

SIKA
BUSINESS YEAR

2023

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The 2023 reporting consists of the online report, the complete annual report including the sustainability report as PDF download, and the printed magazine "Building the future". Through this multimedia approach, added value is being created.



More on the
2023 reporting

LETTER TO STAKEHOLDERS

Record results for sales, cash flow, and adjusted EBIT

Dear Readers,

Sika can look back on a historic year. In 2023, not only did we set a course for a successful future with our new strategy “Beyond the Expected”, we also closed the largest acquisition in the company’s history. Thanks to the acquisition of MBCC Group, Sika is moving to the next strategic growth level and positioning itself ideally for the future. Along with additional annual sales of CHF 2.1 billion and countless new innovations, 6,000 new employees have joined the company. Sika and MBCC complement one another extremely well. What emerges from the combination of the two businesses is an innovation leader and sustainability champion in the construction chemicals market, providing benefits to all stakeholders.

Overall, Sika maintained its profitable growth trajectory in 2023 even in a challenging economic environment, generating record sales despite high rates of inflation, rising interest rates, and strong currency depreciation. The total sales figure amounted to CHF 11,238.6 million, a rise of 7.1% in CHF. Almost all currencies lost considerable value against the Swiss franc, which led to a negative currency effect of -7.4% for the year as a whole. In local currencies, the result was a double-digit growth of 14.5%.

STRONG IMPROVEMENT IN MATERIAL MARGIN AND ADJUSTED EBIT MARGIN – RECORD CASH GENERATION

Sika managed to expand its material margin significantly to 53.6% in 2023 (2022: 49.4%), taking a decisive step on the road to margin recovery. Profit at EBIT level was influenced by various one-time effects. In the prior-year period, Sika recorded an extraordinary book profit of CHF 166.5 million from the sale of its European industrial coating business. At the same time, one-off expenses of CHF 78.3 million were incurred in 2022 in connection with the MBCC acquisition. In 2023, Sika booked CHF 131.5 million of acquisition and integration costs relating to this acquisition. When adjusted for these effects, Sika expanded its EBIT margin significantly to 15.0% (2022: 14.2%). Excluding the one-time effects, EBIT increased to CHF 1,680.6 million in the year under review (2022: CHF 1,491.5 million). On reported base, EBIT amounted to CHF 1,549.1 million (2022: CHF 1,579.7 million).

A significant increase was recorded in operating free cash flow, setting a new record of CHF 1,372.7 million (2022: CHF 865.2 million). The main drivers of this positive development were a rise in profitability, the focused management of working capital, and the normalization of inventory levels.

A significant increase was recorded in operating free cash flow, setting a new record of CHF 1,372.7 million (2022: CHF 865.2 million).

DOUBLE-DIGIT GROWTH AND MARKET SHARE GAINS IN ALL REGIONS

All regions performed well and contributed to Sika’s further growth and the systematic expansion of market share. This enabled Sika to deliver organic growth in 2023, in contrast to a negatively developing market.

The EMEA region (Europe, Middle East, Africa) reported a sales increase in local currencies of 14.8% (previous year: 8.3%). The countries of the Middle East and Africa recorded strong growth rates, while France, Spain, and Portugal likewise developed positively. Among other things, Sika benefited from economic subsidy programs and from investments aimed at saving energy in buildings as well as the booming area of e-mobility. Once again, business activity was subdued in Germany, Austria, and Northern Europe. The positive trend toward more infrastructure and commercial construction projects in the EMEA region continued in the fourth quarter. Distribution business was likewise up slightly on 2022.

In local currency terms, the Americas region achieved a 14.9% increase in sales (previous year: 27.5%). Rising rates of inflation, high interest rates, and an increasing shortage of specialized labor weighed on construction activity in many markets, with

the corresponding negative impact on the wider construction economy. The growth in the region in 2023 is attributable to the MBCC acquisition. The US construction economy benefited generally from infrastructure projects, supported by state subsidy programs and projects in the context of reshoring production facilities to the USA. Latin America also contributed to the rise in sales with solid growth.

Sales in the Asia/Pacific region rose by 15.1% in local currencies (previous year: 14.8%). In China, Sika recorded double-digit growth in distribution business, while project business declined slightly. Sales in Japan increased, and double-digit growth rates were achieved in the growth market of India. Business in Indonesia, Thailand, and the Philippines was characterized by increasing positive momentum.

In the Global Business segment, Sika achieved growth in local currencies of 10.0% (previous year: 22.2%). This increase is primarily due to robust demand for new vehicles, particularly electric vehicles, along with the normalization of supply chains. The US strike in the auto industry had a negative effect in the final quarter of last year, as did the decline in business not related to the automotive industry in this segment. Sika received a record number of new orders in the automotive business in 2023. The acquired supply orders will generate further sales growth in the medium term and ensure that the automotive business continues to generate a strong performance.

LAUNCH OF NEW GROWTH STRATEGY 2028 WITH AMBITIOUS TARGETS

In the fall we unveiled our new Strategy 2028 "Beyond the Expected", which builds on the success of our previous growth model. Our roadmap envisages leveraging Sika's leading market position and innovative strength, setting the course towards even stronger company performance over the coming years. The annual growth target in local currencies has been lifted to 6–9%, with the profitability target increased to an EBITDA margin of 20–23%. The new growth strategy is based on the four pillars of Market Penetration, Innovation & Sustainability, Acquisitions, and People & Culture, and represents a balanced combination of financial and non-financial objectives.

DIVIDEND PER SHARE

CHF 3.30

DIVIDEND INCREASE

In view of the good results, at the Annual General Meeting to be held on March 26, 2024, the Board of Directors will be proposing to shareholders that the gross dividend per share be increased from CHF 3.20 to CHF 3.30 (+3.1%). Half of the dividend is to be paid from the capital contribution reserves. In absolute figures, Sika has been increasing its dividend year on year for the past 12 consecutive years.

OUTLOOK FOR 2024

For the current fiscal year, Sika is convinced that it will be able to successfully continue its strategy built on sustainable and earnings-oriented growth even in a challenging economic environment. With its innovative technologies, Sika is the partner of choice for many customers in the construction and industrial sectors. These sectors are being heavily shaped by the megatrend of sustainability, as well as by increasing automation, digitalization, and the rising demand for easy-to-apply products.

For the 2024 fiscal year, Sika is expecting sales growth in local currencies of 6–9% and again an over-proportional increase in EBITDA.

“Our roadmap envisages leveraging Sika's leading market position and innovative strength, setting the course towards even stronger company performance over the coming years.”

BUILDING ON OUR STRENGTHS

We are proud to have coped well with the challenges of difficult macroeconomic and geopolitical parameters in the last fiscal year, in addition to closing the MBCC acquisition. We are currently expecting market conditions to remain challenging in 2024, while we see good momentum in major construction and infrastructure projects that are either at the planning stage or about to be implemented in all regions. Sika is ideally positioned to benefit from the commercial potential of this international project pipeline, despite a subdued global economy.

Our ambitions for the coming years build on our strengths as outlined in our Growth Strategy 2028. These are our deep-rooted values, a performance-oriented corporate culture, and above all our highly motivated teams all around the world. We would like to warmly thank our employees for their remarkable commitment and their clear focus on our shared goals.

Dear shareholders, we are firmly convinced that Sika remains ideally positioned for the coming years with the new Strategy 2028 – Beyond the Expected. On behalf of the Board of Directors, our Group Management, and our more than 33,000 employees, we would like to express our heartfelt thanks 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 2023, Sika achieved record levels of sales and cash flow. When adjusted for M&A effects, Sika expanded its EBIT margin significantly to 15.0% and EBIT increased to CHF 1,680.6 million. On reported base, EBIT amounted to CHF 1,549.1 million.

SALES IN CHF MILLION

11,238.6

OPERATING PROFIT (EBIT)
IN CHF MILLION

1,549.1

FACTS & FIGURES 2023

Record results in sales and operating free cash flow

In 2023, Sika posted record results for sales and operating free cash flow. In a challenging environment, added value was generated for all stakeholders.

in CHF mn

NET SALES

11,238.6

+7.1%

EBIT¹

1,549.1

-1.9%

OPERATING FREE CASH FLOW

1,372.7

+58.7%

ROCE²

16.3%

per ton sold

GHG EMISSIONS PER TON SOLD
(SCOPE 1 AND 2)

-4.4%

Water consumption -12.2%

Waste -2.5%

Employees 33,547
+21.1%

Share of women in
Sika workforce 24.3%

Share of women in
Group Management 25.0%

Lost Time Accidents
per 1,000 FTEs 5.4
-23.9%

Acquisitions 2+³

New/expanded factories 4

New patents 108

Inventions 188

Employees in R&D 1,780

Global Technology Centers 18⁴

1 Acquisition-adjusted EBIT in 2023 was CHF 1,680.6 million.

2 Adjusted for acquisitions, ROCE in 2023 was 23.5%.

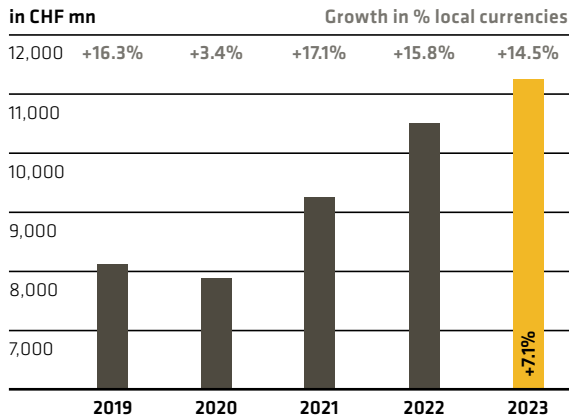
3 Besides the two acquisitions, Sika has signed an agreement to acquire Chema, Peru. The closing of the acquisition is targeted for 2024.

4 In 2023, Sika reorganized its network of R&D facilities. Therefore, there has been an adjustment in the number of Global Technology Centers compared to the previous year. MBCC's facilities are included in the scope.

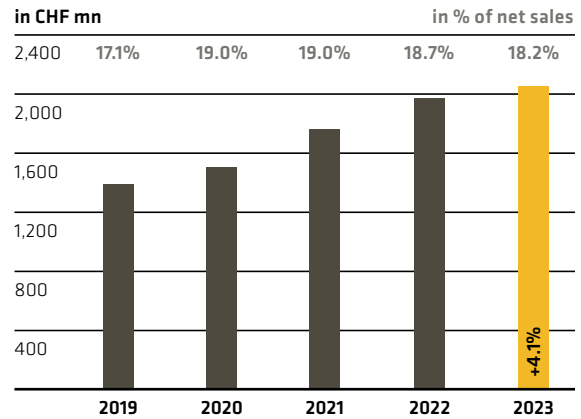
FACTS & FIGURES 2023

Strong development over the years

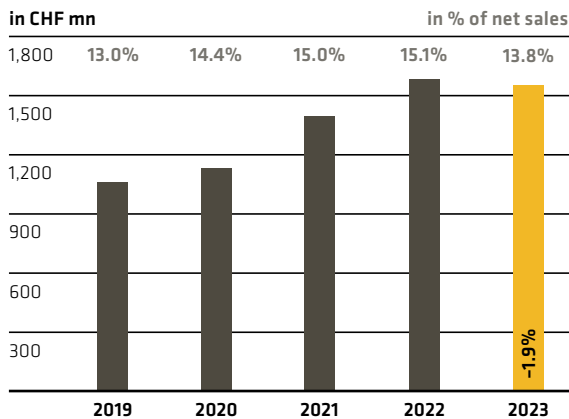
NET SALES (consolidated)



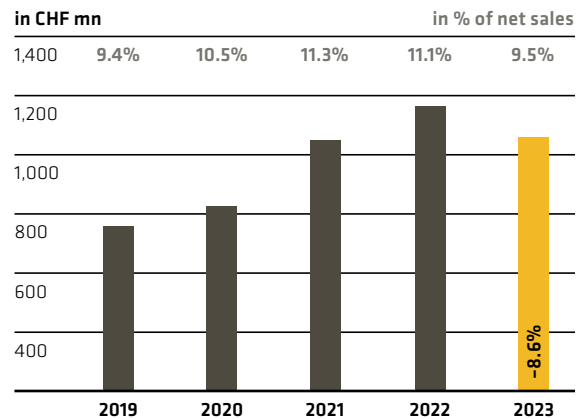
OPERATING PROFIT BEFORE DEPRECIATION (EBITDA)



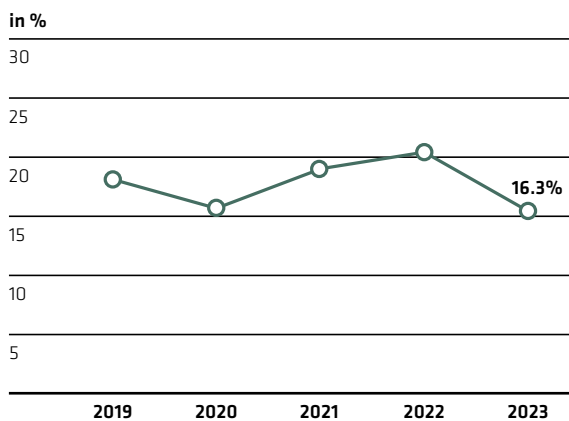
OPERATING PROFIT (EBIT)



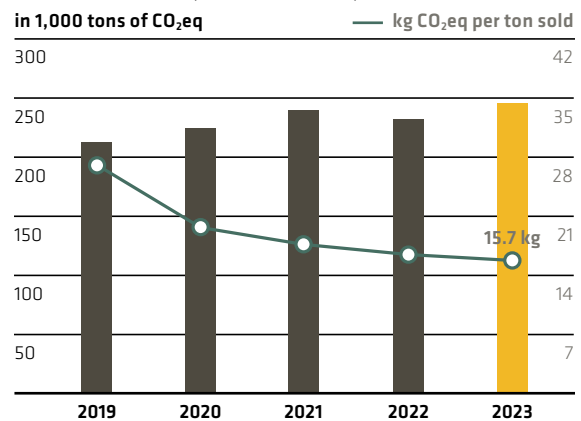
NET PROFIT



ROCE¹

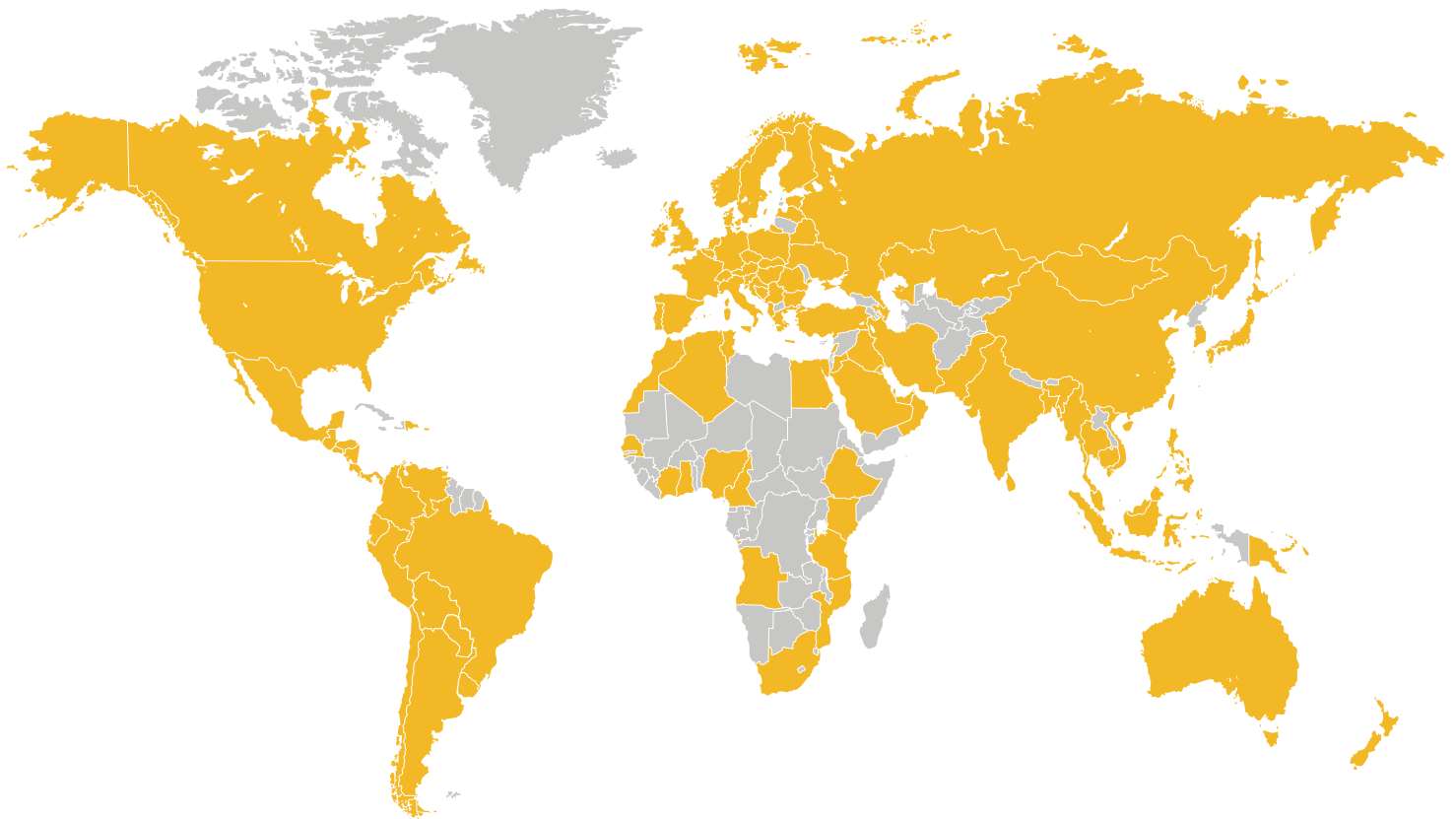


GHG EMISSIONS (SCOPE 1 AND 2)



1 Adjusted for acquisitions, ROCE in 2023 was 23.5%.

GLOBAL PRESENCE



NATIONAL SUBSIDIARIES IN
103 COUNTRIES

Sika's know-how is available in **103 countries on all continents** – in mature and emerging markets.

More than 33,000 employees around the world focus on customers, 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.

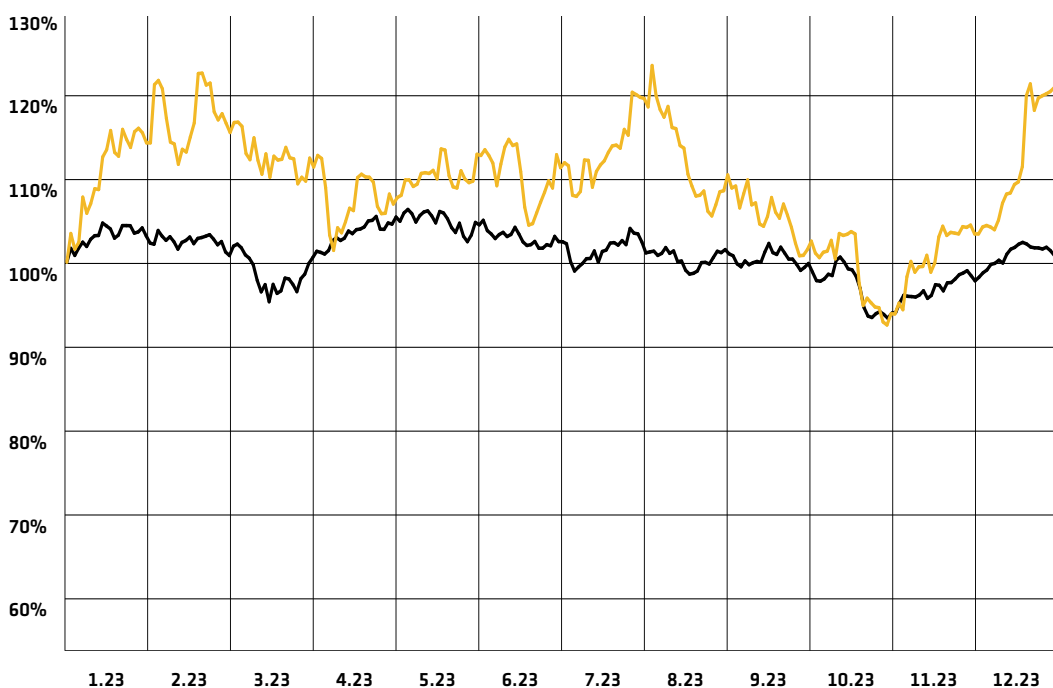
THE SIKA SHARE

Stock market on the rise

In a slightly positive overall market, the Sika share held its ground despite high inflation and persistently high interest rates. Toward the end of the year, the share price increased further. Shareholders, increasingly focusing on quality stocks and growth, made use of first-time buying opportunities. Over the year as a whole, the SMI gained a modest 1.5%, while the Sika share posted an increase of 20.3%.

SIKA VS SMI

1.1.2023-31.12.2023



+20.3%

With an increase of +20.3%, the Sika share outperformed the SMI Index.

CHF 273.70

Closing price of the Sika share at the end of 2023

Sika share
SMI

GLOBAL SHARE INDICES

in %	2023
SMI	+1.45
DAX	+19.07
Dow Jones	+13.74
Nikkei	+30.13
Sika share	+20.25

STOCK EXCHANGE RATIO SIKA

in CHF	2023
Market capitalization as at 31.12.2023 in CHF bn	43.9
Yearly high	279.00
Yearly low	211.20
Year-end	273.70
Dividend 2022	3.20
Dividend 2023 ¹	3.30
Earnings per share (EPS) ²	6.82

¹ Pursuant to proposal to Annual General Meeting

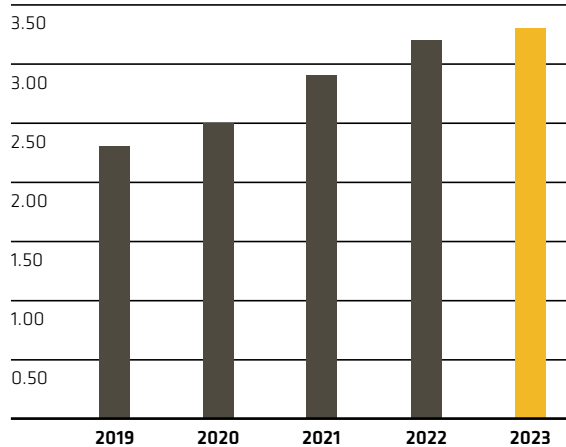
² Basic earnings per share

DIVIDEND PAYOUT

Dividend increase by 3.1%

In view of the good results, at the Annual General Meeting to be held on March 26, 2024, the Board of Directors will be proposing to shareholders that the gross dividend per share be increased by 3.1% to CHF 3.30 (previous year: CHF 3.20). For more than ten consecutive years, Sika has paid out a higher dividend in absolute figures year on year. Half of the dividend would be paid from the capital contribution reserves. In Switzerland, dividend payouts from capital contribution reserves are exempt from Swiss withholding tax and are not subject to income tax for Swiss individuals.

DIVIDEND CHF/share



2023: Pursuant to proposal to Annual General Meeting CHF 3.30.

DIVIDEND PER SHARE

CHF 3.30

STRATEGIC REPORT

Sika launched its Strategy 2028, setting ambitious financial and non-financial targets for the next five years.

BUSINESS ENVIRONMENT

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

Sika's innovative products facilitate 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 2023, demonstrating resilience of its business model, despite a challenging economic and geopolitical environment. A key growth driver was the newly acquired MBCC Group, which was consolidated on May 2.

Attractive industries and markets

Sika is a pioneer in the development of systems and products for bonding, sealing, damping, reinforcing, and protecting in the construction and automotive industries. The company is active in eight target markets: Concrete, Waterproofing, Roofing, Building Finishing, Flooring, Sealing & Bonding, Engineered Refurbishment, Industry. The total market volume for construction chemicals and industry is estimated at more than CHF 110 billion. According to current forecasts, it is expected that the volume of this market should grow by 2–3% per year until 2028. 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 11%.

Acquisitions in fragmented markets

Sika's overall strategy is based on organic growth driven by the entrepreneurial spirit of its employees. Organic growth is complemented by carefully selected external growth opportunities. This is where acquisitions come into play. Well-chosen acquisitions can fill business gaps to help Sika enter new market segments and consolidate fragmented ones. Sika pursues acquisitions as a means of strengthening its core business, but also uses them to integrate complementary technologies. These acquisitions enable Sika to remain competitive and innovate new products for construction and industrial applications. Two acquisitions were successfully completed last year; the acquisition of MBCC Group, the largest in Sika's history, and Thiessen Team in the USA. In addition, an agreement was signed to acquire Chema in Peru and in Finland a 30%-stake in a startup company was acquired.

In May, Sika completed the acquisition of MBCC Group after receiving all necessary regulatory approvals. With this highly complementary transaction Sika strengthens its presence in all range of products and services across the entire construction life cycle and drives the sustainable transformation of the construction industry.

In July, Sika announced the acquisition of Thiessen Team USA, a manufacturer of shotcrete and mortar products for the US mining industry. The company serves mining companies in the western United States that supply critical minerals to the growing e-mobility industry, among others. The acquisition will open up significant cross-selling potential and strengthen Sika's position in the US mining sector.

In August, Sika agreed to acquire a leading manufacturer of tile setting materials operating under the umbrella brand Chema in Peru. The acquisition strengthens Sika's position in the fast-growing mortar market and offers significant cross-selling opportunities through increased presence in the distribution channel. It also significantly expands Sika's manufacturing footprint. The business to be acquired generated sales of CHF 50 million in 2022.

In November, Sika acquired a stake of 30% in Concria Oy, a Finnish startup company specializing in highly innovative concrete floors. Concria has developed a new technology for concrete flooring, offering a wide range of advantages to contractors, architects, and property owners. Sika's global network and complementary product portfolio will provide an attractive growth platform.

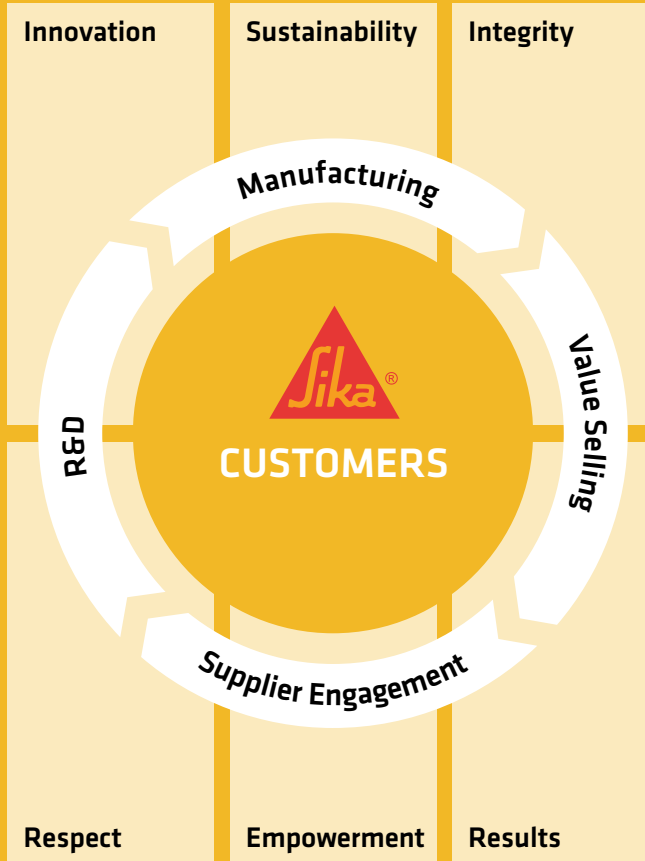
Business model

Sika is well positioned in both emerging and mature markets thanks to its global network of 103 subsidiaries and first-class solutions tailored to customer needs. The company creates sustainable value for its stakeholders, to whom the economic value created is distributed. These include governments through taxes, employees through compensation, and investors.

THE SIKA WAY

KEY RESOURCES AND RELATIONSHIPS

People Employees are key to Sika's success. Their dedication and customer-focused work contributes to strategic target achievement.	>33,000 Sika's employees
Research & Development The company operates R&D centers worldwide and has an international network of scientists, partners, suppliers, and customers.	>1,700 R&D employees
Planet Environmental resources (energy, water, raw materials, etc.) are needed to develop and produce products and solutions.	>4,500 Tj Energy consumption
Suppliers Sika purchases direct materials, trading goods, and packaging materials. The supplier network embraces the same set of values as Sika.	>18,000 Sika's suppliers
Operations Sika produces products and systems for the building and industrial sectors. The company operates in more than 100 countries.	>400 Production sites
Financial resources Cash, equity, and debt to invest in Sika's long-term, sustainable business development.	CHF 2,854 mn Issue of bonds



VALUE CREATION FOR ALL STAKEHOLDERS

People Sika places a great value on keeping employees' skills sharp, guarantee the highest safety standards and eliminate workplace accidents.	CHF 2,007 mn Personnel expenses
Customers Sika's sustainable solutions lower customers' CO ₂ emissions and resource consumption, while maximizing their success.	>450 New product releases excluding MBCC
Planet Sika promotes efficient use of energy, water, and material resources while minimizing impacts on ecosystems.	-4.4%* GHG emissions per ton sold (scope 1 and 2)
Suppliers Sika engages with suppliers to develop mutually beneficial relationships, drive progress and sustainable development in the industry.	CHF 5,214 mn Material expenses
Society & Communities Sika is committed to being a reliable taxpayer. Tax rate in 2023 was at 20.5%. The company supports communities through engagement projects.	>580 Engagement projects
Shareholders The growth strategy delivers sustainable value creation for shareholders. Dividends and increased enterprise value generate returns.	CHF 1,063 mn Net profit

*Market-based emissions.

NET ZERO COMMITMENT

Economic conditions in the markets of Sika's more than 100 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 new construction and renovation projects. Sika distinguishes between three levels of maturity in its construction markets:

- The dominant feature of emerging markets is the expansion of infrastructure. This includes transportation initiatives like building roads, airports, and ports, along with energy-related developments such as constructing power plants. Additionally, there is significant investment in public buildings and facilities, including the construction of 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 of these structures are decades old and require investment. In these situations, refurbishing the existing structure is often the most sustainable and cost-effective solution. For example, renovation projects may require the waterproofing and reinforcement of bridges or improving a building's energy efficiency. The refurbishment business tends to be independent of economic cycles, as critical maintenance work usually cannot be postponed. Large backlogs of projects exist especially in Europe and the US where urbanization is driving maintenance projects. The 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, major infrastructure investment programs are having a strong impact on the construction industry. Government initiatives in many countries are linked to environmental legislation.
- Specifically, the EU has allocated EUR 26 billion for transport infrastructure. 82% of this budget is dedicated to the EU's climate objectives. 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 sustainable vehicles with high levels of safety and comfort. Due to this underlying megatrend, Sika expects growth in modern automotive construction, e-mobility, and lightweight vehicle construction. The transition from traditional combustion engine drive systems to e-mobility is receiving additional stimuli from government support programs in several countries.

MEGATRENDS

Shaping the world

Megatrends are worldwide shifts that have a profound impact on societies, economies, and ecosystems, shaping our collective future. Sika is leveraging its expertise to steer through these transitions, driving world-class innovation in construction and transportation.

Population Growth

The exponential growth of the world's population over the last century has led to a parallel increase in demand for housing, commercial and office space, transportation, and hospitals. Population expansion will outpace the current infrastructure, necessitating widespread upgrading and strengthening of existing buildings in developed countries. At the same time, people's housing needs are shifting toward greater comfort and a higher standard of living. To meet these challenges, the construction industry must create sustainable and resilient structures, as well as push the boundaries of innovation.

SIKA'S RESPONSE

Sika has strategically increased its production capacity in high-growth regions in response to the mounting demands of a growing global population. In addition, the company expanded the scope of its existing facilities in Asia and Africa, strengthening its capacity to meet regional demand.

Urbanization

New megacities emerge around the world, as people continue to move from rural areas to urban centers. This increases the demand for high-performance solutions capable of managing modern cities' vertical sprawl, dense transportation networks, and complex infrastructure. Construction processes are changing, emphasizing not only speed and scale, but also sustainability, durability, and resilience.

SIKA'S RESPONSE

Sika is responding with innovative additives and admixtures that enable reduced clinker content in cement and concrete, leading to lower CO₂ emissions. In addition, Sika Powerflex adhesives are designed for more efficient, lighter vehicles. Sika Cool Roof systems, which extend roof longevity and reduce the need for cooling in buildings, were introduced to address the urban heat island effect.

Demographic Change

With average life expectancy rising and the over-65 population growing faster than any other age group, the construction industry is facing significant labor shortages. In the United States alone, there is a shortage of half a million construction workers, with one in four workers over the age of 55. These changing demographics highlight the urgent need for greater efficiency in constructions, including easy-to-apply products that require minimal training and can be applied in a variety of settings.

SIKA'S RESPONSE

In response, Sika has introduced Sikalastic®-680 AP, an easy-to-apply liquid membrane that cures quickly and simplifies application to concrete structures. Additionally, Sika® Sigunit® L-53 TH, an alkali-free shotcrete accelerator, is designed for efficient use in small tunnel constructions with less labor-intensive methods.

Resource Scarcity

Countries with the highest economic, population, and construction growth are also those that are most affected by water scarcity. This situation, combined with the low availability of critical minerals such as sand, puts further strain on existing resources and the environment. Finding new, sustainable solutions is critical, not just to conserve finite resources, but also to ensure the social and economic wellbeing.

SIKA'S RESPONSE

To respond to this challenge, Sika has developed PARNATUR®, the first "easy-to-spray" thermal and phonic insulation hemp-based mortar. Furthermore, the Sika® ViscoCrete® line offers products such as Sika® ViscoCrete®-4027, designed for cement with reduced clinker content, and Sika® ViscoCrete®-3095 N and 3096 N, which are optimized for recycled aggregates.

Climate Change and Sustainability

The construction industry has one of the largest carbon footprints, accounting for around 40% of global carbon emissions. As rising temperatures lead to extreme weather, the industry's role in climate resilience has become critical to preserving opportunities for future generations. Green technologies and energy-efficient methods are becoming essential in reducing greenhouse gas emissions. This transition is also spurring innovation in sustainable architecture, resulting in a more resilient built environment.

SIKA'S RESPONSE

Sika has responded to the need for circularity by introducing reCO2ver® technology, which reuses concrete demolition waste, recovers raw materials, and binds CO₂ to create new, high-quality concrete. In addition, the company has developed innovative products, such as specific additives, which can facilitate a clinker reduction in cement production by up to 50%, and Sikagard®-5500, a water-based coating that uses renewable feedstocks to reduce its carbon footprint.

Increasing Regulations

Governments around the world are passing strict measures to tackle climate change. The common goal is to promote energy efficiency, reduce carbon emissions, minimize waste, and develop sustainable materials. At the same time, more stringent regulations are coming into effect in response to higher quality standards and a focus on long-term durability.

SIKA'S RESPONSE

Sika has proactively connected its strategy with rising regulatory policies by setting ambitious targets for greenhouse gas emissions, energy, waste, water management, and creation of sustainable solutions. To ensure these goals are met, Sika has established a cross-functional organizational structure at the corporate, regional, and local levels to effectively drive its sustainability performance.

Technological Progress

Emerging technologies powered by artificial intelligence, robotics, and big data are changing the way we build our world. Technological innovations in this field are mitigating traditional challenges by improving safety measures, reducing waste, and increasing construction pace. As a result, we can build living and working spaces that are both environmentally sustainable and cost-effective.

SIKA'S RESPONSE

Every year, Sika invests nearly 3% of its sales in R&D, bringing more than 1,000 new products and solutions to market. In addition, Sika incorporates advanced technologies into construction, such as precise 3D concrete printing, significantly improving efficiency and material properties. Furthermore, the company employs artificial neural networks to monitor production in real time, ensuring quality control by promptly identifying and addressing non-conforming products.

Digitalization

Digitalization enables real-time data analysis, automation, precise planning, and streamlined communications. It is also reshaping customer habits and employee workflows, leading to new markets such as e-commerce and innovative business processes. Therefore, digital transformation can shorten construction timelines and minimize waste, reducing errors and costs while bringing the industry up to modern efficiency standards.

