable Energy Certificates) or quarterly Guarantees of Origins (GOs) (e.g., China, Egypt, Morocco, Argentina or Mexico).

BREAKDOWN OF PURCHASED RENEWABLE ELECTRICITY PER TYPE OF INSTRUMENT

in %



For the past few years, Sika has invested into on-site renewable electricity self-production through installing solar panels on Sika buildings. From 2021, internal carbon pricing was implemented to favor solar panel investments and increase self-produced renewable energy. For more information, please see the "Planet" chapter, "GHG Emissions" section on p.90 of the Sustainability Report 2022. In 2022, self-produced renewable electricity installations are operational across 12 countries and represent 7 TJ of self-produced direct energy. This year, solar panel installations were completed in United Arab Emirates, India, Australia, Switzerland. The solar panel project of the Jaghadia plant (India), completed in August 2022, with a self-production capacity of 520 MWh per year, will lead to yearly savings of up to 230 tons of CO₂eq. In Duedingen (Switzerland), the solar panel roof installed in spring 2022 has a production capacity of more than 700 MWh per year, leading to 22 tons of CO₂eq savings per year. More installations are planned for 2023.

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

2 Ethiopia, Paraguay, and Uruguay report 95% of their electricity as renewable since their local grid is 95% renewable (source: RE100 Technical criteria 2021).

WATER MANAGEMENT

GRI 3-3	GRI 303-1	GRI 303-2
GRI 303-3	GRI 303-4	GRI 303-5
GRI 306-1	GRI 306-5	

POLICIES AND GUIDELINES

For more information, please visit the corporate webpage [ESG Policies and Guidelines](#)

Although Sika's production is less water-intensive than other industrial companies within the chemical sector, Sika takes full responsibility for minimizing its impact on water resources throughout the value chain. Water is needed for the following uses:

- Input material: some Sika products are water-based in the product range of concrete admixtures, coatings, and adhesives solutions, among others.
- Direct operations: water is used directly in Sika's operations for process and cooling purposes but also for cleaning.
- 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. Water can be a mixing component or used for cleaning tools once the product has been applied.

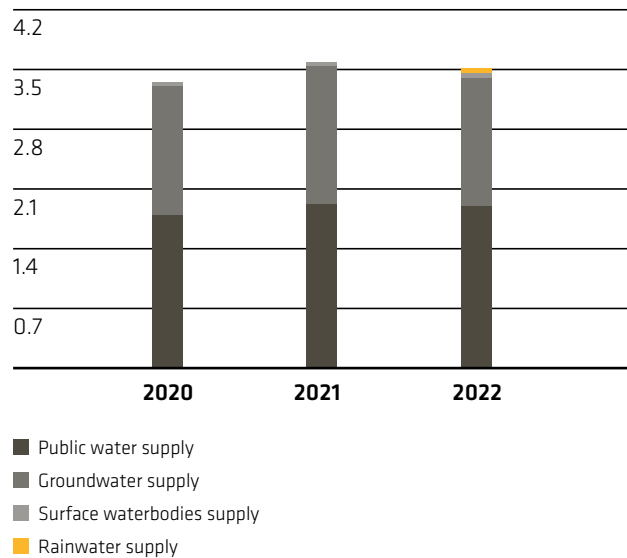
As water scarcity and water-related extreme weather events intensify in many regions of the world, this may pose a threat to business operations. Especially in regions where freshwater is scarce, businesses may be exposed to water shortages, lower water quality, water price volatility, and reputational issues. Therefore, Sika continues to implement dedicated water efficiency initiatives globally to reduce the amount of processed freshwater withdrawal, optimize water-related production processes with closed-loop cooling systems or cooling towers, optimize cleaning processes and reuse treated wastewater.

WATER WITHDRAWAL

Water is withdrawn across the operations from public supply (55.6%), groundwater wells (42.8%) surface waterbodies (0.9%) and rainwater (0.7%). In line with water usage, the volume of water withdrawal decreased by 2.3% compared to 2021 (↓ **Table 11: Breakdown of Water Withdrawal per Source**, in the "Key Performance Indicators" section at the end of this chapter).

BREAKDOWN OF WATER WITHDRAWAL PER SOURCE¹

in million m³



To reduce the amount of processed freshwater withdrawal and limit the dependency on public water supply reservoirs, several initiatives were implemented:

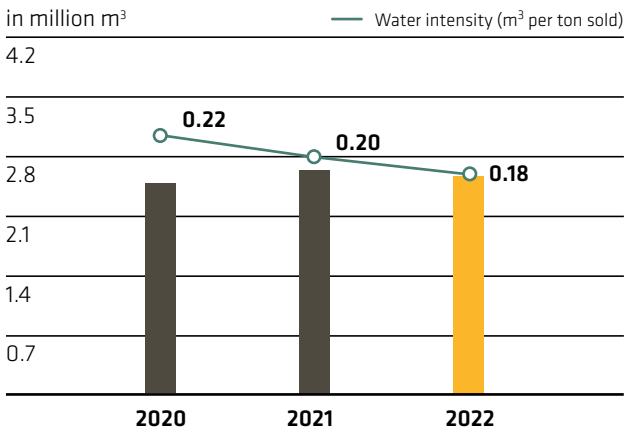
- Several factories have switched from public water supply to groundwater sourcing. As an example, in Isalnita (Romania), a reverse osmosis station for water softening allows to use groundwater instead of public supply water.
- A few factories - 16 factories in twelve countries - have started collecting rainwater (0.7% of total water withdrawal) to cover part of their freshwater demand, specifically in locations in which the public water supply is limited. The rainwater is then either used for cleaning processes and sanitary purposes or filtered/treated and used in the production processes instead of freshwater. In Siderno (Italy), the total volume of rainwater is filtered and used together with groundwater for the cooling process in the production of polymers.

¹ This indicator includes the volume of water used as an input material. In 2022, rainwater has been added to the reporting of water withdrawal per type of source. Water withdrawal data from 2019, 2020 and 2021 have not been restated.

WATER CONSUMPTION

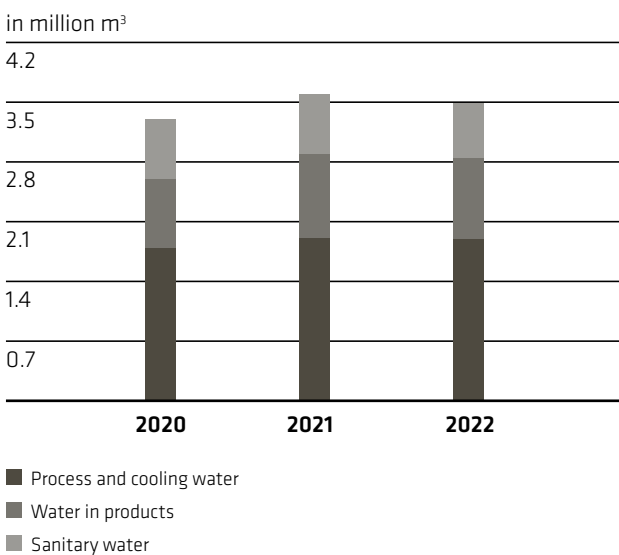
In 2022, the water consumption per ton sold was 0.18 m³, a decrease of -6.1% compared to 2021 (↓ **Table 12: Water Consumption Intensity**, in the “Key Performance Indicators” section at the end of this chapter). This improvement was partially supported by the implementation of additional water initiatives across the Group and the increased sales of products that consume less water in Sika operations.

WATER CONSUMPTION INTENSITY¹



In its direct operations, Sika consumed around 2.6 million m³ of water (-2.5% compared to 2021). This decrease is mainly related to lower production volumes of water-intensive products, such as concrete admixtures. Water is used for processing and cooling (54.6%) but also for sanitary purposes (18.4%). Almost one-third of the water used at Sika is utilized as an input material for products (27.0%) (↓ **Table 13: Breakdown of Water Usage per Type**, in the “Key Performance Indicators” section at the end of this chapter).

BREAKDOWN OF WATER USAGE PER TYPE



In terms of water usage, the main water initiatives focus on optimizing the equipment, production processes and cleaning processes:

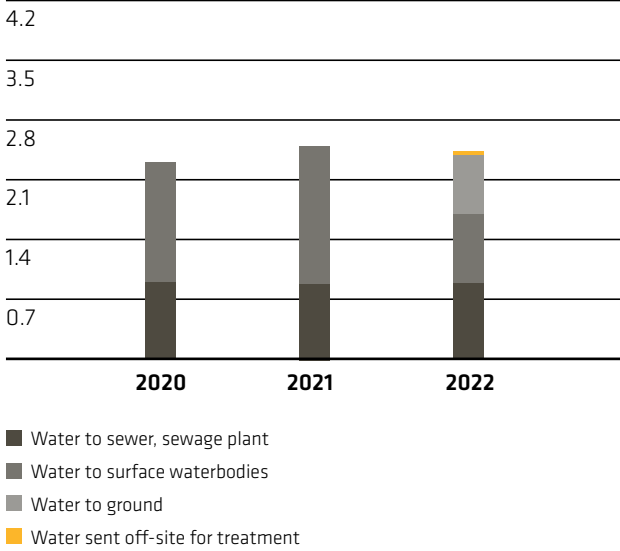
- Sika aims to reduce the volume of wastewater generated. Some facilities have their own wastewater treatment installation, which allows reuse of the treated wastewater in production, cooling, or cleaning processes through water sedimentation, distillation, or filtration. The optimization of producing and cleaning processes is also a major source of wastewater reduction. As an example, implementing a production matrix and defining a color change routine can minimize the need for cleaning between different production batches.
- Closed-loop systems have been implemented in Sika’s factories across the world for many years. These systems need to be maintained to ensure state-of-the-art processes and ensure a high level of water efficiency. At the Lyndhurst factory (United States), the adiabatic cooler was upgraded in 2022, which is a key equipment for the closed-loop cooling system, resulting in water savings of more than 80,000 m³.
- Cooling processes could be water-intensive. Several actions are rolled out through the Group to reduce the related water impacts. For example in 2022, a chiller was installed in Spanga (Sweden) to cool down the water and recirculate it back to blenders, leading to reduction of freshwater volumes needed for cooling processes (3,000 m³ of freshwater savings per year).
- Lastly, flow reducers and automatic valves are also commonly installed to reduced the water used in R&D laboratories or social areas.

WATER DISCHARGE

Sika discharges water in line with local legislation and permits, either to sewers or sewage plants, or directly to surface water bodies or to underground water formations. In many Sika factories, the water used for processing and cooling is collected in tanks and treated 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 2022, Sika discharged 2.4 million m³ of water, a decrease of 2.3% compared to 2021. 35.9% of water used goes to sewers or sewage plants. 32.2% of water used is discharged directly into surface water bodies, whereas 30.3% is discharged to underground water formations. In addition, 1.6% of water used is sent off-site for treatment by a third-party (↓ **Table 14: Breakdown of Water Discharge per Destination**, in the “Key Performance Indicators” section at the end of this chapter). The difference between the water discharge and the water use comes from the evaporation that takes place during the cooling process of some production technologies.

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

BREAKDOWN OF WATER DISCHARGE PER DESTINATION¹
in million m³



**WATER DISCHARGE QUALITY –
CHEMICAL OXYGEN DEMAND (COD)**

All local companies must comply with applicable laws and regulations related to water discharge requirements such as the quality of effluent discharge. COD is already monitored through discharge analysis measurements at site level depending on local regulations. This indicator started to be reported at Group level in 2021 to facilitate the monitoring and the improvement of water discharge quality at Group level. The focus on water discharge quality has been reinforced over the past few years, and Sika will continue to work on improving such measures in its relevant activities. In 2022, a company wide qualitative survey was conducted to identify any gaps and irregularities in the current reporting. This assessment will be used from 2023 to further strengthen discharge analysis measurements guidance.

**WATER-RELATED RISKS, IMPACTS, AND MITIGATION
ACTIVITIES**

Water availability is a crucial need along Sika's value chain. Thus, water scarcity and water stress expose Sika's business to various risks such as lower water quality, freshwater shortage, and reduced water accessibility. It could result in increased water supply and manufacturing costs, manufacturing disruption in Sika's admixtures factories or throughout the value chain, and increased regulatory burden or reputational issues.

As water becomes more scarce, this presents an opportunity for Sika to reinforce its market share and sales, especially in high water-stressed areas. As an example, the application of Sika's waterproofing products helps reduce water loss, and Sika's concrete admixtures allow less water use during the production of concrete. For more information, please see the "Products and Customers" chapter, "Target Markets" section on p.119 of the Sustainability Report 2022.

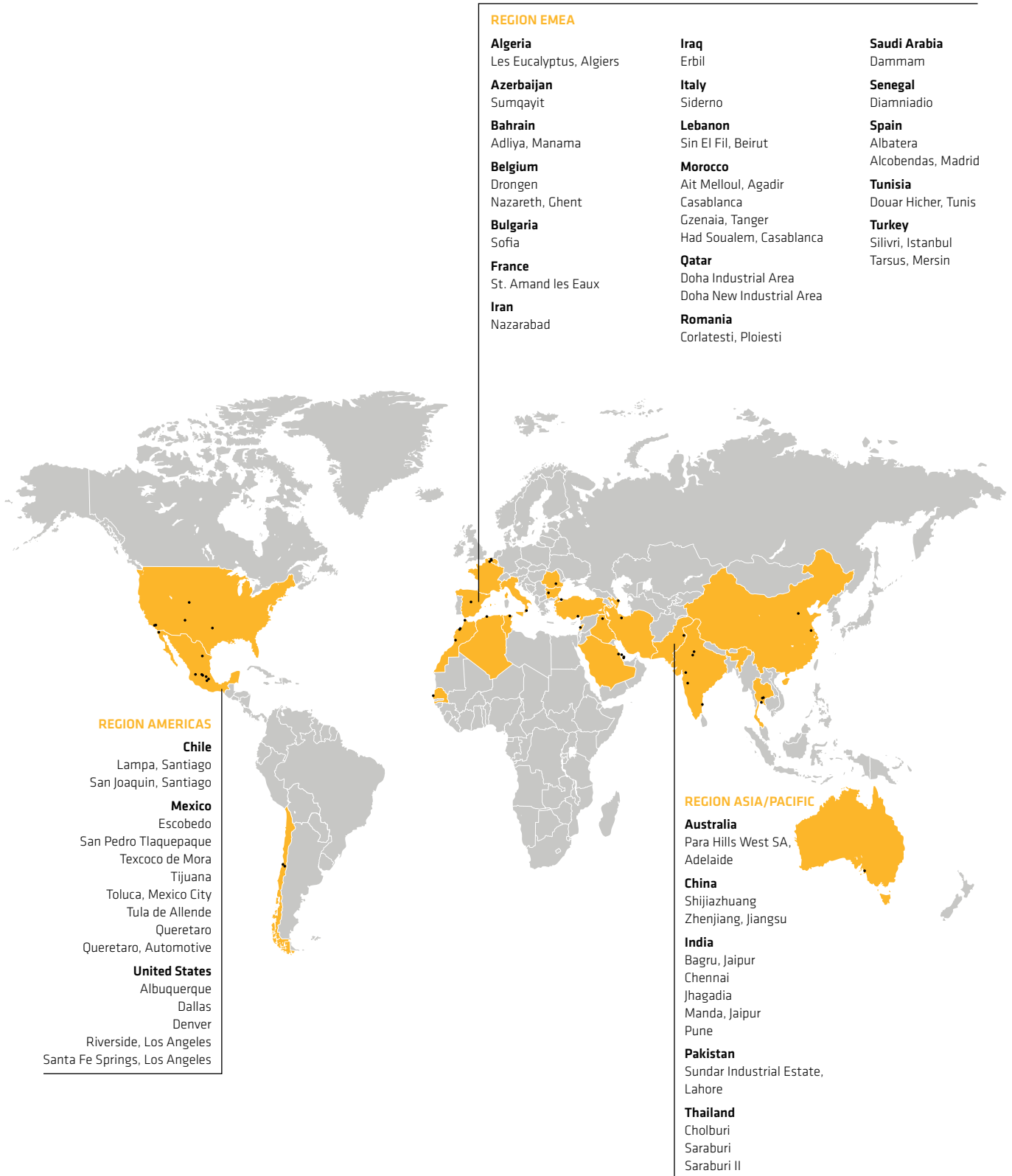
In addition to the country level assessment conducted in 2021, during the reporting year Sika has assessed its manufacturing sites² at risk of water stress based on the World Resource Institute (WRI) Aqueduct tool³. The underlying GPS coordinates of each site were taken into consideration to ensure a precise analysis per location. According to this database, 52 manufacturing sites in 35 countries are located in areas with extremely high water stress.

1 Depending on local regulations, wastewater can be disposed separately and therefore not included in water discharge but included in waste. Up to 2021, wastewater disposed separately due to local regulations could be reported under waste and excluded from water discharge. From 2022 onwards, the reporting methodology of water discharge has been adjusted. A new account "water sent off-site for treatment" was created to capture the total volume of wastewater under water discharge, leading to a shift from waste to water discharge. The indicator "water to ground" has also been added. Waste and water data from 2019, 2020 and 2021 have not been restated accordingly to the new methodology.

2 Non-production sites such as warehouses not linked to manufacturing locations, sales offices, and HQ have been excluded from the analysis. In addition, Sika's supply chain has not been covered by this assessment. 2021 quantitative analysis has been updated with the factories mapped in 2022 to ensure the comparability over years.

3 Using the **Aqueduct Water Risk Atlas**, Sika identifies the projected exposure of each manufacturing location to baseline water stress. Baseline water stress measures the ratio of demand for water by human society divided by available water. It is an indicator of competition for water. Locations facing extremely high water-stress (>80%) were identified by applying the indicator "bsw" (Baseline Water Stress).

WATER STRESS MAP – MANUFACTURING SITES¹




1. According to the Aqueduct Water Risk Atlas, 52 manufacturing sites in 35 countries are located in areas with extremely high water stress.

In 2022, water withdrawal in extreme water-stressed locations represented 346,364 m³ equal to 9.8% of the total Group (10.5% in 2021). In these locations, water was mainly withdrawn from public water supply (86.6%) but also from groundwater wells (9.5%) and surface waterbodies (3.6%). 0.3% of water withdrawal came from rainwater. For the year under review, the water usage of these locations was 346,406 m³ equal to 9.8% of the total Group (10.5% in 2021) among which 63.4% was used as an input material into Sika products, 25.0% for sanitary purposes, and 11.6% as process and cooling water in production. Water discharge was 105,910 m³ equal to 4.3% of the total Group (4.9% in 2021). 80.5% of water used goes to sewers or sewage plants, 11.5% is discharged directly into surface water bodies, whereas 4.8% is discharged to underground water formations. In addition, 3.2% of water used is sent off-site for treatment by a third-party.

In these extremely high water-stressed areas, several mitigation measures have been implemented:

- Scheduling and optimization of production sequence in the admixture line.
- Use of air conditioning drain water for domestic usage.
- Collection and filtration of rainwater then used for domestic usage.
- Installation of water saver filter taps for optimized water discharges in washrooms.
- Storm drainage collection system to collect rainwater separately for roofs and paved areas.
- Treatment and reuse of cleaning water/wastewater in production processes (e.g., in the blending process of admixtures production).
- Treatment of water through sewage treatment plants used for flushing activities.
- Reuse of treated water for sanitary services and domestic usage.
- Reuse of water from the cooling process for domestic usage.

Not only water stress but also other water-related risks are monitored by the company. More information on the assessment of Sika's direct exposure to riverine and coastal flood, rainfall, heavy rainfall, and longest dry spell is available in the chapter "Physical climate-related impact analysis" on p.5-10 of the  **TCFD Report 2022**.

Even if the current analysis didn't consider the impact of water-related risks beyond Sika's operation, the company acknowledges that such risks could have an impact up and down the value chain. For example, business disruption at supplier level leading to shortages and price increase of raw materials and therefore, increased operational costs for Sika.

At supplier level, it is important that the chosen suppliers are committed to the same sustainability standards as Sika. 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. For more information on Sika Supplier qualification and engagement approach, please see the "Procurement" chapter on p.133 of the Sustainability Report 2022.

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 focus of this program, and as an example, Sika is part of the international "Living Lakes" network, whose mission is to enhance the protection, restoration and rehabilitation of lakes, wetlands, and other freshwater bodies of the world. For more information on "Sika Cares" community engagement program and associated projects in this area, please see the "People" chapter, "Community Relations" section on p.77 of the Sustainability Report 2022.

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. A variety of Sika solutions are available for water infrastructure, such as:

- Water reservoir: Sika products comply with public water authorities' strict regulations and can be designed and adapted to meet the specific needs and requirements of all customers.
- Water dams: Sika solutions make a positive contribution to the overall performance of all types of hydraulic structures, while also potentially reducing construction and operating costs.
- Sewage and wastewater treatment plants: Sika has innovative solutions to prevent leaks and protect water quality – for new construction and maintenance.

Overall, Sika solutions help to reduce water consumption and improve quality of water, contributing to mastering the challenge of providing a growing global population with access to clean drinking water. For instance, concrete admixtures such as Sika[®] ViscoCrete[®] reduce the amount of water required for manufacturing concrete by up to 40%. The concrete remains flowable, achieves a higher strength when cured, and valuable resources are saved. For more information on Sika products, please see the "Products and Customers" chapter, "Target Markets" section on p.119 of the Sustainability Report 2022.

WASTE MANAGEMENT

GRI 3-3

GRI 306-1

GRI 306-2

GRI 306-4

GRI 306-5

POLICIES AND GUIDELINES



For more information, please visit the corporate webpage [ESG Policies and Guidelines](#)

Improving Sika's material efficiency through applying circular principles along the value chain will be critical for Sika's path to net zero. Sika is committed to preventing waste in its activities and ensuring optimal waste management along the value chain. The promotion of circular principles, the efficient use of input materials for production and the reuse or recycling of materials to reduce waste are key priorities for Sika. The company reduces the amount of waste per ton sold by optimizing production planning, streamlining the production process layout, and reusing of production waste. In addition, Sika has started to implement performance enhancements by using more recycled materials. Sika's waste management approach focuses on several reduction and optimization levers:

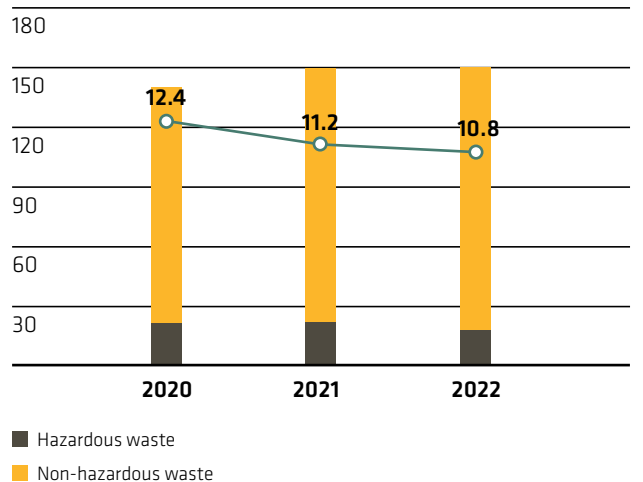
- At raw material level, Sika optimizes the sourcing of purchased materials, for example by seeking ideal packaging units (primary and secondary), bigger supply units (bulk, tanker lorry and big bags vs small packaging units) and recycling supply units. Developing weekly materials supply programs, optimizing the specific tolerances of raw materials and minimizing quality control sampling also reduces the quantity of waste generated during the procurement phase. In Leeds (Great Britain), sacks of chalks have been eliminated and replaced by bulk chalk installations in the silicone mixing processes, leading to 5 tons of waste savings per month.
- At production level, Sika focuses on streamlining production process layout and on optimizing production planning and processes. The setup of weekly or biweekly production planning to reduce cleaning shifts, the implementation of a color change routine and the optimization of cleaning methodologies can lead to waste reduction in the manufacturing phase of both intermediate and finished goods. Additionally, Sika aims to reuse and recycle production waste. Wastewater from rinsing or cleaning processes for tanks, delivery trucks, gas scrubbers or production equipment can be separated and reused in production processes. Filter dust from dosing and bagging stations can also be reused in the next production batch or in similar products (after R&D validation). Through recycling or by-product reuse in manufacturing processes, Sika diverts waste from disposal. In the automotive business, several Sika factories for example in China and Brazil disassemble nylon or copolymer parts through an internal process, regrind it on-site and reuse it directly in the production process.
- At warehouse level, innovative warehouse management helps improving product turnover and the quantity of expired products.

- Regarding downstream logistics, the reuse of raw materials' pallets and bulk containers for transportation of finished products is a strong focus that helps reduce the amount of virgin packaging needed downstream.

In 2022, the quantity of waste generated per ton sold was 10.8 kg, a decrease of 3.3% compared to 2021. This was partially driven by the implementation of various waste management initiatives, such as a continuous focus on reuse of materials in mortar and admixtures production. Additionally, the waste intensity reduction was driven by less waste generated in production processes and a methodological change regarding wastewater reporting shifted from waste to water discharge. The waste intensity compared to total input materials remained stable at 1.3%. In absolute numbers, waste volumes remain steady (+0.4% compared to 2021) due to several one-off activities on specific sites (see [Table 15: Waste Intensity](#), in the "Key Performance Indicators" section at the end of this chapter).

WASTE INTENSITY

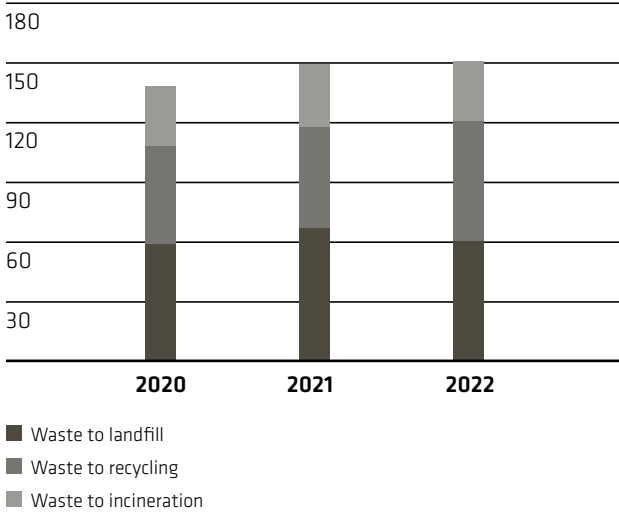
in 1,000 tons



Sika mainly generates non-hazardous waste: 88.3% in 2022 (85.7% in 2021). The volume of hazardous waste disposed slightly decreased compared to 2021 (-2.6 percentage points). This is mainly driven by the reporting reclassification of waste water under water discharge. In 2022, 40.5% of the waste produced went into landfill, 40.4% was recycled and 19.1% was incinerated with or without energy recovery. Regarding hazardous waste, 62.1% was incinerated, 23.1% was recycled and the remaining 14.8% went into landfill. Non-hazardous waste went

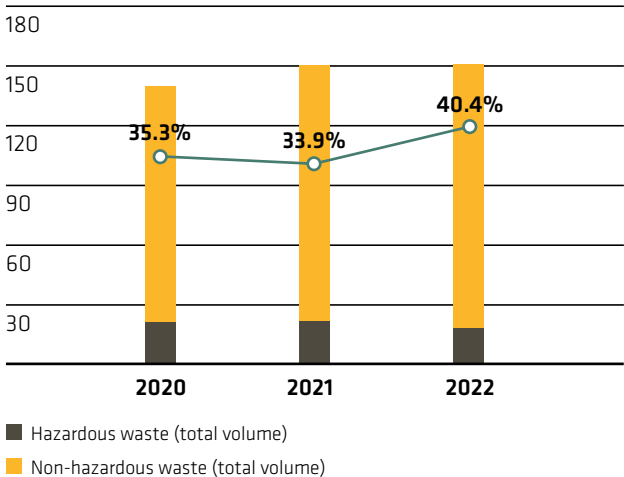
mainly into landfill (43.9%) and to recycling (42.7%), the remaining 13.4% was incinerated. In the coming years, Sika will keep working on diverting waste from disposal and reducing waste to landfill where possible. (↓ **Table 16: Breakdown of Waste by Type of Disposal**, in the “Key Performance Indicators” section at the end of this chapter).

BREAKDOWN OF WASTE BY TYPE OF DISPOSAL¹
in 1,000 tons



In 2022, the waste recycling rate increased by 18.9% compared to 2021. This increase was mainly driven by Brantford mortar production (Canada) due to one-off dust generated during the sand drying process in 2022. All the dust produced was sent for reuse to third-parties and has therefore been reported under “waste to recycling” (↓ **Table 17: Recycling Rate**, in the “Key Performance Indicators” section at the end of this chapter).

RECYCLING RATE
in 1,000 tons



WASTE REDUCTION INITIATIVES IN SPAIN

In Alcobendas (Spain), several waste initiatives have been implemented in 2022, leading to a reduction of 8.4% of waste disposed compared to 2021. In the mortar production, the filter dust from dosing and bagging station is reused in the manufacturing process instead of being disposed externally. It reduced the volume of dust disposed as waste by 24% compared to 2021 (-9 tons). In addition, the sand cleaning process has been optimized and reduces the waste generated through the process by 33% (-64 tons). In the concrete polymers production, a continuous production process has been implemented, reducing the amount of carbon fiber waste by 65% on a yearly basis. In addition, the internal treatment and reuse of wastewater reduces the amount of effluent disposed by 130 tons per year.

¹ Up to 2021, wastewater disposed separately due to local regulations could be reported under waste and excluded from water discharge. From 2022 onwards, the reporting methodology has been adjusted and a new account “water sent off-site for treatment” was created to capture the total volume of wastewater under water discharge. This reporting change led to a shift from waste to water discharge. Waste and water data from 2019, 2020 and 2021 have not been restated accordingly to the new methodology.

CIRCULAR ECONOMY

GRI 3-3

GRI 301-1

GRI 301-2

Circularity principles are becoming increasingly compelling due to higher awareness and shifting demand towards more sustainable solutions among customers in construction and transportation markets. Sika's initiatives help the development of a circular economy in its industry. These include partnering with downstream customers, universities and startups to co-design and implement products. Collaboration projects are essential because deep circularity interventions rely on access to cost-effective sustainable energy and renewable/recyclable feedstock with appropriate specifications. Sika has started to seek performance enhancements by using recycled materials and alternative non-fossil-based raw materials. One example is the development of mortars formulated with recycled aggregates or residues that come from other industries.

Moreover, Sustainability Portfolio Management (SPM) is the backbone of the Sustainable Solutions strategy. It defines how Sika structures the innovation of products that 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 "Products and Customers" chapter on p.113 of the Sustainability Report 2022.

MATERIALS USED BY WEIGHT OR VOLUME

Sika strives to constantly increase efficiency in the use of input materials. Research and development are governed by the principles of sustainable development and enhanced customer utility, such as the demand for resource-saving construction methods, energy-efficient construction materials, or lighter and safer vehicles.

With the deployment of the SPM methodology, product development projects will also be 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.

CRADLE-TO-CRADLE FEASIBILITY STUDY IN ROOFING

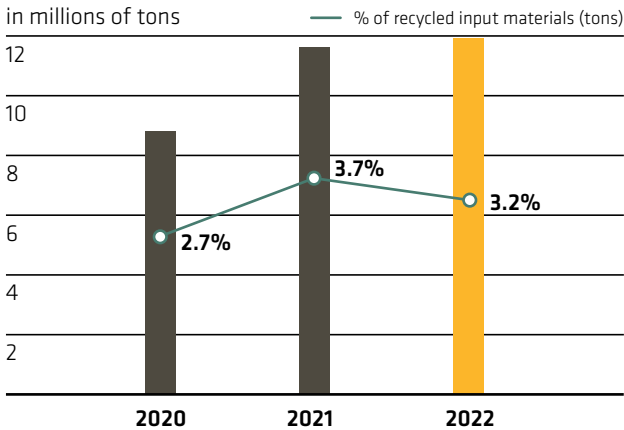
Sika embarked on its first Cradle-to-Cradle Certified® project for Sarnafil® AT in 2020. The company is working to continuously improve the sustainability performance of Sarnafil® AT as part of its commitment through the Cradle-to-Cradle Certified® program. In 2022, Sika initiated a feasibility study to assess its strengths and weaknesses to meet the new and more robust requirements of v4 of the Cradle-to-Cradle Products Standard. The Clean Air and Climate Protection and Product Circularity categories will be recertified in v4, while the Material Health, Water Stewardship and Social Fairness categories will be kept in v3.1 and will be further assessed as part of the next certification cycle. One key area for further study is testing the increased use of recycled material within the roofing membrane. Currently, the membranes include pre-consumer recycled content from scrap material during the manufacturing process. Because the recycled content originates from Sarnafil® AT's own manufacturing process, it is not possible to increase the amount of recycled content from this source. Trials are underway to determine the feasibility of including post-consumer compatible recycled content from old roofing systems, or from sources where chemical traceability is available and chemicals of concern are avoided. However, because Sarnafil® AT membranes are new products with a service life of more than 30 years, there is very limited availability of recycled content for further cycles. As part of Sika's net zero commitment, keeping materials in constant cycle has been identified as a key lever and will be one of the key focus areas for R&D in the coming years.

Around two thirds of all materials used in production¹ – e.g., for polyurethane adhesives, epoxy-resin products, polymeric roofing and waterproofing membranes, 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 expanded 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, through R&D, the company is constantly exploring ways to use non-petroleum-derived materials for Sika products. For more information on Sika’s raw material procurement, please see the “Procurement” chapter on p.133 of the Sustainability Report 2022.

In 2022, Sika used 11.9 million tons of input materials, an increase of 2.4% compared to 2021, in line with increased quantities sold. For the year under review, 3.2% of total input materials used in production were recycled materials, a decrease by 0.4 percentage point compared to 2021 (↓ **Table 18: Input Materials Used**, in the “Key Performance Indicators” section at the end of this chapter). Sika continued to focus on using supplementary cementitious materials such as fly ash or slag in its mortar technologies where available. In the automotive business, Sika also used more recycled grade materials for acoustic solutions where possible.

INPUT MATERIALS USED²



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.

PACKAGING MATERIALS

Sika has started to seek sustainability performance enhancement in its approach to packaging. Sika’s products are mainly delivered in the following types of primary packaging:

- Plastic is mainly used for water-based products like mortars and concrete products, flooring and adhesives.
- Tinplate and steel are mainly used in solvent-based and multicomponent products like adhesives, flooring and coatings.
- Aluminum is used for sealants, adhesives and pre-treatments.
- Metal packaging is used for products classified as dangerous goods by authorities regulations.
- Paper packaging is used for cementitious and mortar products that are distributed in valve bags.

As part of Sika’s Net Zero journey, using less carbon-intensive packaging materials, increasing the share of recycled packaging materials and reusable packaging solutions and reducing the amount of packaging materials will be a strong focus in the future. For this reason, Sika is cooperating with various stakeholders (suppliers, distributors, customers, and universities) to develop packaging solutions with a lower impact:

- As part of an ongoing field test phase, first Sika application nozzles made of Post Consumer Recycle (PCR) material have been produced in 2022. The nozzles are used in the automotive glass repair (AGR) segment. The new nozzles are made of 100% PCR, while the packaging is made of 40% PCR. Switching over 700,000 sets per year leads to approximately 60 tons of CO₂eq savings.
- From March to June 2022, a feasibility study together with Packaging Engineer Students from FH Campus Wien has been completed on transportation packaging for unipacks (UP) and cartridges (CTR). Today, UP and CTR are packed in cardboard boxes. The project focused on designing new transport packaging to minimize the volume of packaging needed and reduce the related CO₂eq emissions. Ideas were presented where up to 60% of material could be saved.
- Valve bags used for cementitious and mortar products consist generally of two to three layers of paper with the outer layer being generally bleached for better print results. A new type of valve bag with an unbleached outer layer has been introduced in Singapore and Ecuador in 2022. This change leads to a CO₂eq reduction of approximately 40% per kg of bag. Further rollout in other countries will follow.
- In 2022, the new solution Sikagard®-5500 has been launched as the first sustainable concrete protection coating on the market. Packaging was one of the focuses of this innovation and the bucket is made of 80% recycled plastic.

1 Based on material expenditures.

2 Excluding water, packaging, and semi-finished products (raw materials already processed by Sika through a first production/assembly process).

BIODIVERSITY AND NATURE

GRI 3-3

GRI 413-1

Biological diversity is essential for our ecosystem and well-being. But it is often overshadowed by other big environmental risks such as climate change. Businesses are as dependent on biodiversity as humans are – without it, raw materials and supply chains would be heavily disrupted. Biodiversity is highly interconnected with other environmental issues, including deforestation, pollution, climate change, urbanization, and water scarcity.

In 2022, Sika joined the Taskforce on Nature-related Financial Disclosures (TNFD) Forum¹, a global multidisciplinary consultative group of institutions with over 850 Forum members. With its participation at the TNFD Forum, Sika shares the ambition of the TNFD to develop a risk management framework for organizations to report and act on evolving nature-related risks. This supports a shift in global financial flows toward nature-positive outcomes. Sika supports the TNFD to develop a consistent risk framework to identify, report and manage these risks, as well as nature-related opportunities.

Moreover, the TNFD and Science Based Target Network (SBTN)² are working to align further to make it easier and more efficient for corporates to apply both frameworks. The SBTN builds on the momentum of the Science Based Targets initiative (SBTi). It is a network of more than 45 organizations (end of 2022) – including the same organizations behind the SBTi – developing methods and resources for science-based targets (SBTs) for nature for companies, and science-based targets for both climate and nature for cities. SBTN target-setting methods generate data and analytical outputs that help corporates apply parts of the TNFD's LEAP (Locate, Evaluate, Assess, Prepare to respond) approach for a nature-related risk and opportunity assessment. Sika is currently positioning itself in the Locate step, and it will conduct a materiality assessment of its operations. This step, will allow the company to identify and prioritize the main nature and business interfaces. Sika plans to disclose related information in the coming years.

Even before the identification of Biodiversity and Nature as one of the material topics (for more information, please see [Sika Materiality Analysis 2022](#)), Sika implemented various initiatives at company level:

- In the due diligence process for acquisitions and building new Sika premises, the teams involved, such as EHS and Legal, collect information on land use, water use, waste, material management and environmental compliance.
- On the supply chain side, suppliers are asked – via EcoVadis assessments – information on land use and proximity to protected areas when applicable.
- One thematic area of the “Sika Cares” initiative is “Water and climate protection” where Sika supports projects linking social causes with ecological interest. For instance, Sika contributes to the Global Nature Fund (GNF)³ which conserves and protects natural resources, including the drinking water reservoirs of the earth.
- In Peru, Sika employees are helping biodiversity and reducing their carbon footprint by demonstrating that urban agriculture is viable. After the pandemic, the team in Lima (Peru), launched a greenhouse project next to the office where they grow over 100 crops in systems made with recycled material from their operations. With this project, the Sika Peru team is optimizing the use of a key resource: water. With little investment but lots of commitment, the team is producing several types of vegetables and contributing to a health nourishment culture. “Our people share the ‘agriculture’ experience, learning to value simple things like ‘eat what you have cultivated,’” Rocio Galvez, Social Responsibility and Communications Manager at Sika Peru, said. “The team is committed to align its business goals with the sustainability demands of our country and community. We do this by offering sustainable solutions for our clients, being responsible for our footprint, and improving our own situation.”
- Another way that Sika supports biodiversity is with beekeeping. For the past four years, Sika employees have nurtured one bee colony on the roof of the Global Technology Center (GTC) in Lyon (France). Every year, workers in the Lyon GTC receive a small quantity of honey. Twice per year, a handful of people can go with the beekeeper to understand how a bee colony works. In Zurich (Switzerland), there are two bee colonies on the roof of the R&D building at the Headquarters.

¹ [TNFD – Taskforce on Nature-related Financial Disclosures.](#)

² [SBTN – Science Based Targets.](#)

³ [GNF – Living Lakes Network \(www.globalnature.org\).](#)

AIR EMISSIONS¹

GRI 3-3

GRI 305-7

All local companies must comply with applicable laws and regulations related to air emissions parameters. Air emissions are monitored by Sika as part of its legal obligations. This topic is managed directly by local operation facilities in accordance with local regulations and internal guidelines. In 2022, Sika conducted a global survey² to further evaluate the materiality of air emission indicators. The survey was used to evaluate the coverage of air emission measurements and the respective data available. The data collected was then used to update the calculation methodology for the year under review. This survey is planned every three years to ensure a regular materiality review and adjust Sika's management approach if needed. 2022 increase in VOC and dust emissions is related to the new calculation methodology that aims to estimate emissions beyond those from fuel and gas consumption:

- Besides calculating VOC emissions originating from the combustion of fuel and gas, the VOC report now includes a quantification of VOC emissions from the petrochemical materials and related processes. Available measurements, executed either internally or by external laboratories, were collected for 25 factories. Average intensity per ton produced was calculated. This average intensity was then extrapolated to similar plants where no measurements were available. The extrapolation was done based on factory segments³. A similarity between factories in the same factory segment was assumed.
- Dust reporting now includes a quantification of dust emissions from the mortar production. Available measurements, executed either internally or by external laboratories, were collected for 43 factories. Average intensity per ton produced was calculated. This average intensity was then extrapolated to similar plants where no measurements were available. The extrapolation was done based on factory segments. A similarity between factories in the same factory segment was assumed.

- The calculation methodology of NOx and SOx is unchanged from 2021. It is based on the combustion of fuel and gas.
- In 2022, CO emissions, based on combustion of fuel and gas, were also included in the report. CO is a common air pollutant emitted when using fuel for vehicles and machinery. To estimate Sika's CO emissions, the amount of fuel consumed was multiplied with relevant emission factors. The methodology is aligned with the calculation used for NOx and SOx emissions.

The differences in 2022 of NOx, SOx, and CO is related to the additional granularity in the reporting of vehicle fuel per type of fuel since there are significant differences in air emissions from the combustion of different fuel types (diesel, petrol, biodiesel, ethanol and LPG). The increase in VOC and dust PM 10 is directly related to the change of methodology described above. The increase in VOC and dust PM 10 is directly related to the change of methodology described above.

AIR EMISSIONS

	2020	2021 ⁴	2022
Volatile organic compounds (VOC) (tons) ⁵	23.5	69.5	194.8
Dust PM 10 (tons) ⁶	12.3	31.9	172.9
Nitrogen oxides (NOx) (tons)	268.0	482.1	245.4
Sulfur oxides (SOx) (tons)	3.0	3.6	1.9
Carbon monoxide (CO) (tons)	53.4	72.8	125.5

4 2021 increase vs 2020 was purely related to the increase in energy consumption and inclusion of leased vehicles fuel.

5 In 2022, VOC reporting has been extended to include emissions from the petrochemical materials and related processes. 2020 and 2021 data have not been restated accordingly.

6 In 2022, dust reporting has been extended to include emissions from the mortar production. 2020 and 2021 data have not been restated accordingly.

1 The calculation of air emissions related to the combustion process of Sika fuel and gas consumption is based on the emission factors of the UK National Atmospheric Emissions Inventory (NAEI). NOx, SOx and CO indicators are calculated based on and limited to Sika's fuel and gas consumption. In 2022, Sika updated the conversion factors related to primary energy from m³ to GJ to reflect the gross CV (calorific value) based on BEIS/Defra recommendations. It has an impact on the calculation of air emissions for 2022. 2020 and 2021 are not restated accordingly.

2 The survey covered all Sika factories with the exception of the factories of 2022 acquisitions: Sable Marco Inc. (Canada) and United Gilsonite Laboratories, Inc. (USA).

3 The allocation of a manufacturing site to a particular factory segment depends on the type of production equipment required for the manufacturing technology and product technology (chemical and physical properties). Mortar production facilities have been excluded from the extrapolation since we assume that VOC emissions are not material in this production process. This assumption was verified with cross-checks with the largest mortar factories.

ENVIRONMENTAL COMPLIANCE

GRI 2-27

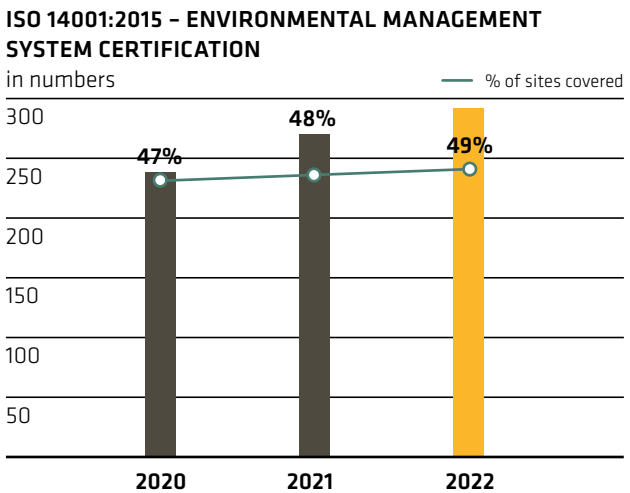
POLICIES AND GUIDELINES

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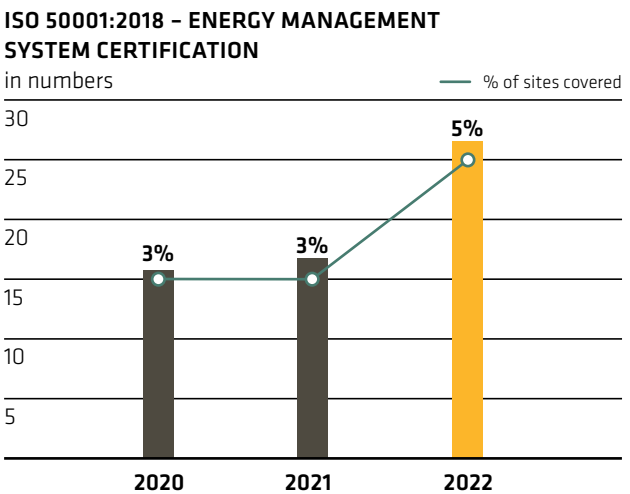
For more information, please visit the corporate webpage ESG Policies and Guidelines

Environmental compliance is a material topic for Sika operations across all regions. However, regulations related to the environment vary widely between regions and countries. Sika therefore delegates the responsibility for environmental compliance to the operating subsidiaries. Each site strictly adheres to the applicable legislation on environmental matters.

ENVIRONMENTAL AND ENERGY MANAGEMENT SYSTEMS
Sika maintains an ISO 14001 certification in almost half of the 601 sites under ISO scope¹, with 49% certified sites in 2022 (↓ **Table 19: ISO 14001:2015 - Environmental Management System Certification**, in the “Key Performance Indicators” section at the end of this chapter).



The ISO 50001 certification covers 5% of the sites under ISO scope¹. The percentage of certified Sika sites has stagnated due to acquisitions and the number of newly opened sites (↓ **Table 20: ISO 50001:2018 - Energy Management System Certification**, in the “Key Performance Indicators” section at the end of this chapter).



NON-COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS
Sika strives for full legal and regulatory compliance with all environmental regulations. It maintains a EHS Corporate Management System (CMS) that applies to all locations and employees and fulfils the requirements of ISO 14001 and ISO 50001. Sika companies implement their local Sika Management Systems based on the CMS and local regulatory and legal requirements. Newly acquired companies are integrated under the CMS. The CMS is maintained by the corporate Quality and EHS function and deployed through a network of Quality and EHS professionals throughout the organizations. Both the CMS and local Sika Management Systems are audited by external parties as part of the ongoing ISO certification efforts. Internal audits and regular EHS reviews support the continuous improvement of the CMS and its implementation. All GMs stated in their 2022 Compliance Confirmation that no significant violations² of environmental laws and regulations occurred within their entities. In 2022, Sika recorded no tier 1 process safety events. Four significant incidents³ occurred, one tier 2 process safety event, and three spills. All events were contained locally without causing any environmental damage. (↓ **Table 21: Significant Incidents**, in the “Key Performance Indicators” section at the end of this chapter).

1 Considered under ISO scope there 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 respective ISO standards.
 2 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.
 3 An incident (spill, environmental incident or emissions release) is considered significant when reported to authorities, having media coverage, or creating a significant cost (above CHF 2,000).

KEY PERFORMANCE INDICATORS

↑ **TABLE 01: GHG EMISSIONS SCOPE 1 AND 2 – MARKET-BASED**

	2020	2021	2022
Scope 1 (tons of CO ₂ eq) ¹	102,528	156,419	156,096
Scope 2 – Market-based (tons of CO ₂ eq) ²	121,700	82,089	74,557
Total GHG emissions (tons of CO ₂ eq)	224,227	238,508	230,653
GHG emissions intensity (kg CO ₂ eq per ton sold)	19.6	17.6	16.4

1 Scope 1 emissions related to direct energy are calculated based on BEIS/Defra 2021 emission factors. In 2022, fugitive emissions related to refrigerant gases have been added to the scope 1 inventory as per the Greenhouse Gas Protocol. Scope 1 emissions from 2019, 2020 and 2021 have not been restated accordingly. Fugitive emissions of refrigerant gases are calculated based on BEIS/Defra 2021 emission factors.

2 For scope 2 market-based emissions, purchased electricity covered by energy attribute certificates are considered with an emission factor of zero. For non-renewable purchased electricity, residual mix emission factors are gathered from AIB 2020 European Residual Mixes (applied to European locations) and 2021 Green-e Residual Mix Emissions Rates (applied to US locations). The location-based emission factor (IEA) is applied to all other locations. Scope 2 emissions related to district heating are based on BEIS/Defra 2021 emission factors.

↑ **TABLE 02: BREAKDOWN OF SCOPE 1 GHG EMISSIONS PER REGION**

	2020	2021	2022
EMEA (tons of CO ₂ eq)	51,706	81,755	75,891
Americas (tons of CO ₂ eq)	33,682	46,937	49,376
Asia/Pacific (tons of CO ₂ eq)	9,694	16,028	19,098
Global Business (tons of CO ₂ eq)	7,445	11,700	11,724
Corporate Services (tons of CO ₂ eq)	-	-	7
Group (tons of CO₂eq)	102,528	156,419	156,096

↑ **TABLE 03: BREAKDOWN OF SCOPE 2 GHG EMISSIONS – MARKET-BASED PER REGION¹**

	2020	2021	2022
EMEA (tons of CO ₂ eq)	34,062	9,849	11,922
Americas (tons of CO ₂ eq)	31,926	25,377	21,333
Asia/Pacific (tons of CO ₂ eq)	34,597	33,152	32,186
Global Business (tons of CO ₂ eq)	21,115	13,711	9,114
Corporate Services (tons of CO ₂ eq)	-	-	2
Group (tons of CO₂eq)	121,700	82,089	74,557

1 In 2022, district heating has been added to the company scope 2 inventory as per the Greenhouse Gas Protocol. Indirect energy consumption and related scope 2 emissions from 2019, 2020 and 2021 have not been restated accordingly.

↑ **TABLE 04: GHG EMISSIONS – LOCATION-BASED**

	2020	2021	2022
Scope 1 (tons of CO ₂ eq)	102,528	156,419	156,096
Scope 2 – Location-based (tons of CO ₂ eq) ¹	157,873	159,157	160,351
Total GHG emissions (tons of CO₂eq)	260,401	315,576	316,447

1 Scope 2 location-based emission factors are gathered from US EPA eGrid 2020 Emission Rates (applied to US locations) and the International Energy Agency (IEA) Emission Factors 2021 (applied to all other locations).

↑ **TABLE 05: BREAKDOWN OF SCOPE 2 GHG EMISSIONS - LOCATION-BASED PER REGION**

	2020	2021	2022
EMEA (tons of CO ₂ eq)	49,664	48,985	45,835
Americas (tons of CO ₂ eq)	38,112	36,349	33,157
Asia/Pacific (tons of CO ₂ eq)	40,237	45,620	54,627
Global Business (tons of CO ₂ eq)	29,860	28,203	26,726
Corporate Services (tons of CO ₂ eq)	-	-	6
Group (tons of CO₂eq)	157,873	159,157	160,351

↑ **TABLE 06: OUT-OF-SCOPE EMISSIONS¹**

	2022
CO ₂ emissions from biogenic sources (scope 1) (tons of CO ₂ eq)	1,233
CO ₂ emissions from biogenic sources (scope 2) (tons of CO ₂ eq)	2,252
Total direct CO ₂ emissions from biogenic sources (scope 1 and 2) (tons of CO ₂ eq)	3,485

¹ Biogenic CO₂ emissions related to fuels from renewable sources were calculated based on BEIS/Defra, 2022 emission factors. Biogenic CO₂ emissions related to biomass electricity (Brazil) were calculated based on the International Energy Agency (IEA) Emission Factors 2022.

↑ **TABLE 07: ENERGY INTENSITY**

	2020	2021	2022
Energy intensity per ton sold (MJ per ton sold)	299.5	324.7	315.5

↑ **TABLE 08: BREAKDOWN OF DIRECT ENERGY CONSUMPTION PER REGION**

	2020	2021	2022
EMEA (TJ)	961	1,470	1,331
Americas (TJ)	619	819	868
Asia/Pacific (TJ)	158	256	331
Global Business (TJ)	144	226	220
Corporate Services (TJ)	-	-	0.1
Group (TJ)	1,882	2,771	2,750

↑ **TABLE 09: BREAKDOWN OF INDIRECT ENERGY CONSUMPTION PER REGION**

	2020	2021	2022
EMEA (TJ)	659	691	668
Americas (TJ)	385	398	416
Asia/Pacific (TJ)	240	275	332
Global Business (TJ)	256	253	264
Corporate Services (TJ)	-	-	0.2
Group (TJ)	1,540	1,617	1,680

↑ **TABLE 10: PURCHASED RENEWABLE ELECTRICITY RATE**

	2020	2021	2022
Purchased electricity (TJ)	1,540	1,617	1,672
Thereof – Purchased renewable electricity (TJ) ¹	371	845	1,048
Renewable electricity rate (%)²	24.1	52.3	62.7

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), Power Purchase Agreements or specific countries for which the local grid is 95% renewable (RE 100 Criteria).
2 This renewable rate does not consider self-produced renewable electricity. It also excludes renewable shares from local electricity grid mix.

↑ **TABLE 11: BREAKDOWN OF WATER WITHDRAWAL PER SOURCE**

	2020	2021	2022
Surface waterbodies (m ³)	37,655	50,682	29,200
Groundwater (m ³)	1,516,054	1,632,849	1,508,926
Public supply (m ³)	1,811,707	1,922,637	1,959,347
Rainwater supply (m ³)	-	-	24,862
Total water withdrawal (m³)¹	3,365,416	3,606,168	3,522,335

1 Including the volume of water used as an input material. In 2022, rainwater has been added to the reporting of water withdrawal per type of source. Water withdrawal data from 2019, 2020 and 2021 have not been restated.

↑ **TABLE 12: WATER CONSUMPTION INTENSITY**

	2020	2021	2022
Water consumption per ton sold (m ³) ¹	0.22	0.20	0.18

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

↑ **TABLE 13: BREAKDOWN OF WATER USAGE PER TYPE**

	2020	2021	2022
Water in products (m ³)	880,707	978,081	949,160
Process and cooling water (m ³)	1,805,445	1,964,077	1,923,996
Sanitary water (m ³)	664,543	674,658	649,418
Total water use (m³)¹	3,350,695	3,616,816	3,522,573

1 The difference between water withdrawal and water use is related to water storage. Rainwater is considered under water withdrawal for 2022 only and could also be a source of difference between water withdrawal and water use in 2020 and 2021.

↑ **TABLE 14: BREAKDOWN OF WATER DISCHARGE PER DESTINATION**

	2020	2021	2022
Water to sewer, sewage plant (m ³)	906,667	913,590	874,591
Water to surface water bodies (m ³)	1,409,322	1,577,601	785,449
Water to ground (m ³)	-	-	737,140
Water sent off-site for treatment (m ³)	-	-	37,884
Total water discharge (m³)¹	2,315,989	2,491,191	2,435,064

1 Depending on local regulations, wastewater can be disposed separately and therefore not included in water discharge but included in waste. Up to 2021, wastewater disposed separately due to local regulations could be reported under waste and excluded from water discharge. From 2022 onwards, the reporting methodology has been adjusted and a new account "water sent off-site for treatment" was created to capture the total volume of wastewater under water discharge. This reporting change led to a shift from waste to water discharge. The indicator "water to ground" has also been added. Waste and water data from 2019, 2020 and 2021 have not been restated accordingly to the new methodology.

↑ **TABLE 15: WASTE INTENSITY**

	2020	2021	2022
Non-hazardous waste (tons)	120,633	129,884	134,385
Hazardous waste (tons)	21,042	21,676	17,852
Total waste generated (tons)	141,675	151,560	152,237
Waste intensity (kg per ton sold)	12.4	11.2	10.8
Waste intensity compared to total input materials (%)	1.6	1.3	1.3

↑ **TABLE 16: BREAKDOWN OF WASTE BY TYPE OF DISPOSAL¹**

	2020	2021	2022
Landfill (tons)	60,794	67,509	61,701
Hazardous waste	-	-	59,052
Non-hazardous waste	-	-	2,649
Incineration (tons)	30,863	32,603	29,075
Hazardous waste	-	-	17,990
Non-hazardous waste	-	-	11,085
Recycled (tons)	50,019	51,448	61,461
Hazardous waste	-	-	57,343
Non-hazardous waste	-	-	4,118
Total waste disposed (tons)	141,676	151,560	152,237

¹ In 2022, waste volumes per type of disposal method have been detailed for hazardous and non-hazardous waste. Waste data from 2019, 2020 and 2021 have not been restated accordingly to the new level of granularity. Up to 2021, wastewater disposed separately due to local regulations could be reported under waste and excluded from water discharge. From 2022 onwards, the reporting methodology has been adjusted and a new account "water sent off-site for treatment" was created to capture the total volume of wastewater under water discharge. This reporting change led to a shift from waste to water discharge. Waste and water data from 2019, 2020 and 2021 have not been restated accordingly to the new methodology.

↑ **TABLE 17: RECYCLING RATE**

	2020	2021	2022
Recycling rate (%)	35.3	33.9	40.4

↑ **TABLE 18: INPUT MATERIALS USED**

	2020	2021	2022
Volume of input materials used (millions of tons) ¹	8.8	11.6	11.9
Thereof recycled input materials (%)	2.7	3.7	3.2

¹ Excluding water, packaging, and semi-finished products (raw materials already processed by Sika through a first production/assembly process).

↑ **TABLE 19: ISO 14001:2015 – ENVIRONMENTAL MANAGEMENT SYSTEM CERTIFICATION¹**

	2020	2021	2022
Sites certified ISO 14001:2015 (No.)	242	275	297
Coverage of sites under ISO scope (%)	47	48	49

1 Considered under ISO scope there 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 respective ISO standards.

↑ **TABLE 20: ISO 50001:2018 – ENERGY MANAGEMENT SYSTEM CERTIFICATION¹**

	2020	2021	2022
Sites certified ISO 50001:2018 (No.)	16	17	27
Coverage of sites under ISO scope (%)	3	3	5

1 Considered under ISO scope there 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 respective ISO standards.

↑ **TABLE 21: SIGNIFICANT INCIDENTS¹**

	2020	2021	2022
Significant incidents (No.)	3	2	4

1 A incident (spill, environmental incident or emissions release) is considered significant when reported to authorities, having media coverage, or creating a significant cost (above CHF 2,000).

PRODUCTS AND CUSTOMERS SUMMARY & HIGHLIGHTS

AMBITION

Sika focuses its R&D activities on generating customer benefits, marketing safe products, and adapting to the impacts of climate change.

APPROACH

Intensive research efforts allow Sika to address the demand for resource-saving building methods, energy-efficient and low-emission construction materials, high-speed manufacturing processes, modular construction, lighter and safer vehicles.

HIGHLIGHTS

Sustainability Portfolio Management (SPM)

SPM is used by Sika to evaluate and classify its products in market segments in terms of both Performance and Sustainability. In 2022, the assessment of 104 products was done and initiated.

Scouts – The new innovation platform

Sika launched its innovation platform “Scouts” which allows all employees to contribute to innovation-focused initiatives.

KEY FIGURES

change vs 2021

Inventions

168

+12.0%

Patent applications

104

+5.1%

Employees working in R&D

1,334

+6.5%

Number of Global Technology Centers

21

+/-0



“Sika is committed to reducing the impact of climate change through its products, solutions and services. It’s our ambition to combine sustainability with high performance. We help our customers reduce their carbon footprint through technology platforms that provide sustainable solutions for industry and construction.”

Patricia Heidtman
Chief Innovation and Sustainability Officer

MATERIAL TOPICS

Innovation Management

Product Portfolio

Health and Safety

Risk and Crisis Management

Compliance

Responsible Marketing

Customer Relationship Management

SDGs



INNOVATION MANAGEMENT

GRI 3-3

Combining innovation and sustainability allows Sika to help transform the construction and transportation industries. Sika does this by placing sustainability aspects at the core of strategic and operational innovation processes, while simultaneously driving operational efficiency and excellence across the organization. For more information concerning Sika sustainability governance and the combined leadership for Innovation, Sustainability and Operation Technologies please see the “Sustainability at Sika” chapter on p.43 of the Sustainability Report 2022.

In 2022, a new team in Global Innovation Management was assigned to facilitate the cross-functional combination of sustainability and innovation and provide solutions to changing customer needs and market conditions. “Scouts” a company-wide innovation platform to accelerate innovation activities, was also developed this year. The objective is to merge sustainability and innovation to address fast-changing market demands.

SCOUTS – THE NEW INNOVATION PLATFORM

In 2022, Sika launched the innovation platform “Scouts”, allowing all employees worldwide to contribute their knowledge towards innovation-focused initiatives, and to connect with colleagues to find the right solution for business-related challenges. Scouts is part of Sika’s innovation management and essential to harnessing the creativity of all employees. In autumn 2022, Sika began its first campaign to collect ideas that will support the company and its customers on the net zero journey.

Sika is combining business opportunities with innovation initiatives to add value for customers. The team of R&D, in cooperation with the Target Market organizations, is addressing global issues by exploring alternative materials to reduce greenhouse emissions and waste, and recycle materials that would otherwise end up in landfills.

POLICIES AND GUIDELINES



For more information, please visit the corporate webpage **ESG Policies and Guidelines**

Moreover, cross-functional cooperations within Sika and with technology companies, scientific institutions, and universities have fostered new insights and generated scientific breakthroughs that have yielded solutions with better performance and sustainability benefits. For more information on Sika partnerships and collaborations, please visit the corporate webpage **Partnerships and Collaborations**.

COMMITMENT

Sika is leading the industry with its comprehensive portfolio of high-quality, sustainable solutions. Sika’s capability to address sustainability megatrends is evaluated from a life-cycle perspective along the value chain. The Sika brand is a worldwide symbol for technically superior, user-friendly, and long-lasting products. Bringing innovation to life requires customer centricity and courage. For Sika, innovation means implementing something new that adds value. Sika employees drive progressive solutions, that move the industry forward and show customers the value of new approaches.

GOALS AND TARGETS

Innovation is a core objective of the Sika Strategy 2023. The company innovates to create value-added products that combine performance and sustainability into one concept. Therefore, all new product developments are Sustainable Solutions.

COURAGE FOR INNOVATION

Sika’s long history of innovation has made it a recognized global technology leader in many markets worldwide. Sika’s research and development activities are carried out by 1,334 employees (previous year: 1,240) across 21 Global Technology Centers and over 80 local and regional research and development facilities. While investing in its own Technology Centers, the company also nurtures an international network of scientists, partners, suppliers, and customers. Sika enhances its research efforts by 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), University of Cadiz (Spain), University of Pennsylvania (USA), 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.

SUSTAINABILITY AS INNOVATION DRIVER

Sika's goal is to innovate products that enable sustainable construction and transportation, reducing environmental impact along the value chain. Indeed, sustainability has become the key driver for R&D projects at Sika. It fuels the quest for alternative, renewable materials, low carbon solutions, new recycling concepts, more efficient production methods like modular building, resource efficiency, healthier and safer spaces for living and working, enhanced product flexibility, and digitally enhanced solutions.

CUSTOMER CENTRICITY

Sika helps its customers meet their challenges by developing new products in response to tighter climate-related and chemical regulations, increased sustainability awareness among their customers, and a shortage of skilled labor.

INTELLECTUAL PROPERTY

The protection of intellectual property (IP) plays a vital role in competitive markets. While 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 is focused on 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. 168 new inventions were reported in 2022 (previous year: 150) and 104 new patent applications were filed (previous year: 99). By the end of 2022, Sika's patent portfolio included 1,302 unique patent families with 4,493 single national patents.

PRODUCT PORTFOLIO

GRI 3-3

POLICIES AND GUIDELINES



For more information, please visit the corporate webpage [ESG Policies and Guidelines](#)

Sika's commitment to sustainability is reflected at all levels of the company. Customers are offered a wide range of sustainable product technologies, including solutions for energy-efficient construction and vehicles. One of the company's strategic targets is to generate 25% of sales from products released within the past five years by 2023. Moreover, every new Sika solution must add value for customers with improved sustainability benefits. In 2022, the innovation rate reached 22.6% (previous year: 23.8%). The communication about sustainable solutions is split into two levels:

- Company level: "Sika enables sustainable construction and transportation." This message highlights Sika's brand positioning and its commitment to continuously measure, improve, and report sustainable value creation for its stakeholders. In a high-level assessment, Sika estimated that around 70% of Sika sales¹ is generated by products that have a positive sustainability impact regarding climate, energy, resources, air quality, health and safety, and green building. In the next few years, this estimation will be replaced by more precise figures thanks to the gradual implementation of the SPM methodology.
- Product level: "More Performance – More Sustainable". This message applies for products which have an approved SPM profile and are classified in the "More Performance – More Sustainable" cluster. For more information and product examples, please check the corporate webpage [Sustainability Portfolio Management](#).

SUSTAINABILITY PORTFOLIO MANAGEMENT (SPM) FRAMEWORK

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. The SPM framework is the backbone of the Sustainable Solutions strategy, and ensures that Sika's products always combine performance and sustainability benefits.

SPM METHODOLOGY

Sika's SPM methodology, which was developed from 2018 to 2021, is based on the World Business Council for Sustainable Development (WBCSD) Chemical Industry Methodology for Portfolio Sustainability Assessments (PSA)². Sika is one of the first companies in the specialty chemicals and building materials sector to implement the SPM concept based on the WBCSD PSA framework. In 2021, Sika's SPM methodology was externally reviewed by a third party, which confirmed its conformity with the WBCSD PSA methodology. Sika uses the SPM methodology to evaluate, classify, and market products in terms of performance and sustainability. Year 2022 has been a "trial" year to ramp up SPM at Sika. A new e-learning program has been introduced to familiarize employees across functions and geographies with the new methodology. By evaluating products using a set of criteria within market segments, Sika can promote new or existing products under the "More Performance – More Sustainable" branding. The performance and sustainability categories represented within the SPM methodology are directly aligned to the sustainability topics material to Sika (Sika Materiality Analysis) and support the company's contribution to the UN Sustainable Development Goals (UN SDGs).

The SPM methodology is an integral part of the Product Creation Process (PCP) and it is required for all new product developments. A standardized approach allows an efficient product development evaluation and ensures accurate information for making decisions and benchmarking purposes. The SPM methodology applies to all product categories, including new products developments as well as existing products, and follows a four-step approach.

This allows Sika to evaluate products on their performance and sustainability profiles and their contribution to the strategic target. Products that account for a larger volume of sales or with a higher sustainability relevance are prioritized.

1 The high-level assessment was done on product group level to determine if this type of product contributes with a positive impact on the defined categories.

2 Chemical Industry Methodology for Portfolio Sustainability Assessments (PSA) - World Business Council for Sustainable Development (WBCSD).

THE SPM FOUR-STEP APPROACH

1. SEGMENTATION

Products are evaluated and classified in specific segments. This segmentation determines the context of its unique technology and application combination.

2. SUSTAINABILITY

Evaluation of the product against the range of criteria covered under 12 different sustainability categories (SPM sustainability profile).

3. PERFORMANCE

Evaluation of the product against the range of criteria covered under 6 different performance categories (SPM performance profile).

4. CLASSIFICATION

The final step combines the results of steps 2 and 3 into the final product classification (SPM profile).

SUSTAINABILITY CATEGORIES

Supplier Sustainability	Chemical Hazard and Exposure	Reputational Risks
Regulatory Trends	Climate	Air Quality and Emissions
Energy	Health and Safety	Resources
Packaging	Green Building Standards	Cost Savings Downstream

PERFORMANCE CATEGORIES

Technical Performance	Durability	Ease of Application
Aesthetics	Additional Features	Cost Benefits

TARGET MARKETS

CONCRETE

Aggregate scarcity is becoming a critical topic for the concrete industry. Increasingly larger amounts of lower-quality aggregates, including sand, are used in the construction industry, which creates various challenges for concrete producers. In the year under review, Sika launched the Sand App, a highly innovative digital solution for fast, real-time analysis of fine (sand) and coarse aggregates (gravel). The app can determine particle size distribution as accurately as standard dry sieve analysis. In addition, it can identify additional particle shape parameters such as roundness, sphericity, or aspect ratio. The Sika Sand App allows users new opportunities to optimize concrete mix design performance in their everyday work.

Furthermore, Sika has been developing a new concrete recycling process (reCO2ver®). The reCO2ver® process aims to facilitate the production of new, high-quality concrete using 100% aggregates from recycled concrete demolition waste (CDW). In the year under review, the company developed admixtures to upcycle the content after the recycling process. reCO2ver® will make a significant contribution to the circular economy and reducing the environmental footprint of the construction industry.

In cooperation with leading industry players, Sika continues to develop and market concrete and cement admixtures specifically adapted to the Limestone Calcined Clay Cement (LC³) technology that significantly lowers the CO₂ footprint of cement. LC³ is a new type of cement based on a blend of limestone and calcined clay that was developed by the Swiss Federal Institute of Technology Lausanne (EPFL). Sika admixtures allow customers to use LC³ binders to achieve the desired performance for strength and workability. 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 helps the construction sector adopt this technology rapidly and effectively.

Together with a leading mining company, Sika developed technologies to produce concrete with 0% clinker content by combining slag from steel production with other mining waste materials.

Today's use of blended low CO₂ binders is often limited due to their slow strength development. Therefore, the availability of innovative accelerator systems is a prerequisite for extending binder systems use. With SikaRapid®-500 HX, Sika introduces a new type of seeding accelerator, providing early strength development without compromising the plastic characteristics of freshly made concrete. In addition, Sika introduced a new alkali-free, highly effective, and unique ultra-high solid shotcrete accelerator (Sigunit® L-5650). Both new products enhance Sika's competence in accelerating technology and shotcrete applications, allowing local teams to serve specific market and customer needs efficiently.

CONCRETE – INNOVATIVE SOLUTIONS LAUNCHED IN 2022

- **Sika® ViscoCrete® CC:** a super-plasticizer designed to address the challenges of calcined clays used in concrete. This product allows cement to be replaced by calcined clay, reducing the CO₂ footprint significantly.
- **Sika® Sigunit® L-5650 AF:** a high-performance alkali-free liquid set accelerator for shotcrete, providing high early strength development. For new sustainable sprayed concrete types, this new accelerator provides the necessary strength development and lower costs due to higher performance.
- **SikaRapid®-500 HX:** a new seeding accelerator that supports early compressive strength development of concrete. This new product improves productivity without compromising the properties of fresh concrete.



For more information on Sika solutions, please visit the corporate webpage Concrete Technology

WATERPROOFING

Structures below the ground are regularly exposed to water. Without proper protection, excess water will damage underground structures. Sika provides long-lasting waterproofing products and systems to protect structures against water damage.

In the case of basements, the demand for waterproofing is rising due to higher exposure levels (basements built deeper into the ground) and stricter requirements in terms of acceptable moisture levels. At the same time, the shortage of skilled applicators has generated a demand for products and systems that are easy to install.

Applying waterproofing membranes to a perimeter basement wall normally requires labor-intensive substrate preparation (grinding, drying, and cleaning) on top of a 28-day waiting time for the concrete to fully cure. However, by using SikaProof® A+ post-applied and the SikaShield® W wet-applied, the waiting time after waterproofing can be reduced to a couple of days, and the substrate preparation work is kept to a minimum.

The waterproofing of construction joints is commonly done with PVC (polyvinyl chloride) water stop profiles or coated metal sheet profiles. Both systems have their advantages and disadvantages. With the introduction of Sika Waterbar® FB, a flexible, fully bonded TPO (thermoplastic polyolefin) waterstop, the advantages of both systems are available in a single system for the first time. The small profile cross section does not require any special rebar detailing or formwork, and the light weight, flexible nature of the TPO waterstop allows for quick and easy installation.

In the year under review, the successful range of swelling joint sealant SikaSwell® S-2 was further developed to meet the latest EHS requirements. This 1-part polyurethane hydrophilic sealant, which swells in contact with water to seal all types of construction joints and penetrations in concrete structures, conforms to LEED v4 Low Emitting Materials, Adhesives and Sealants.

WATERPROOFING – INNOVATIVE SOLUTIONS LAUNCHED IN 2022

- **SikaProof® A+ post-applied and SikaShield® W wet-applied:** two unique waterproofing membrane solutions to simplify and speed up the installation process in every basement project.
- **Sika® Injection-216:** new structural polyurethane injection resin with extremely high mechanical values. This product is perfect for waterproofing and strengthening large wet cavities such as onshore wind power foundations or dams' renovation.
- **Sika Waterbar® FB-125:** a flexible, fully bonded TPO (thermoplastic polyolefin) waterstop for quick and easy installation.



For more information on Sika solutions, please visit the corporate webpage [Waterproofing Systems](#)

ROOFING

Sika has created roofing systems that are easier to apply to address the lack of skilled labor. The product line Sarnafil® AT has been extended with a self-adhering version for parapet solutions, where the bonding and membrane competence were ideally combined. The Sarnafil® AT technology meets the company's sustainability aspirations. Sarnafil® AT is the first thermoplastic roofing membrane in the market to be Cradle to Cradle Certified™. In this way, Sika contributes to the circular economy, just like the PVC recycling program in the USA, where old products are fed back into the raw material stream.

Sarnafil® roofing solutions have a long tradition and are unique in terms of durability: 60 years and more of proven roofing solutions. Durability and long-term roof performance are essential features of Sarnafil® AT. This system combines sustainability with performance, making roofs highly resistant to mechanical damage, flexible, and easy to weld. Sika demonstrates leadership in roofing technologies, and is a solid partner to construction customers worldwide. Two years after the successful launch of Sarnafil® AT, a new technology is ready to be launched with additional functionality to prepare for the unpredictable. The Sika SolaRoof® solution, an integrated solar solution that eliminates the interface challenges between roof assemblies and photovoltaic (PV) installations, received the Factory Mutual (FM) approvals and is now the first and only FM approved commercial and industrial solar roofing system. The Sika SolaRoof®

incorporates the proven performance of Sarnafil roof assemblies with an innovative, non-penetrating, lightweight racking solution for long-term securement of rooftop PV. Waterproofing and bonding competence were also merged with the launch of the SikaRoof® Multitape, a repair tape based on the Sarnafil® AT technology. SikaRoof® Multitape is a high-performance self-adhesive sealing tape consisting of UV stable carrier film combined with butyl rubber compound for sealing, jointing, covering, and repair of single-ply roofs.

With the new Liquid Applied Membrane Sikalastic®-701, a new member is added to the Sikalastic® waterproofing systems. The Sikalastic®-701 is a high-performance polyurethane/acrylic based hybrid top-coat, with improved UV resistance and excellent gloss retention. Sikalastic®-701 can enhance old roofs by prolonging the roof's lifetime or upgrading to a cool roof. When it comes to roof waterproofing, Sika remains focused on producing low-odor, sustainable products with excellent durability.

ROOFING – INNOVATIVE SOLUTIONS LAUNCHED IN 2022

- **Sika SolaRoof®:** An integrated solar solution that received in 2022 the Factory Mutual (FM) approvals and is now the first and only FM approved commercial and industrial solar roofing system.
- **SikaRoof® Multitape:** a repair tape based on the novel, highly flexible, and sustainable membrane technology used in Sarnafil® AT.
- **Sikalastic®-702:** a general purpose roof waterproofing solution that, together with Sikalastic®-701, gives a higher-performance topcoat and enhanced durability.