SIKA'S RESPONSE

Sika leverages digitalization through solutions such as the Sika Roof Monitoring System, which monitors water infiltration and precisely detects leaks to maintain roof integrity. Furthermore, Sika's Concrete Monitoring System uses real-time sensor data to accurately determine when concrete has reached required strength levels, optimizing construction schedules and structural integrity.

STRATEGY 2028 – BEYOND THE EXPECTED

Continued growth and overproportional profitability

In 2023, Sika launched its new strategy for the upcoming five years. Strategy 2028 lays out ambitious financial targets and non-financial objectives, marking a continued commitment to excellence and expansion.

The strategy is based on four key pillars: Market Penetration, Innovation & Sustainability, Acquisitions, People & Culture. It is aligned with eight megatrends that are transforming the industry and driving Sika's continued success.

MARKET PENETRATION

Sika has an annual growth target of 6–9% in local currencies, while aiming for a profitability target with an EBITDA margin of 20–23%. This ambitious goal is underpinned by capitalizing on prevailing megatrends such as urbanization, digitalization, and the global shift towards climate consciousness, which are driving demand for efficient and sustainable solutions. Strategy 2028 is anchored in the targeted sale of a diverse and integrated product portfolio, the expansion of Sika's presence in all channels, strategic project management, and a sustained effort to further expand in key geographies.

INNOVATION & SUSTAINABILITY

Sustainability is a cornerstone of the strategy. Sika is committed to developing products featuring improved sustainability and performance properties. Sika, as an enabler for its customers to reduce their CO₂ footprint, offers products and services that make an important contribution to the decarbonization of the construction and transportation industries. The company has set a goal to reduce absolute Scope 1 and 2 GHG emissions by

20% compared to 2022 and to align Scope 3 emissions with its net zero pledge by 2050. In addition, Sika aims to reduce waste disposal and water discharge per ton sold by 15% by 2028.

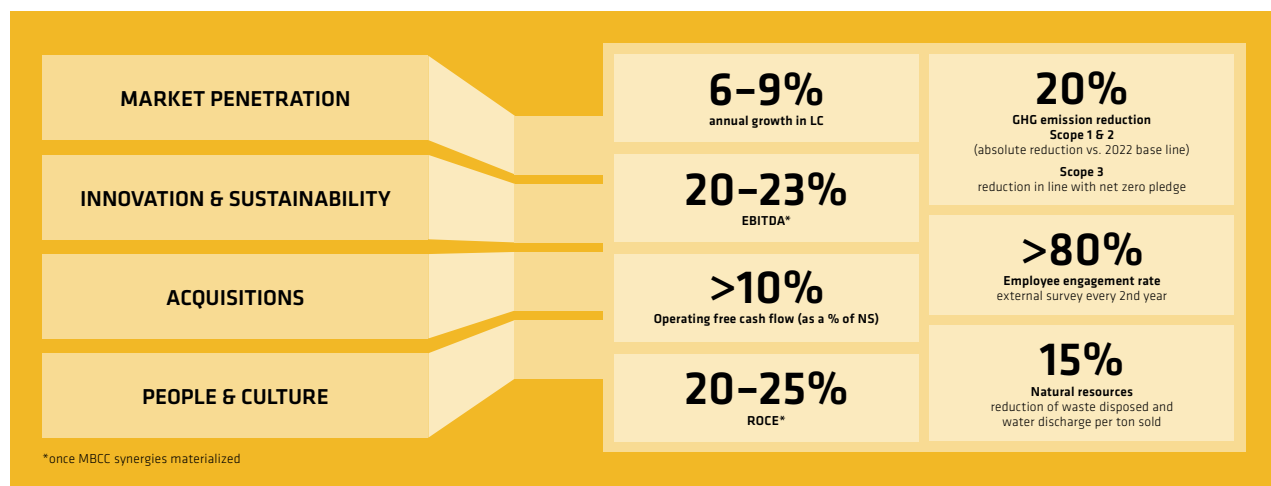
ACQUISITIONS

Under the Strategy 2028 framework, acquisitions play a pivotal role, enabling the company to bolster its core operations with complementary technologies, enhanced market access, and broader distribution channels. Sika acquires companies with a strategic fit and leverages these acquisitions as a foundation for further growth and expansion.

PEOPLE & CULTURE

Recognizing employees as its most valuable asset, Sika is dedicated to nurturing an environment where the employees feel valued, engaged, and empowered to innovate, contribute, and grow professionally. The company aims to maintain an employee engagement rate of above 80%. This is measured through a company-wide survey conducted every two years.

Thomas Hasler, CEO: "Our ambitions for the next years build upon our strengths – our deeply rooted values, our performance-oriented culture, and particularly the dedicated Sika teams around the globe. With this new strategy we want to inspire and motivate our people to help drive the transformation towards a more sustainable future, to the benefit of our customers and generations to come."



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. The company provides a seal of quality on which its employees, customers, and stakeholders can rely – building trust every day.

The Sika brand

The name Sika evokes stability, continuity, innovation, forward-thinking, sustainability, and trustworthiness. Customers around the world recognize that the presence of the Sika logo is a guarantee of excellence and service. The founder Kaspar Winkler established the Sika logo more than a century ago. The cheerful yellow color evokes the place where most Sika products are used – a construction site. The Sika trademark has proven to be an asset during the Group's decades-long expansion.

WORLDWIDE TRADEMARK PROTECTION

The Sika brand is well-known for its distinctive graphic word trademark. The company emphasizes uniformity and adherence to its corporate image guidelines. This approach underscores the importance of a consistent and recognizable brand identity. Over the years, many industrial imitators 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. At the end of 2023, Sika held 12,605 trademark registrations in 157 countries. Sika continuously monitors its trademarks and takes appropriate legal action in cases of infringement.

CORPORATE IDENTITY

Sika's strong corporate identity gives the company 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. To develop the brand, a visual language and system was created to unify the user experience across all platforms. Brand integration guidelines enable a solid integration process for all acquired companies and brands.

CORPORATE CULTURE – MAKING A DIFFERENCE

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 that can be found at any Sika location in the world. The common denominators of the Sika Spirit include collaboration, passion, resourcefulness, entrepreneurial spirit, drive, and an overall "family" feeling not often found in large corporations.

BUILDING TRUST

Sika successfully integrates the "Building Trust" tagline into its communications. The implications of this claim for the Sika 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 providing reliable, innovative, and long-lasting solutions to our customers in the construction and manufacturing industries. This commitment embodies Sika's vast expertise in sealing, bonding, damping, reinforcing, and protecting. We offer innovative products that add significant value, 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 has developed a full range of admixtures and additives for concrete, cement, and mortar production. These products enhance specific properties of fresh or hardened concrete, such as workability, watertightness, durability, load-bearing capacity, and curing times. There is a growing need for admixtures and additives as the demand for high-performing concrete and mortar rises, particularly in urban areas and infrastructure projects. A key reason for this increased demand is that Sika's additives and admixtures enable the use of alternative materials, such as processed sand and cementitious materials, which reduces the reliance on clinker and natural sand. This creates a more sustainable concrete and significantly reduces CO₂ emissions in the construction industry. On top of this, Sika offers interconnected digital tools that enhance efficiency and productivity throughout the value chain; from raw materials to mixing, delivery, application, durability, and recycling.

Roofing

Sika provides a full range of flat roofing systems, including both flexible sheet and liquid-applied membranes. Recognized as a leading brand in the roofing industry, Sika boasts a long-standing history in single-ply membranes. In 2022, Sika celebrated 60 years of excellence with its Sika Sarnafil® roofing systems, renowned for their reliability, sustainability, and durability. The demand in this segment is constantly driven by the need for environmentally friendly, energy-saving solutions such as green roof systems, solar or cool roofs, which help reduce CO₂ emissions. In recent years, Sika has acquired bitumen technologies in markets where it is a predominant material of choice. Liquid-applied membranes allow for roof renovations to be carried out without noise, dust, vibrations, or interrupting operations inside the building. While refurbishment projects account for a large part of the demand in mature markets, emerging markets are progressively adopting higher quality roofing solutions for new construction projects. Sika's roofing system caters to both markets, providing vapor control layers, adhesives, insulation, fixation, roof drainages and accessories. Moreover, digitalization enhances Sika's overall portfolio. The company has developed an advanced system for efficient leak monitoring and detection.

Waterproofing

Sika's waterproofing solutions cover all technologies for below and above ground, such as flexible membrane systems (polymeric sheets, fully bonded membranes, modified bitumen sheets), liquid-applied membranes, joint waterproofing systems (water-stops, swelling profiles, adhered tapes), waterproofing mortars and injection resins. Key market segments include commercial and residential basements, tunnels, bridges, and all types of water retaining structures, such as reservoirs and storage tanks. Urbanization demands basement and tunnel waterproofing systems that can go deeper and faster, while unskilled labor is a strain on many jobsites worldwide. SikaProof® fully bonded polymeric membranes provide the unique answer to this megatrend and contribute substantially to the durability and sustainability of the building. Waterproofing mortars are a major contributor to the CO₂ footprint in the waterproofing business. By launching products with reduced cement content, Sika is constantly developing new solutions with higher performance and sustainability.

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 offers one of the most comprehensive sets of solutions such as tile adhesives and grouts, systems for under-tile waterproofing, sound reduction, renders, decorative finishes (for both exterior and interior walls), and Exterior Insulation Finishing Systems (EIFS) for facades. Global trends such as urbanization and the strong demand for home improvement are fueling market growth. There is a widespread push for buildings that are energy-efficient and have a smaller carbon footprint, which is expected to boost the demand for Sika's facade insulation systems. As a globally recognized leader, Sika is well-positioned to broaden the distribution of its Building Finishing products and systems to more countries. Building Finishing reinforces Sika's portfolio of technologies, covering all aspects of the building envelope, from basements to roofs.

Flooring

Sika's flooring solutions are based on synthetic resin and cementitious systems, catering to a variety of industrial and commercial settings. These include pharmaceutical and food production plants, educational and healthcare facilities, parking areas, and private residences. Each of these market segments has unique requirements in terms of mechanical properties, safety regulations, electrostatic conductivity, and resistance to chemicals or fire. Current trends in the flooring industry are shaped by an increasing number of safety and environmental regulations, as well as customized technical requirements. The surge in renovation and conversion projects nowadays has heightened the need for efficient solutions for existing structures. Sika is a global leader in the development of fast-curing systems in various market segments. The company's extensive portfolio includes low-emission, durable, low-maintenance, easy-to-apply flooring solutions which can be adapted to customer needs.

Engineered Refurbishment

This segment includes Sika's solutions for repairing, reinforcing, and protecting concrete structures. It contains products such as repair mortars, shrinkage compensated high-strength grouts, anchoring adhesives, protective coatings, corrosion control, and structural strengthening systems. Especially in developed markets, there is a high volume of aging structures that require refurbishment. Sika's engineered refurbishment systems are designed to extend the lifespan of these structures, which is often a more sustainable path than demolition and reconstruction. Sika's offerings cover the entire life cycle of commercial buildings and infrastructure, as well as the design and calculation software for structural engineers. The uptick in demand for refurbishment stems from a higher volume of infrastructure projects in the transportation, 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 building facades, interior finishing, and infrastructure projects. These products are used in various applications, such as the sealing of movement joints between facade elements in order to weatherproof buildings. The bonding of wood floors reduces noise, seals joints in airport aprons, and enables fire stopping. Urbanization is the megatrend underpinning demand in this market. Demand is being fueled by an increasing focus on energy efficiency, retention, and sustainable energy generation as well as a healthy living environment. There is growing need for construction sealants and adhesives that speed up work, reduce labor, replace mechanical fasteners such as nails and screws, allow applications in less than perfect conditions, and have a wide range of compatibility with other building components.

Industry

Sika products are essential for automobile and commercial vehicle assembly (bus, truck, and rail). The areas covered include structural bonding, direct glazing, acoustic and 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, acoustic applications, 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. In the field of vehicle design, Sika is addressing some of today's biggest challenges. The company contributes to the creation of lighter, stronger, safer, quieter, and more fuel-efficient vehicles. Moreover, Sika's fast-processing materials and compatibility with automation yields greater productivity. Furthermore, in the rapidly evolving area of e-mobility, Sika is advancing with fire protection and thermal conductive materials, supporting the shift towards electric vehicles.

ACQUISITIONS & INVESTMENTS

Supporting growth

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

Acquisition strategy

The company's strategy is based on structural growth driven by megatrends, market growth and penetration, and acquisitions. Therefore, strategically aligned acquisitions play an important role in filling market gaps and opening up new business opportunities. Thus, Sika actively pursues acquisitions to expand its customer base, primarily targeting mid-sized companies in Europe, the USA, and Asia.

Sika uses its expertise in evaluating acquisitions and follows a well-structured process. Selected companies undergo a comprehensive evaluation process that methodically narrows the pool of candidates. This process includes meticulous due diligence and cultural compatibility assessments to ensure alignment with Sika's values and principles. Out of more than 60 companies that underwent the basic review in 2023, Sika successfully completed two acquisitions and signed an agreement to acquire a third one. In addition, Sika acquired a 30%-stake in a Finnish startup company in the year under review.

Sika is committed to a seamless integration process. The integration of all recently acquired companies within each region is overseen by three regional managers (EMEA, Asia/Pacific, and Americas) supported by an Integration Management Office. This decentralized approach fosters a strong sense of accountability within the regions and facilitates efficient information sharing among the newly merged companies at the local level.

2023 acquisitions

In May, Sika completed the acquisition of MBCC Group after having received all necessary regulatory approvals. With this highly complementary transaction, Sika strengthens its footprint across all regions, reinforces its range of products and services across the entire construction life cycle, and drives the sustainable transformation of the construction industry further and faster.

In July, Sika acquired Thiessen Team USA, a US manufacturer of shotcrete and grouting products for the mining industry in the USA. The company serves the Western US mining industry which produces essential minerals for the growing electric vehicle

industry among many other critical minerals. The acquisition will open up significant cross-selling potential and will support Sika's expansion in the US mining market.

In August, Sika agreed to acquire a leading manufacturer of tile setting materials operating under the umbrella brand Chema in Peru. The acquisition strengthens Sika's position in the fast-growing mortar market and provides major cross-selling opportunities through increased presence in the distribution channel. In addition, it significantly extends Sika's manufacturing footprint.

In November, Sika acquired a stake of 30% in Concria Oy, a Finnish startup company specializing in highly innovative concrete floors. Concria has developed a new technology for concrete flooring, offering a wide range of advantages to contractors, architects, and property owners. Sika's global network and complementary product portfolio will provide an attractive growth platform.

2023 investments

In 2023, Sika continued to invest in future growth with the following expansion projects:

- New plant in Kharagpur, India, for mortars, concrete admixtures and shotcrete accelerators
- Increasing production capacities for macro fibers at the plant in Chattanooga, Tennessee, USA
- Expanding production capacity for concrete admixtures in Sealy, Texas, USA
- New, state-of-the-art Technology Center in Suzhou, China with primary focus of sustainable and high-performance technologies
- New production lines for the concrete admixture Sigunit® in Kirchberg, Switzerland

For 2024, 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 280 million (2022: CHF 266 million), which is equivalent to 2.5% of net sales. The breakdown of the investments are as follows: expansion of production capacity at 29% (2022: 31%), 43% (2022: 40%) was needed for maintenance and upgrades in existing facilities, 22% (2022: 23%) was used for rationalization, efficiency improvements and digitalization, and 6% (2022: 6%) was spent on environmental protection, health and safety, and quality control. The share of investment in the emerging markets was 40% (2022: 44%).

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 integrating 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. In 2023, Sika continued to build on its existing TCFD reporting and analyzed in more detail its transition and physical risks. The 2023 update considers a first set of financial quantification for transition risks. The TCFD mapping table is presented at the end of this chapter, while a detailed [TCFD Report 2023](#) is available on the corporate website.

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

BOARD OF DIRECTORS	
AUDIT COMMITTEE	NOMINATION AND COMPENSATION COMMITTEE
SUSTAINABILITY COMMITTEE	
GROUP MANAGEMENT	
INTERNAL SUSTAINABILITY COMMITTEE	GLOBAL DIGITAL BOARD

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.

- In Sika, there are three standing committees at Board level:
- 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, by conducting internal audits on non-financial information, the AC verifies the company’s alignment with its strategic targets. 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 four times. More information is provided in the Corporate Governance Report on p.163.

- 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 six times. More information is provided in the Corporate Governance Report on p.163. 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.174.
- 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. Sika's strong focus on ensuring the use of accurate and consistent quantitative measures in non-financial reporting is reflected in the close link between the Sustainability Committee and the Audit Committee, with two of its Members sitting on both committees. In the year under review, the SC met five times. More information is provided in the Corporate Governance Report on p.163.

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. For potential acquisitions, the Mergers & Acquisitions (M&A) team conducts assessments on financial and non-financial performance 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 & Sustainability Officer and meets quarterly. It includes the following corporate functions: Innovation and Sustainability, Operations, Quality & EHS, Communications & Investor Relations, Controlling, Mergers & Acquisitions, Human Resources, Legal and Compliance, Procurement, Marketing, and Target Markets.
- 2) The Global Digital 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.134.

RISK MANAGEMENT FRAMEWORK

Sika has a comprehensive corporate risk management system 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). Risks in individual countries are consolidated on a regional level. 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 2023, regular risk management education was provided for staff at various levels within the company.

FOR EXECUTIVE MANAGERS

- Business ethics, ethical leadership, speak-up culture: In 2023, nine compliance leadership development sessions were provided including Global Leadership Program, General Managers Program, Region Leadership Program, and Young Leadership Program. Compliance sessions were generally about two hours duration and covered topics including Sika's Values & Principles, Code of Conduct, reporting channels, speak-up statistics, and learnings from case studies, and round table discussions based on actual events, dilemma case studies and managing in the grey. Compliance training and case studies were also included as part of several regional HR and controller meetings. During compliance audits, as part of the closing meeting for each audit, a detailed compliance training session was provided for the respective country leadership teams, and in several cases also a wider employee audience. In the 2023 Sika Senior Management Meeting, a compliance leadership development overview on Sika's compliance management system was included. The total number of trained participants under these programs was approximately 1,060.
- Sustainability and climate change: During 2023, 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 travelled to the US visiting a mortar plant, a distribution center, and some job sites and customers. The Board met the Head of Region Americas, the General Manager, and various managers across the various Target Markets, as well as representatives of Operations and Sustainability to address topics like health and safety, supply chain, operational efficiency, environmental sustainability, people and talent management, and sustainability through innovation. 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 workshops. The sessions focused on innovations driving the Sika net zero journey and its customers, sustainable packaging, how to increase customer awareness of sustainable products and solutions, and customers' perception of sustainability.

FOR ALL EMPLOYEES

- Business ethics: In 2023, Sika rolled out a global Code of Conduct campaign designed to promote integrity and transparency while enhancing awareness of potential risks and misconduct such as fraud, corruption, or discrimination. It encompassed e-learning modules for employees with e-mail addresses and in-person/classroom training sessions for those without e-mail access. During the acquisition of MBCC in May 2023, Sika extended invitations and enrolled all new colleagues from MBCC in the relevant training. For Sika, the campaign achieved a completion rate of 89%, whereas the training in MBCC is ongoing as part of the post-merger integration activities.
- Business ethics, ethical leadership, speak-up culture, incident management: For employees active in marketing and sales-related roles, 17 training sessions for a total number of 267 trained participants were organized in 2023. These sessions focused on dilemma case studies and team discussions on gifts, entertainment, and sexual harassment in the context of customer relations and duty of care.
- Innovation and sustainability: Throughout 2023, Safety at Work, Sustainability, Innovation, Compliance, Risk Management, and levers for product development supporting net zero were important parts of seminars and meetings for representatives of Sika Technology Centers and R&D teams at global, regional, and local level. In particular, during the so-called "Chemist Days" dedicated to each of Sika's core technologies, participants addressed several topics like fostering collaboration, knowledge sharing also in terms of safety, compliance, and risk management, and innovation within chemistry-oriented teams.
- 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 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. Mandatory for every employee is to successfully pass the e-learning on "IT security for Users".
- Supplier engagement and assessment: In 2023, sustainability-related trainings and best environmental and social practices were included into every area and regional procurement meeting, to increase awareness on the topic, and ensure it becomes a priority for everyone, in line with Sika's sustainability strategy and net zero commitment. Overall, trainings were provided to around 150 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 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. It is an internal yearly initiative for procurement, technical, and quality experts that was attended by over 100 of Sika's employees in 2023.

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 Directors and Audit Committee in October 2023.

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 product compliance requirements and regulations	Changing product compliance requirements for products, product solutions, production processes, and procurement, driven by changing customer requirements and regulations. 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. – Collaboration with industry associations and working groups, consultations of authorities on regional and local level. – 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. Potential acquisition can be stopped if the analysis of companies' product portfolio does not meet the necessary requirements. – 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 (SBTi) to achieve net zero by 2050 and it has submitted its near-term targets for scope 1, 2, and 3 to the SBTi for validation. – 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). – Collection and automation of Product Carbon Footprint (PCF) calculations to assess products' impact and improve coverage of supplier-specific emission factors. – Review of current product portfolio and its carbon footprint via the SPM framework. – 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 emissions, energy, water, and waste. – 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, which means 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 property at Sika Technology AG 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"> – 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
Cyber security risk	International corporations are exposed to cyberattacks which can be any type of 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. – Increased collaboration with industry associations and other regulatory-forming bodies. 	→	Mature

Top Risk	Description	Risk Mitigation	Trend	Status
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. Sustainability Assessments and Audits (incl. identification and addressability of ESG risks along the entire value chain) are conducted on both direct and indirect suppliers via the Together for Sustainability (TfS) initiative. In 2023, Sika implemented Supplier Risk Profiling to enhance its risk identification criteria in line with upcoming regulatory requirements. 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
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 that 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 the Sika Group. Appropriate actions taken whenever required. FX exposures related to IC Financing are mostly hedged. Group internal transactions are netted monthly and hedged at the corporate level. All other FX exposures are kept at a minimum. 	→	Mature

Top Risk	Description	Risk Mitigation	Trend	Status
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 Co-operation 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
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 takeover attempts.	<ul style="list-style-type: none"> – Continuously monitor the market, maintain close contact with investors, review 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 all along the 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 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. – Post-acquisition integration plan, ensuring an inclusive environment and a clear message about the Sika culture and values when welcoming and onboarding new employees. Integration interviews planned for the first two years. 	→	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 the company to better understand the implications on its current business model and to drive the respective mitigation activities. For more information, please see the detailed [TCFD Report 2023](#) available on the corporate website, and the related TCFD mapping table here below.

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.22-23 TCFD Report 2023 Board of Directors
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	p.22-23 TCFD Report 2023
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.30 TCFD Report 2023
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	p.30 TCFD Report 2023
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	p.30 TCFD Report 2023
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.30 TCFD Report 2023
	b) Describe the organization's processes for managing climate-related risks.	p.22-23
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	p.23
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 2023
	b) Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas (GHG) emissions, and the related risks.	p.86-88 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.17, 44, 187

GROUP PERFORMANCE 2023

Sika achieved double-digit sales growth in local currencies across all regions with a strong contribution from MBCC.

SALES GROWTH IN LC

+14.5%

OPERATING FREE CASH FLOW

+58.7%

RECORD FIGURES FOR SALES AND CASH FLOW

SIGNIFICANT MATERIAL MARGIN INCREASE

Sika managed to expand its material margin significantly taking a decisive step on the road to margin recovery. Profit at EBIT level was influenced by various one-time effects.

Sika maintained its profitable growth trajectory in 2023 even in a challenging economic environment, generating record sales despite high rates of inflation, rising interest rates, and strong currency depreciation. The total sales figure amounted to CHF 11,238.6 million, a rise of 7.1% in CHF. Almost all currencies lost considerable value against the Swiss franc, which led to a negative currency effect of -7.4% for the year as a whole. In local currencies, the result was double-digit growth of 14.5%.

Sika managed to expand its material margin significantly to 53.6% in 2023 (2022: 49.4%), taking a decisive step on the road to margin recovery. Profit at EBIT level was influenced by various one-time effects. In the prior-year period, Sika recorded an extraordinary book profit of CHF 166.5 million from the sale of its European industrial coating business. At the same time, one-off expenses of CHF 78.3 million were incurred in 2022 in connection with the MBCC acquisition. In 2023, Sika booked CHF 131.5 million of acquisition and integration costs relating to this acquisition. When adjusted for these effects, Sika expanded its EBIT margin significantly to 15.0% (2022: 14.2%). Excluding the one-time effects, EBIT increased to CHF 1,680.6 million in the year under review (2022: CHF 1,491.5 million). When one-time effects are included, EBIT amounted to CHF 1,549.1 million (2022: CHF 1,579.7 million).

In 2023 Sika achieved a new record in operating free cash flow of CHF 1,372.7 million (2022: CHF 865.2 million). The main drivers of this positive development were a rise in profitability, the focused management of working capital, and the normalization of inventory levels.

MATERIAL MARGIN AT

53.6%

KEY BALANCE SHEET FIGURES

The ratio of net working capital to net sales increased to 19.1% in 2023 (2022: 18.3%). The rise was due to the consolidation of MBCC Group, contributing only eight months of sales in 2023. Adjusting for twelve-months pro forma MBCC sales, net working capital to net sales improved compared to previous year. The main reason being the lower value of inventories due to decreasing raw material costs. At the end of 2023, cash and cash equivalents decreased to CHF 643.9 million (2022: CHF 1,873.3 million). Yet another record was set by operating free cash flow, which amounted to CHF 1,372.7 million (2022: CHF 865.2 million). In order to finance the acquisition of MBCC, net debt increased to CHF 5,219.7 million (2022: CHF 2,051.6 million), and gearing increased to 88.0% (2022: 41.3%). At the end of 2023, the equity ratio stood at 39.4% (2022: 43.9%). Return on capital employed (ROCE) reached 16.3% (2022: 21.6%). Adjusted for acquisitions, ROCE for 2023 was at 23.5% (2022: 21.6%). In addition, net debt to EBITDA stood at 2.6x (2022: 1.0x) at the end of the reporting year.

RECORD OPERATING FREE CASH FLOW AT CHF MN

1,372.7

DOUBLE-DIGIT GROWTH AND MARKET SHARE GAINS IN ALL REGIONS

All regions performed well and contributed to Sika's further growth and the systematic expansion of market share. This enabled Sika to deliver organic growth in 2023, in contrast to a negatively developing market. (See detailed information on the regions on p.33).

REGIONS

Double-digit sales growth in local currencies across all regions with a strong contribution from MBCC

Despite challenging market conditions, Sika achieved double-digit growth in all regions. High inflation rates and a substantial rise in interest rates weighed on the construction industry. Despite these headwinds, Sika continued to grow organically and further expand its market share.

Region EMEA

In early 2023, Europe faced economic difficulties and a general slowdown. Over the year, the euro weakened significantly against the Swiss franc, ending the year 6% lower than in 2022. Further afield, the Turkish lira dropped 42%. Rising inflation rates led central banks to increase interest rates, which had a significant impact on the economy.

The European construction market contracted by 3.3% in 2023, while the market in the Middle East and Africa expanded by 3.8%. The economic downturn in Europe particularly affected the residential and retail sectors. However, there was a notable increase in infrastructure investments and renovation projects during this period, particularly in Eastern Europe. In 2024, Africa's construction market is expected to grow further, led by Ethiopia, Egypt with high-single-digit growth rates, and Kenya with a mid-single-digit percentage. In the Middle East, the market is forecast to continue to grow with Saudi Arabia and the United Arab Emirates, with mid-single-digit growth rates.

For Sika, the **EMEA region** (Europe, Middle East, Africa) reported a sales increase in local currencies of 14.8% (previous year: 8.3%). The countries of the Middle East and Africa recorded strong growth rates, while France, Spain, and Portugal also developed positively. Sika benefited from economic subsidy programs and from investments aimed at saving energy in buildings as well as the booming area of e-mobility. Once again, business activity was subdued in Germany and Northern Europe. The positive trend of increased infrastructure and commercial construction projects in the EMEA region continued in the fourth quarter. The distribution business also recorded slight growth compared to 2022.

Sika made further investments in the EMEA region. These include a 30% stake in Concria Oy, a Finnish start-up which is developing innovative solutions for cementitious floors that provide a wide range of advantages for construction companies, architects, and building owners. Sika's global network and the complementary product portfolio provide an attractive growth platform for both companies.

In addition, Sika commissioned a new production facility for shotcrete accelerators in Kirchberg at the end of the reporting year, thereby investing in the expansion of manufacturing capacities in its home market Switzerland. This high-performance technology is used in tunneling in particular, as well as in excavation stabilization.

REGION EMEA SALES GROWTH IN LOCAL CURRENCIES

+14.8%

Region Americas

Despite tighter monetary policies aimed at mitigating inflation, GDP growth in the USA still managed to accelerate to 2.9% year-over-year in real terms, while Canada's economy has remained resilient despite financial challenges. Latin America, excluding Argentina and Venezuela, saw declining inflation, with Brazil expecting growth from fiscal stimuli.

The US Infrastructure Investment and Jobs Act and the Inflation Reduction Act continue to spur a wave of infrastructure projects across the country, including bridges, roads, water systems, and airport upgrades, as well as increased investments in manufacturing facilities and data centers. The initiatives to move manufacturing back to the region also lead to Mexico experiencing an upswing of investments in this sector. However, an increasing shortage of specialized labor has weighed heavily on construction activity in the USA, with negative implications for the broader construction economy. In 2024, the construction industry in North America is expected to grow at a low-single-digit rate.

For Sika, the **Americas region** achieved a 14.9% increase in sales in local currencies (previous year: 27.5%). Rising rates of inflation, high interest rates, and an increasing shortage of specialized labor weighed on construction activity in many markets, with the corresponding negative impact on the wider construction economy. The US construction economy benefited generally from infrastructure projects, supported by state subsidy programs and projects in the context of reshoring production facilities to the USA. Latin America also contributed to the rise in sales with solid growth.

In July of last year, Sika completed the takeover of Thiessen Team USA, a manufacturer of shotcrete and mortar products for the US mining sector. This company supplies mining companies in the west of the USA, which among other things supply the growing e-mobility industry with critical minerals. The takeover offers significant cross-selling potential and strengthens Sika's position in the US mining sector. Investments were also made in the expansion of manufacturing capacities at the Sealy site in the US state of Texas, while production was increased in the USA and Canada due to rising demand for concrete admixtures.

REGION AMERICAS SALES GROWTH IN LOCAL CURRENCIES

+14.9%

Region Asia/Pacific

In 2023, the economic environment in Asia/Pacific presented a mixed array of results. China's GDP slowed to 5.0% in real terms, marked by a decline in services and industrial production. This slowdown, coupled with increased US restrictions on technology exports, led China to widen its budget deficit for reconstruction efforts. In contrast, India's economy experienced robust growth, driven by government investments. Despite some moderation in the manufacturing and services sectors, it remained one of the most resilient economies in Asia. Indonesia, the largest economy in Southeast Asia, had its weakest GDP growth in two years (5.0%) due to lower domestic demand. However, signs of stabilization emerged, supported by government spending.

The construction industry in China has faced many challenges due to the ongoing real estate crisis affecting the residential sector, but still managed to grow by 6.5% in real terms. Conversely, India experienced a favorable environment with a surge in infrastructure projects, including airports, bridges, and tunnels, which led to a 9.6% growth rate in real terms. In 2024, the construction market in Asia/Pacific is expected to continue expanding, with the Philippines, Bangladesh, and India projected to have the highest growth rates in the region.

For Sika, sales in the **Asia/Pacific region** rose by 15.1% in local currencies (previous year: 14.8%). In China, Sika recorded double-digit growth in its distribution business, while project business declined slightly. Sales in Japan increased, and double-digit growth rates were achieved in the growth market of India. Business in Indonesia, Thailand, and the Philippines was characterized by increasing positive momentum.

In June, Sika opened a new factory in Kharagpur in the east of India, thereby expanding its production capacity in this densely populated country that represents an important market for the future. The factory will produce mortar products, concrete admixtures, and shotcrete accelerators for customers in the West Bengal region, which is home to more than 100 million inhabitants. Moreover, Sika opened a state-of-the-art Technology Center in Suzhou, China, in the fourth quarter. The primary focus of activities is on the development of sustainable and high-performance technologies with which Sika makes a key contribution to the transformation of the construction and automotive industries. In the future, the new Technology Center - the second-largest in the Sika Group - will be used to focus even more on developing products and solutions tailored for the local market.

REGION ASIA/PACIFIC SALES GROWTH IN LOCAL CURRENCIES

+15.1%

Global Business segment

In 2023, global vehicle production saw a 9% rise, reaching a total of 90 million vehicles. In North America, the production volume of new vehicles increased by 9% year-on-year, exceeding market forecasts. This increase occurred despite the temporary disruption caused by the United Auto Workers strike in the USA. The Chinese automotive market grew by 9% after a strong second half of the year. In addition, the electric vehicle market in China grew at a double-digit rate. Domestic manufacturers also increased their market share to 55% (2022: 47%).

In the **Global Business segment**, Sika achieved growth in local currencies of 10.0% (previous year: 22.2%). This increase is primarily due to robust demand for new vehicles, particularly electric vehicles, along with the normalization of supply chains. The automotive sector strike in the USA, as well as the decline in business not related to the automotive industry, had a negative effect in the final quarter of last year. Sika is continually expanding its range of innovative solutions for battery systems. These include, for example, heat-conducting adhesives for the latest generation of battery-driven electric vehicles. Sika received a record number of new orders in the automotive business in the 2023 reporting year. The supply orders acquired will generate sales growth in the medium term and will ensure that the automotive business continues to perform well.

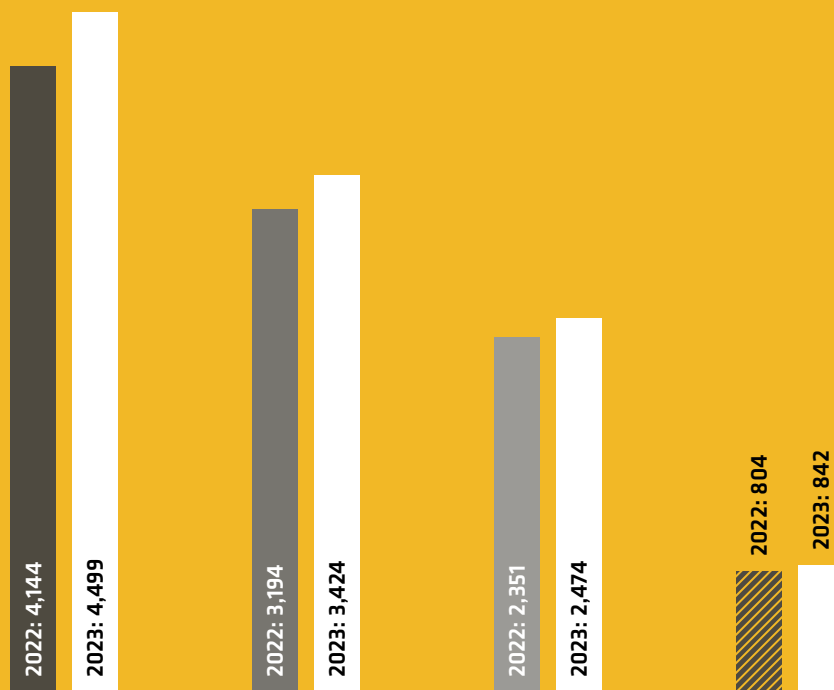
GLOBAL BUSINESS SALES
GROWTH IN LOCAL CURRENCIES

+10.0%

THE REGIONS IN BRIEF



NET SALES IN CHF MN



	EMEA	AMERICAS	ASIA/PACIFIC	GLOBAL BUSINESS
Growth in local currencies	14.8%	14.9%	15.1%	10.0%
Currency impact	-6.2%	-7.7%	-9.8%	-5.3%
Acquisition effect	15.7%	16.2%	9.7%	0.0%
Organic growth	-0.9%	-1.3%	5.4%	10.0%
Employees	14,389	7,991	8,198	2,190

OUTLOOK

Continuation of successful growth strategy

For the current fiscal year, Sika is convinced that it will be able to successfully continue its strategy built on sustainable and earnings-oriented growth even in a challenging economic environment. With its innovative technologies, Sika is the partner of choice for many customers in the construction and industrial sectors. These sectors are being heavily shaped by the megatrend of sustainability, as well as by increasing automation, digitalization, and the rising demand for easy-to-apply products.