For more information on Sika solutions, please visit the corporate webpage [Roof Systems](#)

FLOORING

Sustainability is one of the main drivers of Sika flooring innovation. In the development of new solutions, the company focuses on indoor air quality, low volatile organic compounds (VOC) content and odor, system durability with minimal maintenance requirements, easy and economical floor refurbishment, low energy demand in the life cycle, and the use of raw materials from renewable resources.

In 2022, Sika used a new range of polyurethane prepolymers with an ultra-low monomer content. The new Sika Purform® technology comprehensively fulfils the new REACH-Legislation in Europe and contains less than 0.1% of monomeric diisocyanates. By using the Purform® technology for higher-performance polyurethane products with ultra-low diisocyanate monomer content, Sika helps its customers meet the challeng-

es of tomorrow. The highest grade Sika ComfortFloor® PS-24 and Sika ComfortFloor® Marble FX systems consequently reduce user exposure to an absolute minimum and comply with the Purform® label.

As a leading supplier of epoxy-based floorings, Sika developed several new products in 2022 to fulfill customer needs. New amine hardeners have a high impact on performance at low dosages. In combination with standard amines, the new solutions display unique properties. Sika developed a new epoxy platform and launched it with the solutions Sikafloor®-1590 / -2640 / -2650 and Sikafloor®-169 ESD. The product properties are adjusted to the relevant segments and combine fast curing, low odor and VOC emission, and improved color retention.

The Curing-by-Design technology was transferred to flooring applications like Sikafloor® 3000 Snapbooster. With this ground-breaking technology, the curing time of polyurethane flooring materials can be accelerated. This enables applications of complete multilayer systems on the same day. Additionally, Curing-by-Design technology is used in marine flooring for applications of artificial teak deck floors. Two new products are changing the game in epoxy flooring: The fast-curing primer Sikafloor®-1590 enables the application of two or more layers of the system on the same day. With the fast-curing roller coat, Sikafloor®-2650, the floor can be returned to service the next day. Such efficient applications have so far only been possible with other technologies that suffer from drawbacks like unpleasant odor or high cost.

Sikaflex®-11 FC Purform® and Sikaflex® PRO-3 Purform® have been rolled out globally. In parallel, the development of additional products based on the Purform® technology for the basic sealant and adhesives range was completed, and the products are ready to be launched in 2023. With this new technology, Sika is supplying customers with products satisfying the highest standards in terms of performance, sustainability, and safety of users. Furthermore, Purform® products offer significant performance advantages, for example, by enabling curing at low temperatures, good compatibility with sensitive surfaces such as natural stone, and even better durability when exposed to environmental influences like heat, UV radiation, or aggressive liquids. Furthermore, having a monomeric diisocyanate content below 0.1%, Sika's Purform® products fulfill the new REACH Regulation for the use and applications of isocyanates coming into force in August 2023. They can therefore be sold without any limitations.

Sika is focused on the development of new solutions for hybrid construction, which involves applications where different kinds of materials are connected. A new structural bonding product range has been developed for metal and composite bonding. Sika is introducing novel, 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 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 the highest mechanical properties with toughness and allows long-lasting and durable connections.

FLOORING – INNOVATIVE SOLUTIONS LAUNCHED IN 2022

- **Sikafloor®-267:** self-leveler and roller coat. Excellent indoor-emissions certifications were achieved, including AgBB, French VOC regs (A+), and LEED V4.1.
- **Sikafloor®-1590:** a fast-curing epoxy primer that allows overcoating on the same day, normally within a few hours.
- **Sikafloor®-2650:** fast-curing epoxy roller coat, which allows return to service the next day.
- **Sikafloor®-530:** a pigmented fast-curing, 100% solids topcoat for car park decks. This solution ensures a safe, slip-resistant walking surface. Its impact resistance, abrasion resistance, and elastomeric waterproofing qualities cope with the daily rigors of constant traffic.



For more information on Sika solutions, please visit the corporate webpage Floor Systems

SEALING AND BONDING – INNOVATIVE SOLUTIONS LAUNCHED IN 2022

- **Sikaflex® PRO-3 Purform® PowerCure:** rapid curing solution for sealing joints. Applications are found in refurbishing infrastructure, like transportation and water management infrastructure or running production facilities and warehouses.
- **Sikaflex®-117 Metal Force:** sealant specially designed for bonding metals, effective on most materials, including concrete, masonry, stone, ceramic, wood, metals, and glass. Ideal for fixing corrugated sheets, flat sheets, metal roofs, and cover plates.
- **Sikadur®-370:** a two-component epoxy adhesive that combines highest mechanical properties with toughness and therefore provides long-lasting durable connection.



For more information on Sika solutions, please visit the corporate webpage Adhesive Systems

SEALING & BONDING

Sika has continued the rollout of new polyurethane technology launched under the Purform® brand. In 2022, the products

ENGINEERED REFURBISHMENT AND BUILDING FINISHING

The development of sustainable cementitious mortars for repairing, waterproofing, levelling, tiling, and flooring has been a priority also in 2022. The main characteristic of these products is the significant reduction of Portland cement content by substitution with Supplementary Cementitious Materials (SCM), which often are waste materials and may otherwise be disposed to landfill.

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 industry, including Sika's production facilities. A dedicated team develops ways to make their use technically feasible. For example, Sika works on reusing 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. As a result, they have a reduced embodied carbon footprint, stand out with reduced dust formation during the application, and meet LEED (Leadership in Energy and Environmental Design) v4 requirements.

The replacement of cement by SCM in all categories of mortars, ranging from tile adhesives, renders, waterproofing or repair mortars, and high-end grouts, has allowed the reduction of close to 210 kt CO₂ emissions in 2022. Sika's ambition is to achieve a 480 kt reduction of CO₂ emissions in 2025 by lowering the cement content of mortars. In addition, Sika has developed the first Portland cement-free high-end, flexible tile adhesive. This product, presently in field tests, will be launched in 2023. Using alternative raw materials from renewable resources reduces the product carbon footprint.

The performance of products containing materials derived from renewable resources plays a decisive role in the demand for more sustainable coatings. Sika has been expanding its line of sustainable, water-based protective coatings. A new water-based platform for concrete protection coatings was developed to reduce the product's embodied carbon footprint. The first product of this new range, Sikagard®-5500, is designed for use on reinforced concrete and has been rolled out in the year under review. 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 concept. This entails using biogas or bio-naphtha in the initial stages of the supplier's raw material manufacturing stage, thereby introducing renewable feedstock into the production process. This new development reduces the products carbon footprint by approximately 30% compared to traditional water-based concrete protection elastic coatings. In addition, the new coating displays far better crack bridging behaviors even at temperatures down to -20°C.

In 2022, another innovation focus area was Hybrid Timber-Concrete Composites. As a result of an intensive two-year collaboration between the Swiss Federal Institute of Technology (ETH), Swiss Federal Laboratories for Materials Science and Technology (EMPA), Fagus Suisse SA, and Sika, the company presented new timber-concrete hybrid construction technology concepts. Com-

binning wood with concrete, steel, and organic composite materials, such hybrid constructions are promising for future sustainable architecture. Prototype high-performance slab systems were developed using the timber-concrete composite (TCC) method. These ceiling systems are essential for modern multi-story timber constructions or when refurbishing old buildings due to conversion, modernization, or energy renovation. Furthermore, using timber in load-bearing construction elements provides long-term carbon storage in buildings. It reduces the carbon dioxide-intensive production of mineral-based construction materials. To develop the potential of modular timber construction, Sika has been intensifying its cooperation with ERNE AG Holzbau, Switzerland.

ENGINEERED REFURBISHMENT AND BUILDING FINISHING – INNOVATIVE SOLUTIONS LAUNCHED IN 2022

- **SikaCeram®-252 Impact:** Sika prepared to launch of the first Portland cement-free tile adhesive, reducing the CO₂ footprint by 50% vs. the previous generation.
- **Sikadur®-31+:** low VOC and best-in-class EHS epoxy adhesive for structural bonding and concrete repair is easy to mix and apply, and has excellent adhesion to most construction materials.
- **Sikagard®-5500:** concrete protection coating with reduced use of fossil-based raw material. The new coating displays improved crack bridging behaviors even at temperatures down to -20°C.
- **SikaGrout® 3320:** high-performance grout with high early strength development at low temperatures, with 50% higher strength and -32% CO₂ emissions versus the previous generation.



For more information on Sika solutions, please visit the corporate webpage [Finish](#)

INDUSTRY

For industrial manufacturing, sealing, and bonding can replace traditional joining technologies like welding or screws, and allows the joining of new and different materials, opening new design options. With Sika's innovative structural bonding solutions SmartCore® or Powerflex®, customers can achieve the highest performance and durability for their products. In addition, the Curing-by-Design technology reduces the process time by up to 70%. Sika's adhesives support the automatization megatrend that is impacting the building and construction sector. In off-site construction – or modular building – more than 80% of the construction is typically completed before it arrives at the construction site. Modular construction is becoming more popular due to its many benefits, such as its cost-effectiveness, flexibility, improved quality control, and efficient use of materi-

als, as well as less waste, transport and time spent on construction sites. It can also help address local construction challenges, such as skilled labor shortages or meeting regulations. Sika's product development teams support off-site manufacturers with solutions that meet the most demanding specifications and improve manufacturing efficiency and quality. With extensive technical expertise and solid practical experience on every continent in all climates, Sika has developed 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 service.


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 its customers. Sika's Purform® products already fulfil the new REACH Regulations for the use of isocyanates coming in August 2023. In particular, Sikaflex® and SikaTack® Purform® adhesives and sealants meet the latest REACH and Occupational Exposure Limits (OEL) requirements and do not require the REACH diisocyanate safety training. In 2022, the basic range of adhesives for auto glass repair based on the Purform® technology was completed. The new adhesive range will be launched in 2023.

In the year under review, Sika introduced new thermo-acoustic dampers for dishwashers into the market. By combining the SikaBaffle® with the SikaDamp® technology, a homogeneous foam layer is formed underneath the damping mat directly within the application process covering the entire area. The resulting foam layer thermally decouples the damping foil from the tub while generating acoustic performance. The combination of SikaBaffle® and SikaDamp® provides excellent noise reduction for the customer, allowing fulfillment of the most stringent new energy labels.

To help the shipbuilding industry reduce CO₂ emissions, Sika has developed the Sikafloor® Marine Ultra-Light Floating Floor solutions that reduce the weight by at least 24 kg/m² compared to a traditional floating floor construction. Reducing the weight of the ship floor minimizes fuel and energy consumption, and consequently, lowers CO₂ emissions.

INDUSTRY – INNOVATIVE SOLUTIONS LAUNCHED IN 2022

- **SikaLastomer®-590:** a butyl adhesive which improves cooling appliance's (e.g., refrigerators) thermal energy transfer due to its higher thermal conductivity.
- **Sikasil® AS-786:** fast-curing silicone adhesive with adjustable mixing ratio to fulfil customer specific requirements in automated processes.
- **SikaPower®-301 – ULTRA-LOW BAKE:** new heat curing structural epoxy adhesive.
- **SikaFast®-550 L06:** fast-curing structural acrylic adhesive, designed to replace mechanical fixations such as rivets, screws, or welding. The product is solvent-free, acid free, and low-odor.

 **For more information on Sika solutions, please visit the corporate webpage Industry**

AUTOMOTIVE

The automotive industry is undergoing structural transformation, with production and distribution functions being altered by new propulsion systems, digital technologies and new materials. Thanks to its decades-long expertise in automotive adhesives and sealants, Sika is well-prepared for this change. Sika is developing solutions for electric vehicle battery systems, including intumescent coating, thermally conductive gap fillers and battery system bonding and sealing solutions.

Electro-mobility and lightweight chassis construction increase the importance of superior auxiliary materials that make vehicles more efficient, safer and quieter. Sika's heat-conductive materials dramatically reduce battery charging times, which will help accelerate the market penetration of electric vehicles. Sika supplies adhesives and sealants for battery systems that meet highest technical requirements for high-temperature resistance and high thermal conductivity. SikaBiresin®, a new silicon-free gap filler solution, has proven to be the right solution for thermal heat transfer in battery boxes. Those gap fillers and adhesives enable efficient energy exchange between the battery and the cooling plate. This technology is crucial because it does not only enable fast charging, it also helps to extend battery life and improves battery performance.

Sika also enhanced the SikaBaffle®-400 series, a full range of high-performing cavity sealers for the automotive body-in-white. The new family of heat-reactive baffles consists of a portfolio of products with different expansion rates that deliver excellent cavity sealing properties. Low-temperature baking represents one of today's challenges to meet sustainability targets from customers aiming to reduce energy consumption during production. Within the SikaBaffle® portfolio, a high expanding Low Bake baffle is available; this product is fully functional already at 140°C and is now in serial production at OEMs.

The new SikaForce®-800 line is a 2C polyurethane-based room temperature curing adhesive series for automotive assembly line applications. This new product line sets standards for demanding applications and enables fast and robust processes. In addition, the new series focuses on performance and sustainability: four new products that allow mixed material combinations have been launched in the year under review. For many years, SikaForce® adhesives have proven their excellence across numerous projects and applications where flexible or (semi-) structural joints with high demands on long-term robustness and weathering resistance are given. In the automotive industry, these requirements are associated with short cycle times and various materials. With SikaForce® adhesives, a highly industrialized and automatized performance level in joining assembly parts such as spoilers, taligates, roofs, and decorative components can be achieved.

Several years ago, Sika Automotive introduced non-reactive polyolefin (PO) hot-melts to the automotive interior business. The main benefit of using non-reactive (PO) hot-melts is the adhesion to polypropylene without additional treatment. Polyolefin hot-melts offer further added value for customers: Non-reactive products are more straightforward and create less waste than reactive adhesive solutions. Working with polyolefin hotmelts allows the manufacturer of automotive interior parts to ship them directly after production to their OEM customer, as the final performance can be achieved immediately after bonding. The products are classification free and have a lower carbon footprint than other adhesives. The elimination of the treatment process decreases the global warming potential (GWP) of the interior trim part. Even recycling of bonded parts can be improved by using PO hot-melts. In the year under review, Sika expanded the range of these SikaMelt® adhesives for bonding plastics, composites, metals, wood, paper, textiles, and foams for interior and exterior automotive applications. Physical curing starts while the product is cooling down from its processing temperature and, for reactive hot melts, continues in a chemical crosslinking.

AUTOMOTIVE – INNOVATIVE SOLUTIONS LAUNCHED IN 2022

- **SikaBiresin®**: a silicone-free gap filler for thermal management in the battery, allowing for efficient heat transfer from the cells to the cooling units. The product is being introduced in a large car manufacturer in Europe and provides an excellent combination of thermal conductivity and excellent application properties.
- **SikaPower®**: two new products cure at process temperatures as low as 150°C: a structural bodyshop adhesive with improved corrosion resistance and a high modulus over a wide temperature range; and a crash-resistant adhesive with improved corrosion performance and superior humidity resistance in the uncured state to support new manufacturing needs.
- **SikaDamp®**: the next generation constrained layer damper product family has a reduced CO₂ footprint by using a combination of bio-based and recycled rubbers and reduced waste in the production process.
- **SikaMelt®-720**: a new polyurethane hot-melt, combining high initial strength at elevated temperature, short curing time and low reactivation temperature with excellent application properties for all kinds of interior trim press lamination. The product was designed to allow for a clearly lower isocyanate content to further reduce the exposure risks of operators compared to existing solutions in the market.



For more information on Sika solutions, please visit the corporate webpage Automotive

INNOVATIONS DRIVING NET ZERO

Sika is keen to advance its own net-zero targets and also help its customers along this path.

Thanks to its innovation power, Sika can significantly help reduce global greenhouse gases. In addition to its own research and development activities, Sika enters strategic partnerships to promote innovation. Important focus areas for R&D initiatives driving net zero include:

REDUCING CEMENT

Sika helps its customers 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 the 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, alternative quartz-based sands, gravels, and agro-industrial wastes like cashew ash to reduce the environmental impacts of OPC. 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. Ecocem Materials Ltd., Ireland, and Sika have decided to intensify their more than decade-long cooperation to accelerate the design of low-carbon solutions for cementitious formulations.

MORTARS TO EMBRACE CIRCULAR ECONOMY

Sika has been cooperating with ADEME, the French Agency for Ecological Transition in charge of environment and energy, to replace traditional silica sand in mortar production. Together with ADEME, Sika has been conducting a research project called "Sand" to investigate how concrete recycling waste on an industrial scale might deliver a solution not only for concrete but also for dry-mix and universal mortars. The aim is to reduce the extraction of natural silica sand and 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.

BIO-BASED PROTECTIVE COATINGS

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 will 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. 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.

PACKAGING AND PRODUCT RECYCLING TO SUPPORT THE CIRCULAR ECONOMY APPROACH

Sika is committed to reducing the carbon footprint throughout the value chain. Part of this strategy is expanding its range of sustainable and high-performance packaging and product options. The goal is to provide customers with products and packaging that positively impact businesses and the planet. In the year under review, the company focused on PCR (post consumer recycled) packaging solutions in cartridges, buckets, wrap foil, and application nozzles. Furthermore, the Sika post-consumer recycling program recycles millions of square feet of used membranes yearly that would have otherwise gone to landfills. Sika also reduces waste at every step of the product life cycle, converting more than 98% of scrap materials from manufacturing and installation into new roofing and waterproofing membranes.

Product developments across Sika's Target Markets deliver highest performance and enhanced environmental benefits. Please see the information on recently launched innovations on p. 119-124 of the Sustainability Report 2022.

PRODUCT SAFETY, QUALITY, AND RELIABILITY

GRI 3-3

GRI 416-1

GRI 416-2

POLICIES AND GUIDELINES



For more information, please visit the corporate webpage [ESG Policies and Guidelines](#)

Product quality and reliability have always been critical for Sika. The Sika triangle - a symbol more than 100 years old - is synonymous with performance, quality, reliability, and service. This is emphasized by the corporate claim: Building Trust. Product governance at Sika involves maintaining product quality and safety, responsibly communicating safe handling procedures for chemicals to customers, accurately labeling chemical products and marketing products responsibly.

PRODUCT SAFETY AND PRODUCT LABELING

Sika's assessment and improvement of the health and safety impacts of its products is state-of-the-art. The company utilizes global Product Compliance software with one common database, product stewards for all finished goods categories, trainings for all local users, benchmarking, and quality control. Sika's management strives to avoid any negative impact on customer health and safety through its products. Precautionary measures are taken to mitigate risks related to product safety. Sika issues documentation about occupational safety, how to wear safety equipment, and the safe transportation and storage of goods. All product information, specifically Safety Data Sheets (SDSs) and Product Data Sheets (PDSs), are reviewed regularly. Information on the SDS of individual products can be found on the website of the local Sika companies.

COMMITMENT

Sika is committed to managing chemical product compliance in a careful and diligent way, as highlighted in 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." When formulating products, the company only uses raw materials that comply with all relevant regulations, and that have been thoroughly assessed for their health and safety impacts.

GOALS AND TARGETS

Sika's goal is to test all raw materials used as product components, as well as all chemical products for their health and safety impact during transport, storage, production, distribution, and use. The company makes sure that all products comply with all chemical regulations and legal requirements along the entire value chain. From product development, to the selection and purchase of raw materials, and then to their handling and manufacturing of products (workplace safety of employees), packaging of products (transport safety), shipping to customers (transport safety, dangerous goods regulations, customer safe-

ty), storage (customer safety), application (customer safety), use phase (customer safety), and finally end of life (customer safety). 100% of Sika chemical products are assessed for their impact on health and safety. 100% of Sika products are safe and do not harm human health if handled according to the instructions in the SDS and PDS.

RESPONSIBILITIES

Sika products must be accompanied by a SDS in compliance with the country's legal requirements and in the required local language when distributed or sold. Packaging and labeling must meet local compliance standards, as well as the Sika branding and labeling rules. The company creates, maintains, and publishes SDS, using the global Product Compliance System. To safeguard legal compliance and customer safety, the requirement for all local Sika companies is that the SDS shall not be older than two years. This is monitored by Global Regulatory & Product Compliance and reported quarterly to all responsible Area Managers, General Managers, Regional Operations Managers, EHS Managers and Product Stewards. In 2022, no instances of non-compliance with Safety Data Sheets were reported.

CORPORATE LEVEL

The Global Regulatory & Product Compliance (RPC) team which reports to Head Global Quality & EHS is responsible of providing a globally compliant data base and classification system (SAP Product Compliance), to support regions in setting up and deploying RPC processes, and to exchange information on emerging regulatory developments. 290 representatives in regional and local organizations from 118 Sika companies use SAP-Product Compliance. Furthermore, the team is responsible for product health and safety-related data to be available, correct and continuously updated. It coordinates the classification of products according to regional and international regulations and the monitoring of new hazards of raw materials.

The global Product Stewardship team, which is part of the Global Regulatory & Product Compliance Team, is responsible for:

- Training and supporting all regional and local Product Stewardship functions and Regulatory Product Compliance teams. Training programs and workshops are specifically held for the local Product Stewards and Regulatory Affairs Managers in all regions and areas, at least every two years.
- Monitoring the raw material database and the chemical substance database that serve as the basis for product composition and the preparation of Safety Data Sheets (SDS) and labels.
- Acting as a support center for the Globally Harmonized System (GHS) of Classification and Labeling of Chemicals.
- Monitoring Sika Substance Risk Management Rules and 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.
- Providing global product stewardship solutions, including SAP Product Compliance with global content and algorithms, specific analysis and calculation tools, regular performance overview (KPIs), process descriptions and manuals, etc.

The Global Regulatory Affairs Team which reports to the Global Regulatory & Product Compliance (RPC) Team, oversees the compliance of the Sika Group with regulations in the area of chemicals legislation. More specifically, the team supports local line management, which has overall responsibility for ensuring that all products manufactured and/or brought to market comply with local regulatory requirements. In cooperation with corporate functions (R&D, Procurement, Marketing, Production, Target Markets) and with Corporate and local Expert Teams, the Global Regulatory Affairs Team defines and initiates tasks, programs, and compliance projects. In particular, it coordinates activities to comply with chemicals legislation and enables the production and marketing of products in the countries through notification and registration activities. It also provides support in the form of chemical and regulatory advice. Based on cost-benefit analysis, and in cooperation with the R&D functions and external consultants, the team prepares registration dossiers for the inclusion of substances and products in local registries.

The Steering Team Banned Substance is comprised of members from Product Stewardship, Regulatory Services, Sustainability and R&D functions. The team evaluates and assesses substances with an elevated hazard potential in raw materials and Sika products. In view of the associated risks and the available alternatives, the Steering Team Banned Substance decides whether a time-limited exemption can be granted and initiates the substitution of the substance.

REGIONAL LEVEL

The regional Regulatory & Product Compliance Team is responsible to roll out RPC processes, query local requirements, and support countries in setting and targeting RPC objectives, as well as organize training and development programs. The regional Product Stewardship team is responsible for data maintenance and classification of regional/area raw materials and products, creation of SDS and label information, support for label creation in certain areas, and checking and notifying modifications of chemical substances.

LOCAL LEVEL

The responsibility for the products sold in the individual Sika countries lies with the local organizations, and ultimately with the General Manager. With support from the global and regional Product Stewardship teams, local line management has the overall responsibility for ensuring that all products placed on the market meet local legislation requirements, as well as assigning a Product Stewardship role to manage raw material and finished goods data, customer safety information, and labeling. In particular, the local Product Stewardship team ensures that all products follow the Sika Global Regulatory Product Compliance (RPC) rules and is responsible for:

- Approving local labels and local SDS, 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 Process by conducting regular screening of the existing product portfolio.
- Ensuring that Sika products (except non-chemical products) are accompanied by a SDS meeting the legal requirements of the country and translated into the required language(s).
- Ensuring that packaging and labeling are controlled and managed for local compliance, and compliance with the Sika branding and labeling rules.

TRAINING

Regular internal training 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 Labeling of Chemicals, and on the impact of the Product Compliance Reporting tool. In 2022, the global Product Stewardship team organized 18 trainings, involving 231 Sika employees from various functions (Product Stewardships, Regulatory Affairs, EHS, and R&D) and regions (Americas, Asia/Pacific, EMEA and Global Business), including various countries (all EU countries, Argentina, Australia, Bolivia, Brazil, Canada, Chile, China, Colombia, Costa Rica, Ecuador, El Salvador, Ghana, Guatemala, Honduras, India, Indonesia, Ivory Coast, Japan, Lebanon, Malaysia, Mexico, New Zealand, Nicaragua, Nigeria, Pakistan, Panama, Paraguay, Peru, Philippines, Saudi Arabia, Serbia, South Africa, Thailand, Turkey, Ukraine, United Arab Emirates, United Kingdom, Uruguay, USA, Venezuela, Vietnam).

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. This is achieved 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 2022, 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.

A central corporate REACH and Chemical Regulatory Department (the Regulatory & Product Compliance Team) coordinates all corporate activities, covering the requirements of the Globally Harmonized System (GHS), Classification, Labeling and Packaging (CLP), as well as other relevant chemical legislation to ensure the protection of human health and the environment from the risks that can arise from chemicals.

Sika maintains a comprehensive Product Stewardship process and network, including a database for impact assessments, toxicological evaluations and product registration, classification, and labeling. This results in a steady improvement in products.

CHEMICAL SUBSTANCES RISK MANAGEMENT

Sika aims to eliminate substances hazardous to human health or the environment from products and production processes wherever possible. The company has established the Sika Banned Substance Process at Group level for assessing and treating substances with an elevated risk hazard potential based on the GHS classification. This internal process is complementary to local legal requirements, emphasizing Sika's uncompromising commitment to quality, safety and environmental sustainability.

Substances falling under the "Sika Banned Substance" definition must be checked for replacement by less hazardous alternatives in all the processes defined in the Sika Product Creation Process (PCP) and processes of Regulatory & Product Compliance. Based on the classification of the Globally Harmonized System (GHS), "Substances of Concern" are divided in two main categories:

- Category 1: substances which shall not be used in any sales products (both manufactured and trading products), all materials handled in manufacturing plants and supply chain. Only substances used for R&D purposes are exempt.
- Category 2: substances which may be used in controlled manufacturing processes as long as the defined concentration limits are not exceeded in the final product.

In the last two years, as a result of assessments conducted by the Steering Team Banned Substance, 39 substances of concern were phased out. 148 assessments conducted over the same period have identified further 60 substances which are planned to be phased out by the end of 2024. Sika is currently reviewing the Sika Banned Substance Process, with a view to accelerate progress in this important area, and continues to review and assess the use of substances of concern.

RESPONSIBLE MARKETING

GRI 3-3

GRI 417-2

GRI 417-3

POLICIES AND GUIDELINES



For more information, please visit the corporate webpage [ESG Policies and Guidelines](#)

The main goal of the Marketing function at Sika is to support business growth, generate and nurture customer leads, and create a globally-recognized brand. Packaging is essential for such purposes as it is used to identify Sika products. It enhances the appearance of the label for product promotion and provides information about the correct and safe use of the product.

COMMITMENT

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

GOALS AND TARGETS

The marketing and labeling activities at Sika provide Sika customers and stakeholders with compliant, accurate, and valuable information regarding classification, labeling, and packaging (CLP) rules and the application of its products. Labels should include legal and regulatory requirements, as well as customers' requirements, depending on the customer type (either distribution or direct sales).

RESPONSIBILITIES

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

- The Corporate Technical team is responsible for Product Data Sheets and product certifications such as Declaration of Performance or Declaration of Conformity. By fulfilling these activities, the technical team complies with 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. By fulfilling these activities, the Product Stewardship team complies with policies and regulations such as the Globally Harmonized System (GHS) of Classification and Labeling of Chemicals, 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.

REQUIREMENTS FOR PRODUCT, SERVICE, INFORMATION AND LABELING

Sika complies with all laws and regulations concerning product and service information and labeling. All entities of Sika Group must be compliant with local laws and regulations. No significant violation of regulations concerning this topic was reported in 2022.

REQUIREMENTS REGARDING MARKETING COMMUNICATIONS

Sika complies with all laws and regulations concerning marketing communications, including advertising, promotion, and sponsorship. All entities of Sika Group must be compliant with applicable laws and regulations. No significant violation of regulations concerning marketing communications was reported in 2022.

CUSTOMER RELATIONSHIP MANAGEMENT

GRI 3-3

POLICIES AND GUIDELINES



For more information, please visit the corporate webpage [ESG Policies and Guidelines](#)

Long-lasting success is achieved when an organization attracts and retains the confidence of customers and society at large. Understanding the current and future needs of customers allows Sika to achieve sustainable success over time, and this is why “Customer First” is one of Sika’s five core values.

COMMITMENT

Sika’s commitment to its customers is strongly embedded in the company’s values and principles. “Customer First” reflects Sika’s dedication to maintain the highest quality standards for its products and services. All Sika solutions are customer-centric to ensure the long-lasting success of customers and mutually beneficial relationships.

GOALS AND TARGETS

Positive customer relationships and satisfaction are very important to Sika, and the company aspires to achieve a 100% customer satisfaction rate.

RESPONSIBILITIES

Local line management is responsible for maintaining customer relationships and providing customers with products and services that address their needs. Local line management is also responsible for collecting customer feedback, managing enquiries, and ensuring best-in-class customer service.

CUSTOMER FEEDBACK

Sika countries rely on a single platform to collect customer feedback. This allows the company to create visually engaging, branded, mobile-ready customer surveys and associate the survey responses with data. The platform offers a range of templates for featured surveys, customer success, customer service, employee engagement, marketing feedback, product feedback and sales feedback.

Sika started rolling out the platform across all regions in 2022. EMEA and North America have developed ad hoc strategies, while Latin America has intergrated the platform with WhatsApp to deliver NPS results. Platform use in the Asia/Pacific region is still in its first stages, but the plan is to make sure all countries align and use this platform regularly in the near future. The ultimate goal is to create local and regional dashboards across all Sika countries to monitor and compare performance, and make sure the corporate team provides support whenever necessary.

CUSTOMER SATISFACTION METRICS

The Group supports an omnichannel approach for the collection of customer feedback, and aims to create a consistent experience throughout the touchpoints to ensure a high satisfaction rate. Sika countries use a variety of metrics to measure customer satisfaction, set quantitative targets, and contiously improve performance. For instance:

- Customer loyalty tells how loyal a customer is to the brand and how likely he/she will promote it. A Net Promoter Score (NPS) survey commonly measures loyalty with the question “How likely would you be to recommend Sika to a friend or colleague from 1 to 10?”
- Customer satisfaction (CSAT) feedback examines how satisfied customers are with Sika products, services, and other interactions. Satisfaction is measured with both functional and emotional metrics, including questions like “How did you use...?” and “How did you feel about...?”
- Sales feedback allows customers to share how they felt about their experience throughout the sales process. This feedback is collected through direct, post-purchase phone, or email surveys, and follow-ups with prospects who did not close.
- Customer service or support feedback is like sales feedback, but it instead examines a customers experience with a service or dedicated support. This type of feedback is collected through phone or email surveys after customer support tickets are raised.

EMEA MARKETING ACADEMY

The EMEA Marketing Academy has operated since 2020. It offers a valuable internal resource for employees, offering trainings on various marketing and digital marketing topics (theory, external trends, tips, and tricks and best demonstrated practices). The academy is primarily focused on supporting EMEA countries but is open to all of Sika globally. Since it started in 2020, the academy has logged 2,566 individual hours of training with more than 200 participants. In 2022, customer feedback was one of the main topics covered in the trainings, which focused on and how employees could best create surveys that measure customer sentiment. There was also a dedicated session on the corporate survey tool and how it can be used to conduct surveys.

CUSTOMER SATISFACTION IN SIKA REGIONS

Thanks to the company's decentralized business model, Sika's local entities are the ones responsible for measuring and monitoring satisfaction rates through surveys, interviews, B2B key account management, trainings, and workshops. Nonetheless, Sika is searching for ways to implement global standards while still allowing for local adaptations. In 2022, various customer satisfaction management activities were conducted at regional and country level. Those can be summarized as follows:

EMEA

During the reporting year, twelve countries conducted nine surveys for a total of 761 respondents. The countries were:

- Algeria: A yearly online feedback survey is sent out to all customers. In 2022, 215 out of 439 customers answered the survey.
- Angola: In 2022, a customer satisfaction survey was sent out to 36 key customers asking them to rate general commercial and sales services.
- Ethiopia: A customer satisfaction survey is sent out yearly. The questionnaire include 11 topics which cover product quality, pricing, service evaluation, quality of information and communication, procedure, and suggestions for improvement. In 2022, the survey was sent to 43 key customers.
- Morocco: A yearly online feedback survey is sent out to all customers. In 2022, 350 out of 426 customers answered the survey.
- Pakistan: Sika Pakistan sends feedback forms quarterly to its costumers to identify strengths and weaknesses of Sika services and products. In 2022, 45 customers were involved in the initiative.
- Qatar: In 2022, 21 out of 21 key customers answered the customer satisfaction asking them to rate general commercial services.
- South Africa: Every two years, Sika South Africa, which includes Botswana and Namibia, send a customer satisfaction survey to collect information on the company's reputation, the most important aspects in the buying process, and the

effectiveness of external communication materials and channels.

- Sweden: A survey is sent out by the company at the end of each year to selected customers based on their size and sales. The survey covers several areas regarding customer service, sales, deliveries, communication, and marketing. In 2022, 53 out of 152 customers answered the survey.
- Tunisia: A yearly online feedback survey is sent out to all customers. It covers topics such as sales services, technical support, quote, order, delivery processes, and claims processing. In 2022, 111 out of 204 customers answered the survey.
- UK: Customer satisfaction is measured annually via an online survey sent 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. In 2022, 11 out of 190 customers answered the survey.

AMERICAS

During the reporting year, six countries conducted seven surveys for over 900 respondents. The countries were:

- Argentina: A general customer satisfaction survey is distributed every two years, with an average of more than 150 respondents. The next one is planned for 2023.
- Brazil: A general survey was sent to all the customers in the country, for a total of approximately 1,500 customers responsible for 80% of the sales. In 2022, Sika Brazil collected 216 feedbacks.
- Canada: An annual Net Promoter Score (NPS) survey collects 350–400 responses on average.
- Colombia: A general service satisfaction survey is sent quarterly to the most important customers. In 2022, 88 out of 152 customers answered the survey.
- Ecuador: A general satisfaction survey was sent out to 300 customers, and 67 answers were received.
- Mexico: One customer satisfaction survey was completed, which reached 250 customers via phone interviews.

ASIA/PACIFIC

During the reporting year, nine countries conducted 23 surveys, eight of which completed during customer training, for more than 2,600 respondents. The countries were:

- Australia: During the reporting year, surveys were conducted during customers trainings for a total of 470 respondents.
- Cambodia: In 2022, a satisfaction survey was sent to six customers.
- China: A survey to collect feedbacks on strenghts and weaknesses (300 respondents) and a distributor survey to measure satisfaction with the work of functional departments, focusing on customer concerns (360 respondents/distributors) was completed.
- Indonesia: Four customer satisfaction surveys were sent to four target customer groups: distributors, applicators, industry customers, concrete customers. The initiative involved 150 respondents, and resulted in clear action plans for improvement.
- Japan: Surveys were conducted during trainings for architects, for a total of 500 respondents.
- Philippines: An extensive customer satisfaction study captured insights from more than 80% of all active customers

and competitors analysis, which resulted in a concrete plan for improvement over time.

- Singapore: A survey for customer feedback which involved 50 respondents was completed.
- Taiwan: A yearly survey on product quality, lead time, service, and customer support is sent out. In 2022, the survey yielded 112 respondents.
- Thailand: Three customer satisfaction surveys were sent out, to measure customer satisfaction on products and services. In 2022, the survey yielded 422 respondents.

GLOBAL BUSINESS

Sika Global Business applies a pure B2B approach where several roles and functions among the organization actively engage with customers. For instance, all managers ensure projects are executed according to plan, proposing new products and solutions. Meanwhile, the Technical Service team supports the organization of training, meetings, and workshops at the customer site to demonstrate how to apply Sika products and solutions. A dedicated Customer Service team is responsible for customer inquiries in the logistic and supply chain of those projects that are already in the execution phase. The team conducts several activities such as coordinating deliveries and managing packaging and documentation in the customer's B2B platforms. The goal of this team is to ensure flawless customer relations with targets for the quality of the products or services and the timing of deliveries. By being a supplier, Sika collects monthly reports from its customers. This allows the company to monitor progress against targets and to measure the overall performance. If targets are not met, the responsible team develops an action plan. To monitor progress against targets and to measure the overall performance of Sika, monthly reports are provided by the customers. Moreover, most customers have a dedicated Key Account Manager (KAM), who is their designated contact for any inquiry. The KAM often visits customer sites and organizes meetings at Sika's premises in order to nurture an open dialogue, present innovative products, and find solutions to customers' projects.

TRAINING FOR CUSTOMERS

Sika is not only selling products, but also integrated solutions, providing training to customers on how to best apply Sika products and how to choose the best solution based on their needs. In response to COVID-19 pandemic, most trainings were moved to a virtual learning environment, and Sika benefited from its digital platform that allows the presentations of innovative technologies and products to carry on uninterrupted.

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

Trainings can be held at the customer site, within a Sika facility, or online. In every training, Sika aims to fully engage customers and ensure the collection of valuable feedback. At the end of each training, customers are usually asked to answer a questionnaire, which exposes their impressions regarding quality of training content, quality of training tools, and the frequency and content of future trainings.

PROCUREMENT SUMMARY & HIGHLIGHTS

AMBITION

Sika aspires to build relationships with suppliers to add value in terms of quality, cost, innovation, and sustainability. The goal is to reduce risk, establish high sustainability standards and support the network to improve its ESG performance.

APPROACH

Sustainability in procurement and the supply chain is essential to protect ecosystems, conserve natural resources, and promote economic viability by adopting innovative practices. At Sika, procurement is aligned to the Corporate Strategy. The company participates in improving the sustainability performance of the supply chain upstream.

HIGHLIGHTS

Procurement Academy

The Procurement Academy was established in 2022 to develop the skills set of the Procurement team working at all levels of the organization.

TfS¹ Academy

The TfS Academy is a tailored learning and development platform specifically designed to help upskill procurement teams and their suppliers on all sustainability-related topics.

1 Together for Sustainability (TfS).

2 The Supplier Code of Conduct (SCoC) was revised towards the end of 2021. Therefore, 2022 will be the baseline for future monitoring. 33% refers to suppliers based on the direct spend covered by the revised SCoC. All information disclosed in this chapter refers to tier 1 suppliers.

KEY FIGURES

change vs 2021

Direct material expenditures (in CHF mn)

5,312

+19.1%

Suppliers who signed the revised SCoC²

33%

TfS assessments

770

+42%

Audits

239

+169%



“Procurement plays a key role in driving forward our sustainability commitments and activities upstream of our supply chain. This is embedded into our procurement strategy in which we assume the responsibility to make sure all vendors are selected and committed to the highest ESG standards”.

Marcos Vazquez
Head of Global Procurement

MATERIAL TOPICS

Responsible
Procurement

Human
Rights

Labor
Standards

Risk and Crisis
Management


SDGs



RESPONSIBLE PROCUREMENT¹

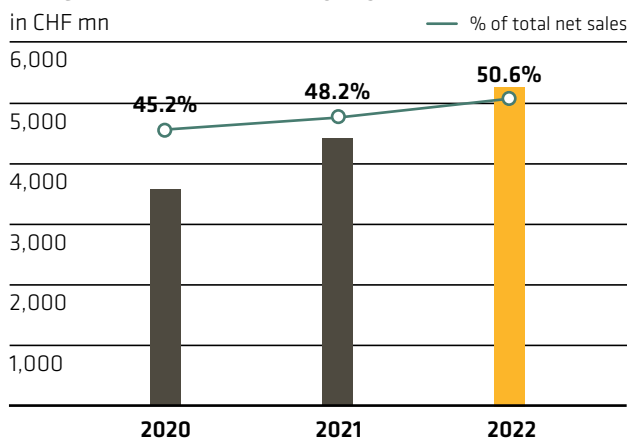
GRI 3-3	GRI 308-1	GRI 407-1
GRI 408-1	GRI 409-1	GRI 414-1

POLICIES AND GUIDELINES

 **For more information, please visit the corporate webpage ESG Policies and Guidelines**

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 around 60,000 materials from more than 15,000 suppliers, 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 2022, the amount of direct material expenditures was CHF 5.3 billion, which corresponded to 50.6% of Group total net sales. Material expenses increased as a percentage of net sales by 2.4 percentage points. This increase was driven by increased raw material costs due supply chain constraints and rising energy costs.

DIRECT MATERIAL EXPENDITURES



Sourced raw materials include bulk chemicals and minerals, among others. Main materials based on quantity from the different material categories include grey cement, SCMs (supplementary cementitious materials), sand, carbonates, polyols, epoxy resins, lignosulphonates, PVC (polyvinyl chloride), 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 15,000 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. Due to the acquisitions that took place throughout the year, the network of Sika's suppliers enlarged. For more information, please see the "Methodological Note" chapter on p.154 of the Sustainability Report 2022.

Sika employs a risk management approach for suppliers and the raw material supply chain. This approach is described in the "Risk Management and TCFD Recommendations" chapter on p.25 of the Annual Report 2022.

COMMITMENT

Procurement enforces Sika's sustainability strategy and commitment in activities upstream of the supply chain. The function ensures the supplier base is compliant with upcoming supply chain due diligence requirements, social and environmental standards.

GOAL AND TARGETS

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. The entire 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 that Sika integrates. Sika's goal is that 100% of all new suppliers must sign the Sika Supplier Code of Conduct (SCoC).

¹ All information disclosed in this chapter refers to tier 1 suppliers.

² This indicator is extracted from the consolidated income statement. Material expenses include the value adjustment expenses for unsaleable and depreciation and amortization due to inventory difference.

SIKA GLOBAL PROCUREMENT ORGANIZATION

Sika's procurement organization is aligned with the business to allow close collaboration with internal and external key stakeholders. This translates into a matrix organization with material categories and geographical responsibilities. In addition, Procurement dedicates a unique category to Supplier Risk and Sustainability Management.

- 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.

SUPPLIER MANAGEMENT AND DIRECT PROCUREMENT

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 continuously exploring alternative 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 please see the "Planet" chapter, "Circular Economy" section on p.103 of the Sustainability Report 2022.

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. For more information, please see the "Products and Customers" chapter on p.113 of the Sustainability Report 2022.

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.

COVERAGE OF SIKA SUPPLIER CODE OF CONDUCT

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. The Sika Supplier Code of Conduct sets out our 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 Labor Organization's Declaration on Fundamental Principles and Rights at Work, the global chemical industry's Responsible Care® program, and the Conflict Minerals Regulations.

It is the expectation of Sika that the supplier network embraces the same set of values and enforce them in their own supply chain network. In 2021, the Supplier Code of Conduct was revised and enhanced to ensure applicability to relevant standards and regulations. Sika Procurement is now investing to ensure the updated version is accepted by the entire supplier base. As of end of 2022, 33% of direct spend is covered by the revised Sika Supplier Code of Conduct. The goal is to reach 100% coverage of suppliers, including both existing and new ones, in the upcoming years.

MATERIAL RISK MANAGEMENT - EARLY IDENTIFICATION OF POSSIBLE RISKS

All purchased materials are regularly evaluated through Sika's Supply Risk Management Process to ensure 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 uses 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.

SUPPLIER QUALIFICATION APPROACH

Through 2022, Sika continued to follow its supplier qualification and evaluation approach based on four pillars, mapping out the main sustainability principles (environmental, social, and economic) both for potential suppliers and current suppliers. The documentation collected during supplier qualification is transparently recorded and stored on the Supplier Relationship Management platform. These procedures are designed to ensure compliance with international labor standards and prescribed quality, environment, health, and safety criteria. 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 at Sika to inspect suppliers' qualifications and support the suppliers to improve their ESG performance if necessary.

SUPPLIER RISK IDENTIFICATION, AUDITS, AND ASSESSMENTS¹

In 2022, Sika procurement reviewed its supplier due diligence process to enhance its risk identification criteria in line with upcoming regulatory requirements. In 2023, Sika will utilize Supplier Risk Profiling, supported by an external solution, to ensure a broad and detailed risk evaluation. This will enable further action through Tfs assessments and Tfs audits and Sika supplier audits. Over 1,000 Sika suppliers have been assessed and/or audited under the Tfs framework. In 2022, 770 Tfs supplier assessments¹ with EcoVadis and 239 Tfs and Sika supplier audits were carried out. Through this approach, Sika increases its ability to ensure compliance of its suppliers with accepted Corporate Social Responsibility (CSR) and ESG norms, including fundamental human and labor rights. In 2022, over 650 suppliers of Sika were re-/assessed under the Tfs framework.

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 into sustainable development and corporate responsibility. Sika takes responsibility for its supply chain and applies the highest ethical standards to its suppliers. The entire Sika supplier network is expected to embrace the values defined in the Supplier Code of Conduct. For instance, by signing Sika's SCoC, all tier 1 suppliers commit to Sika's zero-tolerance policy regarding the respect of basic human rights such as child labor or forced labor, and the right to freedom of association and collective bargaining. 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. For more information on Sika's risk management approach to child labor, please see the "People" chapter, "Human Rights" section on p.64 of the Sustainability Report 2022.

TRAINING FOR EMPLOYEES AND SUPPLIERS

Since 2011, Sika has carried out the "Supplier auditor training program", a yearly initiative conducted over two days of training for procurement, technical, and quality responsible experts. 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 2022, three online training courses were executed covering all regions and business units. 140 Sika employees successfully finished 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 is provided with the necessary support to reach the required expectations.

SUPPLIER QUALIFICATION APPROACH

Sika Supplier Code of Conduct

The supplier commits to comply with Sika's SCoC which reflects the ten principles of the United Nations Global Compact initiative, the United Nations' Guiding Principles on Business and Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the global chemical industry's Responsible Care[®] program and the Conflict Minerals Regulations.

Material Specification

The supplier agrees and signs a standard set of parameters that defines the minimum requirements of the goods and/or services that will be provided by the supplier to Sika.

Sika Self-Assessment

Depending on identified internal risks and thresholds, specific suppliers will additionally be asked to complete a Sika Self-Assessment evaluating a supplier's management and reporting system, ESG criteria and quality assurance of the materials provided.

Tfs Evaluation

Depending on identified internal risks and thresholds, specific suppliers will additionally be asked to undergo an EcoVadis assessment or Tfs audit under the framework of the Together for Sustainability initiative.

1 Can refer to assessments or re-assessments.

EXTRACTION OF RAW MATERIALS AND RELATED PAYMENTS TO GOVERNMENTS

As part of the new transparency obligations of the Swiss Code of Obligation Art. 964d-1¹, companies active in the extraction of raw materials (minerals, oil, gas, timber from primary forests) are required to disclose on payments to government authorities of CHF 100'000 or more. In 2022, Sika extracted Dolomite and Limestone in its two owned quarries operated by KVK Parabit a.s. (Czech Republic). In total, 567'517 tons have been extracted. Extraction fees payments of TCHF 94 have been made to government authorities.

CONFLICT MINERALS

Sika is active in 101 countries and collaborates with more than 15,000 direct material suppliers. In 2022, Sika has done a global review of various regulations and their corresponding thresholds relating to due diligence of conflict minerals or metals (tin, tungsten, tantalum, gold)². Sika's Global Procurement department carried out necessary due diligence assessment to identify whether direct materials purchased by the company fall under the applicable regulations. Considering the defined rules and thresholds, no materials which fall under these requirements were identified.

Sika will continue to monitor its procured materials against the regulatory thresholds related to conflict minerals and metals on a yearly basis at global procurement level. In addition, Sika takes the responsibility to answer inquiries about the use of materials and products containing potential conflict minerals.

SUPPLIER ENGAGEMENT

As part of Sika's supplier engagement processes, several strategic sustainability meetings were organized with tier 1 suppliers across the supply chain in 2022. These meetings were led by the Chief Innovation and Sustainability Officer and Head of Procurement. The discussions were focused on climate-related strategies, carbon footprint impact at raw material level, and related reduction levers. The meetings fostered discussions on reducing emissions effectively and paved the way for increased collaborations to introduce sustainable raw materials and products. Moreover, since February 2020, Sika has been an active member of TfS, an initiative that improves the sustainability performance of chemical companies and their suppliers.

1 Entered into force in January 2021 and with a first mandatory reporting in 2022.

2 Sika has done a review of applicable regulations and their corresponding thresholds. Sika considered the new requirements of the Swiss Code of Obligation Art. 964j, k, l, and Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labor (DDTrO) that are applicable as of in January 2023 and the Regulation (EU) 2017/821 (Conflict Minerals Regulation).

TOGETHER FOR SUSTAINABILITY (TfS)

Sika learns and exchanges with the other TfS members, actively participating in the improvement of sustainable procurement practices within the chemical industry.

TfS delivers the de facto global standard for environmental, social and governance performance of the chemical supply chains. The program is based on the UN Global Compact and Responsible Care® principles. TfS is a global organization with regional members' representation in Asia, North and Latin America. Operating as a unique member-driven organization, the TfS member companies shape the future of the chemical industry together. As of December 2022, the initiatives counts 40 member companies.

TfS FRAMEWORK AND PROCESS

TfS operates along the principle "An assessment or audit for one-member company is an assessment or audit for all". The sharing of supplier evaluations among all members lessens the administrative burden and leverages synergies among the member companies. TfS assessments are carried out by its key partner EcoVadis, a global service provider specialized in sustainability performance assessments. In addition, for its audits, TfS cooperates with experienced expert companies operating globally.

Performance is assessed in management, environment, health and safety, labor and human rights, and ethical corporate governance issues. The measures then introduced are reviewed via reassessments or audits. Follow-up monitoring and subsequent supplier management are the responsibility of the individual member companies. An online platform is used to make the results available to all members of the initiative.

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:

- All potential suppliers are required to complete an EcoVadis sustainability assessment. In addition, Sika has access to all EcoVadis assessments of its suppliers which have been acquired both by Sika and by other TfS members. This provides transparency on sustainability activities and contributions within the supply chain, allowing Sika to initiate and achieve measurable improvements.
- Global Procurement has implemented a monthly status and update report to share how the different TfS projects are progressing and where Sika stands regarding its targets related to assessments and audits through the regions.
- TfS coordinators have been set up for all regions providing useful inputs from local and regional procurement teams to steer the initiatives internally and to share best practices.
- Sika conducts a self-defined annual target of EcoVadis assessments and TfS audits of its suppliers.
- Sika participates in three of five workstreams: WS1 Governance and Partnership, WS3 TfS Audits, WS5 GHG Emissions.

TfS WORKSTREAMS

- The WS1 Governance and Partnership focuses efforts on the overall scope and growth of the TfS initiative, promotes cooperation with other chemical associations and sustainability organizations, updates the TfS KPIs and governance, and initiates best practice sharing.
- WS2 assessments and WS3 audits enable member companies and their suppliers to assess, drive, and improve sustainability performance of chemical supply chains through a shared infrastructure. WS3 ensures that all TfS audits are carried out by approved third-party auditors who meet the required standards and evaluate the future progress and potential of Supplier Sustainability Audits.
- The WS4 Capacity Building and Communication supports members in driving supplier development and work closely on further enhancing the TfS Academy.
- The WS5 GHG Emissions 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 improve transparency in the industry and enable effective reduction management. In September 2022, TfS launched the **Product Carbon Footprint Guideline**, a harmonized way (cradle to gate) to calculate, monitor and reduce emissions. This Guideline is applicable to all companies using chemical materials, is open-source and can be downloaded from the TfS website. For more information, please see the "Planet" chapter, on p.85 of the Sustainability Report 2022.

TfS ACADEMY

In March 2022, the TfS initiative launched the TfS Academy – the capability-building hub for TfS members, their procurement teams, and suppliers. With over 315 courses across nine languages (by the end of 2022), the Academy provides knowledge about the most pertinent and trending sustainability procurement topics: Health and Safety, Environment, Sustainable Procurement, Labor and Human Rights, Management, and Governance. Sika is developing a formal plan to fully leverage the TfS Academy for 2023 both internally and with its supplier network. The Academy will also promote learning and help improve on standards within the supply chain.

ECOVADIS ACADEMY

Launched in 2021, the EcoVadis Academy courses are designed to support suppliers carrying out the EcoVadis assessment under the TfS framework and improve their sustainability management practices. The course material covers policies, actions, and reporting across four topics – sustainability, procurement, compliance, and communication – and broader themes such as training, certification, and risk management. Sika encourages suppliers to utilize the available resource when conducting their corrective actions and key improvements.

DIGITALIZATION AND IT LANDSCAPE

SUMMARY & HIGHLIGHTS

AMBITION

Sika aims to tap into new digital business areas aligned with its successful Growth Strategy. The company focuses on including its people, customers, and business partners in the digital transformation process, while at the same time managing risks.

APPROACH

The company's digitalization vision is structured around four main pillars which are put into practice via five digital building blocks.

HIGHLIGHTS

Sika Innovation Day 2022

The event focused on how innovation can be integrated into traditional and digital Sika products, networking with customers, marketing technology e-commerce, optimized processes, and automation.

Sika Sand App

It is an analytical device which provides information about sand particle size distribution. It is a step towards automated quality analysis of available sand and finding solutions using available sand without performance loss.

KEY FIGURES

change vs 2021

Investments in rationalization, efficiency improvements, and digitalization (in CHF mn)

62

+50.4%

Number of data breaches

0

-/+0.0



“Customer First is a value engrained in Sika’s DNA, and it is our goal to ensure that this value extends to all forms of interaction with our customers. This is why we are increasing our focus on developing additional paths to serve our customers and on leveraging the many possibilities offered via digital technology.”

Philippe Jost
Head Construction

MATERIAL TOPICS

Digitalization

IT Landscape

Risk and Crisis
Management

SDGs



DIGITALIZATION AND IT LANDSCAPE

GRI 3-3

GRI 418-1

POLICIES AND GUIDELINES



For more information, please visit the corporate webpage **ESG Policies and Guidelines**

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 their traditional approaches to the market, while at the same time including their employees, customers, and business partners in the transformation process. Thanks to Sika's determination to press ahead with digitalization, the company succeeded in integrating these opportunities in its growth trajectory and has benefited from the surge in demand in e-commerce. In 2022, Sika invested CHF 62 million (2021: CHF 41 million) in rationalization, efficiency improvements and digitalization.

VISION AND STRATEGY

The company's digitalization vision is structured around four main pillars: revenue, efficiency, relevance, and acceleration. The first one is about building new revenue streams with digital services and a new business model. The second involves using digital technologies to drive down costs and increase productivity in manufacturing. The third is about differentiating on the market, staying relevant for customers and growing by transferring offline strength to digital. The latter drives growth, adoption and collaboration by leveraging Sika's decentralized organization. These pillars are put into practice via five digital building blocks:

- Customer Centricity offers consistent and relevant experience, listening, and improving transparency for the customer. Examples include: customer centric channels and communication; customer specific apps (e.g., in concrete quality management), customer segments and insights, ease of doing business with Sika by providing customer specific portals.

- Operational Efficiency realizes efficient and effective business processes based on data and innovative technology. Examples include: smart logistic and warehousing, supply chain planning, manufacturing technologies, shop floor automation with integration in the ERP, and vertical integration of information.
- New Business Models and Innovation leverages new business opportunities with technology. Examples include: integration into BIM ecosystem, 3D concrete printing, smart IoT connected membranes, and a new inclusive innovation approach leveraging the ideas of all employees called "Scouts".
- Effective Knowledge Worker increases employee productivity, facilitating collaboration and knowledge sharing. Examples include: cultural and organizational readiness to foster digital and innovation, digital learning, translation automation, and effective approval and collaboration workflows supported by apps.
- IT Excellence evaluates, implements, and promotes the use of standardized modern core IT platforms (e.g., SAP S/4) that supports a strict single source of truth approach for data. These core platforms are connected via powerful integration layers to agile apps, cloud, IoT, mobile, social media, and big data.

GOVERNANCE

The Sika Global Digitalization Board was established in 2020 in response to the increasing relevance of topics like digitalization and cybersecurity. These social and economic development trends create risks as well as business opportunities that allow Sika to actively shape the process of change, and diversify and improve customers engagement channels. The Board is composed of the CEO, CFO, Regional Manager EMEA, Regional Manager Americas, Head Construction, Chief Innovation and Sustainability Officer and the Head of IT Sika Group.

SIKA GLOBAL DIGITALIZATION BOARD

CEO, CFO, Regional Manager EMEA, Regional Manager Americas, Head of Construction, Chief Innovation and Sustainability Officer, Head of IT Sika Group

Customer Centricity

Operational Excellence

New Business Models & Innovation

Effective Knowledge Worker

IT Excellence

The Board is mandated to transfer Sika's strength from analog to digital, enabling each digital workstream to progress in a productive and cohesive way. It oversees the alignment between Sika's Corporate Strategy and projects related to the five digital building blocks described above. It is also responsible for approving digital strategies and 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. It also nominates the team leads and core members of the global teams that drive the activities in the five digital building blocks. In 2022, the Global Digitalization Board met three times and discussed the following topics:

- New digital applications (like a new digital laboratory platform, a new global risk management platform to manage occupational risks and internal audits, a new customer experience management platform to enable automated data exchange, and a new Buy Now application to direct customers to the right point of sales).
- Replacement of end-of-life applications with new cloud solutions (e.g., new global labeling solution, new Product Information Management (PIM) system, new Digital Asset Management (DAM) system).
- Digital organizational topics (e.g., implementation of a Global Process Owner organization, renewal of the Data Owner organization).

CYBERSECURITY

International corporations are exposed to cyberattacks that include any type of offensive maneuvers targeting computer information systems, infrastructures, computer networks, and/or personal computer devices through malicious acts. Sika has a strong organization in place to monitor, detect, mitigate, and resolve such risks.

GOVERNANCE

Cyber risks are considered to be amongst the top risks in Sika's Enterprise Risk Management framework. These risks are regularly assessed by the BoD. The CFO is responsible for the risk management in cybersecurity, supported by the Head of IT Sika Group. For more information, please see the "Risk Management and TCFD Recommendations" chapter on p.25 of the Annual Report 2022.

The execution of Sika's Cybersecurity Strategy is assigned to the corporate team of IT Governance, Risks and Security (GRS). Corporate IT Security functions, which are part of GRS team, ensure that Sika employs the necessary processes, frameworks, and policies, and that IT Security aspects are effectively implemented.

A dedicated and highly professional Cyber Defense Team (CDT), which is part of IT Governance, Risk and Security team – is in place 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 cybersecurity risks. Additionally, Sika set up an Incident Response retainer contract with an external partner. The effectiveness of Sika's cybersecurity framework is tested regularly. The Group Management monitors and approves actions, and reports on cybersecurity activities to the Audit Committee. The company has put the following measures in place to reduce cybersecurity risk:

- Comprehensive cyber incident management framework and processes for effective cyber response and IT Continuity Planning;
- Constant assessments of cyber maturity;
- Internal cybersecurity 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.

In 2022, the security awareness of Sika employees was further strengthened. Regular phishing awareness campaigns and simulated phishing attacks were organized, and key improvements were made in the relevant metrics. In addition, following a Red Teaming exercise conducted in 2021, a Purple Teaming exercise was organized during the reporting year. Such tests are driven with the "assume compromise" stance to continuously evaluate the effectiveness of Sika cybersecurity controls and drive various initiatives to improve IT resilience capabilities.

INCIDENT RESPONSE PROCEDURES

The business and IT continuity (disaster recovery) are addressed in the Sika Cyber Crisis Management, which includes the IT contingency planning and incident response procedures. The responsibility for severe security incident preparation lies with each Sika company. Since the IT contingency plan is managed by a local Sika company, the disaster recovery tests are carried out locally and performed at least once per year. The same applies to the procedures for the cyber crisis handling, which is set forth in the cyber incident management framework.

EXTERNAL VERIFICATION AND VULNERABILITY ANALYSIS

Sika employs specific processes and technologies to identify and manage IT risks and vulnerabilities at multiple layers. Besides the multilevel simulations of cyberattacks in the form of Red Teaming/Purple Teaming exercises, the company is using advanced detection and response capabilities, threat hunting, vulnerability and patch management processes, and scanning services for internal Sika IT infrastructure. For the services and infrastructure components exposed to the internet, external security rating services are used.

TRAINING

Sika provides its staff with the appropriate training, and reinforces its IT organization within the Group accordingly. The measures to defend against such attacks are continually reviewed with the help of external specialists and adapted in line with any new situations that may arise.

DATA PROTECTION AND CUSTOMER DATA PRIVACY

While Sika does not want to hinder the flow of information required for the business, it is crucial to protect Sika's know-how from improper use. The company is committed to respecting the data privacy and integrity of all employees, customers and third parties. Sika applies all technical and organizational measures necessary to guarantee an adequate protection and the accuracy of the personal data on file. The Data Protection Policy is closely aligned with widely accepted international standards. It is reviewed regularly and updated if necessary to meet business needs, changes in technology, or regulatory requirements.

GOVERNANCE

At Group level, Sika's data protection organization is run by the Data Protection Steering Committee, which is responsible for defining Privacy Group Strategy & Program (DP Principles), coordinating Corporate Functions on Privacy Risk, managing (serious) Incident Breach cases, coordinating Supervisory Authorities investigations, and monitoring the adequacy of Group technical and organizations measures (TOMs). A Group Data Protection Manager who coordinates the implementation of the Group Privacy Program supports (as Corporate Contact Person) local DPOs (Data Protection Officers) and DPCs (Data Protection Champions) who are locally responsible for the adherence and implementation of the privacy program and compliance. The Group Data Protection Manager also manages the Privacy Portal (as Data Processor), provides guidance and supports the implementation of new projects and applications, monitors adherence to privacy principles and conducts implementation checks (privacy audits), and collaborates with other corporate functions – in particular, IT, HR, and Marketing – on privacy mapping and risk. Sika collects, processes and transfers personal data only if necessary, notably to maintain accurate customer, supplier, business partner, shareholder, or investor information and improve relations with these groups; to optimize internal processes and the delivery of goods and services; to protect the company sites and infrastructure (access control, video, and IT surveillance) and for other security reasons; to fulfil contractual or legal obligations, or to make legal claims, in connection with these groups; and to respond to a court order.

DATA BREACHES

In the event of data breaches, Sika has a process in place which must be applied in EU countries and countries that have a dedicated data breach reporting requirement. When a controller, processor and/or an individual becomes aware of a potential breach, this needs to be reported immediately to the local data protection responsible and/or the Group DP Manager. Subsequently, the affected Sika company(ies) is/are required to collect the necessary information and an incident response questionnaire needs to be completed in the Sika OneTrust Privacy Portal. As a next step, the Group DP Manager reviews the available information which are forwarded to DP Committee for evaluation. The DP Committee assesses if the breach requires a notification to the local authorities and/or the individual(s) (in case of high risks for the individual). In case this is necessary, the local data protection employee responsible, with the support of the Group DP Manager, then notifies the authorities and/or individuals accordingly. The breach has to be documented, and mitigation actions to prevent future similar breaches need to be documented

and implemented. The DP Group Manager supervises the implementation and documentation of the mitigation measures. In 2022, 100% of Sika's General Managers confirmed – by means of the annual Compliance Confirmation – that no data breaches concerning the loss of personal data occurred.

TRAINING

- Data Privacy Awareness Training: E-learning for all non-EU and non-adequate/comparable GDPR countries with or without a dedicated data protection regulation. Will be distributed to all employees as part of the data protection awareness campaign.
- General Data Protection Regulation (GDPR) e-learning: Mandatory e-learning for all EU employees with an email address, covering GDPR specific data protection topics.
- Data Protection Essentials Training: Additional e-learning available in English, which includes the basis data protection principles and other general data protection information.
- Anti-fraud: Since 2021, all employees must complete the new anti-fraud online training, aiming to raise awareness about cyber fraud, primarily among those employees most exposed to cyber risks.

DIGITALIZATION IN SIKA OPERATIONS

Operational efficiency is one of the pillars of the Sika Growth Strategy. In all manufacturing sites, digitalization of processes and data management plays a fundamental role to further develop and optimize Sika operations. However, examples of operational efficiency can be found in all functions or areas of the business where Sika incurs in expenses through its normal business operations (opex), including e.g., Procurement, R&D, HR, Finance, Sales and Marketing.

GOVERNANCE

The digital Operational Excellence team that reports directly to the Global Digitalization Board works closely with regional business teams who coordinate the implementation of digital solutions across business functions. For 2023, Sika will appoint a team of Global Process Owners (GPOs) for the main core business processes, which will report directly to the CFO. This team will provide guidance to the existing regional Process Owner organization. The GPOs will be responsible for design, simplify, harmonize, and protect Sika's end-to-end business processes based on a best demonstrated practice template. They will also support the implementation of innovation and digitalization into Sika's core process platforms to increase both, efficiency and transparency for the business.

INITIATIVES FOR OPERATIONAL EFFICIENCY

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. Sika has implemented several initiatives in different areas to promote efficiency in its operations:

- Smart logistic and warehousing: An investment was approved to automate the new warehouse and distribution center in Ohio, USA, which is currently under construction. In this pilot project, Sika will use autonomous forklifts (VNA and AGV) which will be interconnected to the extended warehouse management system (EWMS) as part of the Enterprise Resource Planning (ERP) system SAP. This will allow the project to become a best demonstrated practice with an automated put-away and picking strategy as well as manless material transportation. In addition, Sika is implementing the SAP transportation management system (TMS) to achieve transparency in managing freight cost in a more accurate and automated way. TMS will also allow Sika to optimize freight planning, driving efficiencies and reducing the carbon footprint by transport route optimization.
- Supply chain planning: Sika is in the process of developing and implementing Integrated Business Planning (IBP) (SAP) as a tool to optimize sales and operation (S&OP) planning processes and inventory in all warehouses.
- Manufacturing technologies: The company continuously invests in solutions to automate manual processes and automation projects. One example is robot arms, which eliminate the manual process of stacking drums, bags, cans, and others into boxes and on pallets. In addition, the company gradually enhances the efficiency and improves the ergonomics of its machines. For instance, some machines can reduce or eliminate heavy lifting, turning/twisting motions that may put stress on the body and lead to injuries (back hurting, tennis arm, etc.) at the workplace, contributing to a safer work environment.
- Vertical integration of information: By using Manufacturing Execution Systems (MES) and enhancing digital manufacturing platforms, Sika keeps its core platforms integrated with production equipment to push paperless order information and receive real-time information about production processes.
- Artificial Intelligence (AI): Many of the tools and apps that are currently being developed and considered by Sika are based on machine learning or deep learning. R&D activities will rely increasingly on machine learning, where statistical methods are used to accelerate the positive outcome of experimentation. Nonetheless, as of today, the AI topic is not material for Sika or the specialty chemicals sector.

TRAINING

At global level, the topic of Operational Efficiency will be addressed in the various trainings and workshop organized within the Sika Operations Academy, which will start again on a regular basis from 2023. On a regional and country level, the organization allows for local decision-making on the content and frequency of trainings. One example is the General Managers program 2022 organized by the global Business School, which dedicated a masterclass to the topic of operational efficiency. For more information on professional skills trainings and sika academies please see the “People” chapter, “Human Capital Development” section on p.73 of the Sustainability Report 2022.

DIGITALIZATION FOR IMPROVED CUSTOMER EXPERIENCE

Customer Centricity is a crucial piece of Sika’s digitalization efforts, as it pays directly into its “Customer First” value. The company’s aim is to translate its “Customer First” approach also via digital technologies by offering consistent and relevant experience to its customers.

In order to achieve this goal, Sika takes a customer-centric approach and sets up its initiatives according to customer intents rather than technologies. One example is to “Learn and Develop”. Understanding that customers want seamless learning and development opportunities via digital channels, Sika provides these opportunities in different platforms:

- The first platform is composed of “Knowledge Articles” on the website, where customers can learn more about specific solutions or technologies.
- The second platform is made up of webinars, where customers have the opportunity to deep dive in various relevant topics.
- The third platform is the “Sika Knowledge Center”, an online portal where customers can visit courses and earn certificates and, depending on the case, accumulate further education credits.

All digital solutions provided by Sika are optimized technologically, meaning they are integrated with the larger platforms, or single sources of truth, such as the company’s Customer Relationship Management (CRM) and Enterprise Resource Planning (ERP). This same logic is applied throughout Sika’s customer centricity digital program.

The company’s current marketing technology stack encompasses approximately 50 global satellite platforms, which are organized around customers’ intent and technological function. This is how Sika addresses the different needs of its 100+ subsidiaries while leveraging efficiencies from an operational standpoint. Not all solutions are adopted by all subsidiaries, as the organization allows for local decision-making on what and when to implement a given solution.

DIGITALIZATION OF SIKA PRODUCTS AND SOLUTIONS

Sika leverages digital technology to optimize or enhance processes related to the use and life cycle of its products and solutions. One example of optimization at Sika is the range of calculation software available to its customers. These tools allow for more speed in the selection of Sika products, hence avoiding waste or shortage of material during a given application. One example of enhancement is the range of monitoring tools, which allow customers to identify structures in need of repair, refilling or at a breaking point. These tools allow customers to better manage the life cycle of a project and optimize processes during application.

Each Target Market analyzes how digital technology can improve or enhance customers' experience and develops solutions accordingly. For Target Market Concrete, the range of solutions covers the entire value chain, from raw materials analysis to concrete mixing and in transit quality control. Digitalization is also revolutionizing the construction and manufacturing sectors through 3D printing, concrete pouring without formwork (MESH), digital planning, and support tools that increase accuracy and save time. Sika is the only company capable of supplying all of the technologies required for industrial 3D concrete printing from a single source. The range of solutions includes mortars, admixtures, and the printing system together with the software. Sika has teamed up with several partners to commercialize 3D concrete printing technology in the construction industry and to capture its vast potential. Sika's solution combines sustainability with operational efficiency and productivity improvements. Software developed by Sika focuses on modeling complex 3D printed elements. Advanced Sika 3D printing technologies allow the realization of new building concepts and more complex shapes while achieving a perfect printing quality with minimum material.

Another strategic topic is the modular approach to construction, which increases the degree of automation and efficiency in the realization of construction projects, while simplifying compliance with rigorous safety standards. With its products, systems, and solutions, Sika can accelerate technological change on construction sites. In roofing solutions, Sika offers an efficient system for leak monitoring and detection. In digital construction, a range of exciting challenges across economic, environmental, technical, and architectural fields are evolving. Sika covers all activities required for the complete digitalization of the construction industry, including design, processes and operations, additive materials, and connected devices.

Moreover, Sika developed its cooperation with CiDRA Concrete Systems Inc. in the USA, a company specializing in internet-of-things (IoT)-based digital systems to monitor concrete properties during transport. Sika and CiDRA already offer this service to customers in the USA and Canada and plan to expand into other markets. 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.

Digitalization supports not only efficiency and growth, but also Sika's sustainability agenda. In 2021, Sika developed the Sika Sand App, a highly innovative digital solution for fast sand analysis. Sand has become a scarce resource and good sand analytics are becoming increasingly important. The Sika Sand App is an analytical device and provides information about sand particle size distribution. It is a positive move towards automated quality analysis of sand, and allows customers to find solutions using available, also lower-quality and manufactured, sand without performance loss.

THE SIKA INNOVATION DAY

The Sika Innovation Day took place in September 2022 during the Sika Senior Management Meeting held in Switzerland. The event focused on how innovative solutions in digitalization and automation can be integrated into traditional Sika products, allowing customers to augment their performance. Solutions for automation (such as 3D MESH), digital products (such as the Sika fire protection app), networking with customers (such as the Sika trade show in the metaverse), or optimized processes (such as the 3D Visualizer) were presented. In addition to digitalization and automation, there was a strong focus on innovations related to the topics of sustainability and urbanization.

ECONOMIC PERFORMANCE AND VALUE CREATION SUMMARY & HIGHLIGHTS

AMBITION

A profitable business model secures the long-term viability of the company and is an important cornerstone to maintain global technology leadership.

APPROACH

Sika develops innovative solutions together with its customers along several strategic pillars, allowing the company to create sustainable value for stakeholders. Sika is committed to being a socially responsible corporate fiscal citizen.

HIGHLIGHTS

Economic performance 2022

Despite a demanding market environment, Sika performed impressively in 2022, posting sales in excess of CHF 10 billion for the first time in the company's history. This corresponds to a substantial increase of 15.8% in local currencies compared to the previous year.

Higher raw material costs countered by pricing and efficiencies

Year 2022 was marked by high inflation and associated interest rate hikes. By raising prices and generating efficiency gains along the value chain, Sika countered this situation and delivered a record EBIT.

KEY FIGURES

change vs 2021

Sales growth (in CHF mn)

10,491.8
+13.4%

EBIT margin

15.1%
+0.1% points

Distribution of value-added (in CHF mn)

3,321
+8.1%

Tax rate

22.4%
+0.9% points



“Our resilient strategy consistently delivers profitable growth. With the focus on both financial and non-financial aspects, we create sustainable value to all stakeholders.”

Adrian Widmer
Chief Financial Officer

MATERIAL TOPICS

Economic
Performance

Tax
Approach

Risk and Crisis
Management

ECONOMIC PERFORMANCE

GRI 3-3

GRI 201-1

GRI 201-4

POLICIES AND GUIDELINES



For more information, please visit the corporate webpage [ESG Policies and Guidelines](#)

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 is an important factor to maintain global technology leadership by facilitating continual investment in R&D, as well as the ability to stay close to customers and serve all markets. Economic strength allows Sika to distribute value to various stakeholders. It is also critical for developing high-performing products, developing its workforce, providing long-term shareholder returns, and being a good corporate citizen that gives back to the community.

COMMITMENT

Sika commits to deliver on the strategic pillars of its Strategy 2023 – market penetration, operational efficiency, acquisitions, values – and related targets. For more information on strategic pillars, please see the “Strategic Report”, “Strategy 2023” chapter on p.18 of the Annual Report 2022.

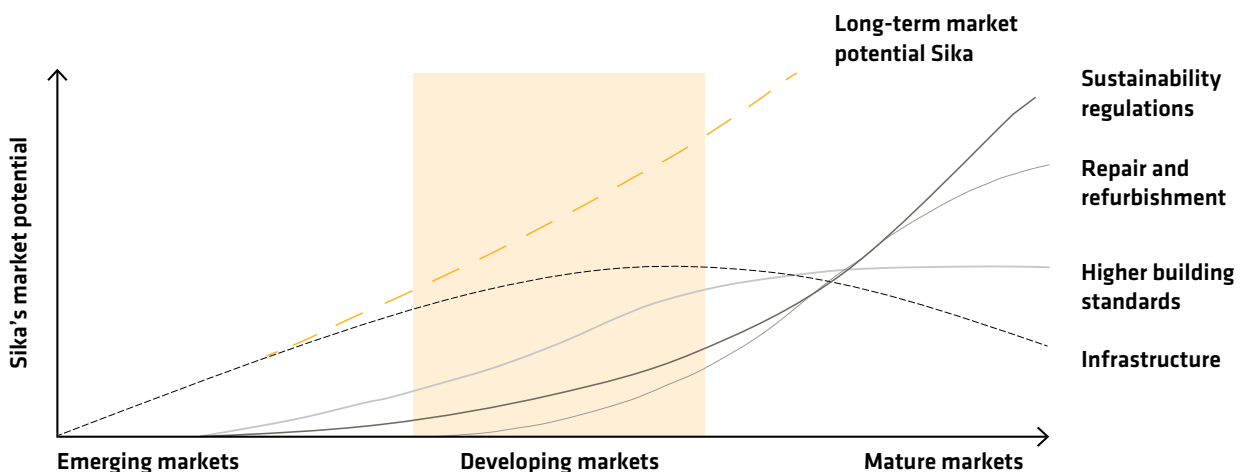
GOALS AND TARGETS

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 the company’s operations. Within these six pillars, Sika plans to grow by 6–8% in local currencies per year up to 2023 and to achieve an EBIT margin of 15–18%. For more information, please see the “Strategic Report”, “Strategy 2023” chapter on p.18 of the Annual Report 2022.

RESPONSIBILITIES

Overall responsibility for economic performance at Group level lies 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 HAS SOLUTIONS FOR ALL MARKETS



Sika evaluates its management approach through a process steered by the BoD. 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, nine Group Management and ten 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 Board Chair or the Audit Committee, if such events relate to the latter's area of responsibility. The Audit Committee is responsible for reviewing internal and external audits and risk management. For more information, please see the Corporate Governance report on p.166.