For the 2024 fiscal year, Sika is expecting sales growth in local currencies of 6-9% and again an over-proportional increase in EBITDA.

EXPECTED SALES INCREASE
IN LOCAL CURRENCIES

6-9%

SUSTAINABILITY REPORT

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

GHG EMISSIONS PER TON SOLD
(SCOPE 1 AND 2)

-4.4%

LOST TIME ACCIDENTS PER 1,000 FTEs

-23.9%

WOMEN IN SIKA WORKFORCE

24.3%

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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 company's continuous focus on sustainability is assured by the new Strategy 2028, which integrates both financial and non-financial targets.

In the Sika Sustainability Report 2023, the company discloses its sustainability performance at the end of the strategic cycle 2019–2023 across its six strategic target areas: climate performance, energy, waste/water, community engagement, occupational safety, and sustainable solutions. The structure of the report is built on the material topics identified during the materiality assessment conducted in 2022, highlighting its performance and 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 years, Sika has strengthened its sustainability organization, defining roles and responsibilities at various levels 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 (SC) consists of three Board Members, each of whom brings expertise in a specific ESG area. The group prepares sustainability-related topics for discussion and decision-making in the Board. The SC 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 the organization and allocating resources; and communicating effectively through reporting and stakeholder engagement. Sika's strong focus on ensuring the use of accurate and consistent quantitative measures in non-financial reporting is reflected in the close link between the Sustainability Committee and the Audit Committee, with two of its Members sitting on both committees. In 2023, the Sustainability Committee met five 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.163.

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 & 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 & 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 and 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. Strategizing 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.
- Expanding the portfolio of high-performance, sustainable products by using the Sika Sustainability Portfolio Management (SPM) Methodology.

The Head Human Resources, Legal & Compliance is a Member of the Group Management who leads the human resources, legal, and compliance functions to ensure business integrity, compliance with the law, respect for human rights, diversity, and people development. The Human Resources function defines the people strategy that drives employee engagement and promotes a culture of continuous learning, which facilitates growth and development for all Sika employees to enable them to perform at their best. Human Resources contributes to creating an attractive, safe, and inclusive work environment. Sika has developed a framework to promote diversity, as well as measures to ensure fair, inclusive, and equal treatment of all employees. The Legal and Compliance functions' primary role is to safeguard the company's interests and reputation by mitigating risks and ensuring that Sika operates within the boundaries defined by the law, including regulatory compliance requirements. Legal and Compliance act as strategic business partners, guiding the company through complexities, minimizing potential liabilities, as well as enabling Sika's growth by providing advice on acquisitions. They foster ethical business conduct and a speak-up culture. They help the organization to live the Code of Conduct principles every day, raising awareness through systematic trainings to employees.

The Head 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 Global Procurement ensures responsible sourcing and compliance with sustainability and quality standards within procurement and Sika's upstream supply chain.

Since 2022, global Quality and Environment, Health & Safety (Q&EHS) was under the responsibility of the Head Global Procurement. Starting from January 2024, to meet future requirements and strengthen the organization, a dedicated function has taken over responsibility for these areas. The newly appointed Head Global Operations & EHSQ reports directly to the CEO.

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 & Sustainability Officer and is responsible for:

- Formulating and reviewing policies and guidelines and allocating budget for projects and initiatives.
- Ensuring the ESG program – including the net zero roadmap and targets – is integrated 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 in new product development, from the integration of life cycle assessment (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 & Sustainability Officer and meets quarterly. It includes the following corporate functions: Innovation & Sustainability, Operations, Quality & EHS, Communications & Investor Relations, Controlling, Mergers & Acquisitions, Human Resources, Compliance, Procurement, Marketing, and Target Markets. Since 2022, Regional Sustainability Managers have joined the Committee to coordinate all projects requiring strong collaboration of corporate and regional functions.

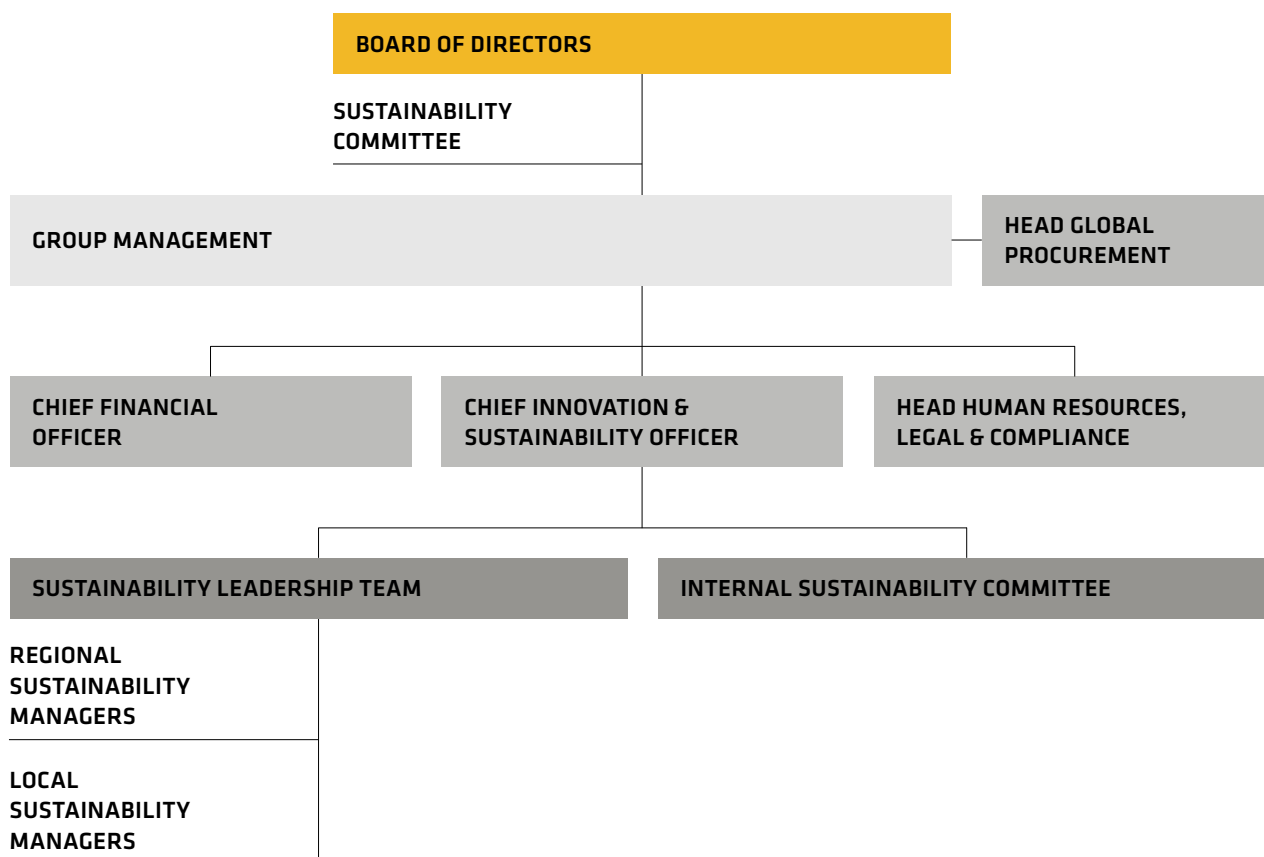
REGIONAL AND LOCAL LEVEL

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.

BUSINESS MODEL

Sika is a specialty chemicals company with a globally leading position in the development and production of systems and products for bonding, sealing, damping, reinforcing, and protection in the building sector and automotive industry. The company is well-positioned in both emerging and mature markets thanks to its global network of national subsidiaries in 103 countries, along with its first-class solutions that are tailored to customer needs. Sika 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. For more information on Sika's Business Model, please see the "Strategic Report", "Business environment" chapter on p.12-13 of the Annual Report 2023.

SIKA SUSTAINABILITY GOVERNANCE



RISK MANAGEMENT

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. 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 company 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. For more information on the main risks in relation to environmental matters, in particular the climate-related goals, social issues, employee-related issues,

respect for human rights, and combating corruption, please see the "Strategic Report", "Risk Management and TCFD Recommendations" chapter on p.22 of the Annual Report 2023.

Furthermore, between 2021-2022, Sika conducted a Materiality Analysis, focusing on potential ESGE – environmental, social, governance, and economic – 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 resulted in the selection of 29 out of over 100 potential material topics. The Materiality Matrix was reviewed and approved by the Sustainability Committee at Board level. For more information on the Materiality Analysis conducted in 2022, please see the summary report [Sika Materiality Analysis 2022](#) available on the corporate website.

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 Strategy 2023, Sika pursued the following six strategic target areas with 2019 as a baseline:

SUSTAINABILITY PERFORMANCE 2019–2023¹


Climate Performance

We run our business in a responsible way and mitigate climate change and its impacts.

TARGET 2019–2023	PERFORMANCE 2019–2023	PERFORMANCE 2023
-12% reduction of GHG emissions per ton sold (scope 1 and 2)	-41.8% reduction of GHG emissions per ton sold (scope 1 and 2) ² . The GHG emissions intensity was reduced by -11.3 kg CO ₂ eq.	-4.4% reduction of GHG emissions per ton sold (scope 1 and 2) ² . The GHG emissions intensity was reduced by -0.7 kg CO ₂ eq.

Energy

We manage resources and costs carefully.

TARGET 2019–2023	PERFORMANCE 2019–2023	PERFORMANCE 2023
-15% less energy consumption per ton sold	-21.9% reduction in the energy consumption per ton sold. Energy consumption per ton sold decreased by -83 MJ.	-6.2% reduction in the energy consumption per ton sold. Energy consumption per ton sold decreased by -20 MJ.
 Increase share of electricity from renewable energy sources	+40.6% points increase in the share of purchased electricity from renewable sources. Purchased renewable electricity rate increased from 15.0% to 55.6%.	-7.0% points decrease in the share of purchased renewable electricity from renewable sources. Purchased renewable electricity rate decreased from 62.7% to 55.6%.

Waste/Water

We increase material and water efficiency.

TARGET 2019–2023	PERFORMANCE 2019–2023	PERFORMANCE 2023
-15% less waste generation per ton sold	-25.0% less waste generation per ton sold. Waste intensity per ton sold decreased by -3.5 kg.	-2.5% less waste generation per ton sold. Waste intensity per ton sold decreased by -0.3 kg.
+25% higher recycling rate of total waste	+27.7% higher recycling rate. Waste recycling rate increased from 34.0% to 43.4%.	+7.5% higher recycling rate. Waste recycling rate increased from 40.4% to 43.4%.
-15% less water consumption per ton sold	-38.4% reduction in water consumed per ton sold. Water consumption per ton sold decreased by -0.13 m ³ .	-12.2% reduction in water consumed per ton sold. Water consumption per ton sold decreased by -0.03 m ³ .

¹ Baseline: 2019

² Based on market-based GHG emissions.

Community Engagement

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

TARGET 2019–2023	PERFORMANCE 2019–2023	PERFORMANCE 2023
10,000 working days of volunteering work per year	3,265 yearly average working days were dedicated to volunteering work.	7,953 working days were dedicated to volunteering work.
+50% more projects	+293.2% projects were carried out in and for local communities.	+43.3% projects were carried out in and for local communities.
+50% more direct beneficiaries	+1,531.7% direct beneficiaries of the community engagement program.	+136.1% direct beneficiaries of the community engagement program.

Occupational Safety


Sika employees leave the workplace healthy.

TARGET 2019–2023	PERFORMANCE 2019–2023	PERFORMANCE 2023
-50% Lost Time Accidents	-31.0% Lost Time Accidents LTAs per 1,000 FTEs decreased by -43.9%.	-13.9% Lost Time Accidents LTAs per 1,000 FTEs decreased by -23.9%.
0 fatalities	3 fatalities among Sika employees and contractors.	1 fatality among Sika employees and contractors.

Sustainable Solutions

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

TARGET 2019–2023	PERFORMANCE 2019–2023	PERFORMANCE 2023
 All new product developments with Sustainable Solutions	When it comes to product development, Sika combines higher performance with additional sustainability benefits.	Sika completed the rollout of the Sustainability Portfolio Management (SPM) Methodology to evaluate, classify, and market products in terms of performance and sustainability.

During the  **Capital Markets Day** in October 2023, Sika released the new Strategy 2028 – “Beyond the Expected” – which is based on four pillars: Market Penetration, Innovation & Sustainability, Acquisitions, and People & Culture, including a set of both financial and non-financial targets. With these pillars, sustainability comes into further focus.



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

SIKA AND THE SUSTAINABLE DEVELOPMENT GOALS (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, know-how, technology, and financial

resources from all of society are necessary to achieve the SDGs in every context. In 2023, 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 13 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

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 Materiality Analysis, focusing on potential ESGE – environmental, social, governance, and economic – 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 resulted in the selection of 29 out of over 100 potential material topics. The Materiality Matrix was reviewed and approved by the Sustainability Committee at Board level. For more information on the Materiality Analysis conducted in 2022, please see the summary report [📄 Sika Materiality Analysis 2022](#) available on the corporate website.

In 2023, during the Board of Directors' December meeting, the Sustainability Committee reviewed the assessment conducted in 2022, confirming the selection of the 29 material topics and their relevance for the business.

Sika is planning to conduct a new materiality assessment in 2024, to comply with the requirements of the European Commission's proposal for the Corporate Sustainability Reporting Directive (CSRD), which requires companies to elaborate on a double materiality perspective.

MATERIAL TOPIC BOUNDARIES

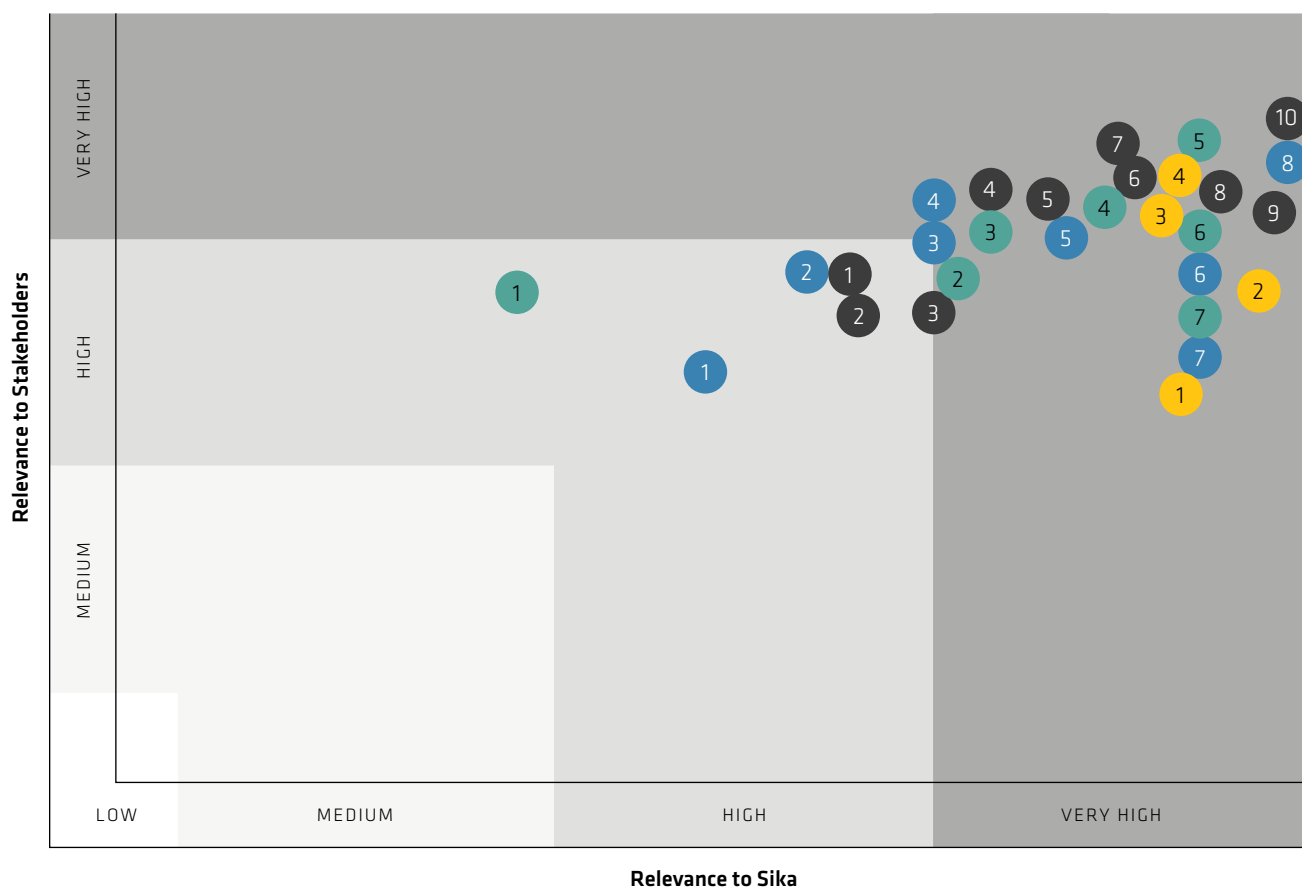
The concept of "topic boundary" is based on the expectation that organizations have a responsibility not only for the direct impact they cause, but also for the indirect impact resulting from their business relationships. These concepts are covered in the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for multinational enterprises¹. Sika structured the Sustainability Report around its material topics, organized by dimensions – environmental, social, governance, economic – and their related sub-topics and boundaries. For more detailed information on material topics and boundaries, please see the document [📄 Material Topic Boundaries 2023](#) 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. 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 2023 and the key topics and concerns raised, please see the document [📄 Stakeholder Engagement Activities 2023](#) 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 associations, initiatives, and relevant strategic partners. For more detailed information, please see [Partnerships and Collaborations](#) and [Equity Indices](#) available on the corporate website.

Reporting Standards & Frameworks



Membership of Associations



Initiatives



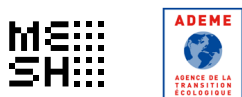
Ratings



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. The ambition is to be the employer of choice and to foster continuous high engagement, commitment, and a sense of belonging among employees.

APPROACH

The goal is to shape a positive employee experience, foster leaders' effectiveness, and encourage everyone to live the Sika Spirit. Corporate culture promotes an empowering working environment where everyone feels safe and valued, is treated fairly and respectfully, and has access to equal opportunities. By caring, we build trust.

HIGHLIGHTS

Revised Code of Conduct (CoC)

In 2023, Sika rolled out the revised CoC to reinforce its commitment to sustainability topics with a stronger focus on promoting equal opportunities, human rights, labor standards, and safety at work.

Global Safety Survey 2023

The first Sika Global Safety Survey was sent to all employees in late 2022 and completed in February 2023 with a global participation rate of 74%.

KEY FIGURES

EMPLOYEES

33,547

+21.1%

Change vs 2022

SHARE OF WOMEN IN SIKA WORKFORCE

24.3%

+0.3%

Change in % points vs 2022

LOST TIME ACCIDENTS PER 1,000 FTEs

5.4

-23.9%

Change vs 2022

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, inclusive, and safe work environment where people can grow and unlock their full potential. A place where everyone returns home safely at the end of the workday. A place where everyone is treated fairly, with respect, and has equal opportunities. A place where people can be their true self and develop a strong sense of belonging. It is about empowering people at all levels to actively contribute to building a sustainable future and passionately solve daily challenges.

In addition to these core values, a Leadership Commitment framework has been installed with the purpose 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.

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 inspire 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.


SIKA VALUES AND PRINCIPLES

<p>1 Customer First</p> <p>Sika is dedicated to provide and maintain the highest quality standards with its products and services.</p>	<p>2 Courage for Innovation</p> <p>Sika's success and reputation is based on its long-standing tradition of innovation.</p>	<p>3 Sustainability & Integrity</p> <p>Sika takes a long-term perspective on the development of the business and acts with respect and responsibility towards its customers, stakeholders, and employees.</p>	<p>4 Empowerment & Respect</p> <p>Sika believes in the competence and the entrepreneurial spirit of its employees.</p>	<p>5 Manage for Results</p> <p>Sika aims for success and takes pride in continuously achieving outstanding results and outperforming its markets.</p>
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HEALTH AND SAFETY

GRI 2-27	GRI 3-3	GRI 403-1
GRI 403-2	GRI 403-3	GRI 403-4
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**

In 2023, Sika continued to focus on increasing awareness on health and safety throughout the whole company via a dedicated communications campaign and continuation of the key initiatives launched in 2022 (Start with Safety, Visual Performance, Safety Walks, and EHS tool deployment). 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. The integration of MBCC Group into Sika allowed for benchmarking of the two companies' approaches to health and safety. Two key areas for improvement have been identified for implementation at Sika in 2024: EHS audit program and methodology, and process safety. A Global Safety Survey of all Sika employees with a 74% participation rate was completed in February 2023; for more information please see the text box on p.54 of this chapter. The action plans derived from the global, regional, and local survey results will ensure that safety remains on the agenda of all Sika employees. Improvement in the safety culture score has been added to the 2028 strategic targets. The survey will be repeated at regular intervals with the objective to monitor progress and improvement.

COMMITMENT

As part of the Sika Strategy 2028, launched in October 2023, Sika's commitment to health and safety has been further elevated. The company commits to create a workplace where safety is a value embedded in every action, decision, and interaction. Sika's vision is a future where every employee, contractor, and stakeholder returns home safely, every day. Through innovation, education, and collaboration, Sika aspires to eliminate all accidents, prioritize the well-being of the workforce, and set an industry-leading benchmark for safety excellence.

GOALS AND TARGETS

The strategic target 2023 is to reduce lost time accidents by at least 50% (baseline 2019: 9.6 LTAs per 1,000 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.44 of the Sustainability Report 2023.

Sika has set strategic targets for health and safety as part of Strategy 2028 in line with the Safety commitment and vision. These go beyond lost time accidents and fatalities to include a significant reduction in recordable injuries and a measurable improvement in the company safety culture.

RESPONSIBILITIES

General Managers bear full responsibility for the implementation of labor practices and safe working conditions in Sika's local operations. They report to regional management, who oversee the development of regional strategic plans and targets in accordance with the Group Strategy. 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, the compensation scheme of Group Management and Sika Senior Managers has been linked to the safety performance of the company. For more information, please see the Compensation Report, on p.174 of the Annual Report 2023.

THE SIKA VISION ZERO PROGRAM

At Group level, the four key initiatives implemented in 2022 as part of a new and systematic approach for improving EHS performance continued in 2023:

- "Start with Safety" behavior at all management levels throughout the company is crucial. Managers demonstrate that safety is a core value for Sika by role-modelling it. This leadership behavior is known to be a key factor in establishing a strong safety culture. Since January 2023, each Group Management meeting starts with a review of safety performance, lost time and serious event lessons learned, and an update on the safety program.
- "Safety Walks" to the shop floor that aim to proactively change unsafe behaviors and conditions. Such visits are organized at local level, in all regions, and involve on-site teams (Production, R&D, EHS, or Administration for example) to immediately implement changes and improvements. This routine strengthens the safety leadership and management commitment on safety.

- “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.
 - Deployed in 2022, the Global Incident Management tool is fully operational since January 2023. 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. In 2023 the Global EHS team was active in driving adoption, providing training and live sessions to facilitate the use of the tool.
 - A new Health and Safety e-learning program, designed to provide comprehensive training in a convenient and accessible online format, was launched in October 2023. The e-learning encompasses mandatory training on the Sika “Life-Saving Rules” and fundamental EHS minimum requirements for all employees, as well as elective training for specific activities.
 - Several communication initiatives were continued to strengthen Sika’s safety message and awareness through the company. The Sika Safety Campaign was refreshed with new visuals and the message “Stay Alert. Don’t get Hurt”, and two Global “Safety@Sika” Newsletters were published. These included key messages from the CEO and EHS management, the most recent safety performance results, as well as testimonials and best practices.
 - Global Business created a “Safety Scoring” tool, which was piloted in all Automotive production sites before being adopted by all regions. The tool is used as a self-assessment by Local EHS managers and contributes to identifying areas for improvement and defining improvement actions. It provides a holistic picture on the status of the implemented standards and safety programs.
- In addition, on a regional level, the following activities took place during 2023:
- Four Regional Safety Summits involving Regional Managers, Regional EHS Managers, General Managers, 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 continued in each region to further develop safety awareness at the workplace.

GLOBAL SAFETY SURVEY 2023

The first Sika Global Safety Survey was sent to all employees in late 2022 and completed in February 2023 with a global participation rate of 74%. The objectives of this initiative were to:

- Receive a portrait of the safety culture at Sika as seen by employees.
- Compare the safety culture level to industry peers and the best ones according to the benchmark.
- Analyze differences in perception of safety culture levels by region, country, function, and employee category.
- Develop action plans to improve safety culture over the longer term.

Based on the results, safety as a value is highly recognized at Sika and there is a clear commitment to improve the company performance. However, line management accountability, individual responsibility, empowerment, and skills differ across

the organization and there is a strong correlation between management and employee perception of safety. To measure the safety culture, Sika used an external proprietary survey and scoring system which placed the company at the second stage of a four-point safety culture scale. In aggregate for the Group this translates to “Employees view safety as following rules. Accident rates are decreasing”. After completing the analysis of the findings, regional, country, and functional breakdowns were provided to top management and senior managers, and action plans were proposed and shared with Regional Managers during Safety Summits. The review of the various action plans by the regions will be conducted in 2024, and a second Global Safety Survey will be repeated in 2025. The strategic target is to reach stage four of the safety culture scale, meaning “teams feel ownership and responsibility for safety culture. They believe zero injuries is an attainable goal”, by 2028.

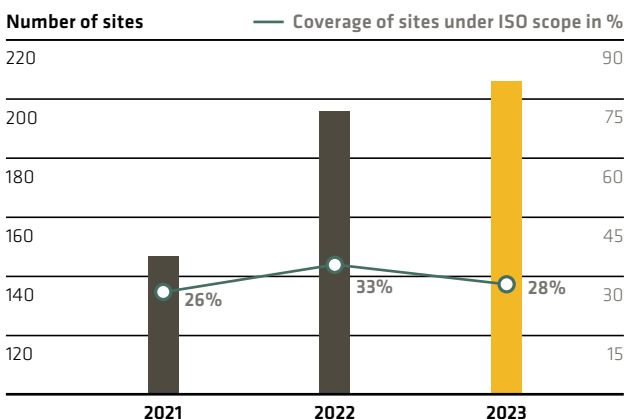
OCCUPATIONAL HEALTH AND SAFETY AND QUALITY MANAGEMENT SYSTEM

Sika maintains a Corporate Management System which applies to all Sika locations and employees and fulfils the requirements of the ISO 45001 “Occupational Health and Safety Management System” and of the ISO 9001 “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 2023, nine Group audits with a dedicated focus on EHS were conducted.

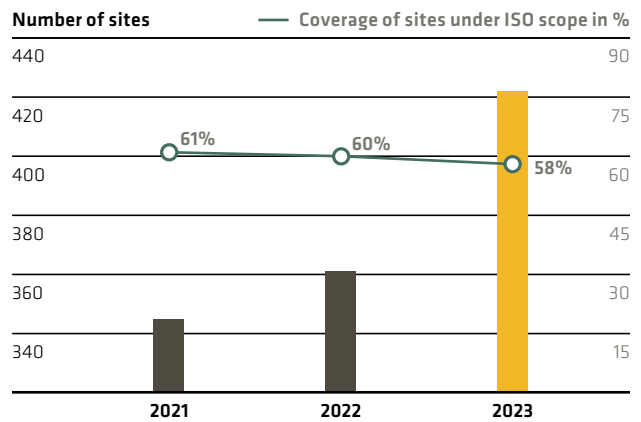
In 2023, among 724 Sika locations under ISO scope¹:

- 28% were certified according to ISO 45001 (↓ **Table 01: ISO 45001 – Occupational Health and Safety Management System Certification**, in the “Key Performance Indicators” section at the end of this chapter). The percentage of certified Sika locations decreased due to the acquisition of MBCC. Subsequent integration process will start in 2024.
- 58% were certified according to ISO 9001 (↓ **Table 02: ISO 9001 – Quality Management System Certification**, in the “Key Performance Indicators” section at the end of this chapter). The percentage of certified Sika locations decreased due to the acquisition of MBCC. Subsequent integration process will start in 2024.

ISO 45001 – OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM CERTIFICATION



ISO 9001 – QUALITY MANAGEMENT SYSTEM CERTIFICATION



NON-COMPLIANCE WITH HEALTH AND SAFETY LAWS AND REGULATIONS

Sika is committed to mitigate any potential negative impacts with regard to its health and safety management system. This includes all major non-compliance cases that have been detected externally. In 2023 Sika had three such cases:

- Sika Corporation (US) – Marion: related to a lost time accident in 2018 where an interlock was not properly functioning, allowing an employee to be exposed to moving parts.
- Sika Corporation (US) – Cleburn: related to electrical hazards due to insufficient covering of control boxes.
- Sika Limited (UK) – Welwyn Garden City: related to inappropriate storage of dangerous and flammable substances.

In all the above cases Sika has worked together with the local authorities to address all findings and implement the necessary improvements.

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 conducts 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.

¹ Considered under ISO scope are: headquarters, plants, warehouses, and technology centers. Sales offices, administrative offices, training centers are excluded as these activities do not fall under the scope of respective ISO standards.

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 cause analysis is performed, and that lessons learned are shared across the business for assessment and implementation of risk mitigation measures. Since 2023, this process has been fully supported by the Global EHS Incident Management tool, which was rolled out during 2022. The tool enables Sika employees to report, manage, analyze, and share EHS observations, near misses, and incidents. The tool has been fully operational since January 2023, and it is in use across all Sika entities and will also be rolled out to the acquired MBCC companies and further acquisitions in 2024.

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:

- At Group level, 13 e-learning modules have been developed and deployed covering the Sika Life Saving Rules and the twelve Sika EHS Minimum Requirements. All Sika employees are required to complete the Sika “Life-Saving Rules”, General Site Rules, Personal Protective Equipment training, and Rules for Visitors training. The remaining e-learnings are elective based on the activity of the employee and are included in the local curricula.
- At local level, new employees receive an induction safety training that is embedded in the 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. Each country develops a program to ensure that employees are trained to these standards and that local legal compliance is ensured.
- 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.

OCCUPATIONAL HEALTH SERVICES AND WORKERS' HEALTH PROMOTION

The provision of occupational health services is under the responsibility of local management teams in accordance with the Sika-internal Safety Manual and Sika “Life-Saving Rules” and might differ depending on local regulations and healthcare systems, for example:

- In the US, a dedicated procedure has to be strictly followed in the case of Emergency Medical Attention or Non-Emergency Medical Attention, relying either on emergency assistance or on a medical hotline. If first aid is required, responding personnel must have received and be current with CPR¹/First Aid/AED²/Blood Borne Pathogen training for adults.
- In Brazil, Argentina, Mexico, a doctor is available on factory sites to conduct consultations and occupational clinical assessments related to the occupational risk of each employee.
- In the Asia/Pacific region, an REBA (Rapid Entire Body Assessment) initiative for ergonomics risks has been deployed to reduce injuries from manual handling.
- In all locations in Switzerland, internal first aiders are available for employees. They are the first contact for any health-related incident.

Promoting employee 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, for example:

- In some countries (e.g., Brazil and Switzerland), HR departments conduct an annual flu vaccination campaign for employees and their families.
- In the UK, a mental health hotline is available for all employees.
- In Latin America, several initiatives promote health services and workers' health: health communication campaigns (high blood pressure, heart care, cancer, use of prescription glasses, etc.), warm-up sessions to start the day with active breaks and exercises for body posture to improve ergonomics, and healthy nutrition in canteens and for meeting catering.

1 Cardiopulmonary resuscitation

2 Automated External Defibrillator

WORKERS PARTICIPATION, CONSULTATION, AND COMMUNICATION ON OCCUPATIONAL HEALTH AND SAFETY

In addition to the Safety Campaign rollout, Sika ensures that employees can always have direct contact with superiors and management on occupational health and safety issues. This allows employees to raise their concerns to improve health and safety 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 addition, employees participate in the analysis of errors, accidents, and other events if they wish or can contribute.

For example:

- All employees are encouraged to raise safety observations in the global incident management tool and a program has been launched to extend system access down to the plant worker level.
- In North America, the Incident Review Committee meets monthly to discuss lost time accidents 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 the first item on the agenda, and the Steering Team meets quarterly and discusses safety as the 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 the Asia/Pacific region, factories have installed EHS corners and a visual performance management board, which communicates regular information on safety issues and EHS-related 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 the local EHS Committee. In addition, a Safety Day is conducted each year in September in every entity in the region. The slogan for 2023 was “Act Safely Beyond the Expected”. All employees are encouraged to participate and to give suggestions to improve safety. A target “Everyone reports at least one EHS event” was set and is monitored monthly.
- In the EMEA region, employees participate in the preventive program as event reporters and report on near misses and observations. Furthermore, through hazard hunting groups, employees and managers conduct safety walks together.

EMPLOYEE WORK-RELATED INJURIES

We are deeply sorry to report that one employee lost their life while working for Sika in 2023. The fatality occurred due to the mechanical failure of a goods elevator during regular production operations in India. As a result of the incident and investigation, the concerned elevator is being replaced, and all elevators in the Sika manufacturing network were checked for compliance with code and maintenance schedule and results. Corrective actions were taken where necessary. For each serious incident or accident with lost time, a root cause investigation is conducted, and corrective and preventive actions are defined. An internal report summarizing circumstances, causes, and lessons learned is circulated across the Group for follow-up and action to prevent similar events.

The number of lost time accidents decreased compared to 2022 (-13.9%), leading to a lower Lost Time Accident (LTA) rate per 1,000 FTEs (5.4, -23.9% vs 2022). Analysis of lost time accidents showed that the majority were related to slip, trips, falls, and manual handling, with the most prevalent injuries being sprains and strains, cuts, and fractures. In addition to accidents, Sika also captures all near misses and encourages the reporting of safety observations for action and follow-up.

WORK-RELATED INCIDENTS OF SIKA EMPLOYEES¹

	2021	2022 ²	2023
Fatalities (No.)	0	0	1
Lost Time Accidents (No.) ³	256	209	180
Days lost due to Lost Time Accidents (No.)	4,919	5,716	4,849
Average days lost per Lost Time Accident (No.)	19.2	27.3	26.9
LTA per 1,000 FTEs (Rate)	9.2	7.1	5.4
LTIFR per 200,000 hours (Rate) ⁴	0.92	0.70	0.53
Recordable injuries (No.)	-	361	335
TRIR per 200,000 hours (Rate) ⁵	-	1.22	0.98
Occupational illnesses (No.)	10	12	22
OIFR per 200,000 hours (Rate) ⁶	0.04	0.04	0.06

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

2 2022 figures related to LTAs, days lost due to LTAs and related KPIs have been revised upwards to take account of the incorrect classification of three incidents identified after publication.

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

4 Lost Time Injury Frequency Rate.

5 Total Recordable Injury Rate.

6 Occupational Illness Frequency Rate.

WORK-RELATED INCIDENTS OF CONTRACTORS

in numbers	2021	2022 ¹	2023
Fatalities	0	0	0
Lost Time Accidents	30	27	19

1 2022 figures related to LTAs of contractors have been revised upwards to take account of the incorrect classification of one incident identified after publication.

Sika places equal importance on the health, safety, and well-being of contractors as on Sika employees. In 2023, no work-related fatalities of Sika contractors occurred. The number of contractors' lost time accidents decreased by -29.6% compared to 2022. Implementation of Group-wide minimum requirements for on-site contractors' management continued to contribute to this improvement.