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

Sika creates sustainable value for its customers, the supply chain, and many other stakeholders. The company generates substantial value for 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 generated is retained in the company for developing new technologies, acquisitions, capital investments, and to remain independent from capital market fluctuations (see **Table 01: Direct Economic Value Generated and Distributed**, in the "Key Performance Indicators" section at the end of this chapter). For more information, please see the "Strategic Report", "Business Environment" chapter on p.13 of the Annual Report 2022, and the "Financial Report", "Consolidated Financial Statements" chapter on p.202 of the Annual Report 2022.

FINANCIAL RESOURCES

Sika's high cash generation results in moderate debt levels and a solid balance sheet. The strong deleveraging profile supports a strong credit rating which in turn gives Sika good access to the capital markets. The reliable cash generation enables consistent investments in future growth. For example, in R&D, expansion of geographical production footprint to fully capture market potential, bolt-on acquisitions, or training and development of employees. In addition to finance its growth and operations with cash, Sika uses bank loans and bonds. When issuing bonds, Sika makes sure to keep a well-balanced and conservative maturity profile. In November 2022, Sika successfully placed a bond in the Swiss market with a total amount of CHF 600 million through a triple tranche. The trust the capital markets place in the sustainable growth of Sika, was demonstrated through the strong demand for this bond placement. For more information, please see the "Strategic Report", "Business Environment" chapter on p.13 of the Annual Report 2022, and the "Financial Report", "Consolidated Financial Statements" chapter on p.202 of the Annual Report 2022.

FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT

In 2022, Sika received CHF 1.5 million (previous year: CHF 1.6 million) government subsidies for employment relationship, for instance through short-time work compensation programs. The company also received CHF 6.6 million of government support (previous year: CHF 6.5 million) through specific grants. Please see Note 4 and Note 5 in the "Appendix to the Consolidated Financial Statements" on p.207 of the Annual Report 2022.

MERGER AND ACQUISITIONS FILING

In 2022, one compliance case was filed in Morocco about the violation of administrative procedures for the Parex acquisition because Sika did not file with the anti-trust authorities in Morocco. At that time, this reporting duty was considered not required. Sika contacted the authorities and explained the misunderstanding. The fine was paid and the case is closed.

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

REVENUES in CHF mn

10,492

DISTRIBUTION OF VALUE ADDED

3,321

6,806

Non-liquidity-related expenses

365

Payments to governments

390

Intermediate inputs

1,711

Employee wages and benefits

503

Payments to lenders and shareholders

Economic value retained: CHF 717 mn

TAX APPROACH

GRI 3-3

GRI 207-1

GRI 207-2

GRI 207-3

GRI 207-4

POLICIES AND GUIDELINES



For more information, please visit the corporate webpage [ESG Policies and Guidelines](#)

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 which ensures compliance with national and international tax laws and regulations. In the 2022 Compliance Confirmation, all GMs confirmed that there were no violations of applicable tax laws in their entities. The active management of tax matters ensures that Sika pays a fair share of tax in each of the 101 countries where Sika operates.

TAX GOVERNANCE

Sika's tax approach is in line with the Organisation for Economic Co-operation and Development (OECD)/G20 guidelines. By following a business-oriented approach based on functions, assets, and operating risks when determining processes and transactions, Sika has a market-based outcome. The company is committed to paying its fair amount of taxes in each jurisdiction where it 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 the tax aspects of its business operations and transactions. Total tax costs are managed within clear risk parameters in line with the Sika Group business operations. Sika adheres to "arm's length principles" and complies with local laws and regulations for pricing intercompany transactions. Sika maintains 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 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.


TAX RATE

In 2022, the income tax rate amounted to 22.4%, thereby increasing compared to the level of the previous year of 21.5%. On average, Sika tax rate is stable showing the company's reliability as a taxpayer (📉 **Table 02: Tax Rate**, in the "Key Performance Indicators" section at the end of this chapter).

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. The result of the CbCR demonstrates that Sika is duly complying with its tax obligations and paying its fair share of tax.

VIEW AND CONCERNS OF STAKEHOLDERS

Sika is committed to openness and transparency and provides information on internal processes, roles, responsibilities, and decision-making procedures, as well as rights and obligations of various stakeholders. The online reporting, called  **Sika Trust Line**, is operated by an external party and allows for anonymous reporting directly to the attention of Corporate Compliance.

PUBLIC POLICY ADVOCACY ON TAX

For more information, please see the “People” chapter, “Public Policy” section on p.79 of the Sustainability Report 2022.

KEY PERFORMANCE INDICATORS

↑ **TABLE 01: DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED**

	2020	2021	2022
Revenues	7,878	9,252	10,492
Intermediate inputs	4,819	5,838	6,806
Non-liquidity-related expenses	341	342	365
Distribution of value added	2,718	3,072	3,321
Employee wages and benefits	1,528	1,637	1,711
Payments to governments	280	331	390
Payments to lenders and shareholders	360	410	503
Economic value retained	550	694	717

↑ **TABLE 02: TAX RATE**

	2020	2021	2022
Tax rate (%)	22.2	21.5	22.4

METHODOLOGICAL NOTE

GRI 2-2

REPORTING STANDARDS

The Sika Sustainability Report 2022 is part of the Sika corporate reporting package. The Sika Group has reported the information cited in the Sustainability Report 2022 for the period 1.1.2022–12.31.2022 with reference to the GRI Standards 2021. In addition, the following documents are available in the download center of the corporate website:

- The Sika [GRI Content Index](#) reports information on Sika's material topics for the period 1.1.2022–12.31.2022 with reference to the GRI Standards 2021.
- The Sika [SASB Content Index](#) provides an overview of Sika's reporting practices in accordance with the Sustainability Accounting Standards Board (SASB) sustainability disclosure topics and accounting metrics for the Resource Transformation–Chemical (RT–CH) sector.
- The [Sika and the UN SDGs](#) document shows which UN SDGs and related targets and indicators Sika's activities directly contributed to during the reporting year.
- The Sika [UN Global Compact Index](#) shows that Sika adheres to the ten principles of the UN Global Compact in its business practices, comprising the four areas of human rights, labor standards, environment, and anti-corruption.
- Sika's corporate carbon accounting (scope 1, 2 and 3) follows the reporting guidelines of the Greenhouse Gas Protocol (GHGP) Corporate Accounting and Reporting Standard. For additional information on the scope 3 assessment, a detailed methodology paper [Sika Methodology for Scope 3 Emissions Calculation](#) is available in the download center of the corporate website.

The Sika Sustainability Report 2022 also complies with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) which are described in more detail in the "Risk Management and TCFD Recommendations" chapter on p.25 of the Annual Report 2022, and in a dedicated [TCFD report 2022](#) available in the download center of the corporate website.

REPORTING REGULATIONS

- New Swiss non-financial reporting requirements will enter into force in January 2023¹ under the Swiss Code of Obligation Art. 964j, k, l and Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labor (DDTrO). Information related to child labor is available in the "People" chapter, "Human Rights" section on p.64 of the Sustainability Report 2022. Information related to conflict minerals and metals is available in the "Procurement" chapter, "Responsible Procurement" section on p.135 of the Sustainability Report 2022.

¹ With a first mandatory reporting in 2024.

² Entered into force in January 2021 and with a first mandatory reporting in 2022.

- Information related to the new transparency obligations of the Swiss Code of Obligation Art. 964d-i² for companies active in the extraction of raw materials (minerals, oil, gas, timber from primary forests) is available in the chapter "Procurement", "Responsible Procurement" section on p.135 of the Sustainability Report 2022.
- Sika will need to disclose information and KPIs in accordance with the Corporate Sustainability Reporting Directive (CSRD) from business year 2025, with first mandatory reporting in 2026. Sika Group will comply with the European Sustainability Reporting Standard (ESRS) developed by EFRAG (European Financial Reporting Advisory Group).
- The EU Taxonomy duties will affect Sika as a consequence of the CSRD. Therefore, Sika has kicked-off the "EU Taxonomy" project in 2022. The company initiated the eligibility analysis of its business activities for two environmental objectives (climate change mitigation and adaptation). Sika will pursue the exercise to ensure an exhaustive identification of its taxonomy-eligible economic activities and consistently report on related KPIs (Turnover, CapEx and OpEx) in the following years.

SCOPE OF REPORTING AND CONSOLIDATION

The scope of Sika Sustainability reporting is aligned with the scope of entities consolidated in the Group financial statements, as described on p.211 of the Annual Report 2022. In the year under review, the scope of consolidation of the Sustainability reporting was expanded to include:

- The acquired companies Sable Marco Inc. (Canada) and United Gilsonite Laboratories, Inc. (USA)
- The newly founded companies Sika Davco (Chongqing) New Materials Co., Ltd., (China) and Sika Davco (Dezhou) New Materials Co., Ltd., (China).

More information on these acquisitions and expansions is available in the "Financial Report" on p.201 of the Annual Report 2022. Generally, acquired companies' data are included in the Sustainability reporting from the acquisition date onwards. The list of all consolidated companies is detailed in the Appendix to the Consolidated Financial Statements on p.251 of the Annual Report 2022.

More information on the scope of reporting and consolidation of scope 3 emissions is available in the [Sika Methodology for Scope 3 Emissions Calculation](#) available in the download center of the corporate website.

DATA COLLECTION AND REPORTING METHODOLOGIES

Sustainability Performance Indicators disclosed in Sika Sustainability Report 2022 are based on the following:

- Social, Environmental, and Health and Safety (EHS) data are collected through the Sika corporate reporting and BI system. Environmental indicators are reported at site level on a quarterly basis. Health and Safety indicators are reported at site level on a monthly basis.
- All Social Performance Indicators (KPIs) are reported annually at company level, except training, which is reported quarterly.
- Community Engagement indicators are reported quarterly at company level.
- The Japan Automotive business has been reallocated from the region Global Business to the Asia/Pacific region in 2022. The prior years have been restated accordingly in the “Planet” chapter and in the “Labor Management” and “Diversity and Inclusion” sections of the “People” chapter.
- In 2022, Sika added granularity to the reporting of headcount-related indicators. The breakdown of employees per age, contract and employment type is now available per gender. 2019, 2020 and 2021 have not been restated accordingly.
- Acquisitions and scope changes that occurred in 2019, 2020, 2021 and 2022 did not lead to a restatement of the environmental indicators disclosed in the “Planet” chapter.
- Many of the strategic KPIs disclosed in the “Planet” chapter are measured by using tons sold as a denominator. Tons sold include all Sika manufactured and third-party traded products. The development of the third-party traded tons sold in the past four years has been stable and therefore does not impact the overall performance.
- Sika’s corporate carbon accounting (scope 1, 2 and 3) follows the reporting guidelines of the Greenhouse Gas Protocol (GHGP) 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 2022, Sika updated the sources of emission factors used for the calculation of scope 1 and 2 emissions. Scope 1 emissions factors have been changed from BAFU (Swiss Federal Office of Environment) to BEIS/Defra. Scope 2 market-based emission factors have been updated to consider the electricity countries’ residual mixes when available, such as AIB 2020 European Residual Mixes (applied to European locations) and 2021 Green-e Residual Mix Emissions Rates (applied to US locations). Scope 1 and 2 emissions from 2019, 2020 and 2021 have not been restated accordingly.
- In 2022, Sika added granularity to the reporting of vehicle fuel. The reporting is now split per type of fuel (diesel, gasoline, biodiesel, ethanol, LPG and natural gas) with a different emission factor applied to each category. Scope 1 emissions from 2019, 2020 and 2021 have not been restated accordingly.
- In 2022, Sika updated the conversion factors related to primary energy from m³ to GJ to reflect the gross CV (calorific value) based on BEIS/Defra recommendations. All energy-related data from 2019, 2020 and 2021 have been restated accordingly.
- In 2022, fugitive emissions related to refrigerant gases have been added to the scope 1 inventory as per the Greenhouse Gas Protocol. These emissions are calculated based on BEIS/Defra 2021 emission factors. Scope 1 emissions from 2019, 2020 and 2021 have not been restated accordingly since fugitive emissions represent 0.5% of Sika’s scope 1 and 2 emissions for 2022.
- In 2022, scope 1 and 2 emissions related to Sika Corporate Services companies in Switzerland have been reported separately (9 tons of CO₂eq). 2019, 2020 and 2021 have not been restated accordingly.
- In 2022, district heating has been added to the company scope 2 inventory as per the Greenhouse Gas Protocol. These emissions are calculated based on BEIS/Defra, 2021 emission factors. Indirect energy consumption and related scope 2 emissions from 2019, 2020 and 2021 have not been restated accordingly since district heating represents 0.2% of Sika’s scope 1 and 2 emissions for 2022.
- In 2022, alongside the emissions related to the combustion process of Sika fuel and gas consumption:
 - The VOC reporting has been extended to include emissions from the petrochemical materials and related processes.
 - The dust reporting has been extended to include the emissions from the mortar production.
 - 2020- and 2021-related data have not been restated accordingly.
- In 2022, rainwater has been added to the reporting of water withdrawal per type of source. Water withdrawal data from 2019, 2020 and 2021 have not been restated accordingly.
- Up to 2021, wastewater disposed separately due to local regulations could be reported under waste and excluded from water discharge. From 2022 onwards, the reporting methodology of water discharge has been adjusted. A new account “water sent off-site for treatment” was created to capture the total volume of wastewater under water discharge, leading to a shift from waste to water discharge. The indicator “water to ground” has also been added. Waste and water data from 2019, 2020 and 2021 have not been restated accordingly to the new methodology.
- In 2022, waste volumes per type of disposal method have been detailed for hazardous and non-hazardous waste. Waste data from 2019, 2020 and 2021 have not been restated accordingly to the new level of granularity.
- All information disclosed in the “Procurement” chapter refers to tier 1 suppliers.

The methodological note needs to be read in conjunction with the footnotes described in all sections of the Sustainability Report 2022 for dedicated indicators and KPIs.

Independent practitioner's limited assurance report

on selected Sustainability Indicators contained within Sika's Sustainability Report 2022 to the Board of Directors of Sika AG

Baar

We have been engaged by the Board of Directors to perform assurance procedures to provide limited assurance on selected Sustainability Indicators of Sika AG and its consolidated subsidiaries (hereinafter "Sika") contained within Sika AG's Sustainability Report 2022 (including the GHG reporting) for the period from 1 January 2022 to 31 December 2022 (hereinafter "Sika's Sustainability Report").

Scope and subject matter

The following selected Sustainability Indicators contained within Sika's Sustainability Report were subject to our limited assurance engagement ("Selected Indicators") and represent the subject matter information:

- Scope 1 (tons of CO₂eq) on page 108;
- Scope 2 – Market-based (tons of CO₂eq) and Scope 2 – Location-based (tons of CO₂eq) on page 108;
- GHG emissions intensity (kg CO₂eq) per ton sold on page 108;
- Scope 3 GHG emissions on page 92;
- Breakdown of energy consumption per source (TJ) on page 94;
- Energy intensity per ton sold (MJ per ton sold) on page 109;
- Purchased renewable electricity rate on page 110;
- Water consumption per ton sold (m³) on page 110;
- Total Waste generated (tons) and Waste intensity (kg per ton sold) on page 111;
- Recycling rate (%) on page 111;
- Number of lost time accidents (LTA) (No.) of Sika employees on page 59 and Number of lost time accidents (LTA) (No.) of contractors on page 60;
- LTA rate per 1'000 FTEs on page 59;
- Lost Time Injury Frequency Rate (LTIFR) per 200'000 hours on page 59;
- Number of fatalities of Sika employees on page 59 and Number of fatalities of contractors on page 60;
- Community engagement projects (No.) on page 78; and
- Volunteering days of employees (Days) on page 78.

Our limited assurance engagement does not conclude on comparative prior year figures or any prospective information included in Sika's Sustainability Report. Consequently, we do not comment on, nor conclude on any such information.

Criteria

The Selected Indicators in Sika's Sustainability Report were evaluated against the criteria described in Sika's Sustainability Report.

The Selected Indicators contained within Sika's Sustainability Report (including the GHG reporting) were prepared by the Group Management of Sika AG (the "Company") based on the criteria described within Sika's Sustainability Report, in

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, 8050 Zürich, Switzerland
Telefon: +41 58 792 44 00, www.pwc.ch

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the Methodological Note on pages 154 and 155 and in the Scope 3 Methodology available on Sika AG's website (the "suitable Criteria").

Inherent limitations

The accuracy and completeness of the Selected Indicators contained within Sika's Sustainability Report (including the GHG reporting) are subject to inherent limitations given their nature and methods for determining, calculating and estimating such data. In addition, the quantification of the Selected Indicators contained within Sika's Sustainability Report (including the GHG reporting) is subject to inherent uncertainty because of incomplete scientific knowledge used to determine factors related to the Selected Indicators contained within Sika's Sustainability Report and the values needed to combine e.g. emissions of different gases. Our assurance report will therefore have to be read in connection with the suitable Criteria described within Sika's Sustainability Report in the Methodological Note and in the Scope 3 Methodology for relevant definitions and procedures on the Selected Indicators.

Group Management's responsibility

The Group Management of Sika AG is responsible for preparing the Selected Indicators contained within Sika's Sustainability Report in accordance with the suitable Criteria described within Sika's Sustainability Report 2022. This responsibility includes the design, implementation and maintenance of the internal control system related to the preparation of the Selected Indicators contained within Sika's Sustainability Report that are free from material misstatement, whether due to fraud or error. Furthermore, the Group Management is responsible for the selection and application of the suitable Criteria described within Sika's Sustainability Report and adequate record keeping.

Independence and quality management

We are independent of Sika AG and its consolidated subsidiaries in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

PricewaterhouseCoopers AG applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's responsibility

Our responsibility is to perform a limited assurance engagement and to express a conclusion on the Selected Indicators contained within Sika's Sustainability Report (including the GHG reporting). We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance engagements other than audits or reviews of historical financial information" and the International Standard on Assurance Engagements 3410, "Assurance Engagements on Greenhouse Gas Statements" (ISAE 3410), issued by the International Auditing and Assurance Standards Board. Those standards require that, to obtain limited assurance, we plan and perform our procedures whether anything has come to our attention that causes us to believe that the Selected Indicators contained within Sika's Sustainability Report (including the GHG reporting) were not prepared, in all material aspects, in accordance with the suitable Criteria described within Sika's Sustainability Report.

Based on risk and materiality considerations, we performed our procedures to obtain sufficient and appropriate assurance evidence. The procedures selected depend on the assurance practitioner's judgement. A limited assurance engagement under ISAE 3000 (Revised) and ISAE 3410 is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement and therefore less assurance is obtained with a limited assurance engagement than with a reasonable assurance engagement.

We performed the following procedures, among others:

- Inquiries of the relevant stakeholders for the Selected Indicators in Sika's Sustainability Report (including the GHG reporting);
- On-Site visits for selected Sika sites in USA, China, Singapore, Romania, Poland, Germany, Italy, Austria, Egypt and Switzerland. The selection was based on quantitative and qualitative criteria;
- Interviews with personnel responsible for the sustainability reporting and data collection at the selected Sika sites visited and at the Corporate level to determine the understanding and application of Sika's specified guidelines and methodology;
- Sample based inspection of relevant documents and testing of underlying data;
- Reconciliation of data collected with financial reporting data and other underlying records;
- Reperformance of relevant calculations; and
- Analytical procedures on selected site-level, as well as Corporate level.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on the work we performed, nothing has come to our attention that causes us to believe that the Selected Indicators contained within Sika's Sustainability Report (including the GHG reporting) for the period from 1 January 2022 to 31 December 2022 are not prepared, in all material respects, in accordance with the suitable Criteria described within Sika's Sustainability Report 2022.

Intended users and purpose of the report

This report is prepared for, and only for, the Board of Directors of Sika AG, and solely for the purpose of reporting to them on Selected Indicators contained within Sika's Sustainability Report 2022 (including the GHG reporting) and no other purpose. We do not, in giving our conclusion, accept or assume responsibility (legal or otherwise) or accept liability for, or in connection with, any other purpose for which our report including the conclusion may be used, or to any other person to whom our report is shown or into whose hands it may come, and no other persons shall be entitled to rely on our conclusion.

We permit the disclosure of our report, in full only and in combination with the suitable Criteria, to enable the Group Management and the Board of Directors to demonstrate that they have discharged their governance responsibilities by commissioning an independent assurance report over the Selected Indicators in Sika's Sustainability Report 2022, without assuming or accepting any responsibility or liability to any third parties on our part. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group Management or the Board of Directors of Sika AG for our work or this report.

PricewaterhouseCoopers AG

Thierry Troesch

Christine Blass

Zurich, 14 February 2023

The maintenance and integrity of Sika AG's website and its content are the responsibility of the Group Management of Sika AG; the work carried out by the assurance provider does not involve consideration of the maintenance and integrity of Sika AG's website, accordingly, the assurance providers accept no responsibility for any changes that may have occurred to the reported Selected Indicators contained within Sika's Sustainability Report (including the GHG reporting) or suitable Criteria described within Sika's Sustainability Report since they were initially presented on the website.

LEADERSHIP

Sika's empowered organization fosters an entrepreneurial spirit and a respectful work environment.

**Average years with Sika among
Group Management members**

23.5

ALL

**national subsidiaries with own
profit and loss responsibility**

ORGANIZATION & LEADERSHIP

Integrated management, flat hierarchies

Sika's organizational structure is decentralized. The company is characterized by its flat hierarchies and leadership structures. The regional management teams and national subsidiaries play a pivotal role in successfully operating the company.

Organizational structure

Sika organizes its worldwide activities into three regions with area-wide managerial functions. The regional heads are members of Group Management who are also responsible for either EMEA, Asia/Pacific or the Americas. This leadership structure ensures integrated management from production to customer.

The regional and national management teams bear full responsibility for their own profit and loss, set their own growth and sustainability targets, and allocate resources based on group strategy. An overview of Sika's organization by region for the 2022 financial year can be found on p.37-39 of this report. Sika's regional organization is based on unified economic areas and coordinated supply chain structures.

Sika serves eight target markets: Building Finishing, Concrete, Waterproofing, Roofing, Flooring, Sealing and Bonding, Engineered Refurbishment, and Industry. The company's market-oriented approach allows Sika to sharpen its customer focus, optimize its technical support capabilities, and concentrate its R&D activities on fulfilling local 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 and performance 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. Hälg,
Chair of the Board

Viktor W. Balli
Lucrece Foufopoulos-De Ridder

Justin M. Howell
Gordana Landén

Monika Ribar
Paul Schuler

Thierry F. J. Vanlancker

CEO
Thomas Hasler

LEGAL
Stefan Möсли

PROCUREMENT
Marcos Vazquez

COMMUNICATION & IR
Dominik Slappnig

INDUSTRY
Morten Muschak

GLOBAL BUSINESS
Samuel Plüss

AMERICAS
Christoph Ganz

ASIA/PACIFIC
Mike Champion

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, Chair of the Board 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 Holding and Dätwyler Führungs AG), Altdorf

Mandates in non-listed companies and organizations:

Chair of the Board: Welfare Foundation Sika, Baar

Member of the Board: Sonceboz Automotive SA, Sonceboz

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

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 Cascade Asset Management Company, 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, Québec, Canada (member of Governance, Sustainability and Safety Committee, member of Human Resources and Compensation Committee, and member of Pension and Investment Committee)

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: Member of Audit Committee and Sustainability Committee

2007–2018: CFO Barry Callebaut Group, Zurich; 1996–2006: Director of Niantic Group (Family Holding), Amsterdam, Netherlands; 1991–1995: Principal of 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 (Chair of Audit Committee and Member of Compensation 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 Company Holding BV, Amsterdam, Netherlands (Chair of the Audit and Risk Committee)

GORDANA LANDÉN, BSC HUMAN
RESOURCE DEVELOPMENT
AND LABOR RELATIONS, UNIVERSITY
OF STOCKHOLM, SWEDEN

Nationality: Swedish; Year of birth: 1964

Member since: 2022; Committees: Member of Nomination and Compensation Committee

Since 2019: Chief HR Officer Adecco Group, Zurich; 2015–2018: Chief HR Officer Signify, Eindhoven, Netherlands; 2008–2015: Senior Vice President Group Function Human Resources Svenska Cellulosa Aktiebolaget SCA, Stockholm, Sweden; 1992–2008: various functions within Ericsson: Vice President HR & Organization, Business Unit Global Services, Sweden, Director HR & Organization, Market Unit Nordic & Baltics, Sweden, Regional HR Manager, Market Unit Nordic & Baltics, Sweden, Senior HR Manager, Swedish Business Unit, Market Operations Western Europe & Customer Service, Sweden; Senior HR Consultant, USA

Mandates in non-listed companies and organizations: Member of the Foundation Council: Adecco Innovation Foundation (creates practical solutions to increase the employability and access of underserved populations to labor markets), Zurich

LUCRÈCE FOUFOPOULOS-DE RIDDER,
MSC MATERIALS ENGINEERING,
UNIVERSITY OF GENT, BELGIUM;
MSC POLYMERS & COMPOSITES
ENGINEERING, UNIVERSITY
OF LEUVEN, BELGIUM

Nationality: Swiss; Year of birth: 1967

Member since: 2022; Committees: Member of Audit Committee and Sustainability Committee

Since 2019: Executive Vice President Polyolefins & Chief Technology Officer Borealis Group, Vienna, Austria; 2014–2018: Vice President and General Manager Rubber Additives & Chief Commercial Officer Eastman Chemical, Zug, Switzerland; 1996–2014: various functions within Dow Chemical Group: general/business (P&L) leadership, commercial, marketing & strategy leadership, M&A as well as research, product & application development across a broad range of industries spanning transportation, healthcare, food & nutrition, electronics, building & construction, oil & gas and water treatment, in Belgium, France, Switzerland, China, and the United States; 1992–1996: Research, Product & Application development, Tyco, Kessel-Lo, Belgium, and Menlo Park, USA

Mandates in listed companies:

Member of the Board: Royal Vopak, Rotterdam, Netherlands (member of Audit Committee and member of Remuneration Committee)

Mandates in non-listed companies and organizations:

Member of the Board: Borouge (a joint venture between Borealis and ADNOC), Abu Dhabi, UAE, member of the Steering Board: Plastics Europe (industry association with the purpose to make plastics more sustainable), Brussels, Belgium

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 of the Board: SBB AG (Swiss Federal Railways), Bern

Member of the Board: Chain IQ Group, Zurich (until May 20, 2022)

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; 1988–2006: various management functions within Sika in Germany and Switzerland; 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 (until December 31, 2022)

**THIERRY F. J. VANLANCKER, MSC
CHEMICAL ENGINEER, UNIVERSITY
OF GENT, BELGIUM**

Nationality: Belgian; Year of birth: 1964

Member since: 2019; Committees: Chair of Sustainability Committee, Member of Nomination and Compensation Committee

2017–2022: 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 careers have spanned far and wide across many different countries, subsidiaries and business units around the world.



From left to right

MIKE CAMPION
Regional Manager
Asia/Pacific
With Sika for 25 years
in Asia and the USA

ADRIAN WIDMER
Chief Financial Officer
(CFO)
With Sika for 16 years
in Switzerland

IVO SCHÄDLER
Regional Manager
EMEA
With Sika for 26 years in
Switzerland and the UK

RAFFAELLA MARZI
Head Human Resources &
Compliance
With Sika for 9 years in
Switzerland and Italy

PATRICIA HEIDTMAN
Chief Innovation
& Sustainability Officer
With Sika for 25 years in
Switzerland and the USA

PHILIPPE JOST
Head Construction
With Sika for 26 years in
USA and Switzerland

THOMAS HASLER
Chief Executive Officer
With Sika for 34 years in
Switzerland and the USA

CHRISTOPH GANZ
Regional Manager Americas
With Sika for 27 years in
Switzerland, France, 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

**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 2019–now: Member of the Board: Bossard Group, Switzerland

**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

**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

**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: 2021–now: Chair of the Board (Member of the Board since 2015), Peikko Group, Finland

**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, Nordostschweizerische Kraftwerke (NOK), Switzerland

Further commitments: 2020–now: Member of the Board: Sonova Holding AG, Switzerland (Chair of Audit Committee)

**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

**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

CORPORATE GOVERNANCE

Sustainability Committee installed consisting of three members of the Board with extensive ESG expertise.

37.5%

women on the Board

New

auditor elected at AGM 2022

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. At Sika, reporting on Corporate Governance 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 34,083.06 million. In the year under review, the Sika Group encompassed unlisted subsidiaries in 101 countries. 215 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 p.251 et seqq. of this report (available at <https://www.sika.com/en/investors/reports-publications/financial-reports.html>).

Sika conducts its worldwide activities based on 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, which offer products and solutions for the construction industry and for industrial manufacturing. These Target Markets are represented by one member of Group Management. Target Market responsibility is well defined in the corporate organization, the regional management teams, and the national subsidiaries. The corporate Target Market 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 products 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 therewith 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 p.159-165 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, 2022, 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 III 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 Inc., 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. During the year under review, no changes in significant shareholdings have been reported to the Disclosure Office of SIX Swiss Exchange.

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, 2022 totaled CHF 1,531,272.30 and was divided into 153,127,230 fully paid-in registered shares, with a nominal value of CHF 0.01 each. Taking into account the new shares that were issued as of December 31, 2022 from conditional capital due to partial conversion of the convertible bond, the share capital issued as of December 31, 2022 amounted to CHF 1,537,350.51, divided into 153,735,051 fully paid-in registered shares with a nominal value of CHF 0.01 each. These changes are not yet reflected in the Commercial Register. They 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.

In addition, there is a conditional share capital of CHF 68,354.29 as of December 31, 2022, unrestricted in time, divided into 6,835,429 fully paid-in registered shares with a nominal value of CHF 0.01 each, which represents 4.5% of the share capital issued as of December 31, 2022, but not yet 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 2020, neither the ordinary nor the conditional capital has changed. In 2021, 1,263,807 new fully paid-in registered shares with a nominal 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.

At the Extraordinary General Meeting of January 25, 2022, the conditional capital was increased by CHF 32,000.00, corresponding to 3,200,000 registered shares with a nominal value of CHF 0.01 each. The mandatory convertible bond 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 convertible bond issued in May 2018 was converted early from conditional capital into 141,618 new shares. Therefore, the share capital issued as of January 31, 2022 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.

Due to further partial conversions of the convertible bond issued in May 2018 during the reporting year, additional 607,821 new shares with a nominal value of CHF 0.01 each were issued leading to a share capital issued as of December 31, 2022 of CHF 1,537,350.51, divided into 153,735,051 fully paid-in registered shares with a nominal value of CHF 0.01 each. These changes are not yet reflected in the Commercial Register.

With the exception of the treasury shares held by the company, each share registered with voting rights in the share register carries one vote at the General Meeting and each share (whether or not it is entered in the share register) carries a dividend entitlement. 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. According to 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>), at least a two-thirds majority of the votes represented, and a majority of the nominal values of shares represented, is required for the adoption of resolutions of the General Meeting limiting or facilitating the transfer of registered shares.

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. In 2022, the Board of Directors has not registered any nominees with voting rights exceeding 3%.

Convertible bonds

As of December 31, 2022, Sika AG had a convertible bond (issued in May 2018) 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	106.12895 registered shares with a nominal value of CHF 0.01	CHF 188.45	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 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 6.18% of the issued registered shares and, respectively, of the company’s share capital issued immediately before the convertible bond was issued taking into account the company’s capital reduction of 2018.

The remaining maximum number of registered shares of the company to be delivered upon conversion or, respectively, the remaining maximum increase of the company’s share capital upon conversion, correspond to 4.37% of the issued registered shares and, respectively, of the company’s share capital as of December 31, 2022.

As of December 31, 2022, a total of CHF 382,720,000 of the nominal amount of the convertible bond had been converted early into 2,023,878 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 bond 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 shares is at least 130% of the conversion price on at least 20 out of 30 consecutive trading days.

Further information on the convertible bond can be found on p.234 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, 2022, is listed on p.162 and 163 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 2021 on page 151, 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, and in the Annual Report 2017 on pages 42 and 43 (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 12, 2022, Daniel J. Sauter and Christoph Tobler stepped down from the Board of Directors. At the same Annual General Meeting, Lucrèce Foufopoulos-De Ridder and Gordana Landén were elected as new members of the Board of Directors.

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 2022, the Board of Directors met ten times. The meetings lasted between one and eight hours.

ATTENDANCE OF INDIVIDUAL BOARD MEMBERS

Board member	Member since	Number of meetings attended
Paul Hälgi	2009	10 of 10
Viktor W. Balli	2019	9 of 10
Lucrèce Foufopoulos-De Ridder (as of April 12, 2022)	2022	6 of 8
Justin M. Howell	2018	10 of 10
Gordana Landén (as of April 12, 2022)	2022	7 of 8
Monika Ribar	2011	9 of 10
Daniel J. Sauter (until April 12, 2022)	2000	3 of 3
Paul Schuler	2021	9 of 10
Christoph Tobler (until April 12, 2022)	2005	3 of 3
Thierry F. J. Vanlancker	2019	10 of 10

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 2022, the CEO and the Chief Financial Officer (CFO) participated in all ten and the other members of Group Management in three to five of the ten meetings. Company officers report regularly and comprehensively to the Chair of the Board of Directors concerning the implementation of decisions of the Board of Directors. 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. 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 2022, the Internal Audit participated in all six 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 three committees of the Board of Directors: the Audit Committee, the Nomination and Compensation Committee, and the Sustainability Committee. The members of the Nomination and Compensation Committee are elected annually by the General Meeting. Reelection is possible. The members of the Audit Committee and the Sustainability 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 p.162 and 163 of this report (available at <https://www.sika.com/en/investors/reports-publications/financial-reports.html>).

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 six times. Monika Ribar and Viktor Balli were present at all six meetings. Christoph Tobler, who stepped down at the General Meeting of April 12, 2022, attended one of the six meetings, and Lucrèce Foufopoulos-De Ridder, who was newly elected to the Board of Directors at the same General Meeting, attended four of the six meetings. The Chair of the Board of Directors, the CFO, and the Internal Audit participated in all six meetings. The CEO attended four of the six meetings. Ernst & Young AG, the auditor up to the General Meeting of April 12, 2022, was present at one of the six meetings. KPMG AG, the auditor that was newly elected at the same General Meeting, participated in three of the six 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 AUDIT COMMITTEE MEMBERS

Audit Committee member	Number of meetings attended
Monika Ribar, AC Chair	6 of 6
Viktor W. Balli	6 of 6
Lucrèce Foufopoulos-De Ridder (as of April 12, 2022)	4 of 5
Christoph Tobler (until April 12, 2022)	1 of 1

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 meetings. Justin M. Howell and Thierry F. J. Vanlancker attended all five committee meetings. Daniel J. Sauter, who stepped down at the General Meeting of April 12, 2022, attended two of the five meetings. Gordana Landén, who was newly elected to the Board at the same General Meeting, attended four of the five meetings. The Chair of the Board of Directors and the CEO participated in all five meetings in an advisory capacity. They 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 all 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 p.181 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 p.179-181. of this report (available at <https://www.sika.com/en/investors/reports-publications/financial-reports.html>).

ATTENDANCE OF INDIVIDUAL NOMINATION AND COMPENSATION COMMITTEE MEMBERS

Nomination and Compensation Committee member	Number of meetings attended
Justin M. Howell, NCC Chair	5 of 5
Gordana Landén (as of April 12, 2022)	4 of 4
Daniel J. Sauter (until April 12, 2022)	2 of 2
Thierry F. J. Vanlancker	5 of 5

SUSTAINABILITY COMMITTEE

In February 2022, the Board of Directors decided to install a Sustainability Committee which consists of three members of the Board of Directors with expertise in different areas of ESG. The Sustainability Committee prepares sustainability-related topics for discussion and decision-making in the Board of Directors. The Sustainability Committee focuses on the following areas: assuring a formal ESG risk and opportunity assessment, including the materiality analysis; ensuring measurable goals which are aligned with the strategy; assuring the proper organization and allocation of resources; and assuring appropriate reporting and stakeholder communication. As a general rule, the Chair of the Board of Directors, the CEO, the CFO, and the Chief Innovation and Sustainability Officer attend the meetings of the Sustainability Committee in an advisory capacity. Meetings are generally held every three to four months, lasting between one and a half and two hours. In the year under review, the Sustainability Committee met four times. All committee members attended all four meetings. After each meeting, a report was issued to the full Board of Directors. The Chair of the Board of Directors, the CEO, the CFO and the Chief Sustainability and Innovation Officer all attended all four meetings. Through two of the committee members and the CFO, there is a valuable interlink between non-financial and financial aspects in the areas of reporting, auditing, and risk management.

ATTENDANCE OF INDIVIDUAL SUSTAINABILITY COMMITTEE MEMBERS

Sustainability Committee	Number of meetings attended
Thierry F. J. Vanlancker, SC Chair	4 of 4
Viktor W. Balli	4 of 4
Lucrece Foufopoulos-De Ridder (as of April 12, 2022)	4 of 4

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 25 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 p.167 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, 2022, are listed on p.164 to 165 of this report (available at <https://www.sika.com/en/investors/reports-publications/financial-reports.html>). Detailed information on their backgrounds and activities can be found on p.165 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 2021 on page 153, 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, and in the Annual Report 2017 on pages 40 and 41 (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 implementation of sustainability policies, while the Chair of the Board of Directors oversees climate-related topics by receiving regular updates from Group Management. The Chair of the Board of Directors is permanently invited to add climate-related topics to the agenda of the CEO and the Board of Directors. The Board of Directors is committed to the Science Based Target initiative (SBTi) to achieve net zero greenhouse gas emissions by 2050.

A summary of the Task Force on Climate-related Financial Disclosure (TCFD) 2022 results and a mapping table are presented in the "Risk Management and TCFD Recommendations" chapter on page 25 et seqq. of this

report (available at <https://www.sika.com/en/investors/reports-publications/financial-reports.html>). A detailed TCFD report is available on the corporate website (available at <https://www.sika.com/en/investors/corporate-governance-risk-management/risk-management.html>).

Compensation, shareholdings, and loans

With regards to the information on the compensation of the members of the Board of Directors and Group Management, reference is made to the Compensation Report beginning on p.177 of this report (available at <https://www.sika.com/en/investors/reports-publications/financial-reports.html>). According to Art. 12 para. 2 of the Sika Articles of Association (available at <https://www.sika.com/en/investors/corporate-governance-risk-management/articles-of-association.html>), the company does not extend any loans, credits, guarantees, or other securities to any member of the Board of Directors or Group Management.