OCCUPATIONAL ILLNESSES

In 2023, 22 occupational illnesses were reported for Sika employees, an increase by ten cases compared to 2022, as reflected in the Occupational Illness Frequency Rate development. The most common causes were related to musculoskeletal disorders, with a spate of cases occurring in Mexico, where a high level of manual handling led to occupational illnesses. An automated palletizer was implemented as a preventive measure. In all cases, 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 product 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.119 of the Sustainability Report 2023.

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 performance is a result of acting in compliance with laws and regulations. Sika operates a Group-wide, culturally well-accepted Compliance Management System, covering the main pillars of Prevent, Detect, and Respond & Adjust. The Group pursues a holistic approach to compliance and engages the whole organization through all hierarchies, functions, and geographical areas. During 2023, major compliance initiatives took place, including:

- Sika Code of Conduct (CoC) awareness campaign of the revised Code of Conduct.
- Opening of the Sika Trust Line, an online reporting platform, to external stakeholders.
- Onboarding of acquired companies (incl. MBCC) on Sika's Compliance Management System.
- Compliance trainings across the organization with a focus on leadership.
- Compliance audits in various countries.

COMPLIANCE MANAGEMENT SYSTEM, GLOBAL ORGANIZATION, AND ASSESSMENTS

Sika's Compliance Management System rests on a life cycle of three closely interrelated core activities: Prevent – Detect – Respond & Adjust. It is administered by a matrix organization under the leadership of the Head Human Resources, Legal & Compliance and enables synergies on trainings and investigations. The Corporate Compliance team consists of dedicated resources, who coordinate the Group-wide compliance initiatives. Depending on the compliance topic concerned, the Corporate Compliance team is supported by the Regional HR Heads, 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 wrongdoings (fraud, bribery, and unfair competition etc.) by means of implementing targeted policies, trainings, audits, investigations, as well as disciplinary and improvement measures. A separate team ensures compliance with data protection and privacy regulations. Where required by local law, they are supported by a designated local Data Protection Manager. For more information on data protection, please see the "Digitalization and IT" chapter on p.134 of the Sustainability Report 2023.

During 2023, Corporate Compliance audited 14 selected entities following a risk-based approach. To strengthen the "Detect" pillar, Corporate Compliance will continue the Compliance audit program in 2024. To assure proper records management and follow-up, a Group-wide audit tool will be used in coordination with other assurance functions. 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. The program enhanced compliance-related risks awareness, collaboration between the Regions and Corporate Compliance functions as well as the collaboration between Compliance and other insurance functions, such as Internal Audit, Legal, etc.

COMMUNICATION OF CRITICAL CONCERNS, OPEN DOOR POLICY, AND SIKA TRUST LINE

Sika promotes transparency and a speak-up culture around the world. The company encourages everyone to speak up openly about potential concerns or wrongdoings. Sika also grants every employee who speaks up in good faith protection against retaliation. Concerns that can be reported include any violation of the Sika CoC and cover various aspects such as 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, sexual harassment, discrimination, harassment, retaliation, etc.); or breach/misuse of confidential information (including violation of privacy protection laws) as well as conflict minerals.

Sika has established various channels for raising concerns:

- Open door policy: The company promotes a speak-up culture that allows every employee to report any wrongdoing to his or her superior at local level, a local legal and/or compliance team member, or to management on corporate level.
- Sika Trust Line: This is an externally hosted web-based platform system that ensures safe and confidential reporting, with the option for anonymity. This platform is available globally for all employees and was opened to third parties (customers, suppliers, distributors, and other stakeholders) in November 2023 (testing phase), to go live in January 2024.
- Alternative channels: Concerns may also be sent by e-mail to Corporate Compliance ([✉ compliance@ch.sika.com](mailto:compliance@ch.sika.com)), alternatively via post. In selected geographic locations, and often based on local requirements, there may be additional independent points of contact to liaise on compliance concerns; this may include workers council representatives, or third parties such as professional ombudspersons or external legal counsel.

All reports received are managed by the Group Compliance Organization under the supervision of the Corporate Compliance team. Each member must ensure impartial actions, particularly by being independent and not bound by instructions. The Group Compliance Organization is specially trained and obligated to maintain confidentiality.

Concerns raised are categorized in three “priority levels”, such as Priority 1 (P1), Priority 2 (P2), or Priority 3 (P3) depending on their severity.

In 2023, the annual “Compliance Confirmation” developed into an internal digitalized questionnaire named “ESG Confirmation”. This ESG Confirmation is sent to all General Managers (GMs) by Corporate Compliance once per year to confirm their commitment to Sika’s core compliance policies and manuals regarding fundamental environmental, anti-corruption, fair competition, labor laws, and human rights, and that they have provided adequate information and training concerning these topics to their staff¹.

Internal audits as well as compliance assessments may also uncover possible or actual misconduct or violations of Sika policies, as well as contribute to the identification of improvement opportunities to further strengthen the Sika Compliance Management System. Through the open door approach of raising and as far as possible clearing concerns, local, area, regional, or functional management are also making their strong contributions.

COMPLIANCE COMPLAINTS WITH HIGH PRIORITY (P1, P2) RECEIVED AND SUBSTANTIATED

in numbers	2021	2022	2023
Reports received	63	48	73
Reports resulting in investigations	50	47	68
Substantiated reports	33	22	47
Complaints leading to disciplinary measures ¹	23	23	35
Thereof cases with dismissals/voluntary resignations	14	11	31
Thereof cases with only warning letters	9	11	14
Thereof assignments of new roles	0	1	1

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

Employees are the biggest source of information and of raising concerns. For the year under review, about half of the overall reports received came directly through the Sika Trust Line; the other half originated from audits, assessments, and management. In 2023, various reports were raised by third parties, such as former employees, resellers, as well as vendors. These amounted to about 10% of the overall reports received.

Out of 73 reports received, 68 cases were investigated (as some reports are related to the same matter), including cases and concerns relating to conflict of interest, harassment, and EHS.

COMPLIANCE INVESTIGATIONS

The initial responsibility for managing reported incidents of unethical or unlawful behavior lies with those Sika employees/managers who observe the wrongdoing or 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 2023, Corporate Compliance received 73 reports:

- 47 reports of misconduct could be confirmed/substantiated.
- 17 reports could not be substantiated.
- Nine reports are still under investigation at the publication of this report.

The 2023 compliance investigations analysis allows for the following conclusions:

- Most investigations centered on either people behavioral-related topics or fraudulent behavior.
- Twelve reports were submitted anonymously, all via the Sika Trust Line.
- There were no government investigations nor any penalties against Sika entities or employees anywhere in the world concerning alleged corruption or bribery. Six internal investigations focused on potential cases of bribery. In one instance, the allegation was confirmed. To the extent that the involved employee was still an employee of Sika, the employee was dismissed with immediate effect.
- The increased reports were the result of the ongoing strong focus on compliance by management, and a zero tolerance approach on substantiated cases.

MBCC INTEGRATION

In support of global post-merger integration activities during 2023, the compliance team undertook or supported various activities. An online-based information platform was made available to all new colleagues from MBCC Group on Day 1 of joining Sika. This included general organizational information on Sika, Values and Principles, CoC, and other key policy reference documents, as well as an overview of the Sika reporting channels to enable the raising of any concerns. Furthermore, all new colleagues from MBCC Group globally were enrolled into the CoC awareness campaign. Just like Sika employees, they have full access to the Sika Trust Line, where all potential wrongdoings may be reported.

¹ The ESG Confirmation does not cover MBCC legal entities for 2023 as the acquisition was closed during the fiscal year.

AWARENESS CAMPAIGN ON THE REVISED CODE OF CONDUCT

In 2023, Sika rolled out the revised 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.

This campaign aimed at fostering integrity and transparency, raising awareness on risks and misconduct such as fraud, corruption, or discrimination. It encompassed e-learning modules for employees with e-mail addresses and in-person/classroom training sessions for those without e-mail access. After closing the acquisition of MBCC Group in May 2023, Sika extended invitations and enrolled all new colleagues in the relevant training. In Sika, the campaign achieved a completion rate of 89%, whereas the training in MBCC is ongoing as part of the post-merger integration activities.

ANTI-CORRUPTION

Corruption exists worldwide, causing economic damage and contributing to an unfavorable business environment by distorting market mechanisms and increasing the cost of doing business. Sika supports the Swiss chapter of [Transparency International \(TI\)](#) through its membership, and participation in the TI Switzerland compliance practitioners' circle.

GMs are required to immediately escalate suspicions or allegations of bribery to Corporate Compliance so matters may be reviewed accordingly, and prompt actions taken.

Even though Sika operates in countries that are highly ranked on Transparency International's Corruption Perceptions Index, its exposure to corruption risks remains moderate to low: a) Sika's business partners are mostly private sector companies. Interaction with the public sector, which is particularly susceptible to corruption, is very limited; b) Sika is a specialty chemicals company, and therefore less exposed to corruption risks than companies belonging to the extractive, construction, transportation 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 zero tolerance position against corruption anchored in its CoC, clearly formulated local Gift & Entertainment Policies, anti-corruption trainings for employees, and regular reviews and assessments of local practices related to third party engagements.

FAIR COMPETITION

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 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, General Managers are asked to confirm that no government action was taken against their entities for anti-competitive behavior. As in previous years, General Managers in the ESG Confirmation issued such confirmation for the calendar year 2023, with the exception of the investigation launched by the Competition authorities in the EU countries, UK, Turkey, and the USA into suspected antitrust irregularities in the area of additives for concrete and cement. Sika supports the investigations, and it has been fully cooperating with the various authorities since its start in October 2023. The fair operation of the markets is fundamental to the company, and the strong compliance culture and the zero tolerance approach applies to all business areas.

ETHICAL LEADERSHIP PLEDGE

By signing the Compliance Commitment 2024-2025, all Senior Managers at Sika have renewed their strong commitment to uphold Sika's Code of Conduct, its Values and Principles, and to always act with integrity and respect. The Compliance Commitment is a pledge to promote ethical behavior and transparency across the organization and to act as role models for all colleagues. Senior Managers commit to escalate serious violations or well-founded compliance concerns, make sure that suspected misconduct receives proper and timely follow-up, and that employees who report suspected misconduct in good faith are not subject to retaliation. In addition, Senior Managers also commit to provide their teams with adequate trainings. Senior Managers are encouraged to seek the same kind of Compliance Commitment from each member of their management team.

THIRD PARTY DUE DILIGENCE AND MONITORING

In 2023, Sika tightened its third party due diligence and monitoring on a global level. For more information on Sika's supply chain, please see the "Procurement" chapter on p.127 of the Sustainability Report 2023.

TARGETED TRAINING INITIATIVES

Members of the Global Compliance Organization conduct annual compliance trainings with specific risk/target groups. In the context of leadership development, Senior Managers, together with other employees, are invited regularly to participate in Compliance trainings highlighting the importance of ethical leadership at Sika to conduct business with integrity. During 2023, specific trainings were included in the new General Managers Program, and in Global and Regional Leadership Programs with interactive compliance workshop sessions. Multiple other learning opportunities were provided on compliance leadership and were conducted in events across Sika through e-learning as well as in a classroom setting.

HUMAN RIGHTS

GRI 3-3

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 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 ESG 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.

ESG 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 ESG 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 ESG Confirmation also affirms that Sika promotes diversity, inclusion, equal opportunities, and fair treatment in employment and occupation, and that Sika prohibits any form of discrimination¹. 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 2023, 100% of Sika's General Managers have confirmed – by means of their annual ESG 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, the Global Compliance Organization, 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 for its own workforce 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 2023, 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, "Responsible Procurement" section on p.129 of the Sustainability Report 2023.

CHILD LABOR

In line with Sika's commitments to human rights, it categorically prohibits child labor. General Managers are obliged to strictly adhere to the prohibition. For 2023, 100% of General Managers confirmed compliance with the norm. To date, no violation 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 its 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.

¹ 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".

Since 2022, Sika has 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 yearly evaluation is based on the UNICEF Index of Children’s Rights in the Workplace¹. The analysis shows that, at operational level, Sika does not operate in countries with a high risk of child labor. However, the company is present in 68 countries with medium risk. As far as Sika’s suppliers are concerned, there are tier 1 suppliers in 61 medium-risk countries and no suppliers in high-risk countries.

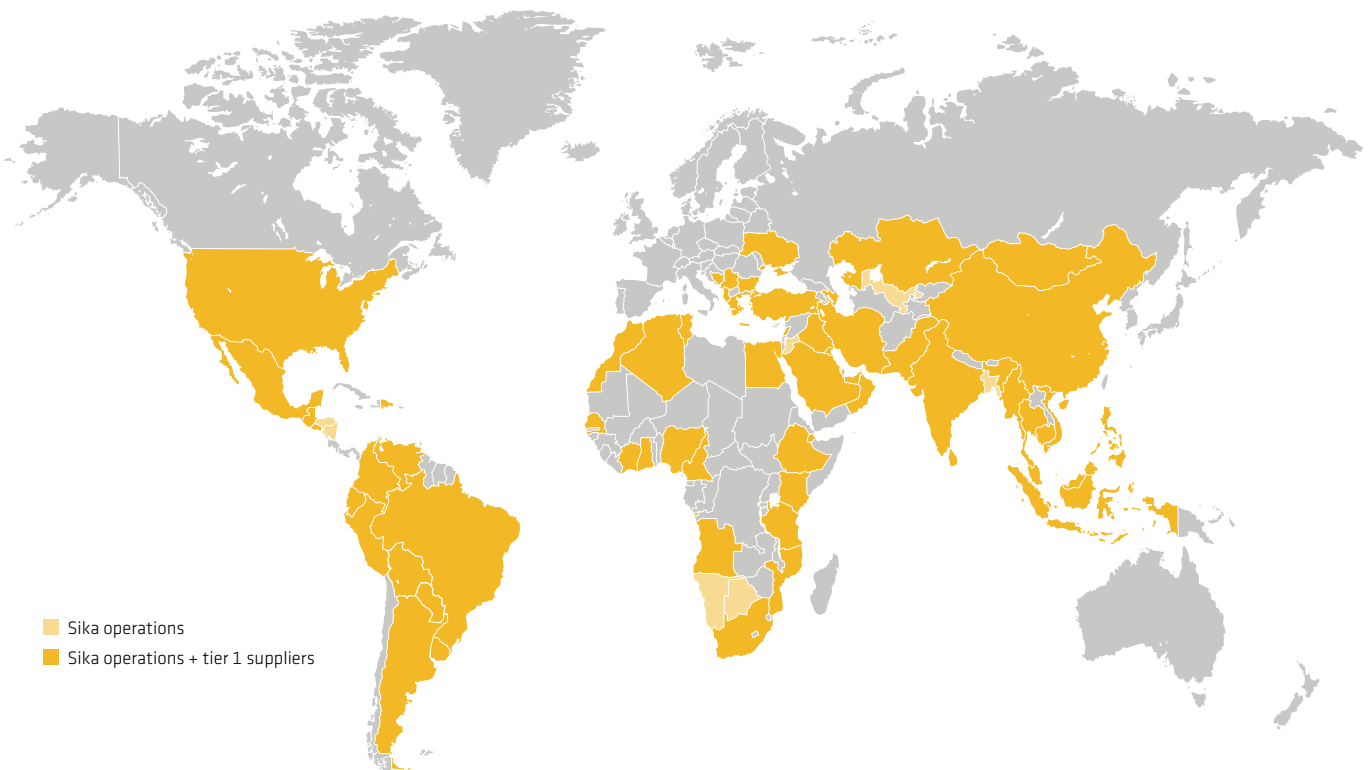
In 2023, in line with the OECD Guidelines², Sika further established its Supply Chain Due Diligence and Risk Management Approach, integrating it in its Supplier Relationship Management (SRM) Process. The Supply Chain Due Diligence and Risk Management Approach is made of five steps: pre-evaluation and ESG risk assessment, qualification, evaluation, development, and termination where necessary. Sika utilizes a dedicated platform – EcoVadis IQ – to establish Supplier Risk profiles, identifying potential ESG risks associated to business partners including criteria on the prevalence of child labor within the applicable industries and countries of its supply chain. Potential high-risk suppliers are prioritized for ESG assessments and audits. For

more information, please see the “Procurement” chapter on p.127 of the Sustainability Report 2023.


Through 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 2023, over 821 TfS assessments³ with EcoVadis and 255 TfS and Sika audits were carried out, including suppliers in the identified medium-risk countries. Such assessments provide the necessary transparency and visibility on the sustainability activities and contributions of Sika suppliers based on international standards, with a focus on child labor where applicable.

If the findings of an EcoVadis assessment or a TfS Audit highlight a suspicion or violation of the child labor prohibition, the organization investigates, applying a case-by-case approach. In general, the first step is to initiate a Corrective Action Plan (CAP). However, if the supplier does not implement or solve the issue via the defined CAP, the case can be escalated at regional procurement level, and Sika can decide to stop any business or cooperation with the supplier. This process is described in Sika’s internal Sustainable Procurement Guidelines and Policies.

CHILD LABOR RISK MAP



1 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 of 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. Sika analysis has been updated according to the latest Index update made in June 2023.

2  **OECD Due Diligence Guidance for Responsible Business Conduct**

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 33,500 employees worldwide are highly dedicated to working for the company. Sika's commitments reflect the following priorities and goals: Empowerment & Respect; Sustainability & Integrity; Development & Training.

MBCC ACQUISITION

In 2023, Sika completed its largest-ever acquisition, incorporating 6,000 employees across more than 60 countries from MBCC Group. Prior to the acquisition's closure, the aspired combined culture between both companies revealed a strong alignment of joint values. Celebrations in May and June 2023, including the Sika Day event, facilitated employee integration and collaboration to build strong joint teams. New colleagues from MBCC were onboarded onto Sika's Values and Principles, Code of Conduct, and Trust Policy (internal Speak-up Policy) immediately after closing the acquisition.

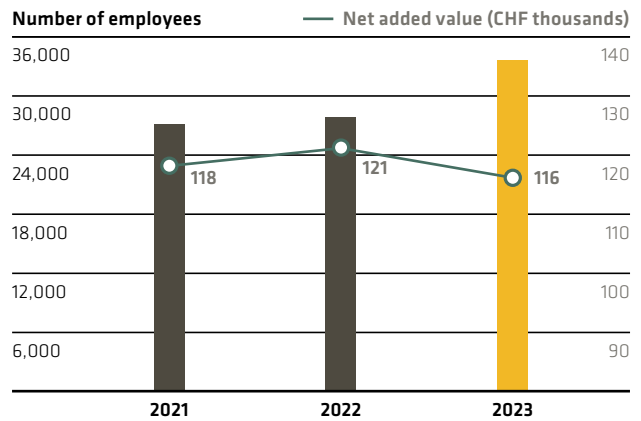
Since the closing, country-specific integration plans have been developed, focusing on defining the target organization and potential synergies, and planning the brand transition strategy. Regular checkpoints have been implemented and execution is ongoing and being monitored to ensure milestones are met. Pulse check surveys are regularly being conducted to gauge employees' perceptions, risks, and support needs during the integration. Through integration newsletters employees are also being updated on milestones, integration progress, and success stories to drive employee engagement and foster the sense of belonging.

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 +21.1% during the year under review to 33,547 (previous year: 27,708) (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 24.3% of the total workforce (previous year: 24.0%). This is despite acquisitions having a negative effect on the share of women in the workforce. MBCC had a female ratio of 22.7%.

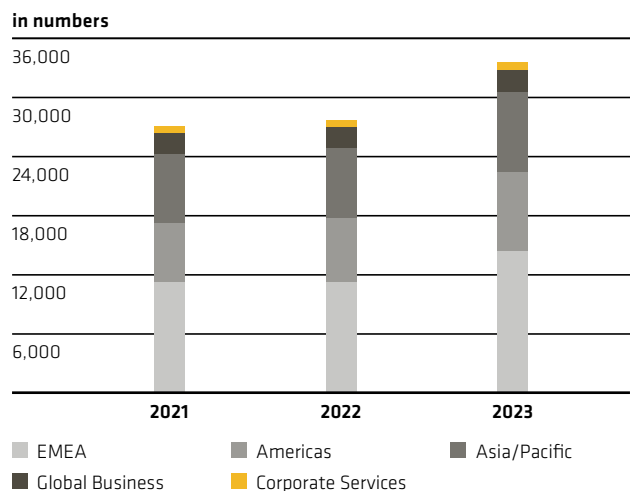
EMPLOYEES AND NET VALUE ADDED



Together, the workforce generated a net added value of CHF 3,557 million in 2023 (previous year: CHF 3,321 million). This corresponds to an annual average net added value per employee of CHF 116,000 (previous year: CHF 121,000) (Table 04: Net Added Value per Employee, in the "Key Performance Indicators" section at the end of this chapter).

In 2023, the EMEA region saw the highest increase in number of employees, growing by +28.4% compared to the previous year. MBCC added over 3,000 employees to the region (Table 05: Breakdown of Employees per Region, in the "Key Performance Indicators" section at the end of this chapter).

BREAKDOWN OF EMPLOYEES PER REGION

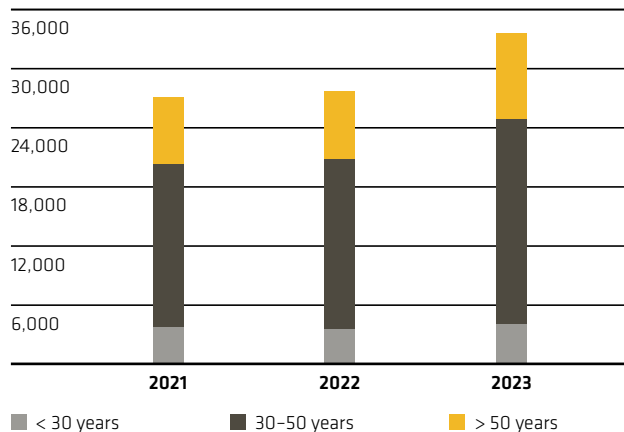


The age structure at Sika is broadly balanced with 11.9% of employees under 30 years old (previous year: 12.8%), 62.1% between 30–50 years old (previous year: 62.0%) and 26.0% over 50 (previous year: 25.3%). To attract, engage, and promote more women, the company provides numerous Trainee programs (e.g., Women in Sales initiative) that cater to the needs of young women and support their professional development. With a demographic that has 16.1% of female employees under 30 years old, compared to 10.6% 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). For more information on Sika’s approach to diversity, please see the “Diversity and Inclusion” section on p.69 of the Sustainability Report 2023.

To increase the number of employees under 30 years old, Sika’s employer branding strategy positions the company as the employer of choice 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

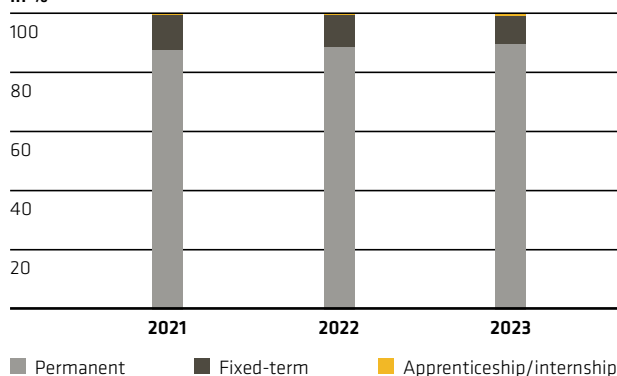
in numbers



Sika is committed to offering long-term prospects to its employees within the company and supports internal promotions. 89.5% of employees (89.9% of men and 88.0% of women) have permanent employment contracts (previous year: 88.6%), 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

in %



40.1% 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 fixed-term workers in the Asia/Pacific region is higher due to higher rates in China, where the use of fixed-term contracts is a strategic approach to navigate the complexities of local labor practices, balancing workforce needs with operational requirements, always in compliance with local legal requirements (📄 **Table 08: 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 IN 2023

in numbers	Permanent	Fixed-term	Apprentice-ship/internship
EMEA	13,644	495	250
Americas	7,863	116	12
Asia/Pacific	5,912	2,285	1
Global Business	1,878	289	23
Corporate Services	719	24	36
Group	30,016	3,209	322

EXTERNAL TEMPORARY WORKERS

Sika is committed to limiting the use of external temporary workers to specialized, non-core activities, during peak times, or to an acceptable maximum percentage only, in accordance with applicable national labor laws. Where external temporary working arrangements are used, Sika takes adequate measures to reduce possible negative effects of such arrangements.

External temporary workers engaged through employment agencies and service providers accounted for 9.1% of Sika’s total workforce by the end of the year (previous year: 8.3%)¹. These external temporary workers are not Sika employees, but under contract with employment agencies/service providers. The number of external temporary workers varies depending on the seasonality of the business in the individual Sika companies. The work performed by these external temporary workers is mainly related

1 Based on FTEs.

to manufacturing, warehousing, and logistics. The number of external temporary workers fluctuated between 8.1% and 9.1% throughout 2023.

COLLECTIVE BARGAINING AGREEMENTS AND TRADE UNIONS

Sika operates in 103 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 2023, more than 37% of the total workforce was covered either by trade unions or work councils (2022: 33%), while roughly 36% of the total workforce was bound by collective bargaining agreements (2022: 43%)¹.

EXPERIENCING GROWTH OPPORTUNITIES ALL AROUND THE WORLD

Sika is growing fast and can offer employees adaptable career paths. With its flexible and nurturing culture, the company offers a vast array of individual career opportunities. Sika thus encourages employees to enrich their experiences and accelerate their growth through working abroad for other Sika companies, offering international 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. The company has fully embraced digital communications channels to connect with younger generations and enhance its reputation as a top employer. Sika recognizes the importance of exploring the potential of new technologies and embracing them together with the workforce. Through digital enablement Sika encourages the strategic use of technology and digital tools, empowering employees and teams to work more efficiently, effectively, and innovatively. 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

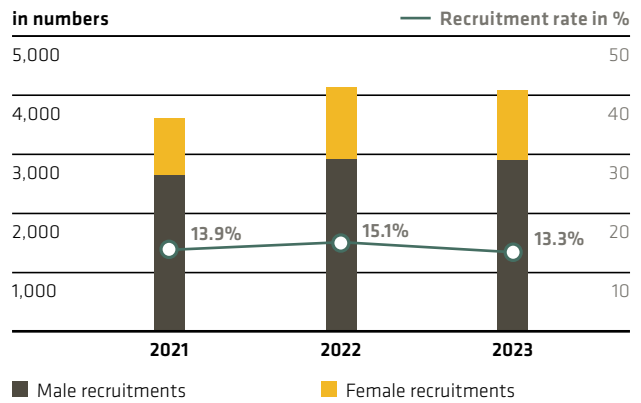
Sika monitors the turnover of employees including newly hired ones in real time using targeted dashboards. Corporate and Local HR Departments regularly analyze reports based on different dimensions such as “gender” and “age” and take action to ensure a balanced workforce.

In addition, the HR organization has made further improvements in its reporting capabilities to generate meaningful insights that will allow Sika to attract, engage, retain, and promote employees. The dashboards are continuously updated to reflect the most relevant Key Performance Indicators to the business and help drive the strategic agenda. Current dashboards include analysis on headcount development, fluctuation, age, and gender distribution. As an example, the analysis on gender reveals areas where there may be under-representation of certain groups, highlighting the need for targeted recruitment efforts to increase diversity.

1 Based on the data collected through the ESG Confirmation.

Sika hired 4,083 new employees in 2023 (4,137 in 2022) (↓ **Table 09: Group Recruitment Rate per Gender**, in the “Key Performance Indicators” section at the end of this chapter). In addition, 6,000 new employees joined Sika with the acquisition of MBCC Group.

GROUP RECRUITMENT RATE¹



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).

29.0% of new employees are women, which is slightly lower than in 2022 (29.5%) but still above the current percentage of women in the workforce. The recruitment rate for the Group decreased from 15.1% in 2022 to 13.3% in 2023. The female ratio decreased to 16.0% (18.9% in 2022) and the male ratio decreased to 12.5% (13.9% in 2022). In 2023, recruitment rates in all regions experienced a decline due to a significant influx of employees through acquisitions, resulting in reduced demand for external hires (↓ **Table 10: Breakdown of Recruitments per Region and per Gender**, in the “Key Performance Indicators” section at the end of this chapter).

In 2023, it was observed that 35.3% of the newly joining employees were under the age of 30, 54.8% were between the ages of 30–50, and 9.9% were over the age of 50. Sika analyzes the recruitment rate per age category to ensure the achievement of its diversity targets, and a balanced recruitment of talents from all age categories (↓ **Table 11: Breakdown of Recruitment Rate per Age Category in 2023**, in the “Key Performance Indicators” section at the end of this chapter).

BREAKDOWN OF RECRUITMENT RATE PER REGION

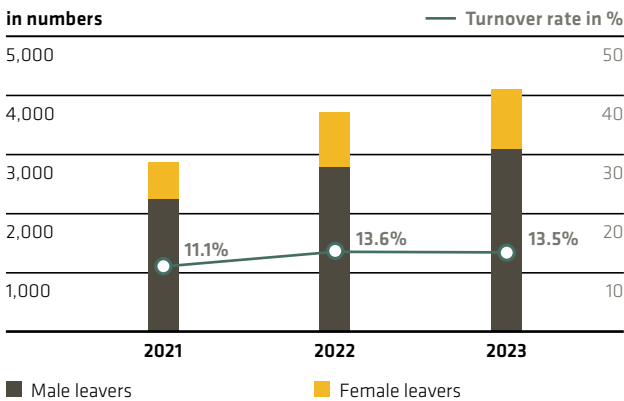
in %	2021 ¹	2022	2023
EMEA	11.2	10.9	10.6
Americas	16.6	22.0	16.3
Asia/Pacific	16.3	14.6	13.6
Global Business	14.2	18.3	15.8
Corporate Services	9.8	15.3	21.0

1 2021 recruitment rate at regional level was restated due to a miscalculation.

Sika invests in the development of its managers who demonstrate the leadership skills and competencies to drive superior performance. In 2023, Sika promoted 802 employees into higher management positions (previous year: 399), resulting in an internal promotion rate of 2.4% (previous year: 1.4%) (↓ **Table 12: Internal Promotions**, in the “Key Performance Indicators” section at the end of this chapter). The big increase vis-à-vis 2022 is mainly explained by the establishment of the new Senior Manager layer, which resulted in promotions for around 300 employees.

In terms of workforce turnover, Sika managed to maintain a relatively stable employee turnover rate. In 2023, the voluntary fluctuation rate amounts to 8.5% (9.3% in 2022), the overall fluctuation rate amounts to 13.5% (13.6% in 2022). Women’s overall fluctuation was 13.9% (14.3% in 2022) and men’s overall fluctuation was at 13.3% (13.4% in 2022). (↓ **Table 13: 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 9.5% (previous year: 10.3%) and men at 8.1% (previous year: 9.0%) (↓ **Table 14: Breakdown of Turnover per Region and per Gender**, in the “Key Performance Indicators” section at the end of this chapter). Despite the decreased fluctuation rates, Sika continues to emphasize the importance of people and culture topics in the organization and will launch new HR initiatives, including a “People & Culture” campaign, to foster employee engagement, retention, and a sense of belonging among its workforce.

Sika has a voluntary fluctuation rate among employees under the age of 30 of 19.1%, which is a total of 718 leavers in the year 2023 (↓ **Table 15: Breakdown of Voluntary Turnover Rate per Age Category**, in the “Key Performance Indicators” section at the end of this chapter). Although this is in line with current market trends, the company has implemented a range of initiatives to reduce attrition among the younger employees:

- A global exit interview process, introduced in 2023, to gather feedback from departing employees, identify areas of improvement, and develop retention strategies.
- A reinforced performance debrief dialogue process, which allows continuous feedback as well as development and skill enhancement opportunities for employees.
- Young Leadership programs are promoted to highlight growth opportunities at Sika.

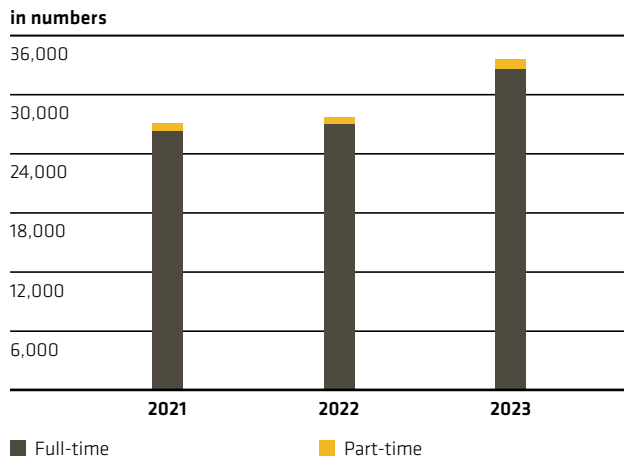
BREAKDOWN OF TURNOVER RATE PER REGION

in %	2021	2022	2023
EMEA	9.1	10.2	10.5
Americas	13.5	19.1	19.8
Asia/Pacific	13.0	13.4	12.5
Global Business	11.1	17.4	13.7
Corporate Services	5.7	7.7	12.5

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 were nominated either as Regional Senior Managers (RSM) or Corporate Senior Managers (CSM). They complement the Sika Senior Management (SSM) group. As current and future leaders, they are actively shaping the development of the company, functioning as ambassadors for Sika’s culture and values and being tasked with implementing the strategy within the organization. Sharing knowledge fosters innovation by bringing together different perspectives and broadening the horizons of managers across the company.

In 2023, the percentage of part-time employees slightly increased to 3.1% (previous year: 2.8%). 9.2% of women and 1.1% of men were employed in a part-time position (↓ **Table 16: 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



TEMPORARY OR PART-TIME EMPLOYEES' BENEFITS AGAINST FULL-TIME EMPLOYEES' BENEFITS

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

FLEXIBLE WORKING HOURS AND HOME OFFICE

Sika's success stems from a collaborative work environment and personal relationships. Sika is a people company, and the Sika culture is to be nurtured and lived every day. This is especially fostered through face-to-face formal and informal exchanges on site. Sika allows flexible working arrangements (part-time and flextime) for a high percentage of the workforce; including work from home for suitable jobs in accordance with local labor law.

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 most of its employees in many countries.

MINIMUM NOTICE PERIOD REGARDING OPERATIONAL CHANGES

Sika commits to transparency, fairness, and strict compliance with local employment laws. Adhering to all applicable laws is the first principle stated in Sika's Code of Conduct, compliance with which has been confirmed by all General Managers by means of the 2023 ESG Confirmation. This includes compliance with legal minimum notice periods. Local notice period policies align with local legal requirements to ensure employees receive ample time to prepare for transitions and foster seamless handovers of responsibilities. In 2023, eleven operational changes with a substantial impact on employees occurred. For example:

- Regarding the divestment of the Chongqing factory in Sichuan (China), five employment relationships had to be terminated. Employees were informed four months before the factory was closed.
- Regarding the closure of the Samprakarn factory (Thailand), all impacted employees were given a 30-day notice.
- Regarding the closure of the MBCC factory in Hanoi (Vietnam), three out of the four internal headcounts were transferred to Sika, one employee voluntarily left the company. Sika complied with the local legal minimum notice period of 45 days for permanent employment contracts and 30 days for fixed-term employment contracts.
- Regarding the closure of the Jackson factory (USA), employees were offered positions in the warehouse on-site or given the option to relocate to other Sika facilities. Four employees accepted the severance package.
- In Romans (France), Sika applied dismissal for economic reasons. As required by local law, before giving notice, the company looked for possible redeployment within Sika France. After giving notice, employees remained on notice for nine months, during which they were accompanied by an external agency to help them find another job.

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 2023, Sika analyzed the compensation of Sika Senior Managers and General Managers globally (168 senior executives)¹. The results confirmed that Sika is fully compliant with equal pay for men and women (insignificant deviation below 5% depending on function).

The company initiated a global rollout of standardized job grades in 2023 that is planned to be finished by 2024. This constitutes a vital step to enhance fairness, transparency, and gender equality. This approach ensures uniform job evaluation criteria, provides clear progression paths, and promotes pay equity.

The company performs regular internal analysis to ensure that employees are paid fairly and to address any potential pay gap. Sika completed the equal pay analysis in several countries such as:

- 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.
- UK, as required by the Equality Act 2010, performs regular pay audits and assessments to ensure that any gender pay gaps that exist in the organization are addressed.
- France performed the analysis according to the "Index de l'égalité professionnelle".
- USA followed the methodology used by the United States Department of Labor's Office of Federal Contract Compliance Programs (OFCCP), which involves multiple regression analyses on groups of at least 30 employees.
- Peru, in line with law No. 30709, ensures equality and non-discrimination between men and women by evaluating groups of jobs based on the tasks involved, the necessary skills, and job profiles.

ADHERENCE TO LOCAL MINIMUM WAGE AND RATIOS OF STANDARD ENTRY LEVEL WAGES BY GENDER

All GMs confirmed in their 2023 ESG Confirmation that all employees are paid above the local minimum wage. Sika does not differentiate by gender when it comes to standard entry-level wages.

¹ Excluding MBCC.

DIVERSITY AND INCLUSION

GRI 3-3

GRI 202-2

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. The company's ambition is to improve gender balance aiming towards equal representation of women at all levels and a steady increase in the share of women in the total workforce. 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:

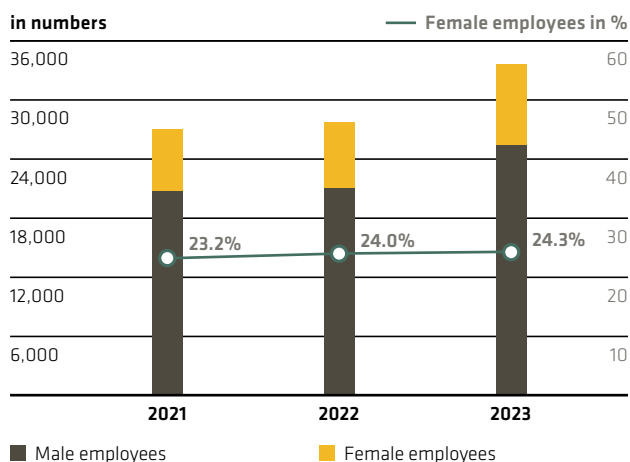
- Fight against discrimination based on race, religion, gender, nationality, disability, age, or any other discriminatory characteristic which is of high importance due to its global presence. This is also reflected in a diverse senior management team.
- Provide equal opportunities for all its employees.
- 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, Equity, and Inclusion (DEI) initiatives and sets global targets. On a global level, three pillars have been identified to foster DEI: attract, engage, and promote. The GDSC measures the effectiveness of the Diversity, Inclusion, and Equal Opportunity strategy and proposes adjustments. It focuses on three levels of actions: the individual level, to challenge the conscious and unconscious biases of both women and men; the company level, 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 the 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, the quota of female employees slightly improved from 24.0% in 2022 to 24.3% in 2023. Excluding acquisitions, the share of women in the workforce increased organically by +0.7% points to 24.7%. The region with the highest ratio of female employees is Corporate Services, with 35.9% women in 2023 (35.3% in 2022) (see Table 17: Breakdown of Employees per Gender and per Region, in the "Key Performance Indicators" section at the end of this chapter).

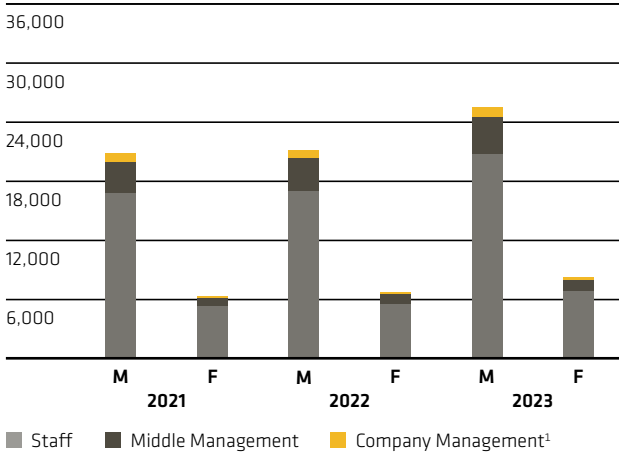
BREAKDOWN OF EMPLOYEES PER GENDER



In 2023, the percentage of women at Staff level increased by +0.3% points to 24.6%; the percentage of women in Middle Management decreased by -0.4% points to 22.8%. The number of women in Company Management increased by +1.4% points to 22.2% (↓ **Table 18: 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



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

EMPLOYEES WITH A DISABILITY

Sika values diversity and inclusion and considers itself to be an equal opportunity employer. The company strives to promote an inclusive work environment that enables people with disabilities to be part of the workforce. Sika carefully observes any legal requirements that might exist in the different jurisdictions the company operates in.

DIVERSITY OF BOARD OF DIRECTORS

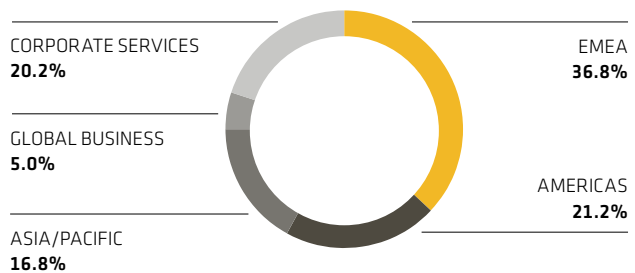
At the end of 2023, the Board of Directors consisted of eight members – five men and three women. All eight members were over 50 years old (↓ **Table 19: Board of Directors – Breakdown per Gender and per Age**, in the “Key Performance Indicators” section at the end of this chapter).

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 67 nationalities among its senior managers (previous year: 43). 64% of Sika General Managers are from the country they manage. The regional split of Sika senior managers has remained stable over the last three years. 36.8% of Sika senior managers are in countries that belong to the EMEA region. 20.2% belong to Corporate Services, 21.2% to Americas, 16.8% to Asia/Pacific, and 5.0% to the Global Business region (↓ **Table 20: Breakdown of Senior Managers per Region**, in the “Key Performance Indicators” section at the end of this chapter).

Sika has widened its management pool, further strengthening the diversity of its senior management. In pursuit of improved gender balance, progress has been made within Sika’s senior management and general management teams. As of 2023, 17.1% of senior management roles are now held by women, an increase of +4.4% points compared to 2022. Likewise, 11% of general management positions are currently occupied by women (7% in 2022), highlighting Sika’s commitment to fostering gender diversity at all levels.

BREAKDOWN OF SENIOR MANAGERS PER REGION¹



¹ Corporate Services: including Group Management members.

DIVERSITY INITIATIVES

Sika’s strategy is to attract, engage, and promote more women, particularly in sales. Therefore, recruitment campaigns across various channels are increasingly targeting them and, as part of the Women of Sika (WoS) campaign, an action plan with dedicated toolkits was developed for the organization.

As an example, Latin America has invested in creating programs to support career and leadership development. In 2023, 22 women were taking part in a mentoring program to inspire and guide them in their professional life, and in the “Poderosa” leadership program to develop their leadership skills.

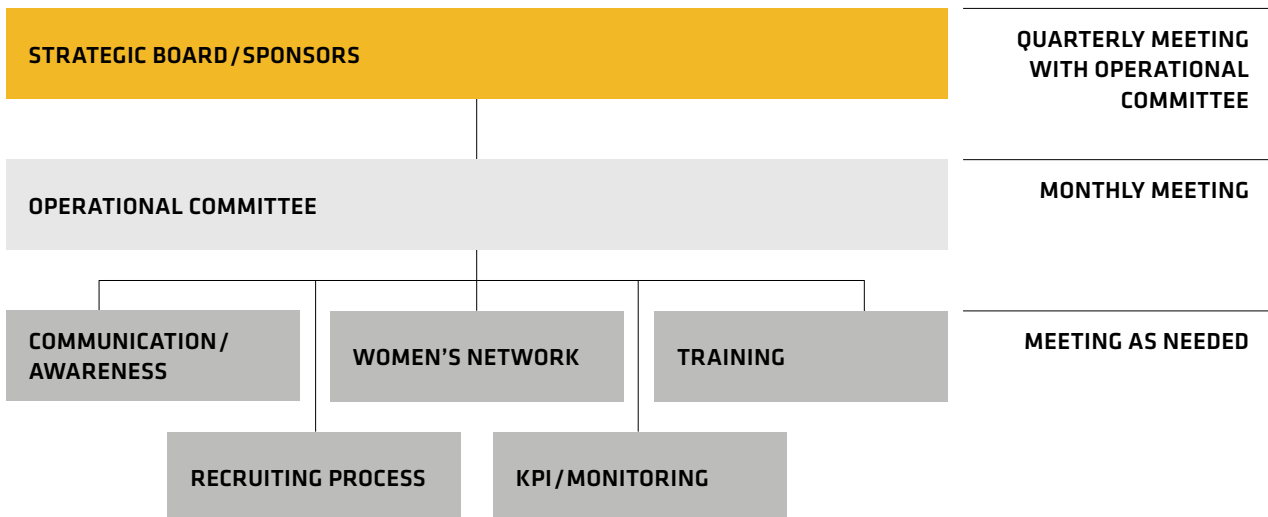
In North America, Sika has set up a Women of Sika (WoS) Committee, which is sponsored by the local Top Management and consists of several dedicated sub-committees. Those sub-committees focus on specific topics, e.g., communication, recruiting, networking, and training, and each have a dedicated team, defined goals, and clearly outlined actions. In 2023, both the United States and Canada hosted a Women of Sika forum where women discussed the different initiatives the WoS is working on and gave their feedback.

In EMEA, Sika has committed to a regional Diversity & Inclusion strategy with “Culture”, “Performance and Talent Management”, and “Recruiting” as the strategic pillars. Each of these pillars has different workstreams, including training for all HR departments across the region on “Diversity Friendly Recruitment” to educate HR colleagues on inclusive language and practices within the hiring process. For Talent Management, there is specific focus on identifying and developing female talent across all functions of the business to be able to meet the targets for gender mix. EMEA is also working on an employee awareness campaign as part of the “Culture” pillar. It will take all EMEA employees on a journey to learn more about diversity, equity, and inclusion, unconscious bias, and creating a safe environment at work where everyone feels empowered to speak up and/or speak out, fostering a sense

of belonging for all employees at Sika. Sponsored by the EMEA Executive Team, there is a six-month campaign through the first half of 2024, led by Internal Communications, that will use online trainings, Senior Manager exchanges, and communication campaigns, testimonials, and videos to underline the strategic importance that diversity and inclusion have for Sika’s business success.

At Group level, improvements are measured through yearly Corporate HR reporting which is executed to monitor data not only on gender but also on age and nationality. For more information, please see the “People” chapter, “Labor Management” section on p.64 of the Sustainability Report 2023.

WOMEN OF SIKA COMMITTEE (NORTH AMERICA)



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 is 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.

MEASURES TO ATTRACT, DEVELOP, AND RETAIN TALENT

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. For more information, please see the "Risk Management and TCFD Recommendations" chapter on p.22, and the "People" chapter, "Labor Management" section on p.64 of the Sustainability Report 2023.

Sika's core measures to attract, develop, and retain talent:

- An alignment of people strategy with Sika business strategy and people initiatives between Corporate and Regional Management (i.e., people engagement initiatives, succession planning, talent reviews, etc.).
- HR marketing and branding initiatives such as the global employer branding campaign called "Going Beyond. Together" to emphasize the environment where employees have a meaningful impact in what they are doing, a safe place to work, and a great team spirit.
- New approach to performance management with the implementation of the Performance Debrief Dialogue (PDD) process focusing on employees' key achievements, aspirations, and development needs.
- Global initiatives on culture, people, and leadership such as Global Employee Survey, Leadership Commitment framework, Sika Day, and Women of Sika campaign.
- Fostering international careers by offering attractive opportunities to work abroad and supporting assignees with customized agreements based on the international assignment framework and guidelines.

- Targeted development with means of a comprehensive and scalable development portfolio available to all levels of employees, enabling knowledge sharing and developing skills for the future.

TALENT DEVELOPMENT AND LEADERSHIP PROGRAMS

Talent development is a strategic imperative to ensure a high performing and sustainable organization. That is why Sika strives to:

- Attract and retain best talents.
- Enable people growth and upskilling for the future.
- Drive employee commitment and engagement through continuous learning and attractive growth opportunities.
- Sustain and reinforce Sika value-based culture and leverage on strong leadership.

Talent development activities have been designed to identify and develop employees both in the areas of business acumen and leadership competencies enhancement. This approach ensures systematic employee succession planning in the respective organizations.

Sika takes pride in a comprehensive leadership development portfolio at global, regional, and local level to boost the talent pipeline. The portfolio is constantly growing as the company needs to stay on top of the requirements of the business and adapt the offering to employees' needs to succeed. The current offering includes:

- The Global Leadership Program (GLP), which is delivered with the purpose to enhance the required capabilities portfolio to fill the senior level talent pipeline for business-critical key positions. The program combines gaining knowledge of the market with a customer centric mindset; the leader learns about long-term transformational plans as well as strategic adjustments to take advantage of short-term opportunities.
- The General Manager Program (GMP), which is dedicated to newly appointed general managers and focuses on training and sharpening business operational skills to confidently head and govern a Sika subsidiary. It is tailored specifically to General Manager role needs.
- The Regional Leadership Program (RLP), which is designed to enhance the required capabilities portfolio to fill large country, area, or regional positions for the purposes of stocking the talent pipeline for business-critical key positions. Regional leaders deepen their business acumen and leadership skills by understanding key financial figures, their active role in optimizing business results, and how their leadership drives engagement.

- The Leadership Accelerator Program, which is dedicated to first time managers and middle management employees to expand managers' leadership competencies and increase their individual and team performance. It is a complementary offering to the core talent development dedicated programs such as RLP.
- Young Leadership Programs¹, which are delivered to help young employees to build the future perspective, engage, and expose. It prepares the next generation of Sika leaders with innovative and accelerated development. Furthermore, it creates a robust leadership foundation for our future leaders' success today and tomorrow and provides a strong sense of belonging and engagement through a promising development journey.

In 2024, Sika will re-launch executive learning programs which are tailored to Sika Senior Management including the Regional Senior Managers and Corporate Senior Managers. These Executive Development Programs (EDPs) are a part of continuous learning journey and focus on the Sika Strategy 2028 implementation and leadership.

TRAININGS BEYOND TALENT AND LEADERSHIP PROGRAMS

Sika's Learning and Development (L&D) function offers a myriad of skills-based programs supporting the continuous improvement of all employees. This paves the way to achieving an engaged workforce and fosters a high-performance culture.

The L&D team organizes a broad range of internal and external training programs based on the Group Management's strategic initiatives and collaborates closely with General Managers, Regional HR Managers, Area HR Managers, Country HR Managers, and other key business leaders to identify focus areas. Apart from the talent management and leadership trainings portfolio, the Sika Business School offers sales trainings, professional skills trainings, and support to Sika academies in the areas of procurement, operations, and sustainability.

Future managers are trained at various levels, either through continuous training initiated by the respective national organization or provided by the Sika Business School, Sika Academies, and external education partners. In 2023, Sika continued to cooperate with various business schools and universities, where the company provided training for talented employees with the potential to assume Senior Management positions.

Training activities for each Sika employee are determined based on the evaluation by the line manager. A nomination to a young or regional talent program is additionally validated by the area and regional management team, whereas a nomination to a Global Leadership Program (GLP) is further validated by the CEO. 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 PDD process, yearly performance evaluation discussions integrate a systematic focus on employees' aspirations, competencies, and development needs.

1 Programs' names might differ across Sika regions due to regional requirements.

2 Excluding MBCC. However, a reduced version of SikaLearn has been made available to all MBCC employees within the first week after closing to facilitate onboarding on important topics, e.g. Sika's Code of Conduct.

DIGITAL LEARNING

Digitalization has been a major transformation driver, enhancing collaboration, innovation, and learning across the organization. Sika has used this momentum to implement a global Learning Management System, called "SikaLearn", which went live in all Sika countries² in early 2023. As a blended learning platform, this interface simplifies and facilitates content sharing while creating a more intuitive and user-friendly learning experience. In 2023, Sika expanded the online portfolio with 183 new e-learning courses and 16 hybrid learning courses.

PLANT WORKER PROJECT

In 2023, the "Plant Worker Project" was initiated to empower all plant and factory workers with a digital identity. This initiative represents a fundamental step toward the realization of a digital future for all Sika employees. By granting digital identities to employees in factories and warehouses, barriers that had previously impeded their access to the digital environment are eliminated. This inclusion guarantees their active participation on the company's communication channels, involvement in incident management, and convenient access to mandatory e-learning and training sessions.

AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE

With more than 33,500 employees globally, Sika considers training and education to be an important instrument in developing, promoting, and retaining 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 skills. In 2023, each employee received on average 12.5 hours of training, a decrease of -6.6% compared to 2022. This was due to MBCC Group acquisition which leads to diluted figures.

AVERAGE TRAINING HOURS PER EMPLOYEE¹

in numbers	2021	2022	2023
Hours of training per employee	11.1	13.4	12.5

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

In the year under review, Sika spent a total of CHF 12.5 million (previous year: CHF 10.8 million) on employee development.

SPENDING ON EMPLOYEE DEVELOPMENT

in CHF mn	2021	2022	2023
Spending on employee development	8.8	10.8	12.5

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 62% of Sika employees receive regular performance reviews (see **Table 21: Employee Performance Reviews** in the “Key Performance Indicators” section at the end of this chapter).

In 2023, Sika launched the performance management “Global Performance Debrief Dialogue (PDD)”. This is to encourage meaningful debrief conversations between managers and employees and integrate continuous feedback into daily business life. In particular, the dialogue focuses on employee’s key achievements, impactful contributions, highlights of performance of the past year, and Sika’s desired performance behaviors (Leadership Commitment pillars). Until now, the initiative has involved around 7,000 employees across the whole organization. Most participants were at Staff level.

The rollout of the Global Performance Debrief Dialogue will continue and is planned in a staged approach. By the end of 2025, the entire organization will be onboarded on this approach.

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 were to complete 10,000 working days of volunteering work annually, 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.44 of the Sustainability Report 2023.

RESPONSIBILITIES

The corporate teams of Corporate Communications and Innovation & 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 conducted 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 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. “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, a healthier, happier, and more productive workforce, and more resilient supply chains and communities.

Community engagement guidelines are available for all Sika employees to provide clear guidance and ensure a common understanding of project management in this domain.

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 2023, community engagement activities took place in 89 countries. Sika sponsored 582 projects (previous year: 406 projects). This equates to a year-on-year strong increase of 43.3%. In total, Sika employees spent 7,953 days of volunteering work (previous year: 2,595 days, +206.4%). 126,705 individuals were benefitting directly (previous year: 53,666, +136.1%). The increase in volunteering days was mainly due to the community-related activities that took place on the occasion of the Sika Day, and to the relaxation of COVID-19-related restrictions in many countries. Additionally, the topic of “community engagement” underwent heightened scrutiny throughout the entire company, prompting Sika teams to increasingly leverage it as a means to assist others and foster team bonding through shared experiences.

REPORTING SYSTEM

To facilitate the processing, communication, and reporting of community engagement activities worldwide, a new tool was launched in 2023. It enables all Sika employees to share insights on local projects and get inspired from activities taking place in other countries. The tool is aligned with the Sika corporate reporting system and provides qualitative insights, KPI relevant data, and additional granularity to the previous reporting.

COMMUNITY ENGAGEMENT INDICATORS

	2021	2022	2023
Community engagement projects (No.)	242	406	582
Volunteering days of employees (Days) ¹	1,392	2,595	7,953
Direct beneficiaries (No.)	44,188	53,666	126,705

¹ Some of the projects do not require any volunteering work from Sika employees and therefore not all projects led to volunteering days. Starting from 2023, community engagement guidelines have been strengthened. A minimum of 8 hours of volunteering work needs to take place to consider a project as “community engagement”.

SIKA DAY 2023 – FOCUS ON COMMUNITY ENGAGEMENT

Under the motto “Caring for each other. Beyond the expected”, the Sika Day helped to further build a caring culture in the organization. The Sika Day is an employee-oriented day to celebrate its people, the company, and how they work together. Caring for people means also caring for the communities they live in. This is a way of giving back. All over the world, community engagement and social work projects brought together people from Sika on site as well as the new colleagues from MBCC. These cross-functional team activities included contributing to renovating a school, helping people cope with their sometimes-difficult daily lives, or by preserving and taking care of the environment by cleaning up a beach or a forest.

OPERATIONS WITH SIGNIFICANT ACTUAL AND POTENTIAL NEGATIVE IMPACTS ON LOCAL COMMUNITIES

As a socially responsible company, Sika collaborates with local communities to address issues affecting their well-being. In 2023, less than 5% of Sika's General Managers indicated – by means of their annual ESG Confirmation – that they have received complaints from local communities regarding Sika's operations. The very few complaints received were primarily related to noise, odors, and maintenance work. Most of them have been resolved¹. Sika fosters an ongoing dialogue with local communities, e.g., through open door events or special phone numbers to contact 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, which 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.

¹ Sika is aware of the case in the Virrey del Pino Plant, Argentina. This plant was acquired by Sika from Parex in 2019. Sika takes the concerns of the neighborhood seriously and fully cooperates with local authorities, including implementing voluntary improvements at the plant.

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, 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 2023, Sika did not give donations to political parties, politicians, or related organizations¹.

MEMBERSHIPS OF 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](#).

¹ Based on the data collected through the ESG Confirmation.

KEY PERFORMANCE INDICATORS

↑ **TABLE 1: ISO 45001 – OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM CERTIFICATION¹**

	2021	2022	2023
Sites certified ISO 45001 (No.)	147	196	206
Coverage of sites under ISO scope (%)	26	33	28

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

↑ **TABLE 2: ISO 9001 – QUALITY MANAGEMENT SYSTEM CERTIFICATION¹**

	2021	2022	2023
Sites certified ISO 9001 (No.)	345	361	422
Coverage of sites under ISO scope (%)	61	60	58

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

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

in numbers	2021	2022	2023
Employees	27,059	27,708	33,547

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

in CHF thousands	2021	2022	2023
Annual average – net added value per employee	118	121	116

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

in numbers	2021	2022	2023
EMEA	11,243	11,206	14,389
Americas	6,002	6,559	7,991
Asia/Pacific	6,997	7,056	8,198
Global Business	2,136	2,173	2,190
Corporate Services	681	714	779
Group	27,059	27,708	33,547

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

in numbers	2021	2022	2023
<30 years	3,663	3,534	3,991
Female	-	1,128	1,309
Male	-	2,406	2,682
30–50 years	16,572	17,176	20,831
Female	-	4,218	5,194
Male	-	12,958	15,637
>50 years	6,824	6,998	8,725
Female	-	1,305	1,635
Male	-	5,693	7,090

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

in %	2021	2022	2023
Permanent	87.4	88.6	89.5
Female	-	23.5	23.9
Male	-	76.5	76.1
Fixed-term	11.9	10.6	9.6
Female	-	26.8	26.3
Male	-	73.2	73.7
Apprenticeship/internship	0.7	0.8	0.9
Female	-	43.2	40.1
Male	-	56.8	59.9

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

in %	2021			2022			2023		
	Permanent	Temporary	Appren- tices/ interns	Permanent	Temporary	Appren- tices/ interns	Permanent	Temporary	Appren- tices/ interns
EMEA	95.0	3.8	1.2	95.5	3.1	1.4	94.8	3.5	1.7
Americas	95.2	4.7	0.1	98.1	1.8	0.1	98.4	1.5	0.1
Asia/Pacific	67.2	32.8	0.0	68.9	31.1	0.0	72.1	27.9	0.0
Global Business	89.0	10.1	0.9	87.1	11.9	1.0	85.8	13.2	1.0
Corporate Services	93.8	2.1	4.1	93.1	2.7	4.2	92.3	3.1	4.6

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

in %	2021	2022	2023
Recruitment rate	13.9	15.1	13.3
Female	16.0	18.9	16.0
Male	13.2	13.9	12.5

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

	2021				2022				2023			
	Recruitments (No.)		Recruitment Rate (%)		Recruitments (No.)		Recruitment Rate (%)		Recruitments (No.)		Recruitment Rate (%)	
	F	M	F	M	F	M	F	M	F	M	F	M
EMEA	330	903	13.5	10.5	397	830	15.4	9.6	426	932	14.0	9.6
Americas	247	682	20.2	15.6	406	977	28.4	20.1	303	885	17.8	15.9
Asia/Pacific	259	816	15.7	16.5	258	768	14.9	14.5	272	763	14.8	13.2
Global Business	90	205	19.5	12.7	108	286	21.4	17.3	115	230	21.5	14.0
Corporate Services	29	36	13.9	7.9	53	54	22.5	11.7	67	90	25.2	18.7
Group	955	2,642	16.0	13.2	1,222	2,915	18.9	13.9	1,183	2,900	16.0	12.5

↑ **TABLE 11: BREAKDOWN OF RECRUITMENT RATE PER AGE CATEGORY IN 2023¹**

	Recruitments (No.)	Recruitment Rate (%)
<30 years	1,438	38.2
30–50 years	2,236	11.8
>50 years	403	5.1

1 Since 2023, Sika added granularity to the reporting of recruitment related indicators. The breakdown of hirings is now available per age category from the global HR system which covers 99.6% of all employees in 2023. 2021 and 2022 have not been restated accordingly.

↑ **TABLE 12: INTERNAL PROMOTIONS**

	2021	2022	2023
Internal promotions to a higher management position (No.)	446	399	802
Internal promotions to a higher management position (%)	1.6	1.4	2.4

↑ **TABLE 13: GROUP TURNOVER RATE PER GENDER**

in %	2021	2022	2023
Employee turnover rate ¹	11.1	13.6	13.5
Female	10.6	14.3	13.9
Male	11.3	13.4	13.3
Employee voluntary turnover rate	7.4	9.3	8.5

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.

↑ **TABLE 14: BREAKDOWN OF TURNOVER PER REGION AND PER GENDER**

	2021				2022				2023			
	Leavers (No.)		Turnover Rate (%)		Leavers (No.)		Turnover Rate (%)		Leavers (No.)		Turnover Rate (%)	
	F	M	F	M	F	M	F	M	F	M	F	M
EMEA	245	761	10.1	8.9	293	856	11.4	9.9	347	995	11.4	10.2
Americas	106	648	8.7	14.8	255	946	17.9	19.5	325	1,115	19.1	20.0
Asia/Pacific	218	638	13.2	12.9	269	676	15.6	12.8	236	719	12.8	12.4
Global Business	54	176	11.7	10.9	93	282	18.5	17.1	85	214	15.9	13.0
Corporate Services	10	28	4.8	6.2	18	36	7.6	7.8	38	55	14.3	11.4
Group	633	2,251	10.6	11.3	928	2,796	14.3	13.4	1,031	3,098	13.9	13.3

↑ **TABLE 15: BREAKDOWN OF VOLUNTARY TURNOVER RATE PER AGE CATEGORY¹**

	Voluntary Leavers (No.)	Voluntary Turnover Rate (%)
<30 years	718	19.1
30–50 years	1,554	8.2
>50 years	309	3.9

1. Since 2023, Sika added granularity to the reporting of turnover-related indicators. The breakdown of departures is now available per age category from the global HR system which covered 99.6% of all employees in 2023. 2021 and 2022 have not been restated accordingly.

↑ **TABLE 16: BREAKDOWN OF EMPLOYEES PER EMPLOYMENT TYPE (FULL-TIME, PART-TIME) AND PER GENDER**

in numbers	2021	2022	2023
Full-time	26,272	26,923	32,513
Female	-	6,100	7,391
Male	-	20,823	25,122
Part-time	787	785	1,034
Female	-	551	747
Male	-	234	287

↑ **TABLE 17: BREAKDOWN OF EMPLOYEES PER GENDER AND PER REGION**

in numbers	2021		2022		2023	
	F	M	F	M	F	M
EMEA	2,509	8,734	2,637	8,569	3,462	10,927
Americas	1,338	4,664	1,519	5,040	1,886	6,105
Asia/Pacific	1,732	5,265	1,720	5,336	1,963	6,235
Global Business	485	1,651	523	1,650	547	1,643
Corporate Services	220	461	252	462	280	499
Group	6,284	20,775	6,651	21,057	8,138	25,409

↑ **TABLE 18: BREAKDOWN OF EMPLOYEES PER GENDER AND PER CATEGORY**

in numbers	2021		2022		2023	
	F	M	F	M	F	M
Staff	5,180	16,715	5,439	16,933	6,739	20,607
Middle Management	870	3,096	983	3,252	1,113	3,761
Company Management ¹	230	946	229	872	294	1,033
Thereof Group Management	2	6	2	6	2	6

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

↑ **TABLE 19: BOARD OF DIRECTORS – BREAKDOWN PER GENDER AND PER AGE**

in numbers	2021	2022	2023
Male	7	5	5
Female	1	3	3
30–50 years	0	0	0
>50 years	8	8	8

↑ **TABLE 20: BREAKDOWN OF SENIOR MANAGERS PER REGION**

in numbers	2021	2022	2023
EMEA	63	57	153
Americas	28	28	88
Asia/Pacific	34	27	70
Global Business	13	11	21
Corporate Services ¹	36	35	84

1. Including Group Management members.

↑ **TABLE 21: EMPLOYEE PERFORMANCE REVIEWS**

in %	2021	2022	2023
Employees with performance reviews	50	50	62

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 sustainable development by offering sustainable solutions for the construction and transportation industries. Global sustainability trends generate business opportunities.

HIGHLIGHTS

SBTi Targets Validation

Following the commitment in September 2022, Sika submitted its emissions reduction targets in line with the latest SBTi criteria in October 2023. The validation process will take place in the first half of 2024.

KEY FIGURES

GHG EMISSIONS INTENSITY
(SCOPE 1 AND 2)
in kg CO₂eq per ton sold

15.7

-4.4%

Change vs 2022

WATER CONSUMPTION INTENSITY
in m³ per ton sold

0.21

-12.2%

Change vs 2022

WASTE INTENSITY
in kg per ton sold

10.6

-2.5%

Change vs 2022

MATERIAL TOPICS

Climate Change

Energy Management

Water Management

Waste Management

Circular Economy

Biodiversity and Nature

Air Emissions

Compliance

Risk and Crisis Management

SDGs



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.

SBTI TARGETS VALIDATION

Following its official commitment in September 2022, Sika developed and submitted its emissions reduction targets in line with the latest SBTi criteria in October 2023. The validation process will take place in the first half of 2024. Sika's commitment focuses on two time horizons for both scope 1 and 2 as well as scope 3 with a near-term target in ten years, and a net zero target by 2050. All targets are defined with 2022 as a baseline. 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.86 of the Sustainability Report 2023. For more information on Sika's ESG data governance including re-baselining, please see the "Methodological Note" chapter on p.147 of the Sustainability Report 2023.

SBTI TARGETS AND TIME HORIZONS¹

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

¹ As at 2023, scope 1 and 2 emissions account for ~2% of the total GHG emissions emitted by Sika while scope 3 emissions account for ~98%.

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.

During the first phase of the net zero project, Sika conducted a high-level assessment to identify potential decarbonization levers. In 2023, the net zero project continued and focused on the development of a decarbonization model to best quantify different decarbonization levers. The model factors in several hypotheses and assumptions regarding the availability of alternative raw materials, sectoral trajectories, and future waste treatment infrastructure. The tool helps to identify the largest decarbonization levers, compare raw material alternatives, and test different scenarios. Based on the outputs of the decarbonization model, roadmaps are currently being developed in different departments.

Achieving net zero requires a combined effort from all stakeholders upstream and downstream of the company's value chain. Thus, creating strong partnerships and collaboration is key for the success of this initiative. Collaboration with suppliers is a foremost element of Sika's net zero roadmap. For more information on supplier engagement activities in 2023, please see the "Procurement" chapter on p.127 of the Sustainability Report 2023. For more information on Sika's net zero roadmap, please see the corporate webpage [Sika's Way to Net Zero](#).

The understanding and the engagement of Sika's employees is crucial for the success of the net zero project. In addition to internal cross-functional workshops, training instruments (e.g., net zero concept, scope 3 emissions methodology) and internal tools (e.g., scope 3 emissions dashboard, visualization of emissions hotspots per material category, integration of GHG emissions data into R&D Development tools for new formulations) are now available to relevant employees to further support them in their projects.

GHG EMISSIONS¹

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 the climate. Sika's corporate carbon accounting (scope 1, 2, and 3) follows the reporting guidelines of the Greenhouse Gas Protocol (GHGP).

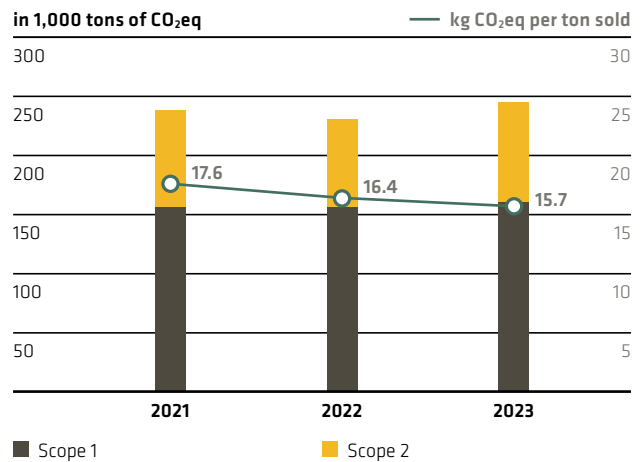
SCOPE 1 AND 2 GHG EMISSIONS

Since 2019, Sika has defined the strategic target "climate performance" for reducing scope 1 and 2 GHG emissions per ton sold by 12% until 2023. Moreover, the compensation scheme of Group Management and Senior Management was linked to the GHG emissions performance of the company (scope 1 and 2) in the short-term incentive (STI) plan. Starting from 2024, the compensation scheme of Top Management and Senior Management has been adjusted to reflect the Strategy 2028. The performance conditions include environmental targets: GHG emission reduction (scope 1 and 2 per ton sold), water discharge reduction, and waste disposal reduction. The targets will be incorporated in the long-term incentive (LTI) plan.

GHG EMISSIONS INTENSITY - SCOPE 1 AND 2²

In 2023, the GHG emissions intensity per ton sold (scope 1 and 2) was reduced from 16.4 to 15.7 kg CO₂eq per ton sold, a reduction of -4.4%. Excluding acquisitions, the organic reduction was at -8.1%. The GHG emissions intensity was negatively impacted by 2022 and 2023 acquisitions (+0.6 kg CO₂eq per ton sold). The continuous focus on maximizing renewable electricity sources in Sika operations (-1.0 kg CO₂eq per ton sold) and on various energy saving initiatives (-0.9 kg CO₂eq per ton sold) were the most important levers to improve the GHG emissions intensity for the year under review. The emission factor changes related to the update of countries' residual mixes for the scope 2 market-based calculation also had a positive impact (-0.2 kg CO₂eq 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 absolute figures, scope 1 emissions increased at Group level compared to 2022 (160,463 tons of CO₂eq, +2.8% compared to 2022) (↓ **Table 02: Breakdown of Scope 1 GHG Emissions per Region**, in the "Key Performance Indicators" section at the end of this chapter). This increase is driven by the MBCC acquisition, which had a strong impact on direct energy, especially vehicle fuel (+14.6% compared to 2022). Excluding acquisitions, scope 1 emissions decreased by -6.9% compared to previous year. This reduction is mainly related to reduced emissions from natural gas (-10.1% organic compared to 2022).