Shareholder participation rights

Each shareholder can have his/her/its 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 Sika Articles of Association also define the resolutions for which a qualified majority (at least two thirds of the votes represented, and an absolute majority of the nominal value of shares represented) is required. The invitation modalities and deadlines for the General Meetings match the 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 at least 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 invitation to the General Meeting is made in the Swiss Official Gazette of Commerce. The invitation 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 Sika Articles of Association (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 up 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. Ernst & Young AG, served as the auditor since 1995 up to the General Meeting of April 12, 2022. In line with good corporate governance practice, the Board of Directors decided to propose a new auditor as of 2022. The new auditor was selected in a tender process involving three audit firms in total. The choice fell on KPMG AG, mainly due to solid industry knowledge and independency considerations, and the Board of Directors decided to propose the election of KPMG AG to the shareholders. At the General Meeting of April 12, 2022, KPMG AG was newly elected as auditor of Sika. KPMG AG has been listed as auditor in the commercial register since August 19, 2022.

The auditor participates regularly in the meetings of the Audit Committee, providing oral and written reports on the results of its reviews. In 2022, the auditor participated in three of the six 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 three-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 the General Meeting of April 12, 2022. 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, KPMG AG invoiced in total CHF 6.1 million for its services. Thereof, CHF 4.8 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. KPMG AG received additional fees totaling CHF 1.2 million for tax consultancy services as well as CHF 0.1 million for consultancy services related to transfer pricing and the issuance of comfort letters for issued bonds.

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 dialogue 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

55 th Annual General Meeting	Tuesday, March 28, 2023
Dividend payment	Monday, April 3, 2023
Net sales first quarter 2023	Tuesday, April 18, 2023
Half-Year Report 2023	Tuesday, July 25, 2023
Results first nine months 2023	Friday, October 20, 2023
Net sales 2023	Wednesday, January 10, 2024
Full-year results 2023	Friday, February 16, 2024

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 last until 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 17, 2021 to February 22, 2022; March 11, 2022 to April 14, 2022; June 7, 2022 to July 27, 2022; September 20, 2022 to October 24, 2022; and December 16, 2022 to February 21, 2023.

COMPENSATION REPORT

The compensation system is well balanced and supports the long-term value creation for Sika and its stakeholders.

100%

**independent Nomination
and Compensation Committee**

Safety

introduced as performance metric for 2023

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 2022 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 2022 (audited)	193
Shareholdings of the members of the Board of Directors and Group Management in 2022	197
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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 2022 Compensation Report.

Sika achieved an all-time high in sales in fiscal year 2022 exceeding the CHF 10 billion sales mark for the first time; it also set a record in profit. EBIT amounted to CHF 1,579.4 million (previous year: CHF 1,391.4 million) increasing by 13.5%. The EBIT margin expanded to 15.1% (previous year: 15.0%). The takeover of MBCC is now in the final stages. An agreement was signed with Ineos in January 2023 for the purchase of parts of MBCC Group's admixtures business. The closing of the acquisition is scheduled for the first half of 2023. 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. At the 2022 Annual General Meeting on April 12, 2022, Lucrèce Foufopoulos-De Ridder and Gordana Landén were elected as members of the Board of Directors; Lucrèce Foufopoulos-De Ridder was appointed member of the Audit and of the Sustainability Committees, and Gordana Landén member of the Nomination and Compensation Committee.

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 reviewed the shareholding ownership guidelines for the Board of Directors and the Group Management:

- In order to reinforce the link with shareholders' interests, the Nomination and Compensation Committee proposed to introduce shareholding ownership guidelines for the Board of Directors: members of the Board of Directors are required to own at least 200% of their annual board retainer in Sika shares within five years of their election to the Board of Directors. This measure was approved by the Board of Directors in May 2022 and is applicable as of the Annual General Meeting 2022.
- In addition, the Nomination and Compensation Committee decided to increase the shareholding ownership requirement for the CEO from 300% to 500% of the annual base salary, in order to align Sika's policy to market practice and to even further align the interests of the CEO to those of the shareholders.

Further information on these changes can be found in the respective sections of this Compensation Report.

At the 2022 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 2022, Mr. Justin M. Howell (Chair), Mrs. Gordana Landén, 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 2022, 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 the Board of Directors and 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 every two years)				■	
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 p.171 and 172.

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 2022, Agnès Blust Consulting provided services related to executive compensation matters. Agnès Blust Consulting was acquired on April 1, 2022 by PricewaterhouseCoopers (PwC) Switzerland. PwC provides other services to Sika, and there are clear rules in place to ensure the independence of PwC consultants. 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** (Art. 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** (Art. 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** (Art. 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** (Art. 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** (Art. 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 on a regular basis (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 committee fees are paid 50% in cash and 50% in RSU since 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 (PricewaterhouseCoopers as of April 1, 2022) 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 and 2023. 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 (2021)	Headcount (2021)
Sika	54,181	9,252	26,666
Upper quartile	63,050	26,610	84,866
Median	35,427	7,558	34,760
Lower quartile	26,365	5,907	15,363

PERFORMANCE MANAGEMENT

The actual compensation paid to the individual members of Group Management in a given year depends on the company, region 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) and includes financial results as well as non-financial objectives, such as sustainability/ESG goals.

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.

PAY EQUALITY

Sika is committed to pay equality and fairness in all countries the company operates in. The company performs regular internal analysis to ensure that employees are paid fairly and to address any potential pay gap. In 2021, Sika completed the equal pay analysis in Switzerland as required by the Swiss Federal Act on Gender Equality introduced in 2020. The results of the analysis showed that Sika is fully compliant with Swiss equal pay standards.

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 Board of Directors, 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. For the term of office starting at the 2022 Annual General Meeting, the retainer and the committee fees are paid half in cash and half in restricted share units (RSUs), while the representation allowance is paid in cash. For the period before the 2022 Annual General Meeting, the committee fees were paid fully in cash. The RSUs 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 RSUs ¹
Retainer (gross p.a.)		
Board Chair	450,000 + 30,000 allowance	450,000
Board members	125,000	125,000
Committee fees (gross p.a.)²		
Committee Chair ³	30,000	30,000
Committee members ³	20,000	20,000

¹ Converted into RSUs based on the average closing share price in the five first trading days of the month of the beginning of the year of office (month of the Annual General Meeting). The RSUs 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 were paid fully in cash until the 2022 Annual General Meeting.

SHAREHOLDING OWNERSHIP GUIDELINE

A shareholding guideline was implemented as of the AGM 2022. The members of the Board of Directors are required to own at least a minimum multiple of their annual board retainer in Sika shares within five years of their appointment to the Board of Directors (or within five years of the implementation of the guideline), as set out in the table below.

Members of the Board of Directors	200% of annual board retainer
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In the event of a substantial rise or drop in the share price, the Nomination and Compensation Committee may, at its discretion, amend that time period accordingly.

To calculate whether the minimum holding requirement is met, all shares are considered, regardless of whether they are blocked or not. Unvested RSUs do not count. The Nomination and Compensation Committee reviews compliance with the share ownership guideline on an annual basis.

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 CEO and ranges from 56% to 100% 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 21 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
- EMS-Chemie Holding AG
- Forbo-Flooring Systems
- H.B. Fuller Company
- GCP Applied Technologies
- Geberit
- 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

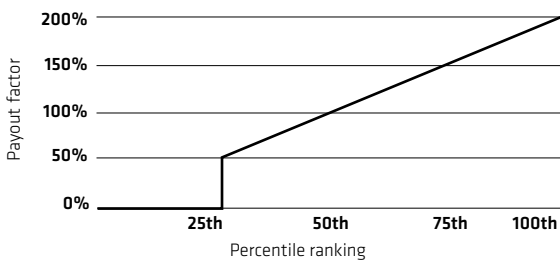
The peer group remained unchanged compared to the previous year apart from Cemedine which delisted during the year and was therefore removed (financial figures no longer publicly available).

¹ Hilti is not listed on the stock market and is therefore not included for the relative TSR in the long-term incentive 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 (scopes 1 and 2). For 2022, the objective was a 4% reduction of CO₂eq emissions compared to 2021.

The Group EBIT objective is measured as a year-on-year improvement. For 2022, the objective was to improve Group EBIT by 10% compared to 2021.

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 2022, 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 2022, 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, as well as the integration of the MBCC Group. The people & projects objectives for other members of Group management also included the integration of MBCC Group, as well as goals around efficiency initiatives, pricing, talent development and sustainability.

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.

For 2023, the structure of the performance bonus will be slightly adjusted to reflect the increasing importance of sustainability matters. The individual performance will be replaced by a safety target in the form of accident reduction at the Group level. Therefore, the Group performance will account to 80% of the performance bonus with 40% based on relative EBIT improvement (unchanged), 20% based on net sales growth (unchanged), 10% based on CO₂ emission reduction (unchanged), 10% based on accident reduction (new) and 20% based on either Group EBIT for functional roles or regional EBIT for regional roles (unchanged). The individual performance component will be discontinued.

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 CEO, and ranges from 56% to 100% for the other members of Group Management.

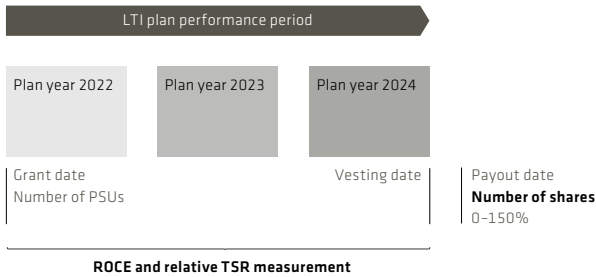
The long-term incentive plan is a performance share unit (PSU) plan. At the beginning of the vesting period, a number of PSUs are granted to each member of Group Management. The PSUs vest after a period of three years, conditionally upon fulfilling two equally weighted performance conditions, the return 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 companies of the peer group used for the performance bonus as disclosed on page 187, with one exception: as Hilti is not listed, it is not included in the peer group for the long-term incentive.

For both performance conditions, the maximum achievement level is capped at 200%, however the overall vesting level for the long-term incentive 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 (2022-2024)	Relative TSR (2022-2024)
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 25% 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 22% = 50% payout • Target: ROCE of 25% = 100% payout • Maximum: ROCE of 28% = 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

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, the unvested PSUs are forfeited except in case of retirement, disability, death, change of control or liquidation. In case of termination due to retirement or disability, the unvested PSUs vest at the normal vesting date, prorated for the number of months that have expired from the grant date until the termination date and based on the effective performance. In case of a termination of employment due to death, liquidation or a change of control, 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 of 100%.

Termination of employment (resignation, involuntary termination, etc.)

Retirement and disability

Death, liquidation or change of control

Forfeiture of unvested PSUs.

Unvested PSUs vest at the regular date prorated for the number of months that have expired from the grant date until the termination date and based on the effective performance.

Unvested PSUs are subject to accelerated vesting, prorated for the number of months that have expired from the grant date until the termination date and based on an achievement of 100%.

CLAWBACK AND MALUS PROVISIONS

Clawback and malus provisions apply to both the performance bonus and the long-term incentive plan. 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 five years of their appointment to Group Management, as set out in the table below. In 2022, the Nomination and Compensation Committee decided to increase the minimum multiple from 300% to 500% of annual base salary for the CEO, in order to align Sika's policy to market practice and to even further align the interests of the CEO to those of the shareholders. For the members of the Group Management, the minimum requirement remained unchanged. In addition, the build-up period was extended from four to five years.

CEO	500% 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 PSUs 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 2022

This section is audited according to Art. 17 of the Ordinance against Excessive Compensation in Listed Stock Corporations.

In 2022, members of the Board of Directors received a total compensation of CHF 3.1 million (2021: CHF 3.0 million) in the form of a retainer in cash of CHF 1.3 million (2021: CHF 1.3 million), committee fees in cash of CHF 0.2 million (2021: CHF 0.3 million), social security contributions of CHF 0.1 million (2021: CHF 0.1 million), and RSUs of CHF 1.5 million (2021: CHF 1.3 million). The compensation increased by 4% compared to the previous year due to the committee fees paid to the members of the new Sustainability Committee introduced in February 2022. As of the AGM 2022, half of the committee fees are paid in RSUs, therefore the amount of committee fees paid in cash decreased compared to previous year and the amount of compensation paid in RSUs increased.

in CHF	Cash		Value of RSUs ¹		Social security ²	Total 2022	Cash		Value of RSUs ¹		Total 2021
	Retainer	Commit-tee fees	Retainer	Commit-tee fees			Retainer	Commit-tee fees	Retainer	Social security ²	
Paul Hälgi, Board Chair	480,000	0	450,140	0	11,900	942,040	480,000	0	450,206	11,893	942,099
Viktor W. Balli, AC Member, SC Member	125,000	40,000	125,115	26,694	11,900	328,710	125,000	40,000	125,130	11,893	302,023
Lucrèce Foufo- poulos-De Ridder ³ , AC Member, SC Member	83,333	26,667	83,394	26,694	11,900	231,989	0	0	0	0	0
Justin M. Howell, NCC Chair	125,000	40,000	125,115	20,073	0	310,188	125,000	60,000	125,130	0	310,130
Gordana Landén ³ , NCC Member	83,333	13,333	83,394	13,451	11,900	205,412	0	0	0	0	0
Monika Ribar, AC Chair	125,000	40,000	125,115	20,073	11,900	322,088	125,000	60,000	125,130	11,893	322,023
Daniel J. Sauter ⁴	41,667	13,333	41,721	0	11,900	108,622	125,000	40,000	125,130	11,893	302,023
Paul Schuler ⁵	125,000	0	125,115	0	11,900	262,016	83,333	0	83,442	10,945	177,720
Christoph Tobler ⁴	41,667	13,333	41,721	0	11,900	108,622	125,000	40,000	125,130	11,893	302,023
Thierry F.J. Vanlancker, SC Chair, NCC Member	125,000	46,667	125,115	33,523	0	330,305	125,000	40,000	125,130	0	290,130
Frits van Dijk ⁶	0	0	0	0	0	0	41,667	0	41,688	5,470	88,824
TOTAL	1,355,000	233,333	1,325,946	140,508	95,204	3,149,991	1,355,000	280,000	1,326,116	75,880	3,036,996

AC = Audit Committee, NCC = Nomination and Compensation Committee, SC = Sustainability Committee

¹ Fair market value is defined as the average closing price of the first five trading days of the month of the beginning of the year of office (month of the Annual General Meeting).

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 72,901 in 2022 and CHF 87,924 in 2021 are excluded from the amount disclosed above).

³ Since AGM of April 12, 2022.

⁴ Until AGM of April 12, 2022.

⁵ Since AGM of April 20, 2021.

⁶ Until AGM of April 20, 2021.

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. 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 12, 2022, shareholders approved an aggregate maximum compensation amount of CHF 3,400,000 for the Board of Directors for the term of office from the 2022 Annual General Meeting until the 2023 Annual General Meeting. The amount approved by the shareholders at the Annual General Meeting on April 12, 2022, was increased in order to cover the additional committee fees for the three members of the new Sustainability Committee established in February 2022. The compensation effectively paid for the portion of this term of office included in this Compensation Report (May 1, 2022, until December 31, 2022) is within the limit approved by the shareholders. A conclusive assessment for the entire period will be included in the Compensation Report 2023.

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 to the Board of Directors for this term was CHF 3,020,903 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 2022

This section is audited according to Art. 17 of the Ordinance against Excessive Compensation in Listed Stock Corporations.

For 2022, the members of Group Management received a total compensation of CHF 16.1 million (2021: CHF 15.8 million). This amount comprises fixed salaries of CHF 5.0 million (2021: CHF 5.0 million), short-term bonus of CHF 5.2 million (2021: CHF 4.3 million), long-term incentives of CHF 3.9 million (2021: CHF 4.3 million), other expenses of CHF 0.6 million (2021: 0.6 million), contributions to social security of CHF 0.1 million (2021: CHF 0.2 million), and post-employment contributions of CHF 1.3 million (2021: CHF 1.4 million).

The highest-paid individual in 2022 was Thomas Hasler, Group CEO.

In CHF thousands (gross) ¹	CEO 2022	CEO 2021 ²	Total 2022 ³	Total 2021 ⁴
Fixed base salary ⁵	1,150	800	5,055	4,996
Performance bonus (STI) ⁶	1,559	950	5,168	4,337
Long-term incentive (LTI) ⁷	1,152	677	3,857	4,353
Other payments ⁸	46	44	598	609
Social security ⁹	16	15	147	163
Pension contributions ¹⁰	264	227	1,286	1,361
TOTAL	4,187	2,713	16,111	15,819

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 On the basis of eight members, all of whom served during the full year in 2022.

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 Includes annual base salary and children/family allowances.

6 Estimated performance bonus (STI) for the reporting year that will be paid in April of the following year.

7 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).

8 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.

9 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 2022: CHF 859,367, of which CHF 275,217 relate to the CEO; in 2021: CHF 1,056,375, of which CHF 165,996 relate to the CEO).

10 Includes contributions to company provided pension plans, including the service cost to the pre-retirement plan.

Explanatory comments to the compensation table:

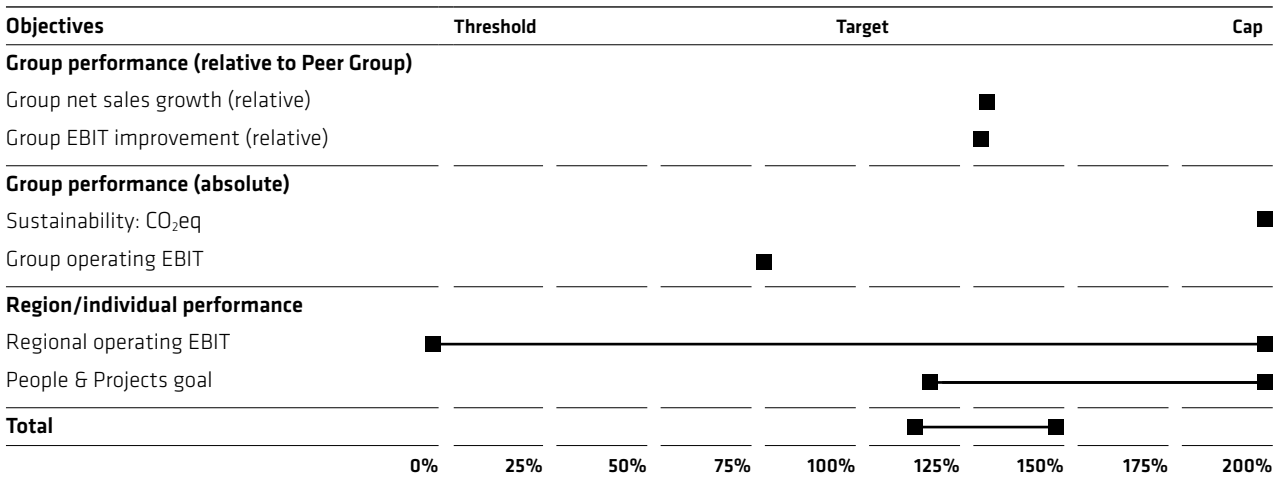
- There were eight members in Group Management in 2022, all of whom served on a full-year basis. This compares to ten members in 2021, of which seven served on a full-year basis.
- The fixed compensation remained stable overall compared to the previous year. The compensation of the CEO appointed in 2021 was increased, which is 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 stable compared to previous year.
- The performance achievement under the performance bonus was higher in 2022 than in 2021. Further details are provided below.
- The grant value of the long-term incentive has decreased by 11% compared to the previous year. This is because eight members of Group Management received a grant in the reporting year, compared to nine members in previous year (including the former CEO, who received a full grant that partially forfeited upon retirement).
- The social security contributions decreased by 10% compared to previous year, as eight members of Group Management were covered in the reporting, compared to ten members in previous year.
- The pension contributions decreased by 6%, which is also due to the lower number of members of Group Management. The contribution rates in the pension plan have not changed significantly for several years.
- The variable compensation amounted to 236% of the annual base salary or 184% of the fixed compensation (annual base salary plus contributions to social security and pension plus other payments) for the CEO and to 162% of the annual base salary, or 113% of the fixed compensation for the other members of Group Management on average.

The total amount of compensation of CHF 16.1 million awarded to Group Management in 2022 is below the maximum aggregate amount of compensation of CHF 21.5 million approved by the shareholders at the 2021 Annual General Meeting for business year 2022.

PERFORMANCE IN 2022 (NOT AUDITED)

For the business year 2022, Sika achieved revenue growth in local currencies of 15.8% and 13.5% 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 133.6%), it ranked 8th on EBIT improvement year on year (payout of 132.1%). CO₂eq emissions per ton sold in 2022 were reduced by over 11.7% compared to the previous year, which corresponds to a payout of 200%. The overall Group performance achievement is estimated at 142.2% (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 2023). This compares to a solid year 2021, where Sika outperformed its peers on net sales growth (ranked 8th with a 141.1% payout), outperformed the industry average in terms of EBIT improvement year on year (ranked 15th with a payout of 73.7%), and CO₂eq emissions per ton sold were reduced by 10% (maximum target achievement with a payout of 200%).

Region/individual performance, which is mainly measured by EBIT and people & projects objectives, ranges from 40% to 200% for members of Group Management and amounts to 120% for the CEO. Consequently, the overall bonus payout percentage ranges from 111.6% to 150% (cap) for members of Group Management and amounts to 135.6% for the CEO. This compares to a payout range of 100% to 137.7% for Group Management and to a payout of 124% for the CEO in 2021.



In accordance with the long-term incentive 2022–2024, 10,556 PSUs were granted to the members of Group Management. Those PSUs had an overall grant value of CHF 3.9 million and will vest on December 31, 2024, based on the average ROCE performance during 2022–2024, on relative TSR performance during 2022–2024 and upon the continuous employment of the participant.

In the long-term incentive that vested in 2022 (LTI 2020–2022), the performance condition of 28% average ROCE over the vesting period was partially achieved: the average three-year ROCE, excluding acquisitions, amounts to 26.8%, leading to a payout of 80%. Regarding the second performance condition, relative TSR, Sika outperformed 74.8% of the peer companies, leading to a payout of 149.6%. Therefore, the combined vesting level amounts to 114.80% and the 12,052 units granted to the current members of Group Management have vested into 13,836 shares (12,052 PSUs granted multiplied by the vesting level of 114.80%) with a vesting value of CHF 3.1 million. The value at vesting is higher than the value at grant due to the positive development in the share price during the vesting period (2020–2022).

OVERVIEW OF THE OUTSTANDING PSU GRANTS (INCLUDES MEMBERS OF GROUP MANAGEMENT AS OF DECEMBER 31, 2022)

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 2020	Group Mgt (incl. CEO)	01/01/2020	2020–2022	12/31/2022	12,052	2,072,196	114.8%	13,836	3,067,374
LTI 2021	Group Mgt (incl. CEO)	01/01/2021	2021–2023	12/31/2023	11,653	2,750,204	To be determined	To be determined	To be determined
	CEO ¹	01/01/2021	2021–2023	12/31/2023	2,778	676,649	To be determined	To be determined	To be determined
LTI 2022	Group Mgt (incl. CEO)	01/01/2022	2022–2024	12/31/2024	10,556	3,856,529	To be determined	To be determined	To be determined
	CEO	01/01/2022	2022–2024	12/31/2024	3,152	1,151,552	To be determined	To be determined	To be determined

¹ The CEO received a regular grant on January 1, 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, compensation in the amount of CHF 276,801 was paid to one former member of Group Management during the contractual notice period. 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 2022

At the end of 2022, members of the Board of Directors held a total of 178,549 shares of Sika AG (2021: 237,079). At the end of 2022, members of Group Management held a total of 112,656 shares of Sika AG (2021: 105,841). This figure includes both privately acquired shares and those allocated under the Group's compensation schemes.

At the end of 2022, 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 274 of the download version of this report).

EQUITY OVERHANG AND DILUTION AS OF DECEMBER 31, 2022

In total as of December 31, 2022, the equity overhang, defined as the total number of share units and blocked shares outstanding divided by the total number of outstanding shares (153,735,051 registered shares), amounts to 208,344 units, 0.14%.

The company's "burn rate", defined as the number of equities (shares and share units) granted in 2022 (74,997 units) divided by the total number of outstanding shares, is 0.05%.



Report of the Statutory Auditor

To the General Meeting of Sika AG, Baar

Report on the Audit of the Compensation Report

Opinion

We have audited the Compensation Report of Sika AG (the Company) for the year ended 31 December 2022. The audit was limited to the information on compensation, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Compensation in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) in the sections "Compensation awarded to the Board of Directors in 2022" and "Compensation awarded to the CEO and to Group Management 2022" on pages 192 to 194 of the Compensation Report.

In our opinion, the information on compensation, loans and advances in the Compensation Report complies with Swiss law and Art. 14-16 VegüV.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Compensation Report" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, 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.

Other Matter

The Compensation Report of Sika AG for the year ended 31 December 2021 was audited by another auditor who expressed an unmodified opinion on this report on 15 February 2022.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the audited sections in the Compensation Report, the consolidated financial statements, the financial statements and our auditor's reports thereon.

Our opinion on the Compensation Report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Compensation Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the Compensation Report 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.

Board of Directors' Responsibilities for the Compensation Report

The Board of Directors is responsible for the preparation of a Compensation Report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a Compensation Report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's Responsibilities for the Audit of the Compensation Report

Our objectives are to obtain reasonable assurance about whether the information on compensation, loans and advances pursuant to Art. 14-16 VegüV is 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 and SA-CH 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 this Compensation Report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the Compensation Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

KPMG AG

Toni Wattenhofer
Licensed Audit Expert
Auditor in Charge

Anna Pohle
Licensed Audit Expert

Zug, 14 February 2023

FINANCIAL REPORT

Sika profits from a solid balance sheet and a strong A- credit rating.

Net profit in CHF million

1,162.5

Operating free cash flow in CHF million

865.2

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT for the year ended December 31

in CHF mn	Notes	%	2021	%	2022	Change in %
Net sales	1, 2	100.0	9,252.3	100.0	10,491.8	13.4
Material expenses	3	-48.2	-4,461.0	-50.6	-5,312.0	
Gross result		51.8	4,791.3	49.4	5,179.8	8.1
Personnel expenses	4	-17.7	-1,635.3	-16.3	-1,710.5	
Other operating expenses	5	-15.1	-1,398.0	-14.4	-1,505.1	
Operating profit before depreciation		19.0	1,758.0	18.7	1,964.2	11.7
Depreciation and amortization expenses	2, 16, 17	-4.0	-366.6	-3.6	-384.5	
Operating profit	2	15.0	1,391.4	15.1	1,579.7	13.5
Interest income	7	0.1	11.5	0.2	19.0	
Interest expenses	6	-0.6	-56.9	-0.6	-59.4	
Other financial income	7	0.1	7.0	0.1	6.9	
Other financial expenses	6	-0.2	-17.8	-0.5	-48.4	
Income from associated companies	7	0.0	0.4	0.0	0.4	
Profit before taxes		14.4	1,335.6	14.3	1,498.2	12.2
Income taxes	8	-3.1	-287.1	-3.2	-335.7	
Net profit		11.3	1,048.5	11.1	1,162.5	10.9
Profit attributable to Sika shareholders		11.3	1,047.9	11.1	1,162.5	
Profit attributable to non-controlling interests	25	0.0	0.6	0.0	0.0	
Basic earnings per share (in CHF)	9		6.91		7.57	9.6
Diluted earnings per share (in CHF)	9		6.60		7.29	10.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended December 31

in CHF mn	Notes	%	2021	%	2022	Change in %
Net profit		11.3	1,048.5	11.1	1,162.5	10.9
Actuarial gains (+)/losses (-) on employee benefit obligation	23	1.6	146.1	-0.7	-74.7	
Income tax effect	8	-0.3	-25.6	0.1	7.3	
Items that will not be reclassified to profit or loss		1.3	120.5	-0.6	-67.4	
Exchange differences taken to equity		0.6	52.5	-2.3	-237.2	
Income tax effect	8	0.0	0.0	0.0	2.2	
Items that may be reclassified subsequently to profit or loss		0.6	52.5	-2.2	-235.0	
Other comprehensive income		1.9	173.0	-2.9	-302.4	
Comprehensive income		13.2	1,221.5	8.2	860.1	-29.6
Attributable to Sika shareholders		13.2	1,220.9	8.2	859.8	
Attributable to non-controlling interests	25	0.0	0.6	0.0	0.3	

CONSOLIDATED BALANCE SHEET as at December 31

in CHF mn	Notes	2021	2022
Cash and cash equivalents	10, 27	1,175.0	1,873.3
Accounts receivable	11, 27	1,576.8	1,719.6
Inventories	12	1,158.3	1,212.8
Prepaid expenses and accrued income	13	190.4	190.1
Other assets	14, 27	31.3	25.5
Assets classified as held for sale	15	33.7	0.0
Current assets		4,165.5	5,021.3
Property, plant, and equipment	16	1,776.6	1,822.3
Intangible assets	17	4,379.9	4,229.1
Investments in associated companies	18	9.2	9.5
Deferred tax assets	8	142.1	144.8
Other assets	14, 27	233.5	92.2
Non-current assets		6,541.3	6,297.9
ASSETS		10,706.8	11,319.2
Accounts payable	19, 27	1,033.2	1,016.6
Accrued expenses and deferred income	20	519.9	489.0
Financial liabilities	21, 27	343.1	303.0
Income tax liabilities		170.3	205.9
Provisions	22	26.0	26.9
Liabilities classified as held for sale	15	3.7	0.0
Current liabilities		2,096.2	2,041.4
Financial liabilities	21, 27	3,393.9	3,634.2
Provisions	22	95.6	78.0
Deferred tax liabilities	8	365.9	322.5
Employee benefit obligations	23	322.9	239.9
Other liabilities	24	36.4	36.1
Non-current liabilities		4,214.7	4,310.7
LIABILITIES		6,310.9	6,352.1
Capital stock	25	1.4	1.5
Treasury shares	25	-10.7	-15.1
Reserves	25	4,403.1	4,979.8
Equity attributable to Sika shareholders	25	4,393.8	4,966.2
Non-controlling interests	25	2.1	0.9
SHAREHOLDERS' EQUITY	25	4,395.9	4,967.1
LIABILITIES AND SHAREHOLDERS' EQUITY		10,706.8	11,319.2

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, 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 ²					-354.5	-354.5	-0.6	-355.1
Buyout of existing non-controlling interests ³					-0.1	-0.1	-0.1	-0.2
Inflation adjustment ⁴					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
January 1, 2022	1.4	437.4	-10.7	-995.2	4,960.9	4,393.8	2.1	4,395.9
Net profit					1,162.5	1,162.5	0.0	1,162.5
Other comprehensive income				-237.5	-65.2	-302.7	0.3	-302.4
Comprehensive income	0.0	0.0	0.0	-237.5	1,097.3	859.8	0.3	860.1
Transactions with treasury shares ¹			-4.4		-15.6	-20.0		-20.0
Share-based payments					10.5	10.5		10.5
Conversion of convertible bonds	0.1	1,441.4			-1,319.9	121.6		121.6
Dividends ⁵					-445.8	-445.8	-0.2	-446.0
Buyout of existing non-controlling interests ⁶					-5.1	-5.1	-1.3	-6.4
Inflation adjustment ⁴					51.4	51.4		51.4
December 31, 2022	1.5	1,878.8	-15.1	-1,232.7	4,333.7	4,966.2	0.9	4,967.1

1 Including income tax of CHF 1.3 million (CHF 1.1 million) in retained earnings.

2 Dividend per registered share (par value CHF 0.01): CHF 2.50.

3 Increase in shareholdings in Modern Waterproofing Company S.A.E, Egypt.

4 Hyperinflation accounting concerns the subsidiaries in Argentina and since 2022 also in Turkey.

5 Dividend per registered share (par value CHF 0.01): CHF 2.90.

6 Increase in shareholdings in Mortero Spa, Algeria.

CONSOLIDATED STATEMENT OF CASH FLOWS

in CHF mn	Notes	2021	2022
Operating activities			
Profit before taxes		1,335.6	1,498.2
Depreciation and amortization expenses	16, 17	366.6	384.5
Increase (+)/decrease (-) in provisions/ employee benefit obligations and assets		-25.4	-19.9
Increase (-)/decrease (+) net working capital and accruals		-324.9	-326.5
Non-liquidity-related financial expenses (+)/income (-) as well as cash flow from hedging transactions		29.6	46.4
Profit on divestment of the industrial coatings business	15	0.0	-166.5
Other adjustments	26	-2.1	0.1
Income taxes paid		-315.3	-316.5
Cash flow from operating activities		1,064.1	1,099.8
Investing activities			
Property, plant, and equipment: capital expenditures	16	-157.3	-238.0
Property, plant, and equipment: disposals	16, 26	14.9	31.4
Intangible assets: capital expenditures	17	-13.3	-28.0
Proceeds from divestment of businesses	15	0.0	211.7
Acquisitions less cash and cash equivalents		-304.4	-142.7
Acquisition of associated companies	18	-7.8	0.0
Acquisitions (-)/disposals (+) of financial assets		-1.3	-3.4
Cash flow from investing activities		-469.2	-169.0
Financing activities			
Increase in financial liabilities	21	5.1	20.6
Repayment of financial liabilities	21	-46.6	-42.0
Repayment of lease liabilities	21	-97.7	-95.5
Repayment of a bond	21	-170.0	-150.0
Issue of bonds	21	0.0	598.9
Repayment liability component of mandatory convertible bond	21	-48.8	-48.8
Purchase of treasury shares		-65.2	-67.0
Sale of treasury shares		41.7	46.2
Dividend payment to shareholders of Sika AG		-354.5	-445.8
Dividend payment to non-controlling interests		-0.6	-0.2
Buyout of existing non-controlling interests		-0.2	-6.4
Cash flow from financing activities		-736.8	-190.0
Exchange differences on cash and cash equivalents		-1.8	-42.5
Net change in cash and cash equivalents		-143.7	698.3
Cash and cash equivalents at the beginning of the year	10	1,318.7	1,175.0
Cash and cash equivalents at the end of the year	10	1,175.0	1,873.3
Cash flow from operating activities contains:			
Dividends from associated companies		1.4	0.1
Interest received		9.0	16.9
Interest paid		-36.6	-31.9

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, 2022, 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 p.210 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, 2022. 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 beyond 30 June 2021
- Amendments to IFRS 3 – Reference to the conceptual framework
- Amendments to IAS 16 – Proceeds before intended use
- Amendments to IAS 37 – Onerous contracts – Cost of fulfilling a contract
- Annual improvements (2018 – 2020 cycle) – Collective standard with amendments to various IFRS standards with the primary goal of eliminating inconsistencies and clarifying

A number of new standards and amendments to standards and interpretations are effective for the financial year 2023 and later, and have not been applied in preparing these consolidated financial statements. If they had been applied in 2022, they would have had no significant effect on the consolidated financial statements of the Group:

- 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)
- Amendments to IAS 1 – Non-current liabilities with covenants (applicable as of January 1, 2024)
- Amendments to IAS 1 – Classification of liabilities as current or non-current (applicable as of January 1, 2024)
- Amendments to IFRS 16 – Lease liability in a sale and leaseback (applicable as of January 1, 2024)

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, 2022, prepared in accordance with uniform standards.

SUBSIDIARIES

Companies 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	2021 Balance sheet ¹ CHF	2021 Income statement ² CHF	2022 Balance sheet ¹ CHF	2022 Income statement ² CHF
Argentina	ARS	100	0.8878	0.8878	0.5224	0.5224
Australia	AUD	1	0.6616	0.6868	0.6275	0.6625
Brazil	BRL	100	16.3700	16.9700	17.4600	18.4800
Canada	CAD	1	0.7178	0.7295	0.6819	0.7341
Chile	CLP	10,000	10.7100	12.0700	10.7800	10.9700
China	CNY	100	14.3600	14.1700	13.3800	14.1900
Colombia	COP	10,000	2.2465	2.4446	1.9037	2.2467
Czech Republic	CZK	100	4.1560	4.2177	4.0832	4.0867
Egypt	EGP	100	5.8000	5.8200	3.7300	4.9900
Eurozone	EUR	1	1.0331	1.0825	0.9847	1.0049
Great Britain	GBP	1	1.2295	1.2582	1.1102	1.1776
India	INR	100	1.2265	1.2367	1.1168	1.2157
Indonesia	IDR	100,000	6.4170	6.3880	5.9610	6.4340
Japan	JPY	100	0.7924	0.8333	0.7001	0.7272
Mexico	MXN	100	4.4639	4.5082	4.7214	4.7445
Poland	PLN	100	22.4700	23.7100	21.0400	21.4200
Russia	RUB	1,000	12.1110	12.4080	12.5890	14.4660
Sweden	SEK	100	10.0800	10.6700	8.8500	9.4500
Thailand	THB	100	2.7437	2.8598	2.6733	2.7245
Turkey	TRY	100	6.7800	10.3700	4.9300	4.9300
USA	USD	1	0.9121	0.9142	0.9232	0.9555
Vietnam	VND	100,000	4.0010	3.9850	3.9100	4.0800

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, 2022, was CHF 3,225.7 million (CHF 3,296.6 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 carryforward 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 analyses 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 life 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 p.251 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 companies:

- SikaDavco (Chongqing) New Materials Co., Ltd., Chongqing (China) was newly founded.
- SikaDavco (Dezhou) New Materials Co., Ltd., Dezhou City (China) was newly founded.
- Sika Trading DZ SARL, Algiers (Algeria) was newly founded

The scope of consolidation was reduced to exclude the following companies:

- ParexKlaukol S.A., San Justo (Argentina) was merged with Sika Argentina SAIC, Caseros.
- Spinna Argentina SRL, San Justo (Argentina) was merged with Sika Argentina SAIC, Caseros.
- Sika Bel LLC, Minsk (Belarus) was merged with BeliNECO LLC, Brest.
- KVK PARABIT, a.s., Svoboda nad Upou (Czech Republic) was merged with Sika CZ s.r.o., Brno.
- Parexgroup Indústria e Comércio de Argamassas Ltda., Osasco (Brazil) was merged with Sika S/A, Osasco.
- Quimicryl S/A, Cotia (Brazil) was merged with Sika S/A, Osasco.