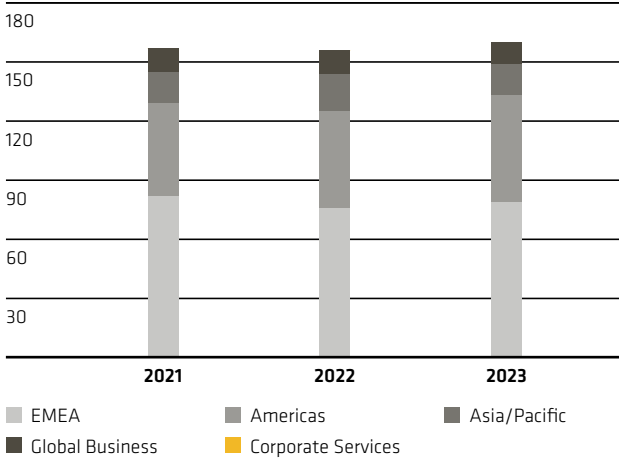
¹ Acquisitions that occurred in 2023 did not lead to a restatement of 2021 and 2022 GHG emissions indicators disclosed in this section except when stated specifically.

² Based on GHG market-based emissions.

In accordance with the GHGP, refrigerant gas emissions are considered as fugitive emissions under Sika's scope 1 inventory and represent 1% of scope 1 emission for 2023. These gases have an extremely high climate impact (up to or above 1,000 kg CO₂eq/kg). 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, 1,602 tons of CO₂eq were emitted due to leakages of refrigerant gases (+46.6% vs 2022). The related volume is included in the GHG Emissions intensity indicator, with an impact of +0.1 kg CO₂eq per ton sold.

BREAKDOWN OF SCOPE 1 GHG EMISSIONS PER REGION

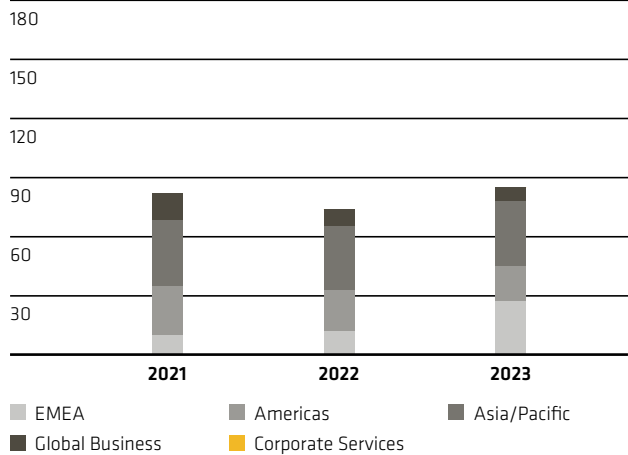
in 1,000 tons of CO₂eq



Market-based scope 2 emissions increased to 84,966 tons of CO₂eq (+14.0% compared to 2022). Excluding acquisitions, scope 2 market-based emissions decreased by -8.3% compared to previous year thanks to an increased coverage of energy attribute certificates in Americas, Asia/Pacific, and Global Business (↓ **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.

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

in 1,000 tons of CO₂eq



INTERNAL CARBON PRICING

Sika has implemented an internal carbon price for scope 1 and 2 emissions. It is considered for all major investment decisions and is relying on a shadow price mechanism. For the year under review, the internal carbon price was set at CHF 80 per ton of CO₂eq¹. Scope 3 emissions are considered for process in-/outsourcing, for example insourcing of a sand-drying process considering the use of more energy efficient equipment helping to improve the overall emission footprint. Embedding a hypothetical cost of carbon emissions in the calculation for potential investments provides a deeper understanding of how pricing GHG emissions affects business cases. This strategic tool will further help Sika to steer its investment decisions towards climate-adapted operations, low-carbon investments, and opportunities. In the context of Sika's net zero SBTi commitment and ongoing targets validation, a broader concept will be defined and set up over the coming years.

SCOPE 3 GHG EMISSIONS

Sika systematically identifies and calculates emissions from its material scope 3 GHG categories in accordance with the requirements of the GHGP. The calculation of scope 3 GHG 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 the company to better understand how it can lower its scope 3 emissions and engage within the organization. In 2023, the changes in methodology focused on the following categories:

- Category 1 – Purchased goods and services: The calculation of upstream emissions of trading products and purchased packaging changed from a spend-based to a quantity-based methodology.
- Categories 4 and 9 – Upstream and downstream transportation: Additional granularity in the vessel distance is considered for the top 50 transportation routes.
- Category 5 – Waste generated in operations: Emissions related to wastewater treatment were added.

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

- Category 7 – Employee commuting: All Sika entities follow the same methodology. Any assumptions regarding home office for specific entities have been revised.
- Category 12 – End-of-life (EoL) of sold products: Various scenarios were reviewed and updated for all material categories.

For additional information on the scope 3 assessment and calculation, please see the [Sika Methodology for Scope 3 Emissions Calculation](#).

The identification of material scope 3 categories provides detailed information to drive scope 3 reduction initiatives. Within the net zero roadmap, Sika focuses on key dedicated reduction opportunities along the company’s value chain considering scope 3 emissions’ hotspots. For more information, please see the “Climate Change” section on p.85 of the Sustainability Report 2023.

SCOPE 3 GHG EMISSIONS

in 1,000 tons of CO ₂ eq	2021	2022 ¹	2023 ²
Cat. 1 Purchased goods and services	6,595	8,728	7,934
Cat. 12 End-of-life treatment of sold products	4,190	4,641	4,554
Cat. 4 Upstream transportation and distribution	1,070	1,149	1,384
Cat. 2 Capital goods	172	253	499
Cat. 9 Downstream transportation and distribution	139	206	279
Cat. 11 Use of sold products	108	246	123
Cat. 5 Waste generated in operations	108	102	89
Cat. 3 Fuel- and energy-related activities	81	87	89
Cat. 7 Employee commuting	63	79	80
Cat. 6 Business travel	6	23	28
Cat. 8 Upstream leased assets	21	33	23
Total scope 3 GHG emissions	12,553	15,547	15,082

- 1 2022 scope 3 GHG emissions have been recalculated to reflect the MBCC Group acquisition in line with SBTi net zero standards.
- 2 Scope 3 GHG emissions include the full reporting year of 2023 acquisitions.

Sika’s scope 3 GHG emissions represent 98% of the company’s carbon footprint and are driven by category 1 – purchased goods (53%), category 12 – EoL of sold products (30%), and category 4 – upstream transportation (9%). With the acquisition of MBCC Group Sika has recalculated its 2022 baseline and also considered its full impact for the year 2023. Even with the inclusion of MBCC Group, Sika’s scope 3 GHG emissions decreased from 2022 to 2023. The decrease was mainly due to a reduction of raw material emissions driven by various initiative including a transition from cements with high levels of clinker to low clinker cements. Additionally, there was a methodology change for packaging and trading products going from spend- to quantity-based. Upstream and downstream transportation were impacted by increased emission factors from the GLEC framework update. Capital goods mainly increased due to the additional assets coming from the MBCC acquisition.

TOTAL SCOPE 1, 2, AND 3 GHG EMISSIONS

in 1,000 tons of CO ₂ eq	2021	2022 ¹	2023 ²
Scope 1	156	191	170
Scope 2 – Market-based	82	104	95
Scope 3	12,553	15,547	15,082
Total scope 1, 2, and 3 GHG emissions	12,791	15,842	15,347

- 1 2022 scope 1, 2, and 3 GHG emissions have been recalculated to reflect the MBCC Group acquisition in line with SBTi net zero standards.
- 2 2023 scope 1, 2, and 3 GHG emissions disclosed in this table include the full reporting year of 2023 acquisitions.

GHG EMISSIONS INTENSITY PER REVENUE

in tons of CO ₂ eq/CHF mn	2021	2022 ¹	2023 ²
GHG intensity (scope 1, 2, and 3) per net revenue	1,382.5	1,509.9	1,365.5

- 1 2022 GHG emissions intensity per net revenue includes 2022 scope 1, 2, and 3 GHG emissions from MBCC Group.
- 2 2023 figure includes the full reporting year of 2023 acquisitions.

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 GHG emissions inventory. In 2023, Sika extended the calculation of out-of-scope emissions to include emissions related to relevant scope 3 categories (cat. 1 and cat. 12). Sika generated 56,671 tons of CO₂ emissions from biogenic sources. For scope 1, Sika’s biogenic CO₂ emissions (1,671 tons of CO₂eq) come from the consumption of biodiesel and ethanol as vehicle fuel. For scope 3 category 12, biogenic CO₂ emissions come from the end-of-life incineration or landfilling of biobased materials and are calculated using the carbon content method (55,000 tons of CO₂eq). For scope 3 category 1, biogenic uptake is based on the IPCC AR6 GWP100 impact assessment and represents the net biogenic uptake in biobased raw materials (282,000 tons of CO₂eq) ([Table 06: Out-of-Scope Emissions](#), in the “Key Performance Indicators” section at the end of this chapter).

ENERGY MANAGEMENT ¹

GRI 3-3

GRI 302-1

GRI 302-3

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:

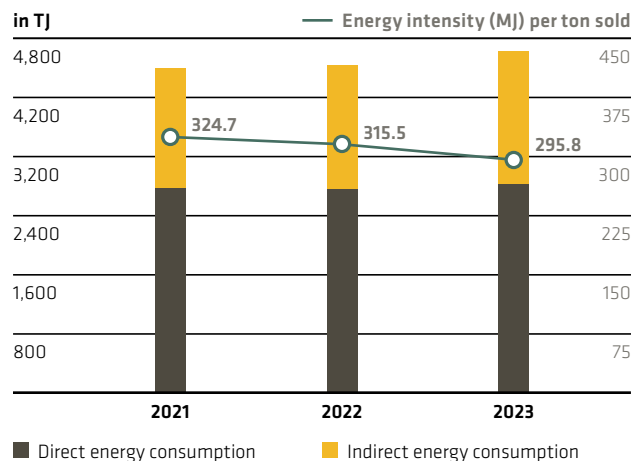
- Sand dryer optimization: Natural gas is the major source of Sika's direct GHG emissions, so the optimization of sand dryer processes is an important energy efficiency lever in mortar production facilities. Installing moisture sensors connected to the control system of the dryer, active drainage systems in sand storage areas, and heat recovery systems can significantly reduce energy consumption. In 2023, the implementation of moisture sensors was extended to additional factories in Latin America and in Asia/Pacific.
- 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.
- 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.
- 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 GHG emissions 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 INTENSITY

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 2023, the energy intensity of Sika operations per ton sold was 295.8 MJ, a decrease of -6.2% compared to 2022. This improvement was mainly driven by the 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



ENERGY INTENSITY PER REVENUE

in MJ/CHF mn	2021	2022	2023
Energy intensity per net revenue	474.3	422.3	411.3

1. Acquisitions that occurred in 2023 did not lead to a restatement of 2021 and 2022 energy indicators disclosed in this section.

ENERGY CONSUMPTION WITHIN SIKA OPERATIONS

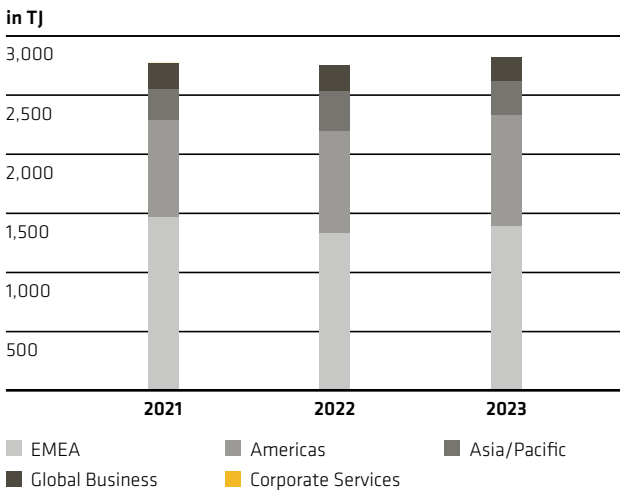
Sika relies on several energy types for drying, stirring, mixing, melting, cooling, ventilation, heating processes, and pumping, as well as buildings' heating or air conditioning and transportation. For 2023, Sika used 4,623 terajoule (TJ) of energy, an increase of +4.3% compared to 2022. More than half of the energy used in Sika direct operations (60.5%) comes from the conversion of primary energy, such as light liquid fuel (2.7%), Liquefied Petroleum Gas (2.8%), vehicle fuel (17.7%) and natural gas (37.3%). Self-produced renewable energy represented 0.4% of Sika's total energy consumption for 2023. Purchased electricity makes up 38.9% of the energy used in Sika sites while district heating remains minor with 0.2%. The overall increase in energy consumption is mainly driven by MBCC Group. Excluding acquisitions, Sika energy consumption decreased by -4.9% (↓ **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

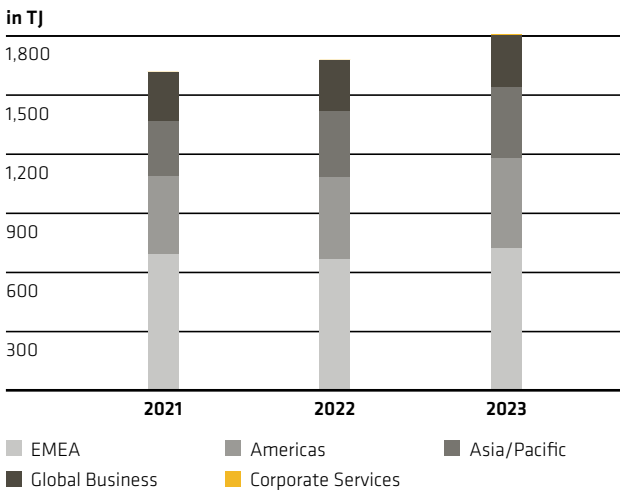
in TJ	2021	2022	2023
Direct energy	2,771	2,750	2,817
Heavy liquid fuel	3	-	0
Light liquid fuel	192	133	126
Natural gas	1,786	1,794	1,727
Liquefied Petroleum Gas	98	109	127
Vehicle fuel	689	707	819
Self-produced electricity from renewable sources	3	7	18
Indirect energy	1,617	1,680	1,806
Purchased electricity	1,617	1,672	1,799
District heating ¹	-	8	7
Total energy	4,388	4,430	4,623

1 In 2022, district heating was added to the scope 2 inventory as per the GHGP and included in Sika's indirect energy consumption. 2021 data have not been restated accordingly.

BREAKDOWN OF DIRECT ENERGY CONSUMPTION PER REGION



BREAKDOWN OF INDIRECT ENERGY CONSUMPTION PER REGION



RENEWABLE ENERGY

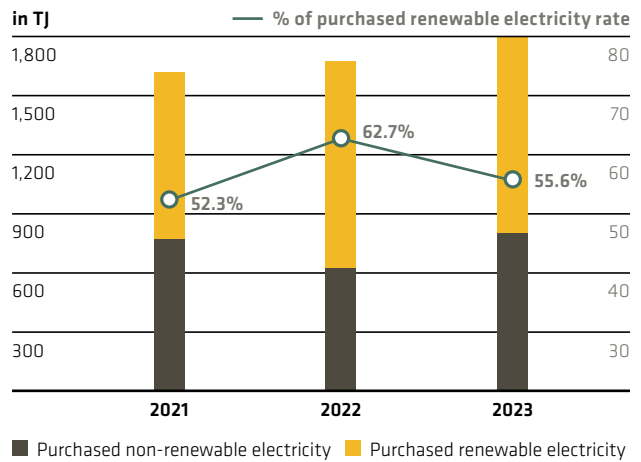
In addition to its focus on energy efficiency, Sika also aims at extending the share of both direct and indirect energy from renewable sources. For direct energy, biofuel is being used for vehicle fleets in several countries (25 TJ, +33.8% vs 2022). In the past few years, Sika has also invested in on-site 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.86 of the Sustainability Report 2023. In 2023, self-produced renewable electricity installations were operational across 18 countries, representing 18 TJ of self-produced direct energy. In the same year, solar panel installations were completed in Austria, Switzerland, Portugal, China, and Thailand. More installations are planned for 2024.

BREAKDOWN OF ENERGY CONSUMPTION PER RENEWABLE SOURCES

in TJ	2021	2022	2023
Direct energy from renewable sources	3	26	43
Vehicle fuel from renewable sources	-	19	25
Self-produced electricity from renewable sources	3	7	18
Indirect energy from renewable sources – Purchased renewable electricity	845	1,048	1,001
Total energy from renewable sources	848	1,074	1,044

Regarding indirect energy, Sika aims at maximizing the share of renewable electricity supply in its operations through diverse types of renewable instruments. Sika’s purchased renewable electricity rate decreased to 55.6% at the end of 2023 (-7.0 percentage points compared to 2022). This decrease is driven by MBCC Group acquisition, with a low purchased renewable electricity rate, and by a lower volume of Energy Attribute Certificates purchased in the EMEA region compared to 2022 (📌 **Table 10: Purchased Renewable Electricity Rate**, in the “Key Performance Indicators” section at the end of this chapter). As part of Sika’s net zero journey, ensuring a high renewable electricity rate will be a key lever for reducing scope 2 GHG emissions.

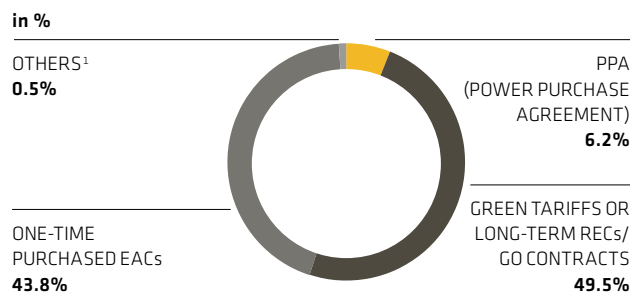
PURCHASED RENEWABLE ELECTRICITY RATE¹



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

Securing long-term renewable electricity instruments is preferable, and 49.5% of purchased renewable electricity is covered by those instruments. In addition, 6.2% of renewable electricity comes from a Power Purchase Agreement settled in the United States for one automotive factory. However, depending on the local context, the availability of green contracts can be limited. Thus, 43.8% of the purchased renewable electricity comes from one-time Energy Attribute Certificates (EACs) such as RECs (Renewable Energy Certificates), I-RECs (International Renewable Energy Certificates), or quarterly Guarantees of Origins (GOs).

BREAKDOWN OF PURCHASED RENEWABLE ELECTRICITY PER TYPE OF INSTRUMENT



1 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 ¹

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:

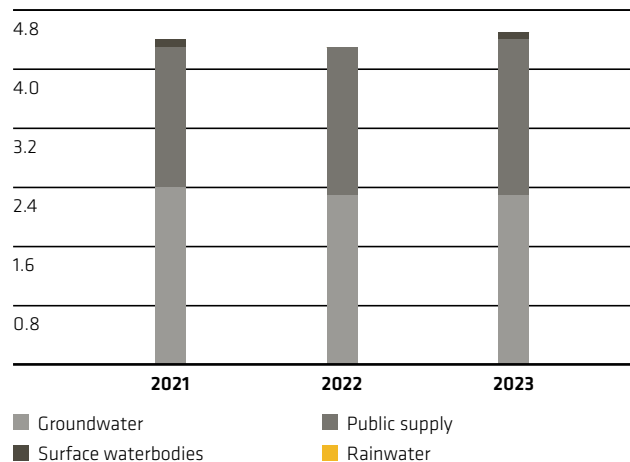
- Input material: Some Sika products are water-based in the product range of concrete admixtures, coatings, and adhesives solutions, among others.
- Direct operations: Water is used directly in Sika's operations for process and cooling purposes but also for cleaning.
- Indirect operations: Water is not 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 areas 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, cleaning processes, and reuse of treated wastewater.

WATER WITHDRAWAL

Water is withdrawn across the operations from groundwater wells (51.0%), public supply (47.3%), surface waterbodies (1.2%) and rainwater (0.5%). In line with water usage, the volume of water withdrawal increased by +4.0% compared to 2022 due to MBCC Group acquisition (see [Table 11: Breakdown of Water Withdrawal per Source](#), in the "Key Performance Indicators" section at the end of this chapter). Excluding acquisitions, water withdrawal volumes decreased by -6.1% compared to 2022.

BREAKDOWN OF WATER WITHDRAWAL PER SOURCE ¹ in million m³



¹ This indicator includes the volume of water used as an input material.

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

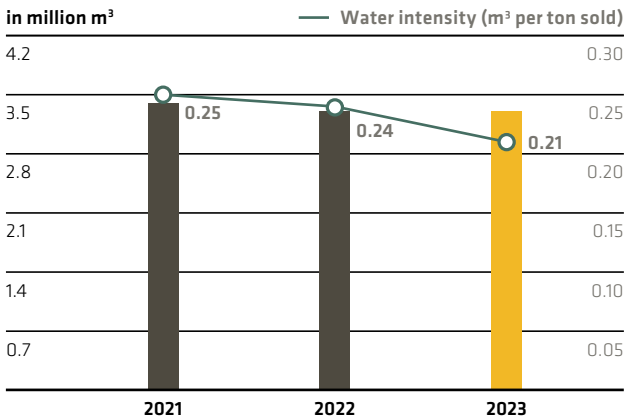
- Several factories have switched from public water supply to groundwater sourcing.
- A few factories – 17 factories in 13 countries – collect rainwater (0.5% of total water withdrawal) to cover part of their freshwater demand, specifically in locations in which the public water supply is limited. The rainwater is then either used for cleaning processes and sanitary purposes or filtered/treated and used in the production processes instead of freshwater.
- In the concrete admixture production, one key initiative is to reduce the amount of water withdrawal by collecting cleaning and rinsing water from production processes and reusing it as a raw material input.

¹ Water indicators for 2021 and 2022 disclosed in this section have been restated due to a stricter application of internal reporting rules for groundwater volumes withdrawn used for cooling processes in one factory. Acquisitions that occurred in 2023 did not lead to a restatement of 2021 and 2022 water indicators disclosed in this section.

WATER CONSUMPTION

In 2023, the water consumption per ton sold was 0.21 m³, a decrease of -12.2% compared to 2022 (↓ **Table 12: Water Consumption Intensity**, in the “Key Performance Indicators” section at the end of this chapter). Excluding acquisitions, water consumption per ton sold decreased by -8.0%. This improvement was partially supported by the continuous implementation of water initiatives across the Group and the increased sales of products that consume less water in Sika operations.

WATER CONSUMPTION INTENSITY¹



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

WATER INTENSITY PER REVENUE

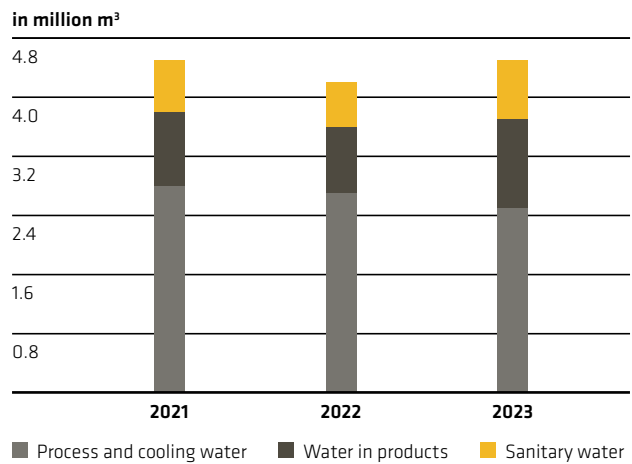
in m ³ /CHF mn	2021	2022	2023
Water intensity per net revenue ¹	370.5	319.1	291.2

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

In its direct operations, Sika used around 4.5 million m³ of water (+4.2% compared to 2022). This increase is due to MBCC Group acquisition. Excluding acquisitions, water usage decreased by -6.0%, with a positive impact of continuing water initiatives in the United States. Water is used for processing and cooling (56.1%) but also for sanitary purposes (17.0%). Almost one-third of the water used at Sika is utilized as an input material for products (26.9%) (↓ **Table 13: Breakdown of Water Usage per Type**, in the “Key Performance Indicators” section at the end of this chapter).

76% of the process and cooling water used in operations comes from three sites: Verona (Italy), Sarnen (Switzerland), and Innsbruck (Austria). These factories withdraw large quantities of water for cooling processes and then discharge it back to original sources with negligible losses or variation in quality.

BREAKDOWN OF WATER USAGE PER TYPE



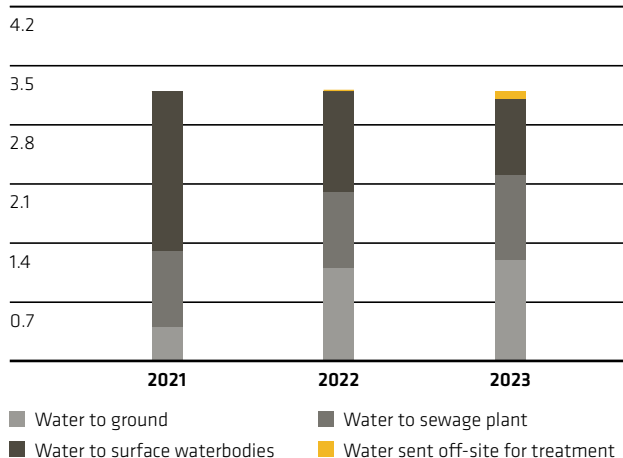
In terms of water usage, main water initiatives focus on optimizing the equipment, production processes, and cleaning processes:

- 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 to ensure water efficiency.
- Cooling processes can be water intensive. Several actions are rolled out through the Group to reduce the related impacts.
- Lastly, flow reducers and automatic valves are commonly installed to reduce the water used in R&D laboratories or social areas.

WATER DISCHARGE

All local companies must discharge water in line with local legislation and permits, either to sewers or sewage plants, or directly to surface waterbodies 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. In 2023, Sika discharged 3.1 million m³ of water, a decrease of -2.0% compared to 2022. Excluding acquisitions, water discharge decreased by -7.2% compared to previous year. 37.2% of water used is discharged to underground water formations, 31.7% of water used goes to sewers or sewage plants, whereas 29.1% of water used is discharged directly into surface waterbodies. In addition, 2.0% 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.

BREAKDOWN OF WATER DISCHARGE PER DESTINATION in million m³



WATER DISCHARGE PARAMETERS

All local companies must comply with applicable laws and regulations related to water discharge parameters. For example, the quality of effluent is monitored through discharge analysis measurements and several indicators (e.g., PH, temperature, chemical oxygen demand (COD), and solids in suspension) at site level depending on local regulations.

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 scarcer, 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.

As part of Strategy 2028 global rollout, the focus on water-stress areas and related mitigation plans will be reinforced to reduce freshwater intake.

In 2023, to boost the focus on water-related risks, Sika has repeated and extended the assessment of its manufacturing sites¹ at risk of water stress based on the World Resource Institute (WRI) Aqueduct tool², including not only extremely high water stress but also high-water stress areas. The underlying GPS coordinates of each site were taken into consideration to ensure a precise analysis per location. According to this database, 154 manufacturing sites in 43 countries are in areas with extremely high or high water stress.

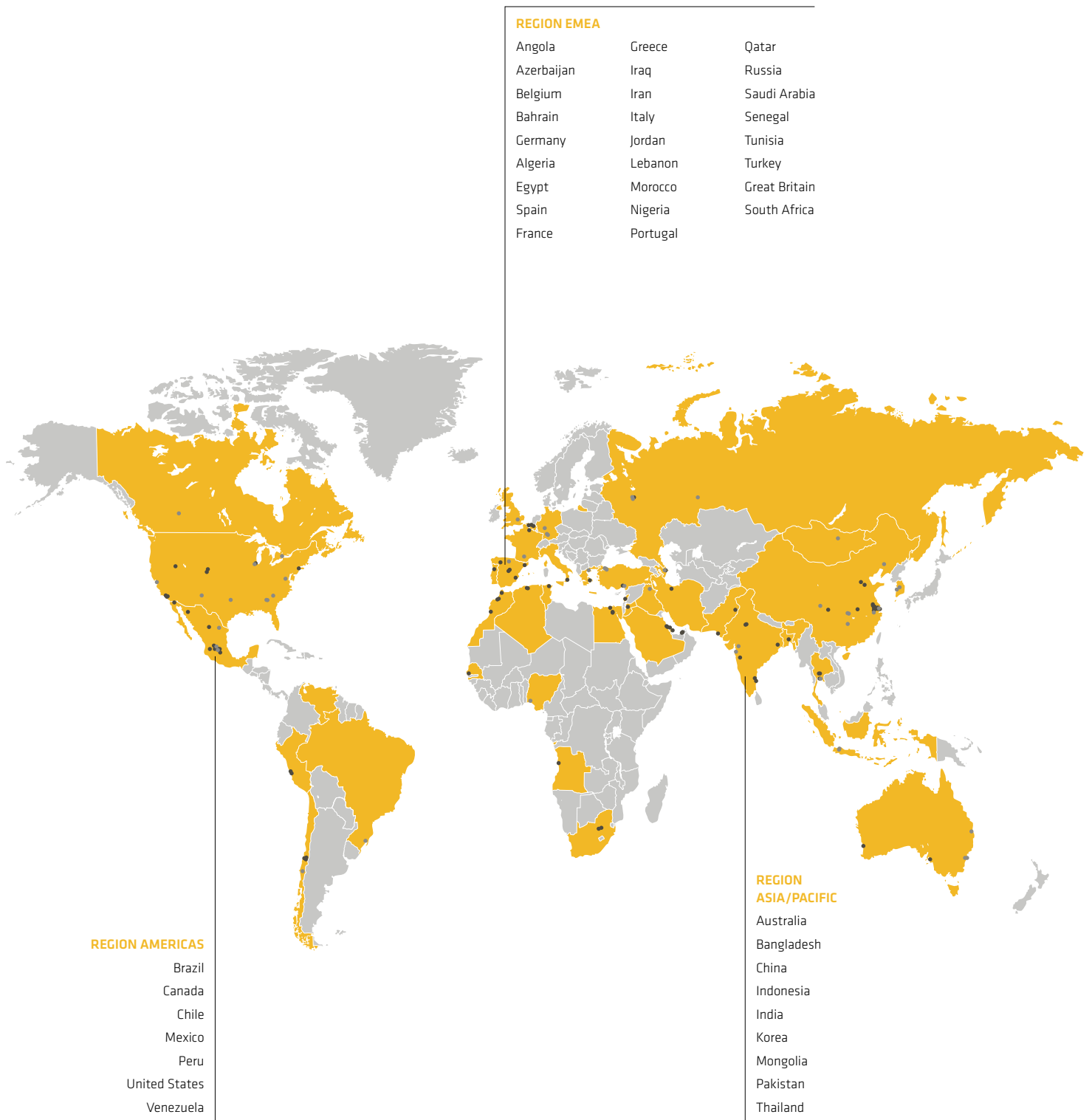
MANUFACTURING SITES IN WATER STRESS AREA

in numbers	Factories in extremely high water stress	Factories in high water stress
EMEA	44	16
Americas	24	18
Asia/Pacific	26	21
Global Business	4	1
Group	98	56

1 Non-production sites such as warehouses not linked to manufacturing locations, sales offices, and headquarters have been excluded from the analysis. Sika's supply chain has not been covered by this assessment.

2 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%) and high water stress (40-80%) were identified by applying the indicator "bsw" (Baseline Water Stress).

WATER STRESS MAP – MANUFACTURING SITES



- Factories located in high water stress areas
- Factories located in extremely high water stress areas

In 2023, water withdrawal in extremely high water-stress locations represented 644,284 m³ (14.4% of the total Group) and 358,136 m³ in high water-stress locations (8.0% of the total Group). In these locations, water was mainly withdrawn from public water supply (88.2%) but also from groundwater wells (10.0%) and surface waterbodies (1.4%). 0.4% of water withdrawal came from rainwater.

For the year under review, the water usage of extremely high water-stress locations was 647,193 m³ (14.5% of the total Group) and 358,585 m³ in high water-stress locations (8.0% of the total Group). In these locations, 64.4% was used as an input material into Sika products, 23.9% for sanitary purposes, and 11.7% as process and cooling water in production.

Water discharge in extremely high water-stress locations was 198,956 m³ (6.3% of the total Group) and 120,928 m³ in high water-stress locations (3.8% of the total Group). 76.4% of water used goes to sewers or sewage plants, 10.2% is discharged directly into surface waterbodies, whereas 2.7% is discharged to underground water formations. In addition, 10.7% of water used is sent off-site for treatment by a third party (↓ **Table 15: Water Withdrawal, Usage, and Discharge in Water-Stress Areas**, in the “Key Performance Indicators” section at the end of this chapter).

In these extremely high and high water-stress 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 of the **TCFD Report 2023**.

Even if the current analysis did not 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.

Moreover, in alignment with the TNFD guidance, Sika is building an understanding of the importance of nature-related issues and has started gathering the required information and resources. For more information, please see the “Biodiversity and Nature” section on p.101 of the Sustainability Report 2023.

WATER-RELATED IMPACTS IN THE SUPPLY CHAIN

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 the Sika Supplier Relationship Management approach including ESG risk assessments and evaluations, please see the “Procurement” chapter on p.127 of the Sustainability Report 2023.

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 reservoirs: 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.

ACCESS TO WASH SERVICES

Sika is devoted to contributing to the achievement of the United Nations Sustainable Development Goals (UN SDGs). Goal 6 focuses on the universal provision of safely managed water, sanitation, and hygiene services (WASH services). The provision of safely managed WASH services at the workplace is managed at local level across the company’s operations, and according to applicable local regulations.

WASTE MANAGEMENT¹

GRI 3-3

GRI 306-1

GRI 306-2

GRI 306-4

GRI 306-5

POLICIES AND GUIDELINES



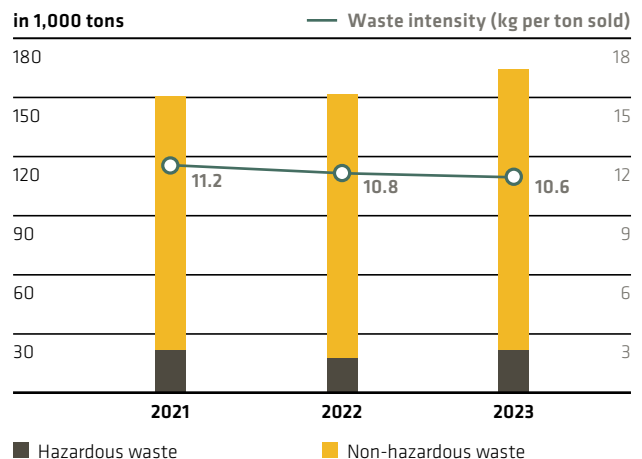
For more information, please visit the corporate webpage [ESG Policies and Guidelines](#)

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 production offal. 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 reduce the quantity of waste generated during the procurement phase.
- At production level, Sika focuses on streamlining production process layout and on optimizing production planning and processes. Sika aims to reuse and recycle production offal. Wastewater from rinsing or cleaning processes for tanks, delivery trucks, or production equipment can be separated and reused in production processes. Through recycling or by-product reuse in manufacturing processes, Sika diverts material from disposal.
- At warehouse level, innovative warehouse management helps to improve product turnover and reduce 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 2023, the quantity of waste generated per ton sold was 10.6 kg, a decrease of -2.5% compared to 2022. The waste intensity compared to total input materials remained stable at 1.3%. In absolute numbers, waste volumes increased by +8.5% compared to 2022 due to MBCC Group acquisition. Excluding acquisitions, waste volumes decreased by -2.9%. This was driven by the continuous implementation of various waste management initiatives (see **Table 16: Waste Intensity**, in the "Key Performance Indicators" section at the end of this chapter).

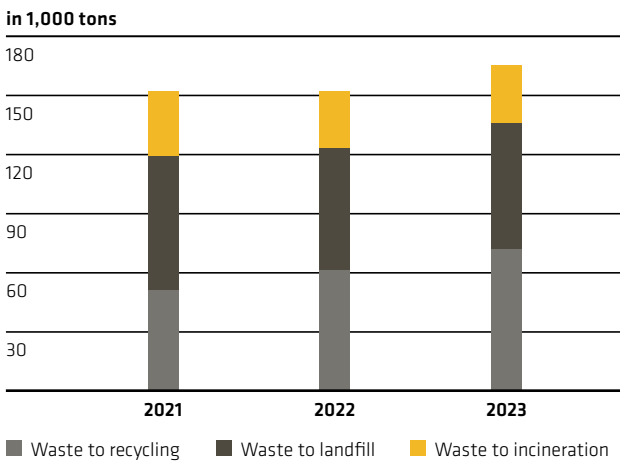
WASTE INTENSITY



1. Acquisitions that occurred in 2023 did not lead to a restatement of 2021 and 2022 waste indicators disclosed in this section.