Acquisitions 2021

In 2021, Sika acquired various companies or parts of companies. The purchase prices and their allocation (PPA) changed insignificantly for Hydrotech, and Hamatite. The purchase price for Hamatite increased by CHF 9.3 million as part of the agreed procedure with the seller. This resulted in adjustments in the consolidated balance sheet as of December 31, 2021. The other purchase price allocations did not change. All PPAs are now final.

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	1.0	39.9
Inventories	9.5	20.8	8.1
Prepaid expenses and accrued income	0.3	0.6	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	1.3	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	1.0	5.7
Other liabilities	4.9	0.0	0.0
Total liabilities	23.2	39.0	92.4
Acquired net assets	51.1	62.4	34.8
Goodwill	69.6	47.8	90.3
Total purchase price	120.7	110.2	125.1
Cash in acquired assets	-5.2	-4.0	-4.8
Payments still due	-4.1	-9.2	-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.

Since the purchase, Hydrotech has contributed sales in 2021 of CHF 40.0 million and net profit of CHF 1.4 million. Hamatite has contributed sales of CHF 28.6 million since the purchase and a net loss of CHF 2.7 million. If the acquisitions had occurred on January 1, 2021, consolidated pro forma 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.

The directly attributable transaction costs of all acquisitions in 2021 amounted to CHF 7.1 million and were charged to other operating expenses.

Acquisitions 2022

In 2022, Sika acquired various companies or parts of companies.

Company	Type of transaction	Stake in %	Closing date
Sable Marco Inc., Canada	Share deal	100.0	3/1/2022
United Gilsonite Laboratories (UGL), USA	Share deal	100.0	5/18/2022

On March 1, 2022, Sika acquired Sable Marco Inc., a manufacturer of cementitious products, mortars, polymeric sand, and other bagged materials in Canada. Sable Marco has built up a strong presence in the distribution channel and an excellent relationship with major national and regional building material stores and DIY retail chains. Sable Marco operates one plant in the area of Québec City offering logistic and strategic benefits for Sika Canada. Synergies will be generated by exploring cross-selling potential for Sika's Target Markets Waterproofing and Building Finishing through additional channels, improved geographical access, as well as from the opportunities opening in the growing polymeric sand category.

On May 18, 2022, Sika acquired United Gilsonite Laboratories (UGL), a well-recognized manufacturer of products for consumer and DIY waterproofing applications in the United States. UGL is a long-standing company offering consumer and DIY liquid waterproofing products with a strong presence in the distribution channel. With headquarters and production in Scranton, Pennsylvania, and two additional production sites in Illinois and Mississippi, UGL is well situated to efficiently supply its products to customers in every region of the country. For Sika, the acquisition will increase its presence with major retailers and other building material stores by widening the offering and opening cross-selling opportunities.

Since the purchases, the acquisitions have contributed sales of CHF 59.7 million. The profit share was insignificant. Accounts receivable had a gross value of CHF 12.8 million and were recognized at fair value of CHF 12.5 million.

ACQUIRED NET ASSETS AT FAIR VALUES

in CHF mn	Acquisitions ¹
Cash and cash equivalents	0.9
Accounts receivable	12.5
Inventories	20.1
Prepaid expenses and accrued income	1.5
Property, plant, and equipment	22.2
Right-of-use leased assets	5.2
Intangible assets	49.0
Total assets	111.4
Financial liabilities	11.0
Accounts payable	4.3
Accrued expenses and deferred income	2.7
Provisions	2.1
Deferred tax liabilities	4.1
Total liabilities	24.2
Acquired net assets	87.2
Goodwill	56.4
Total purchase price	143.6
Cash in acquired assets	-0.9
Net cash outflow	142.7

1. Sable Marco, Canada and UGL, USA.

If the acquisitions had occurred on January 1, 2022, consolidated pro forma net sales would have been CHF 10,515.7 million (+CHF 23.9 million). 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, 2022.

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 34.8 million.

The directly attributable transaction costs of all acquisitions amounted to CHF 1.4 million and were charged to other operating expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Net sales CHF 10,491.8 mn (CHF 9,252.3 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. In 2022, revenues of CHF 4.0 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 p.39 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 2022 were allocated to the respective segments as follows:

- Sable Marco Inc., Canada, was allocated to the segment Americas.
- United Gilsonite Laboratories (UGL), USA, was allocated to the segment Americas.

NET SALES

in CHF mn	2021			2022		
	With third parties	With other segments	Total	With third parties	With other segments	Total
EMEA	4,071.4	213.5	4,284.9	4,143.5	264.8	4,408.3
Americas	2,427.4	5.3	2,432.7	3,193.5	4.2	3,197.7
Asia/Pacific	2,080.9	27.0	2,107.9	2,343.6	27.2	2,370.8
Global Business	672.6	14.0	686.6	811.2	14.0	825.2
Eliminations		-259.8	-259.8		-310.2	-310.2
Net sales	9,252.3	-	9,252.3	10,491.8	-	10,491.8
Products for construction industry			7,630.4			8,655.9
Products for industrial manufacturing			1,621.9			1,835.9

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	2021	2022	Change compared to prior year (in %)		
			In Swiss francs	In local currencies	Currency impact
By region					
EMEA	4,071.4	4,143.5	1.8	8.3	-6.5
Americas	2,427.4	3,193.5	31.6	27.5	4.1
Asia/Pacific	2,080.9	2,343.6	12.6	14.8	-2.2
Global Business	672.6	811.2	20.6	22.2	-1.6
Net sales	9,252.3	10,491.8	13.4	15.8	-2.4
Products for construction industry	7,630.4	8,655.9	13.5	15.9	-2.4
Products for industrial manufacturing	1,621.9	1,835.9	13.2	15.7	-2.5

OPERATING PROFIT

in CHF mn	2021	2022	Change compared to prior year	
			(in %)	
By region				
EMEA	691.4	782.6	91.2	13.2
Americas	446.3	570.8	124.5	27.9
Asia/Pacific	349.0	370.5	21.5	6.2
Global Business	50.2	48.8	-1.4	-2.8
Other segments and activities	-145.5	-193.0	-47.5	n.a.
Operating profit	1,391.4	1,579.7	188.3	13.5

RECONCILIATION OF SEGMENT RESULT AND NET PROFIT

in CHF mn	2021	2022
Operating profit	1,391.4	1,579.7
Interest income	11.5	19.0
Interest expenses	-56.9	-59.4
Other financial income	7.0	6.9
Other financial expenses	-17.8	-48.4
Income from associated companies	0.4	0.4
Profit before taxes	1,335.6	1,498.2
Income taxes	-287.1	-335.7
Net profit	1,048.5	1,162.5

OTHER DISCLOSURES

in CHF mn	2021		2022	
	Depreciation/ Amortization	Capital expenditures	Depreciation/ Amortization	Capital expenditures
EMEA	152.7	54.0	141.6	84.8
Americas	80.4	46.5	95.6	71.1
Asia/Pacific	78.4	44.0	88.6	67.6
Global Business	25.0	14.1	27.8	17.8
Other segments and activities	30.1	12.2	30.9	24.7
Total	366.6	170.8	384.5	266.0

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			
	2021	%	2022	%	2021	%	2022	%
USA	1,643.6	17.8	2,253.5	21.5	965.4	15.6	1,051.3	17.3
China	1,149.7	12.4	1,303.4	12.4	1,295.1	21.0	1,228.4	20.3
Germany	774.7	8.4	780.7	7.4	344.2	5.6	321.3	5.3
France	658.2	7.1	650.9	6.2	651.5	10.6	608.4	10.0
Switzerland	375.1	4.1	389.5	3.7	581.0	9.4	556.5	9.2
All other	4,651.0	50.2	5,113.8	48.8	2,330.9	37.8	2,296.8	37.9
Total	9,252.3	100.0	10,491.8	100.0	6,168.1	100.0	6,062.7	100.0

1 Non-current assets less financial assets, deferred tax assets, and employee benefit assets.

3. Material expenses CHF 5,312.0 mn (CHF 4,461.0 mn)

Material expenses increased as a percentage of net sales by 2.4 percentage points. As a result of a continued sharp rise in raw material costs due to supply shortages and other supply-side effects as well as due to the base effect related to significant sales price increases, the gross margin decreased from 51.8% to 49.4%.

Unsaleable goods are written down to their fair value less costs of disposal, missing inventory to zero. The related cost of CHF 49.7 million (CHF 28.2 million) are included in material expenses.

4. Personnel expenses CHF 1,710.5 mn (CHF 1,635.3 mn)

in CHF mn	2021	2022
Wages and salaries	1,329.5	1,400.4
Social charges	307.4	311.6
Government support	-1.6	-1.5
Personnel expenses	1,635.3	1,710.5

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 expenses as a percentage of net sales decreased from 17.7% to 16.3%, as the increase in personnel was modest in relation to price-driven sales growth.

EMPLOYEE BENEFIT COSTS

in CHF mn	2021	2022
Employee benefit plans with defined benefits ¹	32.2	31.1
Other employee benefit plans	47.3	50.8
Employee benefit costs	79.5	81.9

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 2022 totaled CHF 21.6 million (CHF 38.8 million), CHF 10.5 million (CHF 9.1 million) of which was recorded in equity and CHF 11.1 million (CHF 29.7 million) in liabilities. At year-end, liabilities from share-based compensation plans amounted to CHF 21.3 million (CHF 38.3 million). Thereof, CHF 12.3 million (CHF 28.1 million) are recognized in accrued expenses and deferred income and CHF 9.0 million (CHF 10.2 million) are included in employee benefit obligations.

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; 149 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 5.2 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 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. 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 2021-2023	19,177	233.64	4.5
Senior Manager LTI 2021-2023	16,192	233.64	3.8
Granted in 2021			8.3
Group Management LTI 2022-2024	10,968	365.34	4.0
Senior Manager LTI 2022-2024	13,608	365.34	5.0
Granted in 2022			9.0

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 2022 to April 2023, entitlements to 4,949 shares were granted at a market value of CHF 1.5 million (CHF 310.40 per share). The conversion into shares will take place in April 2023. For the term of office from April 2021 to April 2022, entitlements to 4,843 shares were granted with a market value of CHF 1.3 million (CHF 273.88 per share). The conversion into shares took place in April 2022.

5. Other operating expenses CHF 1,505.1 mn (CHF 1,398.0 mn)

in CHF mn	2021	2022
Production and operation ¹	446.5	498.5
Logistics and distribution	477.0	519.4
Sales, marketing, and travel costs	235.1	303.5
Administration and other costs ²	239.4	183.7
Total	1,398.0	1,505.1

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 15.1% to 14.4%, mainly due to the gain on the disposal of the European industrial coatings business of CHF 166.5 million (see note 15), partially offset by the acquisition related cost of MBCC Group of CHF 78.3 million, both included in position "Administration and other costs" above. On the other hand, higher costs are driven by energy, travel, freight, and other general expenses, as a result of continuing global supply chain problems compounded by rising inflation during the year.

Other operating expenses include government support of CHF 6.6 million (CHF 6.3 million). Government grants are recognized 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.

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 232.0 million (CHF 214.3 million), roughly equivalent to 2.2% (2.3%) 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 107.8 mn (CHF 74.7 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 32.6 million (CHF 36.2 million), interests on lease liabilities of CHF 12.7 million (CHF 12.4 million), other interest expenses of CHF 12.4 million (CHF 6.3 million), as well as the interest component of pension expenses of defined benefit plans of CHF 1.7 million (CHF 2.0 million).

Other financial expenses include foreign exchange gains and losses from the management of foreign currency, net gains and losses from hedging and revaluation of loans to Group companies denominated in foreign currencies, as well as the result of the application of inflation accounting (see note 27). Other financial expenses increased to CHF 48.4 million (CHF 17.8 million).

7. Interest income/other financial income/income from associated companies CHF 26.3 mn (CHF 18.9 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 19.0 million (CHF 11.5 million). Income from associated companies is CHF 0.4 million (CHF 0.4 million).

8. Income taxes

in CHF mn	2021	2022
Income tax during the year under review	294.2	365.0
Deferred income tax	0.5	-29.3
Income tax from prior years	-7.6	0.0
Total	287.1	335.7

RECONCILIATION BETWEEN EXPECTED AND EFFECTIVE TAX EXPENSE

in CHF mn	%	2021	%	2022
Profit before taxes		1,335.6		1,498.2
Expected tax expense	20.6	275.0	23.1	346.4
Non-taxable income/non-tax-deductible expenses	0.4	5.5	0.4	6.2
Effect of changes in tax rates	0.0	0.2	0.0	0.0
Adjusted tax expense from earlier periods	-0.6	-7.6	0.0	0.0
Valuation adjustment on deferred tax assets	-0.5	-6.3	-1.2	-18.0
Withholding tax on dividends, licenses, and interests	1.8	23.2	1.0	14.4
Other	-0.2	-2.9	-0.9	-13.3
Tax expense as per consolidated income statement	21.5	287.1	22.4	335.7

The effective tax rate increased to 22.4% (21.5%). The expected average Group income tax rate of 23.1% (20.6%) 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 increase in the expected tax rate is mainly attributable to the extraordinary gain on the sale of the industrial coating business (see note 15) in Germany at a tax rate of 31.0%.

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	2021	2022
January 1	-185.2	-223.8
Credited (+)/debited (-) to income statement	-0.5	29.3
Credited (+)/debited (-) to other comprehensive income	-25.6	9.5
Credited (+)/debited (-) to equity	-1.1	-0.9
Exchange differences	-4.6	12.3
Acquisitions/divestments	-6.8	-4.1
December 31	-223.8	-177.7

ORIGIN OF DEFERRED TAX ASSETS AND LIABILITIES

in CHF mn	2021			2022		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Tax losses	12.5		12.5	11.8		11.8
Current assets	30.5	-23.6	6.9	32.8	-13.4	19.4
Property, plant, and equipment	10.9	-128.0	-117.1	10.8	-134.5	-123.7
Other non-current assets	90.6	-237.9	-147.3	94.1	-171.7	-77.6
Liabilities	187.0	-13.5	173.5	159.3	-16.8	142.5
Temporary differences on investments ¹	0.0	-152.3	-152.3	0.0	-150.1	-150.1
Gross values	331.5	-555.3	-223.8	308.8	-486.5	-177.7
Offsetting	-189.4	189.4	0.0	-164.0	164.0	0.0
Total	142.1	-365.9	-223.8	144.8	-322.5	-177.7

1 This includes expected withholding taxes of CHF 11.4 million (CHF 19.1 million) on undistributed dividends from Group companies. Deferred tax liabilities of CHF 138.7 million (CHF 133.3 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	2021	2022
1 year or less	7.1	5.4
1-5 years	23.3	23.1
Over 5 years or non-expiring	10.0	0.7
Total	40.4	29.2

The underlying average tax rate of tax losses for which no deferred tax assets have been recognized is 25.7% (27.6%).

In the year under review, deferred tax assets from carried forward tax losses of CHF 3.0 million (CHF 3.2 million) were used and deferred carried forward tax losses of CHF 3.4 million (CHF 2.9 million) were capitalized.

There are deductible temporary differences of CHF 365.0 million (CHF 373.6 million) for which no deferred tax asset has been recognized. The underlying average tax rate is 5.2% (5.2%). A realization of these theoretical tax benefits is not expected. They result from the tax-free disclosure of hidden reserves in the tax balance sheet in Switzerland (so-called step-up). In the previous year, a further CHF 4.6 million resulted from the mandatory convertible bond (see note 21), which was fully converted into new shares of Sika AG during the reporting year.

9. Earnings per share CHF 7.57 (CHF 6.91)

BASIC EARNINGS PER SHARE

	2021	2022
Net profit attributable to Sika shareholders (CHF mn)	1,047.9	1,162.5
Increase in profit assuming all conversion rights of the 3.75%-mandatory convertible bond have been exercised (CHF mn)	0.4	0.0
Net profit used to calculate basic earnings per share (CHF mn)	1,048.3	1,162.5
Weighted average number of shares outstanding ¹	141,853,421	152,713,022
Weighted average number of potential shares of the 3.75%-mandatory convertible bond	9,807,822	814,049
Weighted average number of shares used to calculate basic earnings per share	151,661,243	153,527,071
Basic earnings per share (CHF)²	6.91	7.57

1 Excluding treasury shares held in the Group.

2 2021 basic earnings per share is restated to CHF 6.91 compared to CHF 7.39 (difference CHF 0.48 per share). The effect of the 3.75%-mandatory convertible bond was not correctly considered.

DILUTED EARNINGS PER SHARE

	2021	2022
Net profit attributable to Sika shareholders (CHF mn)	1,047.9	1,162.5
Increase in profit assuming all conversion rights of the 3.75%-mandatory convertible bond have been exercised (CHF mn)	0.4	0.0
Increase in profit assuming all conversion rights of the 0.15%-convertible bond have been exercised (CHF mn)	10.0	8.1
Net profit used to calculate diluted earnings per share (CHF mn)	1,058.3	1,170.6
Weighted average number of shares outstanding ¹	141,853,421	152,784,517
Weighted average number of potential shares of the 3.75%-mandatory convertible bond	9,807,822	814,049
Weighted average number of potential shares of the 0.15%-convertible bond	8,623,997	6,887,394
Weighted average number of shares used to calculate diluted earnings per share	160,285,240	160,485,960
Diluted earnings per share (CHF)	6.60	7.29

1 Excluding treasury shares held in the Group, including potential shares needed for share-based payments.

10. Cash and cash equivalents CHF 1,873.3 mn (CHF 1,175.0 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 from the date of acquisition, bearing interest at a respectively valid rate.

11. Accounts receivable CHF 1,719.6 mn (CHF 1,576.8 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	2021	2022
Not overdue	1,277.4	1,351.5
Past due < 31 days	165.5	213.2
Past due 31-60 days	59.8	64.3
Past due 61-180 days	47.7	64.4
Past due 181-360 days	7.8	7.7
Past due > 365 days	18.6	18.5
Net accounts receivable	1,576.8	1,719.6

MOVEMENTS ON THE ALLOWANCE FOR DOUBTFUL DEBTS

in CHF mn	2021	2022
January 1	78.6	80.6
Additions to or increase in allowances	13.6	27.3
Reversal of allowances	-7.5	-5.8
Utilization of allowances	-3.3	-1.3
Exchange differences	-0.8	-5.0
December 31	80.6	95.8

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 1,212.8 mn (CHF 1,158.3 mn)

in CHF mn	2021	2022
Raw materials and supplies	452.9	495.6
Semi-finished goods	77.4	75.5
Finished goods	510.8	527.0
Merchandise	117.2	114.7
Total	1,158.3	1,212.8

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 190.1 mn (CHF 190.4 mn)

This includes advance payments and prepaid expenses for the accrual of expenses and income.

14. Other assets CHF 117.7 mn (CHF 264.8 mn)

OTHER CURRENT ASSETS

in CHF mn	2021	2022
Derivatives (at fair value through profit and loss)	16.5	6.8
Securities (at fair value through profit and loss)	4.5	2.8
Loans (at amortized cost)	10.3	15.9
Other financial assets	31.3	25.5
Other current assets	31.3	25.5

OTHER NON-CURRENT ASSETS

in CHF mn	2021	2022
Securities (at fair value through profit and loss)	64.4	59.5
Loans (at amortized cost)	17.2	14.3
Other financial assets	81.6	73.8
Employee benefit assets ¹	149.5	16.6
Other	2.4	1.8
Other non-financial assets	151.9	18.4
Other non-current assets	233.5	92.2

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 0.0 mn (CHF 33.7 mn) and liabilities CHF 0.0 mn (CHF 3.7 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.

On August 19, 2021, Sika announced the sale of its European industrial coatings business to the American Sherwin-Williams Company. 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 were presented as a disposal group held for sale. In 2021, the business segment generated sales of approximately CHF 80 million, and these were included as part of the EMEA region.

The transaction was closed on March 31, 2022. At the transaction date, net assets sold amounted to CHF 32.7 million. From the sale, a gain before taxes in the amount of CHF 166.5 million resulted and is included in other operating expenses. Expected income tax expense in the amount of approximately CHF 46 million is accrued.

On May 6, 2022, Sika announced the sale of Aliva Equipment, a Swiss unit supplying machines for the application of shotcrete, to the Finnish Normet Group Oy. In 2021, Aliva Equipment generated sales of approximately CHF 12 million, included as part of the EMEA region. The transaction was closed on August 2, 2022. Net assets sold amounted to CHF 7.6 million. From the sale, a loss before taxes in the amount of CHF 1.7 was recorded in other operating expenses.

16. Property, plant, and equipment CHF 1,822.3 mn (CHF 1,776.6 mn)

in CHF mn	2021	2022
Own property, plant, and equipment	1,455.4	1,488.7
Right-of-use assets	321.2	333.6
Property, plant, and equipment	1,776.6	1,822.3

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	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 January 1, 2022	208.1	435.6	704.9	106.8	1,455.4
Additions	18.5	15.8	52.1	151.6	238.0
Acquired on acquisition	1.3	9.5	11.3	0.1	22.2
Exchange differences	-7.7	-9.0	-20.8	-5.0	-42.5
Disposals	-4.1	-0.9	-4.3	0.0	-9.3
Reclassifications ¹	2.1	23.1	74.8	-100.6	-0.6
Depreciation charge for the year	0.0	-31.6	-142.9	0.0	-174.5
December 31, 2022	218.2	442.5	675.1	152.9	1,488.7
Acquisition cost	219.1	958.3	2,218.5	153.2	3,549.1
Cumulative depreciation and impairment	-0.9	-515.8	-1,543.4	-0.3	-2,060.4
Net values at December 31, 2022	218.2	442.5	675.1	152.9	1,488.7

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, 2022, but not recognized as liabilities is CHF 29.2 million (CHF 19.1 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	2021	2022
Expenses relating to leases of low-value assets	6.4	10.4
Expenses relating to short-term leases	23.1	29.0
Expenses relating to variable leases payments not included in lease liabilities	3.6	2.7

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 4.9 million (CHF 7.2 million) as of December 31, 2022.

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, 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 January 1, 2022	115.8	140.6	64.8	321.2
Additions	20.0	48.0	36.5	104.5
Acquired on acquisition	5.2	0.0	0.0	5.2
Exchange differences	-4.7	-5.9	-2.8	-13.4
Remeasurements	3.7	10.1	2.2	16.0
Disposals	-7.8	-2.8	-2.5	-13.1
Reclassifications ¹	-0.9	0.2	0.0	-0.7
Depreciation charge for the year	-18.4	-34.2	-33.5	-86.1
December 31, 2022	112.9	156.0	64.7	333.6
Acquisition cost	169.4	245.0	138.2	552.6
Cumulative depreciation and impairment	-56.5	-89.0	-73.5	-219.0
Net values at December 31, 2022	112.9	156.0	64.7	333.6

¹ Right-of-use assets are reclassified to property, plant, and equipment when the purchase option is exercised.

17. Intangible assets CHF 4,229.1 mn (CHF 4,379.9 mn)

in CHF mn	Goodwill	Software	Trademarks	Customer relations	Other intangibles	Total
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	207.7	0.1	13.9	56.6	11.1	289.4
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	3,296.6	42.3	294.8	672.5	73.7	4,379.9
Acquisition costs	3,301.4	175.9	385.8	996.2	194.6	5,053.9
Cumulative amortization and impairment	-4.8	-133.6	-91.0	-323.7	-120.9	-674.0
Net values at January 1, 2022	3,296.6	42.3	294.8	672.5	73.7	4,379.9
Additions	0.0	28.0	0.0	0.0	0.0	28.0
Acquired on acquisition	56.4	0.0	13.5	34.5	1.0	105.4
Exchange differences	-127.3	-0.9	-9.0	-23.2	-0.9	-161.3
Disposals	0.0	-0.3	0.0	0.0	0.0	-0.3
Reclassifications	0.0	1.3	0.0	0.0	0.0	1.3
Assets held for sale	0.0	0.0	0.0	0.0	0.0	0.0
Amortization for the year	0.0	-11.2	-29.7	-60.7	-22.3	-123.9
December 31, 2022	3,225.7	59.2	269.6	623.1	51.5	4,229.1
Acquisition costs	3,230.1	197.8	388.7	996.6	191.4	5,004.6
Cumulative amortization and impairment	-4.4	-138.6	-119.1	-373.5	-139.9	-775.5
Net values at December 31, 2022	3,225.7	59.2	269.6	623.1	51.5	4,229.1

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. No 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, which were approved by the Board of Directors. The sales growth rates used in the impairment test correspond to market expectations of the segments. The forecasting horizon extends to 2024.

The growth rates used outside the 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 (%)	Goodwill
EMEA	2.2	8.7	1,226.9
Americas	2.8	11.4	677.4
Asia/Pacific	2.0	10.7	1,102.5
Global Business	2.1	9.3	289.8
December 31, 2021			3,296.6
EMEA	3.1	9.2	1,163.7
Americas	4.3	11.1	738.3
Asia/Pacific	2.3	9.7	1,045.1
Global Business	2.6	8.5	278.6
December 31, 2022			3,225.7

18. Investments in associated companies CHF 9.5 mn (CHF 9.2 mn)

The following associated companies are included in the consolidated financial statements as of December 31, 2022: 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 stakes are unchanged compared to the prior year.

STAKE IN NET SALES AND NET INCOME OF ASSOCIATES

in CHF mn	2021	2022
Sales	2.9	2.2
Profit (+) / loss (-)	0.4	0.4

19. Accounts payable CHF 1,016.6 mn (CHF 1,033.2 mn)

Accounts payable do not bear interest and will usually become due within 30 to 60 days.

20. Accrued expenses and deferred income CHF 489.0 mn (CHF 519.9 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 4.6 million (CHF 3.9 million) are included (see note 1).

21. Financial liabilities CHF 3,937.2 mn (CHF 3,737.0 mn)

in CHF mn	2021			2022		
	Current	Non-current	Total	Current	Non-current	Total
Derivatives	10.4	0.0	10.4	9.1	0.4	9.5
Bank loans	18.0	0.0	18.0	11.1	0.0	11.1
Lease liabilities	73.5	244.1	317.6	78.1	256.1	334.2
Straight bonds	150.0	1,748.5	1,898.5	199.9	2,099.9	2,299.8
Convertible bond	0.0	1,381.9	1,381.9	0.0	1,249.7	1,249.7
Mandatory convertible bond (liability component)	48.7	0.0	48.7	0.0	0.0	0.0
Other financial liabilities	42.5	19.4	61.9	4.8	28.1	32.9
Total	343.1	3,393.9	3,737.0	303.0	3,634.2	3,937.2

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, 2022, 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, 2027, with the option of two one-year extensions. As of December 31, 2022, Sika has not utilized this credit line.
- Bridge facility of EUR 4,400.0 million (reduced from EUR 5,000 million after the issuance of bonds in the amount of CHF 600 million). The term ends on May 10, 2024. As of December 31, 2022, Sika has not utilized this credit line.

OUTSTANDING STRAIGHT BONDS

in CHF mn						2021	2022
Issuer	Bond	Nominal	Coupon	Term	Book value	Book value	
Sika AG, Baar, Switzerland	Straight bond	CHF	150.0	1.750%	2012-07/12/2022	150.0	0.0
	Straight bond	CHF	200.0	1.875%	2013-11/14/2023	199.8	199.9
	Straight bond	CHF	100.0	1.600%	2022-05/28/2024	0.0	99.9
	Straight bond	CHF	250.0	0.625%	2018-07/12/2024	250.2	250.2
	Straight bond	CHF	200.0	1.900%	2022-11/28/2025	0.0	199.6
	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	130.7	130.6
	Straight bond	CHF	300.0	2.350%	2022-11/28/2028	0.0	299.4
Sika Capital B.V., Utrecht, Netherlands	Straight bond	EUR	500.0	0.875%	2019-04/29/2027	514.3	490.6
	Straight bond	EUR	500.0	1.500%	2019-04/29/2031	513.5	489.6
Total						1,898.5	2,299.8

On October 31, 2022, Sika AG placed a bond with a total amount of CHF 600 million through a triple tranche with a payment date on November 28, 2022:

- CHF 100.0 million 2022 – May 2024 with a fixed coupon of 1.60% p.a. The bond was issued at 100.067%.
- CHF 200.0 million 2022 – Nov. 2025 with a fixed coupon of 1.90% p.a. The bond was issued at 100.036%.
- CHF 300.0 million 2022 – Nov. 2028 with a fixed coupon of 2.35% p.a. The bond was issued at 100.097%.

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 2022, the conversion price per share is CHF 188.45. 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 141.7 million were converted (CHF 241.0 million).

RECONCILIATION LIABILITY COMPONENT 0.15%-CONVERTIBLE BOND 2018-2025

in CHF mn	2021	2022
January 1	1,609.4	1,381.9
Interest expense (amortized cost)	9.0	7.2
Conversion of bond into registered shares	-236.5	-139.4
December 31	1,381.9	1,249.7
Open par value	1,409.0	1,267.3

On January 22, 2019, Sika placed a mandatory convertible bond in the amount of CHF 1,300.0 million due end of January 2022. The mandatory convertible bond had a coupon of 3.75% p.a. These interest payments were classified as a liability component. Accordingly, the liability component was reduced annually by the interest payments made.

On January 31, 2022, the remaining convertible bonds with a nominal value of CHF 1,299.8 million were fully converted into new shares from the conditional capital of Sika AG. The conversion price per share was CHF 130.756. In 2021, bonds with a nominal value of CHF 0.2 million were converted.

RECONCILIATION LIABILITY COMPONENT 3.75%-MANDATORY CONVERTIBLE BOND 2019–2022

in CHF mn	2021	2022
January 1	97.0	48.7
Interest expense (amortized cost)	0.5	0.1
Repayment liability component (interest)	-48.8	-48.8
December 31	48.7	0.0
Open par value	48.8	0.0

CHANGE IN FINANCIAL LIABILITIES

in CHF mn	Bank loans	Bonds	Lease liabilities	Other financial liabilities	Total financial liabilities
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	39.6	70.2
Non-cash movements	46.3	-273.3	94.7	40.7	-91.6
December 31, 2021	18.0	3,329.1	317.6	72.3	3,737.0
January 1, 2022	18.0	3,329.1	317.6	72.3	3,737.0
Proceeds	11.4	598.9	0.0	9.2	619.5
Repayments	-22.3	-198.8	-95.5	-19.7	-336.3
Cash flow	-10.9	400.1	-95.5	-10.5	283.2
Acquired on acquisition	5.8	0.0	5.2	0.0	11.0
Exchange differences	-1.9	-48.1	-12.8	-2.7	-65.5
New leases	0.0	0.0	104.6	0.0	104.6
Conversion of bonds into shares	0.0	-139.4	0.0	0.0	-139.4
Other changes	0.1	7.8	15.1	-16.7	6.3
Non-cash movements	4.0	-179.7	112.1	-19.4	-83.0
December 31, 2022	11.1	3,549.5	334.2	42.4	3,937.2

The classification and valuation principles for financial liabilities are described in note 27.

22. Provisions CHF 104.9 mn (CHF 121.6 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 except for acquisitions. Potential losses due to future incidents are not recognized in the balance sheet.

in CHF mn	Warranties	Sundry risks	Total
Current provisions	15.4	11.5	26.9
Non-current provisions	28.6	49.4	78.0
Provisions	44.0	60.9	104.9
Reconciliation			
January 1, 2022	58.1	63.5	121.6
Additions	9.0	10.6	19.6
Assumed on acquisition	0.2	1.9	2.1
Exchange differences	-2.0	-1.8	-3.8
Utilization	-8.6	-6.3	-14.9
Reversal	-12.7	-7.0	-19.7
December 31, 2022	44.0	60.9	104.9

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 78.0 million (CHF 95.6 million) are shown as non-current liabilities, since an outflow of funds is not expected within the next twelve months. For provisions of CHF 26.9 million (CHF 26.0 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 or forfeited 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, but their probability of occurring is below 50%.

23. Employee benefit obligations

in CHF mn	2021			2022		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Employee benefit plans with defined benefits	149.5	205.8	56.3	16.6	138.9	122.3
Other employee commitments	-	117.1	117.1	-	101.0	101.0
Total	149.5	322.9	173.4	16.6	239.9	223.3

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 within 45 Group companies. The biggest plans are in Switzerland, accounting for 83.2% (80.0%) of Sika's entire defined benefit pension obligations and 96.8% (96.9%) 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 implementation of the pension fund regulations, the financing of benefits, and the investment of assets. The investment strategy is structured so that 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, 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			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

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, 2022	-1,091.6	1,039.2	-3.9	-56.3
Current service cost	-31.8			-31.8
Past service cost (-) and gains (+)/ losses (-) on settlements and curtailments	0.7			0.7
Interest expense (-)/interest income (+)	-5.6	3.9		-1.7
Total expense recognized in income statement	-36.7	3.9		-32.8
thereof Switzerland	-27.6	3.5		-24.1
thereof others	-9.1	0.4		-8.7
Return on plan assets, excluding amounts included in interest income		-147.9		-147.9
Actuarial gains (+)/losses (-) from change in financial assumptions	194.6			194.6
Actuarial gains (+)/losses (-) from change in demographic assumptions	-0.6			-0.6
Experience gains (+)/losses (-)	-25.2			-25.2
Change in asset ceiling			-95.6	-95.6
Total remeasurement recognized in other comprehensive income	168.8	-147.9	-95.6	-74.7
thereof Switzerland	117.8	-144.2	-95.6	-122.0
thereof others	51.0	-3.7	0.0	47.3
Exchange differences	10.3	-1.1		9.2
Contributions by employers		23.8		23.8
Contributions by plan participants	-16.8	16.8		0.0
Benefits paid	36.7	-28.1		8.6
Disposed of in a business combination and others	8.7	-8.8		-0.1
Liabilities held for sale	0.0	0.0		0.0
At December 31, 2022	-920.6	897.8	-99.5	-122.3
thereof Switzerland	-765.5	869.5	-99.5	4.5
thereof others	-155.1	28.3	0.0	-126.8

The contributions expected to be paid into the defined benefit pension plans for 2023 amount to CHF 24.6 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 104.4 million (CHF 163.9 million). Schemes in Germany, in particular, do not have segregated assets. For the Swiss pension plan, the result is a surplus of CHF 4.5 million (deficit of CHF 129.4 million).

MAJOR CATEGORIES OF TOTAL PLAN ASSETS

in CHF mn	2021			2022		
	Switzerland	Others	Total	Switzerland	Others	Total
Cash and cash equivalents	28.3	4.7	33.0	17.3	6.8	24.1
Equity instruments	462.2	1.7	463.9	337.7	0.7	338.4
Debt instruments	345.1	5.0	350.1	307.8	2.7	310.5
Real estate investments	169.0	0.0	169.0	204.3	0.0	204.3
Other assets	2.1	21.1	23.2	2.4	18.1	20.5
Total	1,006.7	32.5	1,039.2	869.5	28.3	897.8

Most of the plan assets of the pension schemes are invested in assets with quoted market prices. In the year under review, 7.8% (9.6%) of the investments in real estate did not have a quoted market price.

AMOUNTS INCLUDED IN PLAN ASSETS

in CHF mn	2021		2022	
	Switzerland	Others	Switzerland	Others
Shares Sika AG ¹	43.2	0.0	24.9	0.0
Own property occupied by Sika	11.4	0.0	11.1	0.0
Total	54.6	0.0	36.0	0.0

1 According to Swiss law, employer shareholdings may not exceed 5% of assets.

ACTUARIAL ASSUMPTIONS - WEIGHTED AVERAGE

	2021		2022	
	Switzerland	Others	Switzerland	Others
Discount rate in the year under review (%)	0.35	1.10	2.20	3.56

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%	-23.2	-4.4
Discount rate	-0.25%	24.7	4.5

FURTHER INFORMATION

	2021		2022	
	Switzerland	Others	Switzerland	Others
Total number of defined benefit plans	3	41	3	41
thereof number of defined benefit plans funded	3	12	3	12
thereof number of defined benefit plans unfunded	0	29	0	29
Average weighted duration in years	14.2	15.3	12.8	12.7

24. Other liabilities CHF 36.1 mn (CHF 36.4 mn)

Other liabilities consist of deferred revenue for warranty extensions that will not be realized within the next twelve months.

25. Shareholders' equity CHF 4,967.1 mn (CHF 4,395.9 mn)

in CHF mn	2021	2022
Capital stock	1.4	1.5
Capital surplus	437.4	1,878.8
Treasury shares	-10.7	-15.1
Currency translation differences	-995.2	-1,232.7
Retained earnings	4,960.9	4,333.7
Equity attributable to Sika shareholders	4,393.8	4,966.2
Non-controlling interests	2.1	0.9
Shareholders' equity	4,395.9	4,967.1

Equity accounts for 43.9% (41.1%) 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
At January 1, 2022	143,044,967	1,430,450
Capital increase from conditional capital	10,690,084	106,901
At December 31, 2022	153,735,051	1,537,351

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 3.20 per registered share to the shareholders of Sika AG. This corresponds to a maximum possible payout amount of CHF 513.5 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 (p.251 et seq. of this report).