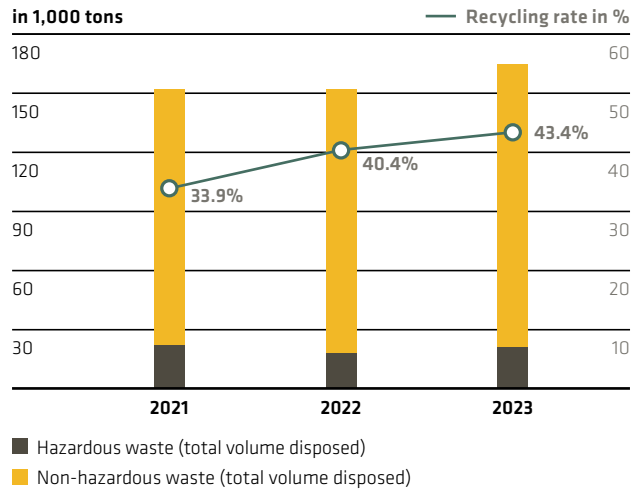
Sika's waste is mainly classified as non-hazardous waste: 87.0% (88.3% in 2022). In 2023, approximately half of the waste volume (56.6%) was categorized as non-recoverable, of which 68.9% went into landfill and 31.1% was incinerated with or without energy recovery. The remaining 43.4% was recycled. Non-hazardous waste went mainly to recycling (45.8%) and to landfill (42.4%), the remaining (11.8%) was incinerated. Hazardous waste went mainly to incineration (56.5%) and to recycling (27.5%), the remaining (16.0%) went to landfill. In the coming years, Sika will keep working on diverting waste from disposal and reducing waste to landfill where possible (↓ **Table 17: Breakdown of Waste by Type of Destination**, in the "Key Performance Indicators" section at the end of this chapter).

BREAKDOWN OF WASTE BY TYPE OF DESTINATION



In 2023, the waste recycling rate increased by +7.5% compared to 2022. This increase was mainly driven by several factories implementing initiatives to divert waste from disposal (↓ **Table 18: Recycling Rate**, in the "Key Performance Indicators" section at the end of this chapter).

RECYCLING RATE



CIRCULAR ECONOMY¹

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 fillers 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, "Product Portfolio" section on p.116 of the Sustainability Report 2023.

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 in construction or industrial manufacturing, where Sika solutions enable customers to increase the use of recycled input materials. Three-quarters of all materials used in production² are minerals such as inorganic fillers and cement. The remaining volume of materials – e.g., for adhesives, resin products, 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.

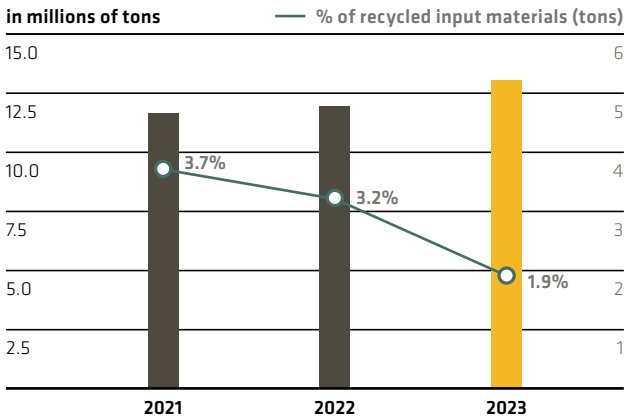
The company uses a small amount of renewable raw materials from plant-based sources, such as castor oil or alcohol. The expanded use of renewable raw materials going forward depends on availability, economic viability, quality and limitations in the use in formulations compared to non-renewable feedstock. 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.127 of the Sustainability Report 2023.

In 2023, Sika used 13.0 million tons of input materials, an increase of +8.8% compared to 2022, in line with the acquisition impact of MBCC Group. For the year under review, 1.9% of total input materials used in production were recycled materials, a decrease by -1.4 percentage points compared to 2022 due to a lower rate for MBCC entities (📌 **Table 19: Input Materials Used**, in the "Key Performance Indicators" section at the end of this chapter). In 2023, over 370 ktons of Supplementary Cementitious Materials (SCM) were used such as fly ash or slag.

1 Acquisitions that occurred in 2023 did not lead to a restatement of 2021 and 2022 indicators disclosed in this section.

2 Based on quantities.

INPUT MATERIALS USED¹



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

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. Its 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 for solvent-based and multi-component products like adhesives, flooring, and coatings.
- Aluminum is used for sealants, adhesives, and pre-treatments.
- 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 environmental impact. For example:

- In 2023, the packaging manufacturer Muhr & Söhne GmbH & Co. KG, Germany, and Sika were awarded the German Packaging Award 2023 for their sustainable concept of the latest generation of tinplate cartridges – MUHR TinKart – for silicones, acrylics, and various other adhesives and sealants. The award-winning concept relies on a nearly 100% recyclable tinplate cartridge made from certified recycled steel which contributes significantly to circularity and CO₂ reduction. Sika uses tinplate made of certified recycled steel with an increased proportion of scrap in the balance sheet for tinplate containers in Austria, Germany, and the USA.

- At supplier level, Sika has rolled out a Sustainable Packaging Challenge initiative in various regions with the goal of engaging with current and potential new suppliers to seek innovative sustainability performance enhancement in packaging. For more information on this initiative, please see the "Procurement" chapter on p.127 of the Sustainability Report 2023.
- As part of the 2023 edition of the Global Innovation Challenge, the winning team focused on sustainable packaging. For more information, please see the "Products and Customers" chapter, "Innovation Management" section on p.113 of the Sustainability Report 2023.

BIODIVERSITY AND NATURE

GRI 3-3

Biological diversity is essential for our ecosystem and well-being. But it is often overshadowed by other imminent 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, “Biodiversity and Nature” was identified as one of the material topics (for more information, please see [Sika Materiality Analysis 2022](#)), and in the same year Sika joined the Taskforce on Nature-related Financial Disclosures (TNFD) Forum¹, a global multidisciplinary consultative group of institutions with over 1,300 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. Moreover, the TNFD and Science Based Targets Network (SBTN)² are working to align further to make it more efficient for corporates to apply both frameworks.

LEAP APPROACH

Nature-related risks and opportunities have never been investigated by Sika before. Therefore, in alignment with the TNFD “getting started” guidance, Sika is building an understanding of the importance of nature-related issues and has started gathering the required information and resources. As a start, Sika has used the tools and resources provided by the TNFD to gain an understanding of TNFD’s LEAP (Locate, Evaluate, Assess, Prepare) approach:

- Locate your interface with nature.
- Evaluate your dependencies and impacts.
- Assess your risks and opportunities.
- Prepare to respond and report.

In 2023, in alignment with the guidance for the “Locate” step, Sika performed a first analysis to identify and prioritize potential nature-related issues and main business interfaces focusing only on direct operations. For this purpose, four different tools were used: ENCORE³, SBTN Sectoral Materiality⁴, World Resource Institute (WRI) Aqueduct⁵, and IBAT⁶.

Sika used the first two tools to screen and investigate the moderate, high, and very high dependencies and impacts on nature for the specialty chemicals sector⁷. By leveraging ENCORE to screen this sector, moderate and high impacts and dependencies were identified for Sika’s direct operations. The analysis excludes impacts and dependencies that occur within the supply chain.

IMPACTS FOR THE SPECIALITY CHEMICALS SECTOR

Materiality	Impact driver ¹
High	Water use Non GHG air pollutants Water pollutants GHG emissions Solid waste Soil pollutants Terrestrial ecosystem use

1 Impact drivers are defined as a measurable quantity of a natural resource that is used as an input to production or a measurable non-product output of business activity.

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

2 [SBTN – Science Based Targets Network](#)

3 ENCORE (Exploring Natural Capital Opportunities, Risks, and Exposure) was developed by a partnership consisting of Global Canopy, UNEP FI, and UNEP-WCMC. ENCORE is a tool used to assess the dependencies and impacts of different economic sectors and subsectors.

4 This tool was used as an additional screening source to ensure the comprehensiveness and consistency of the ENCORE screening.

5 [Aqueduct World Resources Institute](#)

6 IBAT (Integrative Biodiversity Assessment Tool) offers visual screening of critical biodiversity and provides geographic data linked to global databases on protected areas, the IUCN red list of threatened species, and key biodiversity areas.

7 ENCORE uses a classification of production processes per sector. The production processes of the specialty chemicals sector were evaluated to be the most relevant for Sika. As such, all products produced by Sika were assumed to fall within this sector.

Dependencies on nature are evaluated by considering the ecosystem services and the flows of benefits to people and the economy that are relevant for the organization's business model. Similar to impacts, ecosystem services can be screened with a sector-specific lens. As with impacts, all moderate, high, and very high dependencies on ecosystem services will be considered for the further assessment in alignment with the LEAP approach. Based on the analysis, two ecosystem services are material for Sika's direct operations:

- Direct Physical Inputs.
- Protection from Disruption.

Direct physical inputs are inputs needed for production that derive from an environmental asset. The specialty chemicals sector can be considered highly dependent on both groundwater and surface water. Production processes within the sector benefit from clean water. This clean water is provided by ecosystem services groundwater and surface water. Also, ecosystem services that provide protection from a disruption to the production processes were recognized as material for the sector. Among these services, flood and storm protection can be considered as a moderate dependency. Various natural habitats and the planted vegetation within are able to shelter and buffer the impacts of floods and storms and thus provide a benefit to the sector.

As a second step, the WRI Aqueduct and IBAT tools were used to prioritize Sika's locations of direct operations¹. Three criteria – baseline water stress², proximity to key biodiversity areas³, and proximity to protected areas³ – were chosen to identify sensitive locations. After screening the company's sensitive locations accordingly, further work will be needed to identify, quantify, and assess the potentially material nature-related impacts and dependencies at these locations. Subsequently, this materiality assessment can be used to understand the main nature-related risks and opportunities.

In the coming years, Sika will further investigate the magnitude of impacts and dependencies at these sensitive locations and will leverage the LEAP process to understand the key nature-related risks and opportunities. Sika will further develop a nature-related risk assessment and work towards integrating various elements of the TNFD framework.

1 Value chain locations have not yet been considered but will be investigated in the future, to expand the analysis on nature-related risks and opportunities.

2 Assessment based on the Aqueduct Water Risk Atlas. For more information on water stress, please see the "Planet" chapter, "Water Management" section on p.92 of the Sustainability Report 2023.

3 Assessment based on the IBAT Tool.

AIR EMISSIONS ¹

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, the calculation methodology of air emissions indicators was reviewed and updated. For more information, please refer to the Sustainability Report 2022.

Sika monitors the following air emissions parameters:

- NO_x, SO_x, and CO emissions are based on and limited to the combustion of fuel and gas. The decrease of NO_x emissions (-15.0% compared to 2022) is driven by the update of emission factors and by the stable consumption of diesel compared to other fuels in 2023. The slight increase of SO_x emissions (+8.0% compared to 2022) is related to the update of emissions factors and to higher volumes of vehicle fuel – biodiesel, ethanol and Liquefied Petroleum Gas during the year. Carbon monoxide decrease (-9.9% compared to 2022) is mainly driven by the update of emission factors.
- Besides calculating VOC emissions originating from the combustion of fuel and gas, the VOC report also includes the quantification of VOC emissions from petrochemical materials and related processes. Average intensity per ton produced was calculated based on the 2022 survey. This average intensity is extrapolated to similar plants based on factory segments². A similarity between factories in the same factory segment is assumed. VOC emissions decreased by -10.3% compared to 2022, mainly driven by a change in product mix.
- Dust reporting includes a quantification of dust emissions from the mortar production. Average intensity per ton produced was calculated based on the 2022 survey. This average intensity is extrapolated to similar plants based on factory segments. A similarity between factories in the same factory segment was assumed. Dust PM 10 emissions decreased by -7.7% compared to 2022, mainly driven by the update of emissions factors related to fuel combustion.

AIR EMISSIONS

in tons	2021	2022	2023
Nitrogen oxides (NO _x)	482.1	245.4	208.5
Volatile organic compounds (VOCs) ¹	69.5	194.8	175.2
Dust PM 10 ²	31.9	172.9	159.6
Carbon monoxide (CO)	72.8	125.5	113.1
Sulfur oxides (SO _x)	3.6	1.9	2.1

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

2 In 2022, dust reporting was 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) and Swedish Environmental Protection Agency (EPA). In 2022, Sika updated the conversion factors related to primary energy from m³ to GJ to reflect the gross CV (calorific value) based on Defra/BEIS recommendations. It has an impact on the calculation of air emissions from 2022 onwards. 2021 is not restated accordingly. MBCC entities and Thiessen Team USA have been excluded from consolidated 2023 disclosed figures in this section.

2 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

↗

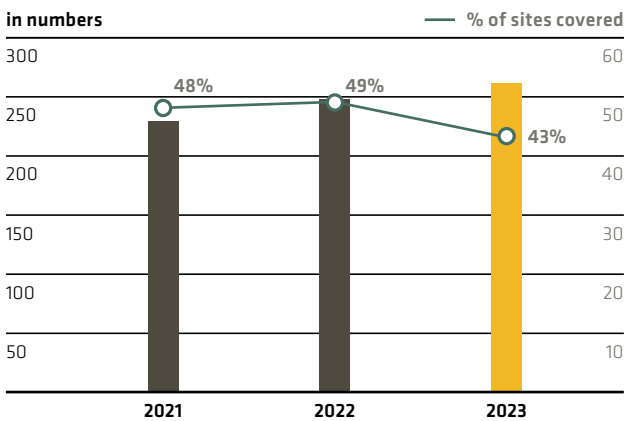
For more information, please visit the corporate webpage [ESG Policies and Guidelines](#)

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.

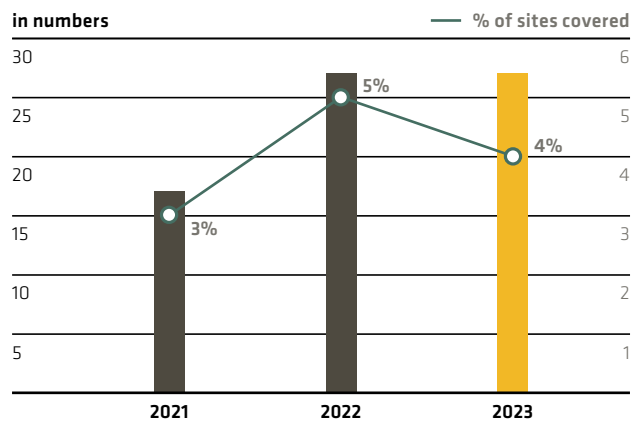
ENVIRONMENTAL AND ENERGY MANAGEMENT SYSTEMS

- In 2023, among 724 Sika sites under ISO scope¹:
- 43% were certified according to ISO 14001 (↓ **Table 20: ISO 14001 – Environmental Management System Certification**, in the “Key Performance Indicators” section at the end of this chapter). The percentage of certified Sika locations significantly decreased due to the acquisition of MBCC. The subsequent integration process will start in 2024.
 - 4% were certified according to ISO 50001 (↓ **Table 21: ISO 50001 – Energy Management System Certification**, in the “Key Performance Indicators” section at the end of this chapter). The number of certified Sika sites is stagnating due to the change of focus.

ISO 14001 – ENVIRONMENTAL MANAGEMENT SYSTEM CERTIFICATION



ISO 50001 – ENERGY MANAGEMENT SYSTEM CERTIFICATION



NON-COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS

Sika strives for full legal and regulatory compliance with all environmental regulations. It maintains a 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.

¹ Considered under ISO scope are: headquarters, plants, warehouses, and technology centers. Sales offices, administrative offices, training centers are excluded as these activities do not fall under the scope of respective ISO standards.

All GMs stated in their 2023 ESG Confirmation that no significant violations¹ of environmental laws and regulations occurred within their entities, with one exception in Chile. On July 28, 2023, Sika Chile reported to the National Forestry Corporation CONAF (Government agency) an involuntary violation of the Law n.20.283/08 on Native Forest Recovery and Forest Promotion. At the time of this report, Sika Chile has already met with CONAF and are agreeing on a reforestation plan in a defined place in the same community which should be implemented in 2024. The timeline of the restoration plan has not yet been defined by the authority.

In 2023, Sika recorded one tier 1 process safety event resulting in an extensive fire and the subsequent destruction of a factory. Nine further significant incidents¹ occurred: three process safety events, three spills, and three notifications to authorities. Process safety events and spills were contained locally without causing any environmental damage. The increased number of cases reported in 2023 is partially due to the complete rollout of Sika's global incident management system, leading to increased awareness and reporting of loss of containment and spills.

SIGNIFICANT INCIDENTS

in numbers	2021	2022 ¹	2023
Significant incidents	2	5	10

1 Restatement of 2022 figure to account for the resolution of a 2021 US EPA final order which resulted in a fine in 2022.

1 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 INDICATORS¹

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

	2021	2022	2023
Scope 1 (tons of CO ₂ eq) ¹	156,419	156,096	160,463
Scope 2 - Market-based (tons of CO ₂ eq) ²	82,089	74,557	84,966
Total GHG emissions (tons of CO ₂ eq)	238,508	230,653	245,429
GHG emissions intensity (kg CO ₂ eq per ton sold)	17.6	16.4	15.7

1 Scope 1 GHG emissions (direct energy and fugitive emissions) are calculated based on Defra/BEIS, 2022 emission factors.

2 For scope 2 market-based GHG emissions, purchased electricity covered by energy attribute certificates is considered with an emission factor of zero. For non-renewable purchased electricity, residual mix emission factors are gathered from AIB 2021 European Residual Mixes (applied to European locations) and 2022 Green-e Residual Mix Emissions Rates (applied to US locations). The location-based 2022 emission factor from the International Energy Agency (IEA) is applied to all other locations. Scope 2 emissions related to district heating are based on Defra/BEIS, 2022 emission factors.

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

in tons of CO ₂ eq	2021	2022	2023
EMEA	81,755	75,891	79,368
Americas	46,937	49,376	53,536
Asia/Pacific	16,027	19,098	16,378
Global Business	11,700	11,724	11,174
Corporate Services	-	7	7
Group	156,419	156,096	160,463

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

in tons of CO ₂ eq	2021	2022	2023
EMEA	9,849	11,922	26,815
Americas	25,377	21,333	17,526
Asia/Pacific	33,152	32,186	33,365
Global Business	13,711	9,114	7,259
Corporate Services	-	2	1
Group	82,089	74,557	84,966

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

in tons of CO ₂ eq	2021	2022	2023
Scope 1	156,419	156,096	160,463
Scope 2 - Location-based ¹	159,157	160,351	173,722
Total GHG emissions	315,576	316,447	334,185

1 Scope 2 location-based GHG emission factors are gathered from US EPA eGrid 2021 Emission Rates (applied to US locations) and IEA Emission Factors 2022 (applied to all other locations).

1 Acquisitions that occurred in 2023 did not lead to a restatement of 2021 and 2022 indicators disclosed in this section except when stated specifically. Water indicators for 2021 and 2022 disclosed in this section have been restated due to a stricter application of internal reporting rules for groundwater volumes withdrawn used for cooling processes in one factory.

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

in tons of CO ₂ eq	2021	2022	2023
EMEA	48,985	45,835	48,453
Americas	36,349	33,157	39,068
Asia/Pacific	45,620	54,627	59,520
Global Business	28,203	26,726	26,676
Corporate Services	-	6	5
Group	159,157	160,351	173,722

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

in tons of CO ₂ eq	2021	2022	2023
CO ₂ emissions from biogenic sources (scope 1)	-	1,233	1,671
CO ₂ emissions from biogenic sources (scope 2)	-	2,252	-
Biogenic uptake in biobased raw material (scope 3 – cat. 1)	-	-	-282,000
CO ₂ emissions from biogenic sources (scope 3 – cat. 12)	-	-	55,000

1. Biogenic CO₂ emissions related to biofuels are calculated based on Defra/BEIS 2023. Biogenic CO₂ emissions related to biomass electricity (Brazil) were calculated based on the International Energy Agency (IEA) Emission Factors. This contract is not operational anymore and therefore no emissions have been calculated for 2023. For scope 3 category 1, biogenic uptake in biobased raw material is based on the IPCC AR6 GWP100 impact assessment. For scope 3 category 12, biogenic CO₂ emissions are calculated based on the carbon content methodology.

↑ **TABLE 07: ENERGY INTENSITY**

in MJ per ton sold	2021	2022	2023
Energy intensity	324.7	315.5	295.8

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

in TJ	2021	2022	2023
EMEA	1,470	1,331	1,388
Americas	819	868	944
Asia/Pacific	256	331	280
Global Business	226	220	205
Corporate Services	-	0.1	0.1
Group	2,771	2,750	2,817

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

in TJ	2021	2022	2023
EMEA	691	668	722
Americas	398	416	458
Asia/Pacific	275	332	361
Global Business	253	264	265
Corporate Services	-	0.2	0.3
Group	1,617	1,680	1,806

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

	2021	2022	2023
Purchased electricity (TJ)	1,617	1,672	1,799
Thereof purchased renewable electricity (TJ) ¹	845	1,048	1,001
Purchased renewable electricity rate (%)²	52.3	62.7	55.6

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

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**

in m ³	2021	2022	2023
Public supply	1,922,637	1,959,347	2,112,299
Groundwater	2,422,271	2,284,007	2,281,956
Surface waterbodies	50,682	29,200	51,967
Rainwater	-	24,862	23,758
Total water withdrawal¹	4,395,590	4,297,416	4,469,980

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

↑ **TABLE 12: WATER CONSUMPTION INTENSITY**

in m ³ per ton sold	2021	2022	2023
Water consumption ¹	0.25	0.24	0.21

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**

in m ³	2021	2022	2023
Water in products	978,081	949,160	1,205,747
Process and cooling water	2,753,499	2,699,077	2,512,764
Sanitary water	674,658	649,418	760,048
Total water use¹	4,406,238	4,297,655	4,478,559

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

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

in m ³	2021	2022	2023
Water to sewage	913,590	874,591	997,150
Water to surface waterbodies	1,928,147	1,184,128	915,017
Water to ground	438,876	1,113,542	1,168,725
Water sent off-site for treatment	-	37,884	64,273
Total water discharge	3,280,613	3,210,145	3,145,165

↑ **TABLE 15: WATER WITHDRAWAL, USAGE, AND DISCHARGE IN WATER-STRESS AREAS**

in m ³	2022 ¹	2023
Water withdrawal	346,364	1,002,421
Public supply	299,872	884,214
Groundwater	33,062	100,505
Surface waterbodies	12,310	14,138
Rainwater	1,120	3,564
Water usage	346,406	1,005,778
Water in products	219,451	647,290
Process and cooling water	40,245	117,655
Sanitary water	86,710	240,833
Water discharge	105,910	319,885
Water to sewage	85,233	244,443
Water to surface waterbodies	12,220	32,589
Water to ground	5,035	8,705
Water sent off-site for treatment	3,422	34,148

1 2022 figures as disclosed in Sustainability Report 2022 (only considering locations in extremely high water-stress areas). Data is not reworked as per 2023 assessment.

↑ **TABLE 16: WASTE INTENSITY**

	2021	2022	2023
Non-hazardous waste (tons)	129,884	134,385	143,757
Hazardous waste (tons)	21,676	17,852	21,430
Total waste (tons)	151,560	152,237	165,187
Waste intensity (kg per ton sold)	11.2	10.8	10.6
Waste intensity compared to total input materials (%)	1.3	1.3	1.3

↑ **TABLE 17: BREAKDOWN OF WASTE BY TYPE OF DESTINATION**

in tons	2021	2022	2023
Landfill	67,509	61,701	64,411
Hazardous waste	-	2,649	3,430
Non-hazardous waste	-	59,052	60,981
Incineration	32,603	29,075	29,065
Hazardous waste	-	11,085	12,111
Non-hazardous waste	-	17,990	16,954
Recycling	51,448	61,461	71,711
Hazardous waste	-	4,118	5,889
Non-hazardous waste	-	57,343	65,822
Total waste	151,560	152,237	165,187

↑ **TABLE 18: RECYCLING RATE**

in %	2021	2022	2023
Recycling rate	33.9	40.4	43.4

↑ **TABLE 19: INPUT MATERIALS USED**

	2021	2022	2023
Volume of input materials used (millions of tons) ¹	11.6	11.9	13.0
Thereof recycled input materials (%)	3.7	3.2	1.9

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

↑ **TABLE 20: ISO 14001 - ENVIRONMENTAL MANAGEMENT SYSTEM CERTIFICATION¹**

	2021	2022	2023
Sites certified ISO 14001 (No.)	275	297	313
Coverage of sites under ISO scope (%)	48	49	43

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

↑ **TABLE 21: ISO 50001 - ENERGY MANAGEMENT SYSTEM CERTIFICATION¹**

	2021	2022	2023
Sites certified ISO 50001 (No.)	17	27	27
Coverage of sites under ISO scope (%)	3	5	4

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

↑ **TABLE 22: ENVIRONMENTAL PERFORMANCE INCLUDING ACQUISITIONS FOR THE FULL YEAR 2023¹**

	Excluding pre-acquisition data	Including pre-acquisition data
GHG EMISSIONS SCOPE 1 AND 2		
Scope 1 (tons of CO ₂ eq)	160,463	169,503
Scope 2 - Market-based (tons of CO ₂ eq)	84,966	95,153
GHG emissions intensity (kg CO ₂ eq per ton sold)	15.7	16.2
ENERGY		
Total energy (TJ)	4,623	4,855
Energy intensity per ton sold (MJ per ton sold)	295.8	297.9
Purchased renewable electricity rate (%)	55.6	53.4
WATER		
Total water consumption (m ³)	3,272,812	3,339,235
Water consumption per ton sold (m ³)	0.21	0.20
WASTE		
Total waste disposed (tons)	165,187	172,867
Waste intensity (kg per ton sold)	10.6	10.6
Recycling rate (%)	43.4	43.2

1 With the SBTi commitment and the new Strategy 2028 Sika has new baselines leading to systematic inclusion of newly acquired companies to properly reflect the development of the strategic environmental indicators over years. For 2023, it considers MBCC Group and Thiessen Team USA for the full reporting year.

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 and 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 2023, 232 products were evaluated via the new methodology.

New Intellectual Property (IP) Tool

Sika concluded the worldwide rollout of its new IP Tool to streamline invention submission and to ensure transparent innovation.

“Nuage” – The Global Digital R&D Lab

Sika started to implement its concept for digitalizing R&D processes and the work in Sika labs around the world, covering all regions and core technologies.

KEY FIGURES

INVENTIONS

188

+11.9%

Change vs 2022

PATENT APPLICATIONS

108

+3.8%

Change vs 2022

EMPLOYEES WORKING IN R&D

1,780

+33.4%

Change vs 2022

NUMBER OF GLOBAL
TECHNOLOGY CENTERS¹

18

-14.3%

Change vs 2022

¹ In 2023, Sika reorganized its R&D facilities into Global Technology Centers (GTCs), Technology Centers with regional and area focuses, and local labs. As a consequence, the number of GTCs decreased, and the number of local and regional R&D facilities increased. MBCC's facilities are included in the scope.

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

POLICIES AND GUIDELINES



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

The strategic interplay between innovation and sustainability serves as a guiding force, enabling Sika to lead the transformation of the construction and transportation industries. Sustainability is integrated into strategic and operational innovation processes; at the same time, it fuels operational efficiency and excellence throughout the organization. In tandem, digitalization acts as a catalyst, propelling Sika to the forefront of innovation and sustainability. This dedication to an innovative culture empowers employees to challenge the status quo and actively participate in innovation. In 2023, the innovation rate reached 24.4% (previous year: 22.6%). For more information concerning Sika's sustainability governance and the combined leadership for Innovation and Sustainability, please see the "Sustainability at Sika" chapter on p.40 of the Sustainability Report 2023.

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 innovative approaches.

GOALS AND TARGETS

Innovation was a core objective of the Sika Strategy 2023. Now, with Strategy 2028, the integration of innovation and sustainability has emerged as a compelling imperative. Innovation and sustainability are inextricably linked, and their convergence in Sika's corporate agendas reflects a necessity for long-term success. The confluence of these two critical elements has become a necessity to give answers to today's challenges in the construction and automotive industry. The strategic correlation between sustainability and innovation supports Sika's journey to net zero. The emphasis on durability, the development of sustainability enablers, the reduction of CO₂ emissions, the embrace of circular economy principles, and the replacement of hazardous raw materials all underscore the critical role of innovation in advancing sustainability goals. Sika innovates to create value-added products that combine performance and sustainability into one concept. Therefore, all new product developments are Sustainable Solutions.

RESPONSIBILITIES

Sika's long history of innovation has made it a recognized global technology leader in many markets worldwide. The Sika innovation culture reflects courage for innovation, creation, and knowledge, and the importance of networking and cross-functional teamwork. Sika's research and development activities are conducted by 1,780 employees (previous year: 1,334) across 18 Global Technology Centers (2022: 21) and over 100 local and regional research and development facilities (2022: 80)¹. While investing in its Technology Centers, the company also nurtures an international network of scientists, partners, suppliers, and customers.

In addition, an innovation management team seamlessly integrates sustainability and innovation across functions, facilitating initiatives and solutions to meet evolving customer needs and market dynamics. This team consisted in 2023 of the Global Innovation Manager and exploration teams in all regions to facilitate projects and partnerships. Sika's collaborative approach to innovation management not only embraces a newly designed exploration process but also adopts a customer-centric mindset.

SUSTAINABILITY AS INNOVATION DRIVER

Sika aims 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. In 2023, innovation and sustainability were included in the curricula of various training programs due to their high strategic relevance for Sika: the Global Leadership Programs, Regional Leadership Programs, the General Manager (GM) Program, and the Global Talent Training Programs.

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. Sika prioritizes customer-centricity in innovation and sustainability by actively engaging with customers to understand their needs and challenges. Customers and market partners contribute to tailoring

1 In 2023, Sika reorganized its R&D facilities into Global Technology Centers (GTCs), Technology Centers with regional and area focuses, and local labs. As a consequence, the number of GTCs decreased, and the number of local and regional R&D facilities increased. MBCC's facilities are included in the scope.

product development and solutions to address specific customer requirements while promoting sustainability through sustainable materials and practices. Sika aims to deliver value-driven innovations that not only meet customer demands but also align with environmental and social responsibilities, fostering long-term partnerships and sustainable growth.

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 for third party patents, (ii) protection of new inventions according to commercial relevance of the products/solutions, and (iii) leveraging patents to support business. 188 new inventions were reported in 2023 (previous year: 168), and 108 new patent applications were filed (previous year: 104). By the end of 2023, Sika's patent portfolio included 1,600 unique patent families with 5,680 single national patents. In 2023, Sika concluded the worldwide rollout of its new Intellectual Property (IP) Tool to streamline invention submission and to ensure transparent innovation management. Furthermore, in 2023, Sika integrated a substantial portfolio of patents and inventions as part of the acquisition of MBCC and its associated brands.

GLOBAL DIGITAL R&D LABORATORY

In 2023, Sika started implementing its concept ("Nuage") for digitalizing R&D processes worldwide. Nuage facilitates collaboration across teams in different geographies and enables researchers to conduct experiments and simulations using digital tools and technologies. The new global digital laboratory allows researchers to work remotely, collaborate with others in real time, and access a wide range of data, software, and hardware resources. The collaboration of the Nuage project team with experts from every core technology group and region, as well as from IT, procurement, operations, and technical service, has been a prerequisite for success. After the successful completion of the pilot phase in all core technologies and across regions, testing of performance, and security indicators, the rollout of Nuage started in 2023; the onboarding of R&D teams worldwide continues in 2024.

INNOVATION CHALLENGES

A variety of established internal initiatives challenge the status quo and nurture innovation across all regions. These include global and regional programs like "Shark Tanks" in Global Business, Innovation Challenges, and local initiatives such as the "Sika Maker Program" in China, which consolidates the expertise of innovative minds throughout the organization to anticipate future requirements and foster the development of innovative solutions. Internal innovation pitches, so-called Shark Tanks, serve Sika as dynamic arenas, catalyzing the surfacing of novel ideas and their seamless implementation. In China, the so-called "Maker Plan" fosters continuous ideation within the R&D com-

munity. It has transformed into a dynamic mentoring initiative, with senior managers taking on mentorship roles to assist teams to propel selected makers' initiatives towards success.

The Sika Global Innovation Challenge (GIC) is another initiative to foster the innovative drive of high-potential employees. This program prepares a new generation of innovation leaders and embraces key change drivers such as sustainability, digitalization, and the circular economy. In 2023, Sika ran the second GIC with 34 candidates from 15 countries in the context of its Talent Management and its ambition to foster the innovative drive of high potential. Six teams found solutions for challenges like digitalization/AI, raw material scarcity, removable adhesives and sealants, and sustainable packaging.

During the reporting year, Sika also participated in hackathons for sustainability and innovation as they offer a dynamic platform to harness fresh ideas and talent. They foster sustainable solutions by encouraging the development of eco-friendly technologies and processes. To harness the creative and technical talents of the global hackathon community, Sika participated at the HackZurich in September 2023. This hackathon united the world's best tech talents, selected from thousands of applications, representing several elite universities and leading organizations from more than 85 countries, to collaborate and develop innovative web, mobile, and hardware applications during a 40-hour hackathon. The result of this hackathon led to a concept for an interactive platform connecting and synchronizing Sika's knowledge (raw data, documents, etc.) to enable communication and fast data extraction for internal and external users. Hackathons were also supported in other countries. In October 2023, the second edition of the Prontuario Sika Hackathon Awards for Industrial Engineering and Marine Engineering students took place in Madrid. Sika Spain organized and steered the hackathon, in which 56 talents took part, triggering a new wave of enthusiasm.

PARTNERSHIPS AND COLLABORATIONS

Cross-functional collaborations within Sika, alongside partnerships with technology companies, scientific institutions, and universities, have yielded fresh insights and scientific breakthroughs. This collaborative effort has resulted in products and solutions that offer both enhanced performance and bring about sustainability benefits. 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 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. An example of a successful scientific partnership on a corporate and local level is the partnership with the University of Cádiz (UCA). In 2023, Sika and the UCA agreed to cooperate in concrete protection, building facades, and industrial processes. The cooperation results from a successful partnership focusing on innovative techniques for preserving concrete structures. Now, the UCA and Sika bundle their knowledge on global and local levels to expand these technologies to further application areas and to open new market potential. For more information, please visit the corporate webpage [Partnerships and Collaborations](#).

INNOVATIONS THAT SUPPORT SUSTAINABILITY

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

Thanks to its innovation power, Sika can significantly help reduce global greenhouse gas emissions. Important focus areas for R&D initiatives driving net zero include:

STEEL SLAGS: THE NEXT ALTERNATIVE TO PORTLAND CEMENT

The urgency to discover alternatives to Portland cement is evident. In response to this global challenge, steel slags have emerged as a promising alternative. Steel slag is a waste product deriving from steel production and represents a slag category that so far has only been reused to a limited extent due to its chemical composition. Leveraging Sika's chemistry know-how, steel slag is gaining wide acceptance as a supplementary cementitious material (SCM). What makes it particularly attractive is its abundant availability of over 180 million tons each year. The geographic availability of this waste material aligns well with the footprint of Sika's mortar plants, facilitating seamless integration into their formulations.

Until now, steel slag has been downcycled and primarily used in soil remediation and road construction. However, with Sika's chemistry expertise, it is now possible to incorporate it into various categories of Sika mortars without any negative impact on performance, opening new horizons for sustainable construction. Notably, 11 patents have been applied for, indicating Sika's commitment to innovation in this area. The environmental benefits of this shift are substantial. By embracing steel slag-based binder technology, Sika plans to save an estimated 135,000 to 180,000 tons of CO₂ emissions each year, horizon 2028. This projection assumes 20% to 25% of ceramic tile adhesives using this waste material in their formulations. As the world grapples with the pressing need for sustainability, solutions like steel slag-based binders provide a crucial avenue to reduce the carbon footprint of construction materials.