26. Cash flow statement

CASH FLOW ANALYSIS

in CHF mn	2021	2022
Cash flow from operating activities	1,064.1	1,099.8
Cash flow from investing activities	-469.2	-169.0
Cash flow from financing activities	-736.8	-190.0
Exchange differences	-1.8	-42.5
Net change in cash and cash equivalents	-143.7	698.3

FREE CASH FLOW AND OPERATING FREE CASH FLOW

in CHF mn	2021	2022
Cash flow from operating activities	1,064.1	1,099.8
Net investment in		
Property, plant, and equipment	-142.4	-206.6
Intangible assets	-13.3	-28.0
Acquisitions less cash and cash equivalents	-304.4	-142.7
Proceeds from divestment of businesses	0.0	211.7
Acquisition of associated companies	-7.8	0.0
Acquisitions (-)/disposals (+) of financial assets	-1.3	-3.4
Free cash flow	594.9	930.8
Acquisitions (+)/disposals (-) less cash and cash equivalents	312.2	-69.0
Acquisitions (+)/disposals (-) of financial assets	1.3	3.4
Operating free cash flow	908.4	865.2

OTHER ADJUSTMENTS

in CHF mn	2021	2022
Profit (-)/loss (+) from disposals of non-financial assets	-7.8	-21.8
Personnel expenses settled through treasury shares	9.1	10.5
Others	-3.4	11.4
Total	-2.1	0.1

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	1,279.8	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
Not overdue	1,353.8	2.3
Past due < 31 days	216.3	3.1
Past due 31-60 days	67.4	3.1
Past due 61-180 days	76.7	12.3
Past due 181-360 days	23.9	16.2
Past due > 360 days	77.3	58.8
December 31, 2022	1,815.4	95.8

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	2021		2022	
		Book value	Fair value	Book value	Fair value
Cash and cash equivalents		1,175.0		1,873.3	
Accounts receivable		1,576.8		1,719.6	
Loans (at amortized cost)		27.5		30.2	
Securities (at fair value through profit and loss)	1	68.9	68.9	62.3	62.3
Derivatives (at fair value through profit and loss)	2	16.5	16.5	6.8	6.8
Financial assets at December 31		2,864.7		3,692.2	
Bank loans		18.0		11.1	
Accounts payable		1,033.2		1,016.6	
Lease liabilities		317.6		334.2	
Bonds	2	3,280.4	4,812.6	3,549.5	3,749.5
Mandatory convertible bond (liability component)		48.7		0.0	
Other financial liabilities		61.9		32.9	
Financial liabilities measured at amortized cost		4,759.8		4,944.3	
Derivatives (at fair value through profit and loss)	2	10.4	10.4	9.5	9.5
Financial liabilities at December 31		4,770.2		4,953.8	

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. Property, plant, and equipment of CHF 0.6 million (CHF 17.0 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		Contract value	Contractual value upon maturity		
	(+)	(-)		Up to 3 months	3 to 12 months	Over 12 months
Forward contracts (foreign exchange)	1.1	-0.6	130.2	64.3	65.9	0.0
Swaps (foreign exchange)	15.4	-9.8	1,639.4	393.8	1,245.6	0.0
Open derivatives 2021	16.5	-10.4	1,769.6	458.1	1,311.5	0.0
Forward contracts (foreign exchange)	1.3	-4.2	271.7	66.5	205.2	0.0
Swaps (foreign exchange)	5.5	-4.9	991.2	224.7	766.5	0.0
Swaps (interest rate)	0.0	-0.4	100.0	0.0	0.0	100.0
Open derivatives 2022	6.8	-9.5	1,362.9	291.2	971.7	100.0

Losses from currency differences recognized in the income statement amounted to CHF 49.8 million (loss CHF 32.8 million), including a net gain of CHF 12.0 million (net gain of CHF 18.9 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	2021		2022	
	Profit before tax	Comprehensive income	Profit before tax	Comprehensive income
EUR: +10%	-6.0	0.0	-3.6	0.0
EUR: -10%	6.0	0.0	3.6	0.0
USD: +10%	-7.6	10.5	-14.1	10.6
USD: -10%	7.6	-10.5	14.1	-10.6

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 risk arises from movements in interest rates which could affect the Group's financial result or the value of the Group equity. Interest rate risk is limited through the issue of fixed-interest long-term bonds (see note 21). The Group may use interest rate derivatives to manage its interest-rate-related exposure and financial result. 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 2021 nor at year-end 2022. 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	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	42.5	18.4	1.0	61.9
Financial liabilities measured at amortized cost	1,397.6	2,252.7	1,332.6	4,982.9
Financial liabilities at fair value through profit and loss	10.4	0.0	0.0	10.4
December 31, 2021	1,408.0	2,252.7	1,332.6	4,993.3
Bank loans	11.1	0.0	0.0	11.1
Accounts payable	1,016.6	0.0	0.0	1,016.6
Lease liabilities	86.6	191.3	129.7	407.6
Bonds	233.7	2,543.9	955.5	3,733.1
Mandatory convertible bond (liability component)	0.0	0.0	0.0	0.0
Other financial liabilities	4.7	16.0	12.2	32.9
Financial liabilities measured at amortized cost	1,352.7	2,751.2	1,097.4	5,201.3
Financial liabilities at fair value through profit and loss	9.1	0.4	0.0	9.5
December 31, 2022	1,361.8	2,751.6	1,097.4	5,210.8

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, 2022, and December 31, 2021. The Group monitors its equity using the equity ratio, which is shareholders' equity divided by total capital.

TAX RISK MANAGEMENT

Our multinational operations are taxed under the laws of the countries in which they operate. Changes in tax laws or in their application could lead to an increased risk of international tax disputes and an increase in our effective tax rate, which could adversely affect our financial results.

To address concerns about uneven profit distribution and tax contributions of large multinational corporations, various agreements have been reached at the global level, including an agreement by over 135 jurisdictions to introduce a global minimum tax rate of 15%. The Organization for Economic Co-operation and Development (OECD) released a draft legislative framework, followed by detailed guidance that is expected to be used by individual jurisdictions that signed the agreement to amend their local tax laws. Once changes to the tax laws in any jurisdiction in which the Group operates are enacted or substantively enacted, the Group may be subject to the top-up tax. Management is closely monitoring the progress of the legislative process in each jurisdiction the Group operates in. At December 31, 2022, the Group did not have sufficient information to determine the potential quantitative impact.

Other information

SIGNIFICANT SHAREHOLDERS

At December 31, 2022, based on information supplied to the Group, there are 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. No notifications about changes in significant shareholdings have been received since the publication of the Annual Report 2021.

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.

RELATED PARTIES

ASSOCIATED COMPANIES

In the year under review, goods and services totaling CHF 1.0 million (CHF 1.1 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 29.1 million (CHF 27.2 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 2022 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	2021	2022
Current benefits	12.7	15.1
Share-based payments ¹	4.3	5.5
Pension benefits	1.4	1.3
Total	18.4	21.9

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 (p.274 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 14, 2023. The financial statements will be submitted for approval to the Annual General Meeting on March 28, 2023.

OTHER INFORMATION

PLANNED ACQUISITION

In November 2021, Sika signed an agreement to acquire MBCC Group, which is the former BASF Construction Chemicals. The transaction complements almost all of Sika's core technologies, applications, and solutions. It will create synergies and novel solutions that will help make the construction industry more sustainable. Sika proceeded with the transaction process in 2022 and has received unconditional regulatory approval for the transaction from authorities in most countries, among them Japan, China, Brazil, Serbia, Morocco, Russia, Colombia, Mexico, South Africa, Saudi Arabia, Turkey, and Thailand. In January 2023, an agreement was signed with Ineos for the purchase of parts of MBCC Group's admixtures business with sales of around CHF 920 million. The acquisition of MBCC is set to be significantly value-enhancing for Sika. Together with MBCC, Sika intends to strengthen its growth platform and generate annual synergies of CHF 160–180 million. The closing of the acquisition is scheduled for the first half of 2023.

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.

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	100*	
	❖ Sika Trading DZ Sarl, Algiers	DZD	43,000	49.5 ²	
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	○ 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	◆★★
	○ 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	170,720	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 Deutschland GmbH, Frankfurt am Main	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	29,567	100	
Greece	○ Sika Hellas ABEE, Kryoneri	EUR	9,000	100	◆★★
Hungary	○ Sika Hungária Kft., Biatorbágy	HUF	483,000	100	◆★
Iran	○ Sika Parsian P.J.S. Co., Tehran	IRR mn	293,229	100	

Country	Company ¹		Capital stock in thousands	Voting and capital share in %	Certifi- cation
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	1,080	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	2,705	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	◆★★
	▲ Sika Services AG, Zurich	CHF	300	100	◆★★

Country	Company ¹		Capital stock in thousands	Voting and capital share in %	Certifi- cation
	▲ 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	8,244	100	◆★★
Tunisia	❖ Sika Tunisienne Sàrl, Douar Hicher	TND	150	100*	◆★★
Turkey	○ Sika Yapı Kimyasalları 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 Yapı Kimyasalları 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	◆★★
	▲ Dry Mix Solutions UK Ltd., Welwyn Garden City	GBP	1	100*	
	▲ Enevis Group Ltd, Lanarkshire	GBP	1	100*	
	▲ Parex Ltd., Welwyn Garden City	GBP	345	100*	
Americas					
Argentina	○ Sika Argentina SAIC, Caseros	ARS	7,600	100	◆★★
	▲ VDP Logistica SA, Ciudad de Buenos Aires	ARS	100	100*	
Bolivia	○ Sika Bolivia SA, Santa Cruz de la Sierra	BOB	1,800	100	◆
Brazil	○ Sika S/A, Osasco	BRL	410,246	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*	
	○ Sable Marco Inc., Pont-Rouge/QC	CAD	56,000	100*	

Country	Company ¹		Capital stock in thousands	Voting and capital share in %	Certifi- cation
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*	
	○ United Gilsonite Laboratories, Inc., Dunmore	USD	404	100*	
Venezuela	○ Sika Venezuela SA, Valencia	VED	0	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	◆ ★ *
	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*	◆ ★ *

Country	Company ¹		Capital stock in thousands	Voting and capital share in %	Certifi- cation
	○ 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	10,000	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) New Materials Co. Ltd., Chengdu	CNY	20,000	100*	◆ ★ *
	○ SikaDavco (Chongqing) New Materials Co. Ltd., Chongqing	CNY	10,000	100	
	○ SikaDavco (Dezhou) New Materials Co. Ltd., Dezhou City	USD	1,500	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	50,000	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*	
	○ 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*	

Country	Company ¹		Capital stock in thousands	Voting and capital share in %	Certifi- cation	
Korea	○ Sika Korea Ltd., Seoul		KRW mn	5,596	100	◆ ★
Malaysia	○ Sika Kimia Sdn. Bhd., Nilai		MYR	44,000	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		USD	3,018	100	◆ ★
New Zealand	○ Sika (NZ) Ltd., Auckland		NZD	1,100	100	◆ ★ *
Philippines	○ Sika Philippines Inc., Las Pinas City		PHP	55,610	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	711,506	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	◆ ★ *

- Production, sales, construction contracting
- Production and sales
- ✦ Sales
- ▲ Real estate and service companies
- Construction contracting

- ◆ ISO 9001 (Quality Management)
- ★ ISO 14001 (Environmental Management)
- * ISO 45001 (Occupational Health and Safety)

- 1 For associated companies see note 18.
2 Fully consolidated - control over the company through shareholder agreement.
* Company indirectly held by Sika AG.
Material changes are indicated on p.211.



Statutory Auditor's Report

To the General Meeting of Sika AG, Baar

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 balance sheet as at 31 December 2022, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and appendix to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 202 to 256) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, 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 Standards on Auditing (SA-CH). 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, together with the requirements of the Swiss audit profession, as well as the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (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



VALUATION OF GOODWILL

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.



VALUATION OF GOODWILL

Key Audit Matter

As of 31 December 2022, the consolidated financial statements included goodwill amounting to CHF 3,226 million.

Goodwill is assessed for impairment by management at least on a yearly basis by determining the value in use, which is then compared to the carrying amount.

For determining the value in use the discounted cashflow (DCF) method is applied. This requires the use of a number of key assumptions by management, including assumptions regarding expected future cash flows, long-term growth rates, future profitability levels and applicable discount rates, as well as assessments concerning the determination and allocation of assets to the cash generating units (CGUs).

In relation to total assets and net assets as per 31 December 2022, goodwill is of material importance.

In the financial year 2022 no impairment of goodwill was identified.

There is a risk that a potential impairment of goodwill is not or not adequately identified due to inappropriate assumptions.

For further information on the valuation of goodwill refer to the following:

- Note “Principles of consolidation and valuation” on pages 207 - 210
- Note 17 “Intangible Assets” on pages 231 - 232

Other Matter

The consolidated financial statements of Sika AG for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 15 February 2022.

Our response

Amongst others, we have performed the following audit procedures:

- We evaluated the determination of the CGUs by management as well as the methodological and mathematical correctness of the valuation method used for the impairment test.
- Also, we assessed the appropriateness of the most important assumptions used to determine the value in use as well as the method applied for the cash-flow projections. This included the allocation of goodwill to the CGUs, the long-term growth rates and the determination of the discount rate based on our business understanding of the respective CGUs. In this respect, we made comparisons with publicly available market data, where possible. Our valuation specialists supported us in assessing the appropriateness of the most important assumptions.
- Furthermore, we gained an understanding of the business plans and made comparisons with prior-year assumptions. Also, we traced back the data used in the value in use calculation of the CGUs to the business plans approved by the Board of Directors.
- We also conducted sensitivity analyses taking into account the historical forecasting accuracy.
- Moreover, we assessed the appropriateness of the disclosures related to the impairment test.



Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company, the compensation report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information 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 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.

Board of Directors' Responsibilities 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 SA-CH 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.

As part of an audit in accordance with Swiss law, ISAs and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our



conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 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.

KPMG AG

Toni Wattenhofer
Licensed Audit Expert
Auditor in Charge

Anna Pohle
Licensed Audit Expert

Zug, 14 February 2023

FIVE-YEAR REVIEWS

CONSOLIDATED INCOME STATEMENT for the year ended December 31

in CHF mn	2018	2019	2020	2021	2022
Net sales	7,085.4	8,109.2	7,877.5	9,252.3	10,491.8
Material expenses	-3,333.7	-3,765.2	-3,562.7	-4,461.0	-5,312.0
Gross result	3,751.7	4,344.0	4,314.8	4,791.3	5,179.8
Personnel expenses	-1,345.4	-1,544.3	-1,525.9	-1,635.3	-1,710.5
Other operating expenses	-1,256.4	-1,412.1	-1,291.3	-1,398.0	-1,505.1
Operating profit before depreciation	1,149.9	1,387.6	1,497.6	1,758.0	1,964.2
Depreciation/amortization/impairment	-204.0	-332.5	-367.1	-366.6	-384.5
Operating profit	945.9	1,055.1	1,130.5	1,391.4	1,579.7
Interest income/interest expense	-24.2	-55.0	-51.9	-45.4	-40.4
Financial income/expense and income from associated companies	-28.8	-33.5	-18.2	-10.4	-41.1
Profit before taxes	892.9	966.6	1,060.4	1,335.6	1,498.2
Income taxes	-205.8	-208.1	-235.3	-287.1	-335.7
Net profit	687.1	758.5	825.1	1,048.5	1,162.5
Free cash flow	38.8	-717.0	1,120.3	594.9	930.8
Operating free cash flow	513.2	1,026.1	1,259.4	908.4	865.2
Gross result as % of net sales	53.0	53.6	54.8	51.8	49.4
Operating profit as % of net sales	13.4	13.0	14.4	15.0	15.1
Net profit as % of net sales (ROS)	9.7	9.4	10.5	11.3	11.1
Net profit as % of shareholders' equity (ROE)	41.0	24.0	25.1	23.9	23.4

SEGMENT INFORMATION

in CHF mn	EMEA					Americas				
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
Net sales	3,276	3,530	3,496	4,071	4,144	1,840	2,183	2,012	2,427	3,194
Operating profit	451	488	572	691	783	304	356	345	446	571
in % of net sales	13.8	13.8	16.4	17.0	18.9	16.5	16.3	17.1	18.4	17.9
Depreciation/amortization	91	141	154	153	142	44	78	82	81	96
Capital expenditures	114	89	48	54	85	46	41	36	47	71

in CHF mn	Asia/Pacific					Global Business				
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
Net sales	1,201	1,613	1,723	2,081	2,344	768	783	647	673	811
Operating profit	219	263	285	349	371	111	92	55	50	49
in % of net sales	18.2	16.3	16.5	16.8	15.8	14.5	11.7	8.5	7.4	6.0
Depreciation/amortization	25	59	76	78	89	19	25	25	25	28
Capital expenditures	29	35	27	44	68	19	17	11	14	18

in CHF mn	Other segments and activities					Total				
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
Net sales	0	0	0	0	0	7,085	8,109	7,878	9,252	10,492
Operating profit	-139	-144	-126	-145	-193	946	1,055	1,131	1,391	1,580
in % of net sales						13.4	13.0	14.4	15.0	15.1
Depreciation/amortization	25	29	30	30	31	204	332	367	367	385
Capital expenditures	6	11	10	12	25	214	193	132	171	266

The internal reporting practice was changed on 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		2018	2019	2020	2021	2022
Cash and cash equivalents		914.0	995.1	1,318.7	1,175.0	1,873.3
Accounts receivable	a	1,322.7	1,441.9	1,361.8	1,576.8	1,719.6
Inventories	b	800.7	866.5	814.0	1,158.3	1,212.8
Other assets ¹		139.1	166.4	140.1	255.4	215.6
Current assets		3,176.5	3,469.9	3,634.6	4,165.5	5,021.3
Property, plant, and equipment		1,214.2	1,795.8	1,702.6	1,776.6	1,822.3
Intangible assets		1,693.9	4,351.0	4,172.3	4,379.9	4,229.1
Other assets ²		297.4	343.0	284.5	384.8	246.5
Non-current assets		3,205.5	6,489.8	6,159.4	6,541.3	6,297.9
ASSETS		6,382.0	9,959.7	9,794.0	10,706.8	11,319.2
Accounts payable	c	733.8	837.2	846.3	1,033.2	1,016.6
Financial liabilities		237.5	342.9	334.7	343.1	303.0
Other liabilities ³		435.5	632.9	644.1	719.9	721.8
Current liabilities		1,406.8	1,813.0	1,825.1	2,096.2	2,041.4
Financial liabilities		2,795.0	4,070.1	3,851.9	3,393.9	3,634.2
Non-current provisions, employee benefit obligations		316.8	414.9	417.8	418.5	317.9
Other liabilities ⁴		188.2	500.5	411.2	402.3	358.6
Non-current liabilities		3,300.0	4,985.5	4,680.9	4,214.7	4,310.7
LIABILITIES		4,706.8	6,798.5	6,506.0	6,310.9	6,352.1
Capital stock		1.4	1.4	1.4	1.4	1.5
Treasury shares		-11.1	-7.3	-5.2	-10.7	-15.1
Reserves		1,655.4	3,130.0	3,289.6	4,403.1	4,979.8
Equity attributable to Sika shareholders		1,645.7	3,124.1	3,285.8	4,393.8	4,966.2
Non-controlling interests		29.5	37.1	2.2	2.1	0.9
SHAREHOLDERS' EQUITY	d	1,675.2	3,161.2	3,288.0	4,395.9	4,967.1
LIABILITIES AND SHAREHOLDERS' EQUITY	e	6,382.0	9,959.7	9,794.0	10,706.8	11,319.2

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	2018	2019	2020	2021	2022
Net working capital	(a+b-c)	1,389.6	1,471.2	1,329.5	1,701.9	1,915.8
Net working capital as % of net sales		19.6	18.1	16.9	18.4	18.3
Net debt ¹	f	2,114.1	3,407.8	2,855.8	2,547.1	2,051.6
Gearing in %	(f:d)	126.2	107.8	86.9	57.9	41.3
Equity ratio in %	(d:e)	26.2	31.7	33.6	41.1	43.9

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	2018	2019	2020	2021	2022
Capital employed ¹		3,975.6	7,026.4	6,582.1	7,263.0	7,366.2
Annual average of capital employed	g	3,611.0	5,501.0	6,804.3	6,922.6	7,314.6
Operating profit	h	945.9	1,055.1	1,130.5	1,391.4	1,579.7
Return on capital employed (ROCE) in %	(h:g)	26.2	19.2	16.6	20.1	21.6

1 Capital employed: current assets, PPE, intangible assets less cash and cash equivalents, current securities, current liabilities (excluding bank loans and bond).

EMPLOYEES

	2018	2019	2020	2021	2022
EMEA (Europe, Middle East, Africa)¹	10,983	12,284	12,534	13,004	12,972
Germany	2,354	2,334	2,247	2,256	2,168
Switzerland	2,024	2,013	1,948	1,985	1,948
France	685	1,392	1,362	1,375	1,396
United Kingdom	864	951	890	972	1,013
America¹	4,867	6,271	5,936	6,820	7,394
USA	2,164	2,547	2,438	2,671	2,893
Mexico	525	499	476	1,061	1,046
Brazil	589	964	824	833	854
Asia/Pacific¹	4,210	6,586	6,378	7,235	7,342
China	1,181	2,753	2,806	3,414	3,480
Japan	673	682	672	988	930
Total	20,060	25,141	24,848	27,059	27,708
Personnel expenses (in CHF mn)					
Wages and salaries	1,095	1,257	1,235	1,328	1,399
Social charges, other	250	287	291	307	312
Personnel expenses	1,345	1,544	1,526	1,635	1,711
Personnel expenses as % of net sales	19.0	19.0	19.4	17.7	16.3
Key data per employee (in CHF thousands)					
Net sales	368	359	315	356	383
Net value-added ²	117	116	107	118	121

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	2018	2019	2020	2021	2022
Source of value-added					
Corporate performance (net sales)	7,085	8,109	7,878	9,252	10,492
Intermediate inputs	-4,619	-5,157	-4,819	-5,838	-6,806
Gross value-added	2,466	2,952	3,059	3,414	3,686
Non-liquidity-related expenses					
Depreciation and amortization	-204	-333	-367	-367	-385
Change in provisions	2	-6	-26	25	20
Net value-added	2,264	2,613	2,666	3,072	3,321
Distribution of value-added					
To employees					
Wages and salaries	1,095	1,257	1,235	1,328	1,399
Social charges	253	287	293	309	312
To governments	206	254	280	331	390
To lenders (interest expenses)	23	56	33	55	57
To shareholders (dividend payout, incl. non-controlling interests)	283	293	327	355	446
To the company					
Net profit for the year	687	759	825	1,049	1,163
Less dividend payout	-283	-293	-327	-355	-446
Net value-added	2,264	2,613	2,666	3,072	3,321
Number of employees					
End of year	20,060	25,141	24,848	27,059	27,708
Annual average	19,272	22,601	24,995	25,954	27,384
Net value-added per employee (in CHF thousands)	117	116	107	118	121

SIKA AG, BAAR

FINANCIAL STATEMENTS

SIKA AG INCOME STATEMENT for the year ended December 31

in CHF mn	Notes	2021	2022
Dividend income	1	470.6	553.9
Financial income	2	135.5	133.3
Other income	3	41.3	135.3
Income		647.4	822.5
Financial expenses	4	-160.0	-159.8
Personnel expenses	5	-23.3	-14.7
Other operating expenses	6	-51.7	-139.6
Operating profit before depreciation		412.4	508.4
Impairment losses (-)/reversal of impairment losses (+) on investments		-9.9	-9.7
Depreciation and amortization expenses		-0.1	-0.1
Net profit before taxes		402.4	498.6
Direct taxes		-3.5	-6.5
Net profit for the year		398.9	492.1

SIKA AG BALANCE SHEET as at December 31

in CHF mn	Notes	2021	2022
Cash and cash equivalents	7	617.9	1,273.9
Securities		0.1	0.1
Other current receivables from third parties	8	2.1	3.0
Other current receivables from subsidiaries	8	2,677.9	2,526.5
Prepaid expenses and accrued income		13.2	12.1
Current assets		3,311.2	3,815.6
Financial assets		0.0	0.9
Investments	9	3,412.0	3,392.7
Property, plant, and equipment		0.3	0.2
Other non-current assets	10	18.0	13.8
Non-current assets		3,430.3	3,407.6
ASSETS		6,741.5	7,223.2
Accounts payable to third parties		1.2	2.7
Accounts payable to subsidiaries		13.7	10.5
Current interest-bearing liabilities to third parties	11	1,449.8	200.0
Current interest-bearing liabilities to subsidiaries	12	307.9	380.3
Other current liabilities to third parties		2.1	1.2
Accrued expenses and deferred income	13	88.0	58.6
Current liabilities		1,862.7	653.3
Non-current interest-bearing liabilities to third parties	11	2,129.0	2,387.3
Non-current interest-bearing liabilities to subsidiaries	12	1,043.0	994.2
Other non-current liabilities	14	2.9	2.9
Non-current provisions	15	4.3	2.5
Non-current liabilities		3,179.2	3,386.9
LIABILITIES		5,041.9	4,040.2
Share capital		1.4	1.5
Legal capital reserves		295.4	1,736.8
Legal retained earnings		4.0	4.0
Voluntary retained earnings		121.7	121.7
Profit brought forward		1,287.8	1,334.1
Treasury shares	16	-10.7	-15.1
Shareholders' equity	17	1,699.6	3,183.0
LIABILITIES AND SHAREHOLDERS' EQUITY		6,741.5	7,223.2

NOTES TO THE SIKA AG FINANCIAL STATEMENTS

Principles

GENERAL

The 2022 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 553.9 mn (CHF 470.6 mn)

Dividends from subsidiaries are recognized in this position.

2. Financial income CHF 133.3 mn (CHF 135.5 mn)

Financial income includes interest income and gains from foreign exchange transactions.

3. Other income CHF 135.3 mn (CHF 41.3 mn)

Other income includes income from the cost allocation to subsidiaries. In 2022, costs related to the planned acquisition of the MBCC Group were recharged to selected subsidiaries who will benefit from the planned acquisition.

4. Financial expenses CHF 159.8 mn (CHF 160.0 mn)

Financial expenses include the interest costs on bonds, foreign currency losses on loans to subsidiaries as well as other finance costs. In 2022, financial expenses were mainly impacted by lower interests on bonds (see note 11), but this was offset by higher foreign currency losses and commitment fees on the credit facilities.

5. Personnel expenses CHF 14.7 mn (CHF 23.3 mn)

Personnel expenses comprise all payments to persons in an employment relationship. Also included are expenses such as pension fund contributions, health insurance contributions, employee participation plan costs as well as taxes and levies directly related to personnel remuneration. In 2022, the decline in Sika's share price resulted in an income from the valuation of the employee participation plan.

6. Other operating expenses CHF 139.6 mn (CHF 51.7 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. In 2022, non-recurring costs related to the planned acquisition of the MBCC Group of CHF 78.3 million were incurred and recharged to the subsidiaries (see note 3). Furthermore, stamp taxes of CHF 14.3 million had to be paid due to the conversion of convertible bonds (see note 11).

7. Cash and cash equivalents CHF 1,273.9 mn (CHF 617.9 mn)

Bank deposits of CHF 1,216.7 million (CHF 571.0 million) are invested in Swiss francs and CHF 57.2 million (CHF 46.9 million) in foreign currencies. In November 2022, Sika placed bonds with a total amount of CHF 600 million (see note 11). These additional funds are part of the financing strategy for the planned acquisition of the MBCC Group.

8. Other current receivables from subsidiaries and third parties CHF 2,529.5 mn (CHF 2,680.0 mn)

Receivables consist of short-term loans to subsidiaries in the amount of CHF 2,460.6 million (CHF 2,612.4 million). In addition, Sika AG has receivables of CHF 65.9 million (CHF 65.5 million) from Sika subsidiaries and receivables from third parties in the amount of CHF 3.0 million (CHF 2.1 million).

9. Investments CHF 3,392.7 mn (CHF 3,412.0 mn)

The change in investments results from the formation of new companies and acquisitions, capital increases at subsidiaries, restructurings, and liquidations as well as changes in valuation. Major participations are summarized on the list of Group companies beginning on p.251 of this report.

10. Other non-current assets CHF 13.8 mn (CHF 18.0 mn)

The other non-current assets contain the discounts and issue costs for bonds as well as non-current receivables from subsidiaries.

11. Interest-bearing liabilities to third parties current CHF 200.0 mn (CHF 1,449.8 mn) / non-current CHF 2,387.3 mn (CHF 2,129.0 mn)

Current interest-bearing liabilities are the following bonds.

OUTSTANDING BONDS - CURRENT

in CHF mn			2021	2022
	Coupon	Term	Book value	Book value
Straight bond	1.750%	2012-07/12/2022	150.0	0.0
Mandatory convertible bond	3.750%	2019-01/30/2022	1,299.8	0.0
Straight bond	1.875%	2013-11/14/2023	n.a.	200.0
Total			1,449.8	200.0

The mandatory convertible bond in the total amount of CHF 1,300.0 million due in January 2022 was placed by Sika AG in 2019. In 2022, bonds with a nominal value of CHF 1,299.8 million were mandatorily converted into registered shares of Sika at January 31, 2022 (conversion of CHF 0.2 million in the previous year).

The following bonds are disclosed in the non-current interest-bearing liabilities.

OUTSTANDING BONDS - NON-CURRENT

in CHF mn			2021	2022
	Coupon	Term	Book value	Book value
Straight bond	1.875%	2013-11/14/2023	200.0	n.a.
Straight bond	1.600%	2022-05/28/2024	n.a.	100.0
Straight bond	0.625%	2018-07/12/2024	250.0	250.0
Convertible bond	0.150%	2018-06/05/2025	1,409.0	1,267.3
Straight bond	1.900%	2022-11/28/2025	n.a.	200.0
Straight bond	0.600%	2018-03/27/2026	140.0	140.0
Straight bond	1.125%	2018-07/12/2028	130.0	130.0
Straight bond	2.350%	2022-11/28/2028	n.a.	300.0
Total			2,129.0	2,387.3

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 issuing new shares from the conditional capital. At the end of December 2022, the conversion price per share is CHF 188.45. 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 141.7 million were converted (CHF 241.0 million).

12. Interest-bearing liabilities to subsidiaries current CHF 380.3 mn (CHF 307.9 mn) / non-current CHF 994.2 mn (CHF 1,043.0 mn)

The current interest-bearing liabilities consist of loans to subsidiaries resulting from the worldwide cash management concept.

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. Accrued expenses and deferred income CHF 58.6 mn (CHF 88.0 mn)

Accrued expenses and deferred income include pro rata interest on bonds issued of CHF 4.5 million (CHF 49.7 million). With the conversion of the mandatory convertible bond end of January 2022, no further interest is due. Also included are employee-related accruals and other accruals, thereof for outstanding invoices of CHF 28.4 million related to professional fees for the planned acquisition of the MBCC Group.

14. Other non-current liabilities CHF 2.9 mn (CHF 2.9 mn)

The other non-current liabilities mainly include the premium, less issue costs of the bonds.

15. Non-current provisions CHF 2.5 mn (CHF 4.3 mn)

The non-current provisions contain accruals for long-term employee retention and bonus programs as well as jubilee payments.

16. Treasury shares CHF 15.1 mn (CHF 10.7 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 CHF mn	Units	Share value
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
January 1, 2022	31,125	10.7
Reductions	-221,313	-62.6
Additions	254,634	67.0
December 31, 2022	64,446	15.1

In the year under review, the average share price was CHF 258.37 (CHF 300.27).

17. Shareholders' equity CHF 3,183.0 mn (CHF 1,699.6 mn)

The ratio of shareholders' equity to balance sheet amounts to 44.1% (25.2%).

in CHF mn	Capital stock	Legal capital reserves ¹	Retained earnings ²	Treasury shares	Shareholders' equity
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
January 1, 2022	1.4	295.4	1,413.5	-10.7	1,699.6
Dividend payment			-445.8		-445.8
Increase from conditional capital	0.1	1,441.4			1,441.5
Transactions with treasury shares				-4.4	-4.4
Net profit for the year			492.1		492.1
December 31, 2022	1.5	1,736.8	1,459.8	-15.1	3,183.0

1 Including capital contribution reserves.

2 Retained earnings: legal retained earnings, voluntary retained earnings, and profit brought forward.

The higher profit in 2022 is mainly due to higher dividend income. In April 2022, the dividend of CHF 445.8 million from profit brought forward for 2021 was paid out to shareholders.

SHARE CAPITAL

The share capital corresponds to the nominal capital of all issued shares, is fully paid up, and is structured as follows:

	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
At January 1, 2022	143,044,967	1,430,450
Capital increase from conditional capital	10,690,084	106,901
At December 31, 2022	153,735,051	1,537,351

1 Includes treasury shares which do not carry voting and dividend rights.

CONDITIONAL CAPITAL

As of December 31, 2022, there is a conditional capital of CHF 68,354.29, divided into 6,835,429 registered shares with a par value of CHF 0.01 each (CHF 143,255.13, divided into 14,325,513 registered shares). These shares are reserved for the exercise of option or conversion rights. In the reporting year, 10,690,084 new shares were issued from conditional capital, which were used for the conversion of the issued bonds (see note 11).

In addition, Sika AG has issued convertible bonds (see note 11). 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 1,441.5 million were converted into existing shares of Sika AG.

RESERVES FROM CAPITAL CONTRIBUTIONS

The reserves from capital contributions include the premium from capital increases less the distributions to shareholders.

in CHF mn	2021	2022 ¹
January 1	0.3	239.2
Premium from conversion of bonds	238.9	1,441.4
December 31	239.2	1,680.6

1 Not yet approved by the Swiss Federal Tax Administration.

Due to existing different practices regarding the accounting of the stamp duties and other issue costs incurred in connection with the increase in share capital, there is a deviation of CHF 2.4 million between the reserves from capital contributions stated in the statutory financial statements of Sika AG and the amount the Swiss Federal Tax Administration recognizes at December 31, 2021.

Other information

FULL-TIME EQUIVALENTS

The number of full-time equivalents for the reporting year is 44 (47) 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	2021	2022
Letters of guarantee		
Issued	1,034.5	986.1
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 was no net release of hidden reserves in the current year or in the previous year.

SIGNIFICANT SHAREHOLDERS

On December 31, 2022, the company had 42,240 (30,226) registered shareholders. Information regarding significant shareholders can be found on p.249 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	
	2021	2022
Board of Directors		
Paul Hälg, Chair of the board	55,925	57,569
Viktor Waldemar Balli	1,669	2,126
Lucrèce Foufopoulos-De Ridder, since April 2022	n.a.	0
Justin Marshall Howell	2,019	2,476
Gordana Landén, since April 2022	n.a.	270
Monika Ribar	8,329	8,786
Daniel J. Sauter, until April 2022	50,586	n.a.
Paul Schuler	107,633	104,036
Christoph Tobler, until April 2022	8,089	n.a.
Thierry F.J. Vanlancker	2,829	3,286
Group Management		
Thomas Hasler	26,280	30,323
Mike Campion	7,500	9,987
Christoph Ganz	28,400	22,473
Patricia Heidtman	768	891
Philippe Jost	2,803	2,803
Raffaella Marzi	1,783	1,783
Ivo Schädler	9,947	12,885
Adrian Widmer	28,360	31,511
Total	342,920	291,205

Sika AG granted the following number of shares as part of employee participation plans. The shares were issued in April 2022 at a market price of CHF 306.90 (CHF 271.80).

in CHF thousands	2021		2022	
	Units	Nominal	Units	Nominal
Board of Directors	8,458	2,298.9	4,843	1,486.3
Group Management	11,400	3,098.5	9,494	2,913.6
Employees	2,840	771.9	2,516	772.0
Total	22,698	6,169.3	16,853	5,171.9

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	2021	2022
Composition of the profit brought forward		
Net profit for the year	398.9	492.1
Results carried forward from prior year	888.9	842.0
Profit brought forward	1,287.8	1,334.1
Dividend payment		
Dividend payment out of the profit brought forward ¹	445.8	513.5
Results carried forward	842.0	820.6

¹ Corresponds for the current year to the maximum possible distribution amount assuming potential exercise of all conversion rights (see note 11).

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	2021	2022
Registered share¹ par value CHF 0.01		
Gross dividend	2.90	3.20
35% withholding tax on gross dividend	1.02	1.12
Net dividend	1.88	2.08

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 3.20 per single-class registered share be distributed to shareholders. The dividend for 2021 was CHF 2.90 per single-class registered share.

Payment of the dividend is tentatively scheduled for Monday, April 3, 2023. 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, March 28, 2023.

Baar, February 14, 2023

For the Board of Directors
The Chair of the Board:
Dr. Paul Hälgi



Statutory Auditor's Report

To the General Meeting of Sika AG, Baar

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sika AG (the Company), which comprise the balance sheet as at 31 December 2022, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 266 to 275) comply with Swiss law and the Company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession 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



VALUATION OF INVESTMENTS

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.



VALUATION OF INVESTMENTS

Key Audit Matter

As of 31 December 2022, the financial statements of Sika AG include investments in subsidiaries in the total amount of CHF 3'392.7 million.

On an annual basis, the Company assesses whether there is a need for impairment on investments in subsidiaries. The assessment of the recoverability is based on a comparison of the carrying amount with the value in use. The value in use is calculated based on EBITDA multiples whereas the EBITDA used is an average of historical and forecasted EBITDAs. This requires the use of assumptions by management.

In relation to total assets and net assets as per 31 December 2022, investments in subsidiaries are of material importance.

In the financial year 2022, an impairment expense on investments in the amount of CHF 9.7 million was recognized.

There is a risk that a potential impairment of investments is not or not adequately identified due to inappropriate assumptions.

For further information on the valuation of investments refer to the following:

- Notes to the Sika AG financial statements: Principles on page 268
- Information on balance sheet and income statement items, 9. Investments on page 270

Other Matter

The financial statements of Sika AG for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 15 February 2022.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company, the compensation report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

Our response

Amongst others, we have performed the following audit procedures:

- We evaluated the methodical and mathematical accuracy of the model used for the impairment tests.
- We agreed historical EBITDAs used in the impairment tests to the numbers reported in the consolidation tool.
- We agreed forecasted EBITDAs used in the impairment tests to the business plans approved by the Board of Directors
- We challenged the multiples used and compared them with publicly available data if possible. Our valuation specialists supported us with our procedures.



Board of Directors' Responsibilities for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 and SA-CH 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 financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 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 available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Toni Wattenhofer
Licensed Audit Expert
Auditor in Charge

Anna Pohle
Licensed Audit Expert

Zug, 14 February 2023

FINANCIAL CALENDAR

55TH ANNUAL GENERAL MEETING	Tuesday, March 28, 2023
DIVIDEND PAYMENT	Monday, April 3, 2023
NET SALES FIRST QUARTER 2023	Tuesday, April 18, 2023
HALF-YEAR REPORT 2023	Tuesday, July 25, 2023
RESULT FIRST NINE MONTHS 2023	Friday, October 20, 2023
NET SALES 2023	Wednesday, January 10, 2024
FULL-YEAR RESULTS 2023	Friday, February 16, 2024

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Sika AG
Zugerstrasse 50
6340 Baar
Switzerland

Tel +41 58 436 68 00
sikagroup@ch.sika.com
www.sika.com

PROJECT TEAM

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

CONCEPT, DESIGN, REALIZATION

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Linkgroup AG, Zurich, Switzerland

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Sika AG
Zugerstrasse 50
6340 Baar
Switzerland

Contact
Tel +41 58 436 68 00
www.sika.com