SECURING ALTERNATIVES TO NATURAL SANDS: EXAMPLE CHINA

Sika China has strongly progressed in reducing the use of virgin sand. In 2023, a 13% alternative sand ratio was achieved, up from 5% in 2021. The goal, by 2028, is to reach a 50% alternative sand ratio, which is a significant reduction in natural sand usage. To meet this goal, several initiatives and actions have been implemented. For instance, the team developed manufactured sand to supply two tile adhesive plants in Guangzhou; and additionally tailing sand was developed to serve as a raw material for a new plant. Currently, half of Sika's tile adhesive plants in China are already using alternative sand. Two plants have made remarkable strides, replacing 100% of virgin sand with tailing sand. Sika works on different initiatives worldwide to reduce the use of virgin sand. Another key advancement in this regard is the ability to utilize sand derived from recycling processes. For example sand derived from Sika's reCO₂ver[®] technology or from concrete mud – the unhardened waste concrete from trucks and concrete factories.

Advancements to reduce the use of virgin sand both in its own mortars and in the concrete produced by its customers are made possible thanks to Sika's century-long expertise in chemistry.

SIKA'S COMMITMENT TO SUSTAINABLE EPOXY RESINS: EMBRACING BIO-BASED SOLUTIONS

Sika's sustainability journey shows the way to a consistent combination of sustainability and innovation. A pivotal part of this journey is the transition to partially bio-based epoxy resins. Traditionally, the epoxy industry has relied on "fossil" epoxies, but Sika is making a conscious shift to bio-based alternatives.

The bio-based glycerin used for epichlorohydrin synthesis is a by-product of biodiesel production and primarily derives from waste oils, leftover cooking fats from large kitchens, rapeseed oil, and other vegetable oils. This shift not only reduces reliance on fossil resources but also paves the way for more sustainable manufacturing processes.

In 2023, Sika successfully produced flooring coatings with epoxy resins containing 28% of bio-based carbon. This commitment to sustainable epoxy resins not only signifies a substantial reduction in Sika's reliance on fossil resources but also underscores Sika's unwavering commitment to environmental responsibility.

SECURED ROOF WATERPROOFING OVER THE ENTIRE LIFE CYCLE

Sustainability and durability meet innovation with Sarnafil[®] AT FSH Self-healing technology, revolutionizing roofing membranes. Water-reactive polymers power this remarkable advancement, offering autonomous healing for roofs, safeguarding valuable assets. Sarnafil[®] AT FSH Self-healing membranes feature water-reactive polymers, triggered by water contact, sealing minor cracks and punctures. This hydrophilic technology efficiently prevents further moisture ingress, contributing to durable product performance, reliability, and extended building life. The new technology is ideal for environments where water damage is critical, such as data centers, museums, and pharmaceutical facilities. Even when water intrusion occurs, it self-seals, minimizing disruption and ensuring peace of mind for building owners.

Sika Sarnafil[®] AT Self-Healing is part of the Sarnafil[®] AT product line. Notably, Sarnafil[®] AT was the first thermoplastic roofing membrane in the market to be Cradle to Cradle Certified™, underscoring Sika's commitment to the circular economy. In the year under review, Sika successfully completed the Cradle to Cradle[®] re-certification for Sarnafil[®]-AT. Sika has held a valid certificate since 2020.

PRODUCT PORTFOLIO

GRI 3-3

POLICIES AND GUIDELINES



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

At Sika, the strong commitment to developing sustainable solutions has a central focus, evident in both the Strategy 2023 and the Strategy 2028. It is also reflected on all levels, from company level down to product groups and individual products. For this reason, the communication message for Sustainable Solutions encompasses two distinct levels which belong to the same overall scope, underlining sustainability as a central topic at Sika:

- Company level: “Sika as enabler of 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.
- Product level: “More Performance – More Sustainable” and “More Sustainable”. These messages apply for products which have an approved SPM Profile and are classified with a positive sustainability rating.

SUSTAINABILITY PORTFOLIO MANAGEMENT (SPM) METHODOLOGY

Managing innovation and sustainability together, minimizing the risks, maximizing the opportunities, and creating positive business impact: This is the purpose of Sika’s Sustainability Portfolio Management (SPM) Methodology. The company’s goal is to develop and market Sustainable Solutions combining performance and sustainability benefits.

Sika’s SPM Methodology is based on the World Business Council for Sustainable Development (WBCSD) Chemical Industry Methodology for Portfolio Sustainability Assessments (PSA)¹. Externally validated in 2021, it covers key aspects such as circularity, safety, climate, and more, merging sustainability and performance into one concept. Sika is one of the first companies within the specialty chemicals and building materials sector to develop and rollout a methodology based on the WBCSD PSA framework. In addition, SPM was selected in the 2023 Responsible Care Awards as a showcase in the European Chemical Industry Council (CEFIC) online gallery².

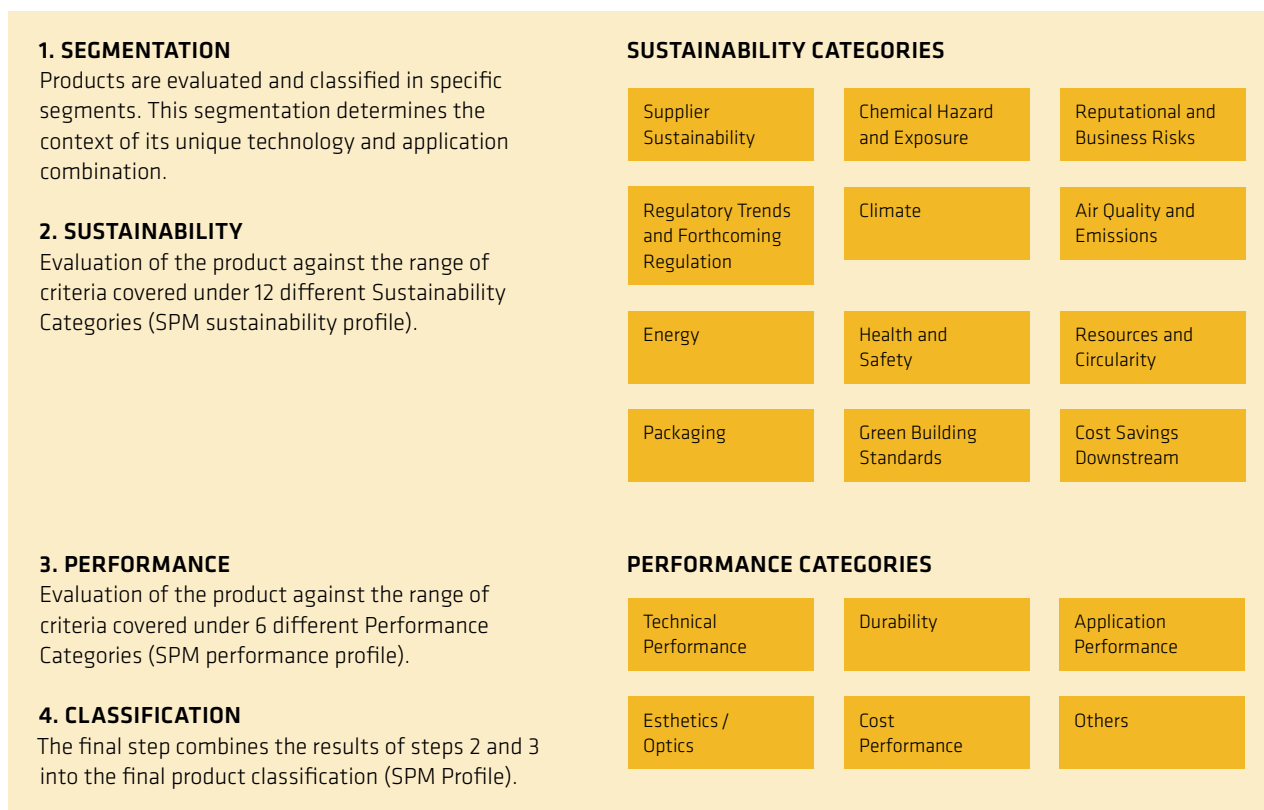
Following the 2022–2023 pilot, Sika launched an e-learning program and guidelines for company-wide SPM adoption. Applicable to all products, the methodology facilitates fact-based communication, allowing Sika to promote products under the “More Performance – More Sustainable” and “More Sustainable” brands. Integrated into the Product Creation Process (PCP), SPM evaluations occur early and before market release, providing a standardized approach for efficient product development and informed decision-making.

The initial SPM Evaluation in the PCP aims to identify potential risks and benefits, guiding product development toward improved sustainability and performance. As projects progress, data quality evolves from qualitative to quantitative, requiring robust evidence for comprehensive sustainability assessments. SPM Evaluations focus on the Product – Technology – Application Combination (PTAC) segmentation approach, ensuring a consistent approach within defined market segments. The SPM Methodology follows a four-step approach.

¹ [Chemical Industry Methodology for Portfolio Sustainability Assessments \(PSA\) – World Business Council for Sustainable Development \(WBCSD\)](#)

² [Sustainability Portfolio Management – cefic.org](#)

THE SPM FOUR-STEP APPROACH



SPM evaluations are executed by interdisciplinary teams, including representatives from the key functions identified as rating responsible within each of the 12 SPM Sustainability Categories and 6 SPM Performance Categories.

The outcome of the SPM Evaluation is a portfolio view of the assessed product in the corresponding segment (PTAC). The aim of this portfolio is to develop a deeper understanding of the sustainability and performance characteristics of Sika's products and to transition to an offering solutions with a proven sustainability performance. This portfolio view enables the clustering of products into six clusters, with three positive, one neutral, and two negative clusters.

A Governance structure has been established to evaluate the next steps following the final product classification resulting from an SPM Evaluation. This process defines the key actions that need to be taken depending on SPM Profile as an outcome of a product SPM Evaluation.

Products with a positive sustainability rating (Clusters A, B, and C) can be promoted as Sustainable Solutions. Products classified in Cluster A can additionally be promoted as "More Performance – More Sustainable" with a dedicated branding. Sika's objective is to transition all products and developments towards Clusters A, B, and C and to minimize products classified in Clusters E and F.

The objective of applying Sika's SPM Methodology is to develop a portfolio of classified products within given PTACs. In the long term, applying this methodology will enable Sika to systematically evaluate the Sustainability and Performance of its products and to strategically steer its product portfolio towards Sustainable Solutions due to its integration within Sika's innovation process.

For more information on the SPM Methodology, please see the [Sika Sustainability Portfolio Management Methodology Paper](#) available in the download center of the corporate website.

At the end of the reporting year, Sika had conducted 232 SPM evaluations, of which 85 were finalized, resulting in 3 products with a negative classification, 16 with a neutral classification, and the remaining 66 with a positive one (Clusters A, B, and C) – out of which 56 in Cluster A. 147 are still ongoing. For examples of products please check the [Sustainability Portfolio Management](#) on the corporate website.

SUSTAINABLE PRODUCTS ASSESSMENTS

LIFE CYCLE ASSESSMENT

In 2023, Sika developed and implemented a new capacity building strategy to support the organization's growing need for product sustainability assessments, with a core focus on Life Cycle Assessment (LCA) and the evaluation of product-related climate change impacts.

The strategy transforms Sika's approach to building global capacity with the integration of three new pillars: corporate competence center, regional specialist network, and global automation pathways.

The first two pillars were extensively developed during the reporting period. Within the corporate competence pillar, a comprehensive range of guidelines, tools, training, and collaboration spaces were created to support the new regional network of product sustainability specialists. The network was also staffed with 22 new specialists from across the organization, covering all regions. The new network will be equipped with the skills, tools, and training needed to undertake product sustainability assessments such as LCA, Product Carbon Footprint (PCF), and Environmental Product Declarations (EPDs). Members of the network in Sika's R&D departments strengthen the focus on developing Sustainable Solutions in line with Sika's Sustainability Strategy. The establishment of the new network will enable Sika to be more agile in responding to increasing customer requests for transparent, product-related environmental information.

The focus for the following years will be to fortify the first two pillars and additionally develop automation strategies to further amplify Sika's capacity in product sustainability.

ENVIRONMENTAL PRODUCT DECLARATION

In 2023, Sika concluded its first Environmental Product Declaration (EPD) automation project. The project aimed to support local Sika organizations in meeting growing customer demand for EPDs of concrete admixtures. This is in the context of the growing pressure exerted on concrete producers to reduce the environmental impacts per cubic meter of concrete, producing the need for more transparent product-related data, including data from admixture manufacturers.

Sika initiated the project in 2021 with the goal to partially automate the procedure for creating EPDs for a group of six concrete admixture families by means of a custom software application. A comprehensive parameterized model was built and configured, allowing users to work with a smooth data collection procedure to generate streamlined LCA results that can be integrated into an EPD report. Throughout the year, users spanning all Sika regions were trained to use the tool and create product-specific EPDs of local admixture formulations. With this new solution, Sika aims to massively increase its ability to generate product-specific EPDs for concrete admixtures.

Sika will investigate the applicability of the solution for other product technologies in the coming year.

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](#)

Sika has always placed a strong focus on product quality and reliability. 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 safety), 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 an 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 2023, no instances of non-compliance with Safety Data Sheets were reported¹.

CORPORATE LEVEL

The Global Regulatory & Product Compliance (RPC) team, which reports to Head Global Quality & EHS, is responsible for providing a globally compliant database and classification system (SAP Product Compliance), to support regions in setting up and deploying RPC processes, and to exchange information on emerging regulatory developments. 310 representatives in regional and local organizations from 120 Sika companies use SAP-Product Compliance. Furthermore, the team is responsible for product health and safety-related data being 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.

1. Based on the data collected through the ESG Confirmation.

- 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.
- 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 an 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.

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 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, Operations, Target Markets) and with Corporate and local Expert Teams, the Global Regulatory Affairs team defines and initiates tasks, programs, and compliance projects. 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 Substance Risk Management (SSRM) Committee¹ is comprised of members from Product Stewardship, Regulatory Affairs, Sustainability, and R&D. The Committee assesses substances with an elevated risk potential based on the GHS classification.

REGIONAL LEVEL

The regional Regulatory & Product Compliance team is responsible for rolling out RPC processes, querying local requirements, and supporting countries in setting and targeting RPC objectives, as well as organizing 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:

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 2023, the global Product Stewardship team organized 51 trainings, involving 696 Sika employees from various functions (Product Stewardships, Regulatory Affairs, EHS, Risk & Crisis Management, Marketing, and R&D) in all Sika regions: 10 trainings in EMEA; 11 in Asia/Pacific; 19 in Americas; and 11 in Global Business.

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, and reactive components wherever possible, and using devices for safe contact-free application. In 2023, all entities of the Sika Group were compliant with applicable regulations and did not report any significant incidents concerning the health and safety impact of products².

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 risks that can arise from chemicals.

As part of Sika's commitment to manage chemical product compliance, potential water pollutants such as synthetic organic compounds are identified and classified by suppliers or by Sika according to the CLP regulation. Sika strives to minimize adverse impacts of such potential pollutants during the product use-phase. Best practice instructions on product use are documented and issued in SDSs and PDSs.

¹ In 2023, due to a new organizational set up, the Steering Team Banned Substances (please see the Sika Sustainability Report 2022, p.127) was renamed the Substance Risk Management (SSRM) Committee.

² Based on the data collected through the ESG Confirmation.

Sika maintains a comprehensive Product Stewardship process and network, including a database for impact assessments, toxicological evaluations and product registration, classification, and labeling.

CHEMICAL SUBSTANCES RISK MANAGEMENT

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. As part of the Enterprise Risk Management (ERM), reviewed and approved by the Board of Directors (BoD) yearly, the risk “Changing Product Compliance requirements and regulations” was confirmed to be one of the top risks. The risk is defined as “Changing product compliance requirements for products, product solutions, production processes, and procurement, driven by changing customer requirements and regulations”. In the due diligence process for acquisitions, the teams involved, such as EHS, Product Stewardship, and Legal, collect information including material management and environmental compliance. Potential acquisitions can be stopped if the analysis of a company’s product portfolio does not meet the necessary requirements. For more information on the risk management approach, top risks, and related measures, please see the “Risk Management and TCFD Recommendations” chapter, on p.22 of the Annual Report 2023.

HAZARDOUS SUBSTANCES

A wide range of chemicals are used in the formulation of Sika’s products. This includes hazardous chemicals¹ which are fundamental to achieve the technical requirements such as loadbearing strength and longevity of buildings and structures. The company aims to reduce these substances from products and production processes wherever possible.

In 2023, the company reviewed the Sika Banned Substance Process, with a view to accelerate progress in this important area and continue to review and assess the use of substances of concern. As a result, Sika introduced the “Sika Substance Risk Management (SSRM)” process. The latter, which applies at Group level, supports the organization in assessing and treating substances with an elevated risk potential based on the Globally Harmonized System (GHS) hazard classification. This internal process is complementary to local legal requirements, emphasizing Sika’s uncompromising commitment to quality, safety, and environmental sustainability.

Moreover, the Sika Substance Risk Management (SSRM) Policy regulates the use of defined hazardous substances in Sika operations and in products. Depending on the category, Sika prohibits or restricts the use of these substances in products above a defined concentration limit. Use in production is subject to specific permits.

DEFINITION OF SUBSTANCES OF CONCERN

Substances falling under the “SSRM” definition must be checked for replacement by alternative substances in all 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 products sold (both manufactured and trading products), materials handled in manufacturing plants, or in the supply chain. Only substances used for R&D purposes are exempt.
- Category 2: substances which may be used in controlled manufacturing processes if the defined concentration limits are not exceeded in the final product.

REGULATORY LANDSCAPE

Sika continuously follows regulatory, scientific, and toxicological developments on chemical substances. This also provides the company with early knowledge of future regulatory changes and requirements. These are discussed in Sika’s expert teams with Research & Development, Marketing, Operations, Procurement, and Product Stewardship, and appropriate steps for substitution are coordinated with all process participants. Sika is also taking part in several meetings and public consultations through associations (FEICA, CEFIC) to monitor the developments of upcoming regulations within the European Union Chemical Strategy for Sustainability (EU CSS) on topics like restrictions roadmap, review of REACH regulation, Classification, Labeling, Packaging (CLP) reform, grouping approach, etc. The same procedure is followed by the local organization in all Sika regions.

1. Classified as “hazardous” by a regulatory authority.

STRATEGY 2028

Within the framework of Strategy 2028, starting from 2024 on, Sika has clearly stated the ambition to reduce usage of hazardous materials and define a reduction plan for selected substances of concern. Moreover, it has defined the target “All new product developments to be SPM validated with a positive validation” which is dedicated to the transformation of the product portfolio through the Sustainability Portfolio Management (SPM) framework. For more information, please see the “Products and Customers” chapter, “Product Portfolio” section on p.116 of the Sustainability Report 2023.

SUSTAINABILITY PORTFOLIO MANAGEMENT (SPM)

The SPM framework defines how Sika structures the innovation of products that combine both performance and sustainability benefits. The sustainability evaluation is a comprehensive evaluation of the product profile along 12 Sustainability Categories, following a 360° perspective. Among key focus areas are Chemical Hazard and Exposure (Sustainability Category 3), Regulatory Trends and Forthcoming Regulation (Sustainability Category 4), and Health and Safety (Sustainability Category 6) which require Sika to look beyond current regulation and compliance and innovate products with improved chemical profiles. A dedicated procedure has been developed for all categories to support SPM project teams in undertaking risk assessments in line with the requirements of the criteria included within the categories. For instance:

- In the Sustainability Category 3 “Chemical Hazard and Exposure”, products are evaluated on human and environmental exposures, assessing any potential risks.
- In the Sustainability Category 4 “Regulatory Trends and Forthcoming Regulation”, substances used in products are evaluated based on current and upcoming regulations as well as globally relevant conventions (e.g., Montreal Protocol, Stockholm Convention, Rotterdam Convention, IARC list, California Prop. 65, REACH Annex XIV and XVII, REACH Candidate List of Substances of Very High Concern).
- In the Sustainability Category 6 “Health and Safety”, products are evaluated on their human toxicity profile, whether they reduce exposure to harmful or toxic substances during the production process and during application.

For more information on the SPM Methodology, please see the [Sika Sustainability Portfolio Management Methodology Paper](#) available in the download center of the corporate website.

REDUCTION PLAN

The Sika Substance Risk Management (SSRM) Steering Committee continuously reviews the substances of highest concern. As at end 2023, Sika did not generate any revenue with products listed under the EU Persistent Organic Pollutants (POPs) Regulation. Moreover, the company has less than 5%¹ global turnover with substances listed in the EU Candidate List of Substances of Very High Concern (SVHC) above 0.1% by weight. Currently, 28² substances have been identified as Category 1. Some of these are included in the list of SVHC. Alternative solutions to Category 1

substances are being evaluated. In 2023, the involved products generated less than 0.5% of total sales. Within the Strategy 2028 a further reduction of these substances is targeted.

In the past, for instance, following this approach, Sika initiated measures as early as 2009 to substitute:

- Bisphenol A (BPA), a chemical compound primarily used in the manufacturing of various plastics, used by Sika as an ingredient in the products of the Target Market Flooring. In 2016, BPA was added to the REACH Annex XVII restricted substances list and has been identified as “substance of very high concern” (SVHC). In 2019, it was proposed for addition to the authorization list by the European Chemical Agency (ECHA). The decision of the European Commission to do so is still pending but can come into force with any of the next additions. From then on, a three-years transition period until the sunset date will apply, and the legal use of BPA will be banned in the EU.
- Nonylphenol (NP) was substituted as an ingredient in Sikadur®, an adhesive from the Target Market Sealing and Bonding. In 2016, the EU published the Regulation 2016/26 to regulate nonylphenol and its ethoxylates (NPEOs) as a new entry 46a to REACH Annex XVII. Since January 2017, NPEO has featured in the authorization list by ECHA. The production and use of nonylphenol ethoxylates has been prohibited in the EU since March 1, 2023 (sunset date).

PER- AND POLYFLUOROALKYL SUBSTANCES (PFAS) OR “FOREVER CHEMICALS” INVESTIGATION

Sika is not a PFAS producer and the amount of PFAS used in product formulations is very small. As a result of an evaluation kicked off in 2023, only a few Sika products contain input materials that fall under this definition, accounting for well below 0.4% of Group sales. Within this project Sika is contacting its suppliers and conducts investigations on how a reduction of these substances can be reached in the most efficient way. The main challenges are:

- PFAS definition varies across countries/regions.
- Due to legal requirements being in the development stage, Sika has to rely on information provided by suppliers since not all information needed is currently available on raw materials’ Safety Data Sheets (SDSs). Similarly as for other sustainability-related topics (e.g., emissions accounting), suppliers’ knowledge may not be equally distributed. Therefore, continuous engagement activities are pivotal to progress.

MBCC’s product portfolio could not be included in the scope of the evaluation since the company was officially acquired on May 2, 2023. Evaluation of MBCC’s portfolio will continue in 2024.

1 Based on 2023 revenues. The assessment does not include the MBCC product portfolio. The latter will be assessed in the coming months.

2 In 2023, Sika changed its banned substance process to the new Sika Substance Risk Management (SSRM) process, leading to a change in assessing and treating substances with an elevated risk potential based on the GHS classification.

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 the Sika Group must be compliant with local laws and regulations. No significant violation of regulations concerning this topic was reported in 2023¹.

At Corporate level, the labeling process is divided into a strategic and operational part, respectively managed by the Marketing Services department and the Regulatory & Product Compliance team. The strategic part encompasses the creation of key visuals, pictograms/icons, and templates based on packaging/label type in accordance with Sika Corporate Identity (CI) and Corporate Design (CD) guidelines and providing them to the Regulatory & Product Compliance team. The operational part encompasses the creation of the actual packaging/label artworks using templates and elements and – additionally – adding the following information:

- Product marketing information such as product description, application instructions, etc., are provided by the Corporate Product Manager/Engineer.
- Health and safety information such as hazard/precaution phrases, hazard icons etc., are provided by the Global Product Stewardship team.
- Product characteristics and approvals (CE mark, EC1PLUS etc.) are provided by the Corporate Technical department & Product Manager/Engineer.
- Operational requirements (SAP item numbers, barcodes, no-print zones) are provided by the Corporate Master Data department (SAP item numbers, barcodes, etc.) and by the Packaging & Labeling department (no-print zones etc.).

¹ Based on the data collected through the ESG Confirmation.

Local entities are involved in the approval workflow described above by including at least one employee representing each local Sika entity in the various steps. These employees must check if the submitted artwork is compliant with local regulations and laws. Artworks are only released for use if every single user in the workflow has given approval.

Each packaging/label artwork is created using the Sika Artwork Management platform (SAM) by assigning the appropriate workflow and approvers to make sure that each section of the artwork is checked (if necessary, properly translated) by the stakeholders (if necessary, checked by their local counterparts). Any change requests are to be reviewed and implemented properly until all parties have approved the artwork. After that, it is stored and released for public use and the corresponding packaging/label supplier is automatically notified.

This ensures that, on one hand, only artworks that have been fully vetted and approved are published. On the other hand, that suppliers are made aware in case new/updated artworks are available.

Should there be any change requiring an artwork to be updated (e.g., updated CE marking, health and safety information, etc.), a request is sent to the Regulatory & Product Compliance team and the process described above is being triggered once again.

REQUIREMENTS REGARDING MARKETING COMMUNICATIONS

Sika complies with all laws and regulations concerning marketing communications, including advertising, promotion, and sponsorship. All entities of the Sika Group must be compliant with applicable laws and regulations. No significant violation of regulations concerning marketing communications was reported in 2023¹.

EMEA MARKETING ACADEMY

The EMEA Marketing Academy has operated since 2020. It is 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 3,684 individual hours of training with more than 240 participants. In 2023, it focused on the topic of “ethical marketing”. Sika aims to transparently communicate, delivering meaningful content and refraining from invasive tactics such as pop-up banners in third party channels.

1 Based on the data collected through the ESG Confirmation.

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 maintaining 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 particularly 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 EXPERIENCE

Sika has invested significantly in the last two years to enable local subsidiaries with a comprehensive set of technological solutions to enhance interactions with customers. These technological solutions aim at providing customers with the ability to engage with the organization in a meaningful and effortless fashion, from finding the right content or technical documentation to effectively purchasing products. This portfolio of solutions encompasses circa 40 digital tools which are optimized from an architectural standpoint to leverage information from single sources of truth and to integrate data in seamless journeys.

In 2023, Sika performed a global assessment to identify:

- Where each local subsidiary stands in regard to the portfolio’s implementation.
- How advanced each local subsidiary is in making proper use of the portfolio to enhance customer experience.

Local companies were evaluated based on the implementation status of the minimum set of tools for different activities the customer is performing online. Sika’s ambition is to reassess the status by end-2025 and have 100% of local subsidiaries operating in green, i.e., within the expectations.

In addition, in 2023 Sika implemented a comprehensive dashboard to monitor progress in five dimensions of customer experience; namely how they search for information, how they network with Sika, how they learn and develop, how they use services, and how they buy. Via this dashboard the organization can gauge the effectiveness of the solutions and take measures accordingly. This dashboard has been made available to all General Managers. As a continuation of this reporting, Sika is automating the process via the project Customer Centric Analytics, a cross-functional and cross-geographies project housed under Customer Centricity, which will allow for more advanced understanding of customer interactions with the organization. The first results will be harvested in early 2024.

Despite its decentralized nature, in 2023 Sika initiated a series of global studies with customers, which aim at improving customer understanding, hence providing improved experience. One of these studies focused on the importance of sustainability in the customers’ buying decision. It was performed in six different representative countries (United States, Brazil, France, Sweden, Italy, and Vietnam) and reached approximately 1,000 customers from different trades. The results are now being processed to develop a customer-centric approach to support customers in various challenges regarding sustainability targets. Another study focused on gauging customers’ experience. It was performed with one pilot country, Spain, and will be rolled out to other geographies within 2024.

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 began rolling out the platform in 2022, with the goal 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. As of end of the reporting year, the implementation status in the regions is the following:

- EMEA gained valuable insights on how teams continuously improve training events, market research, and when customers have made inquiries through the website. There are pilot countries using the tool to automate surveys to anyone who has made an enquiry through the website to measure service/response levels.
- Canada collected feedback from 595 customers who scored Sika services as “excellent”. Implementation of the platform in North American countries is still ongoing and results will be shared in the next years.
- Latin America has integrated the platform with WhatsApp to deliver NPS results. In 2023, Sika received almost 8,000 customers’ requests with a 90% response rate. Customers scored Sika services as “excellent”.
- Asia/Pacific has plans to onboard the countries in 2024 for their annual customer satisfaction surveys.

Global Business is not included in the scope since it applies its own customer management approach. See information provided below.

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 continuously improve performance. For instance:

- Customer loyalty tells how loyal a customer is to the brand and how likely he/she is to 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...?”
- Direct feedback and customer interviews allow customers to share how they felt about their experience throughout the sales process. This feedback is collected through direct, post-purchase phone, or e-mail surveys, and follow-up with prospects who did not close.
- Customer service or support feedback is like sales feedback, but it instead examines a customer’s experience with a service or dedicated support. This type of feedback is collected through phone or e-mail surveys after customer support tickets are raised.

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, either by relying on their in-house teams or on external research institutes. As a step towards this goal, in 2023 Sika created a global role dedicated to customer insights. One of the responsibilities of this newly created position is to establish standards on how the local organization collects, analyzes, and addresses customers’ feedback. This position will also support the interpretation and implementation of results.

GLOBAL BUSINESS

Sika Global Business applies a pure B2B approach where multiple roles and functions among the organization actively engage with both Original Equipment Manufacturer (OEM) and Original Equipment Supplier (OES) customers. All managers ensure projects are executed according to plan, proposing new products and solutions based on customer requirements. When necessary, based on customers’ requests, development projects for products are started and run by the R&D organization. Concurrently, the Technical Service team supports the organization of testing, training, regular 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 projects already in the execution phase and supporting ongoing business. The team is responsible for 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 stringent timing of deliveries. As a supplier, Sika receives monthly performance reports from its customers. This allows the company to monitor progress against targets and to measure results. If targets are not met, the responsible team, including assigned customer quality managers, develops an action plan for response and improvement. To manage the customer relationship, 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 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. Customer training can be assigned to three main categories: to transfer generic knowledge; to explain a specific product or its application; and to introduce 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. Training 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 course, 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 training.

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

Due Diligence Process

In 2023, Sika formalized its Supply Chain Due Diligence approach encompassing risk identification, risk evaluation, and supply chain development and improvement.

Sika Sustainable Packaging Challenges

In 2023, three Sika Sustainable Packaging Challenges were successfully carried out in Latin America, North America, and Europe, all with the common goal of engaging with packaging suppliers to seek sustainability performance enhancement in Sika's approach to packaging.

¹ 55% of the Sika Group's direct spending was covered by suppliers who signed the revised Sika Supplier Code of Conduct. All information disclosed in this chapter refers to tier 1 suppliers.

KEY FIGURES

DIRECT MATERIAL EXPENDITURES
(IN CHF MN)

5.2

-1.8%

Change vs 2022

SUPPLIERS WHO SIGNED THE SCoC¹

55%

TfS ASSESSMENTS

821

+7%

Change vs 2022

AUDITS

255

+7%

Change vs 2022

MATERIAL TOPICS

Responsible
Procurement

Human
Rights

Labor
Standards

Risk and Crisis
Management


SDGs



RESPONSIBLE PROCUREMENT¹

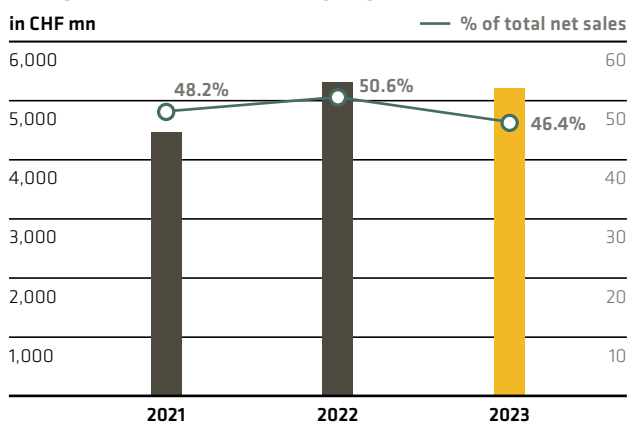
GRI 3-3	GRI 308-1	GRI 407-1
GRI 408-1	GRI 409-1	GRI 414-1

POLICIES AND GUIDELINES

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

Sika's supplier portfolio is remarkably diverse and varies depending on the multiple business segments Sika is active in. Sika companies source direct materials, packaging, and trading goods both locally and internationally. To complement Sika's global supplier network, Sika strives to collaborate with local suppliers wherever possible to reduce lead time, risk, and transport, and to increase availability and control quality. Due to Sika's diverse purchasing portfolio, with around 65,000 materials from more than 18,000 suppliers, there are no primary brands. In 2023, the amount of direct material expenditures was CHF 5.2 billion, which corresponded to 46.4% of Group total net sales. Material expenses decreased as a percentage of net sales by -4.2 percentage points.

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, supplementary cementitious materials (SCMs), sand, carbonates, polyols, epoxy resins, lignosulphonates, polyvinyl chloride (PVC), and bitumen.

In Sika factories, the raw materials are converted into higher value goods, usually through mixing, blending, compounding, and suitable form-giving. From Sika's finished goods warehouses, products are distributed within the respective country and partly exported. Sika today collaborates with more than 18,000 direct material suppliers, for both local and global sourcing. Sika's supply chain includes goods purchased locally and across regions, in alignment with Sika's global reach and presence.

Sika employs a material risk management approach which is described in the "Risk Management and TCFD Recommendations" chapter on p.22 of the Annual Report 2023.

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 current and upcoming supply chain due diligence requirements, and 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 in 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).

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.

- Material category roles: All materials for Sika's core technologies are structured around material categories. A Global Category Manager globally coordinates each material category. Depending on the size and complexity of spending in the respective categories, Global Material Group Managers might further manage material groups. 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.

In addition, Procurement dedicates a category and specialized roles to supply chain due diligence and decarbonization.

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

RESPONSIBLE MATERIAL MANAGEMENT

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. Consequently, purchase prices vary according to the supply and demand of each raw material and oil price fluctuations. 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 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.99 of the Sustainability Report 2023.

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 specialists, as well as external consultants. For more information, please see the "Products and Customers" chapter, "Product Safety, Quality, and Reliability" section on p.119 of the Sustainability Report 2023.

Sika's procurement specialists and technical experts collaborate closely with suppliers' technical units to fully understand the raw material flows, and continually optimize costs, quality, availability, and sustainability.

MATERIAL RISK MANAGEMENT

All purchased materials are evaluated through Sika's Material 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. The company uses this risk management process stringently to ensure any potential impact on the organization and its customers is mitigated. Local procurement is responsible for ensuring their respective materials are rated, evaluated, and mitigated when considered high risk. The results of Sika's risk management process are often supplemented by an evaluation of a suppliers' ESG standards and internal processes, in line with Sika's Supplier Relationship Management (SRM) process.

CONFLICT MINERALS

Sika is active in 103 countries and collaborates with more than 18,000 material suppliers. In 2023, Sika carried out a global review of various regulations and their corresponding thresholds relating to due diligence of conflict minerals or metals (tin, tungsten, tantalum, gold). Sika's Global Procurement department conducted the 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 responsibility for answering inquiries about the use of materials and products containing potential conflict minerals.

EXTRACTION OF RAW MATERIALS AND RELATED PAYMENTS TO GOVERNMENTS

For more information, please see the [Report on Payments to Governments 2023](#) available on the corporate website.

SUPPLIER RELATIONSHIP MANAGEMENT

Sika's Supplier Relationship Management (SRM) process embodies the end-to-end life cycle of Sika's vendors. This process, which is also highlighted in Sika's internal Sustainable Procurement Guidelines and Policies, enables Sika to manage its suppliers in a transparent and collaborative way. ESG criteria play an integral role throughout Sika's SRM approach.

SUPPLY CHAIN DUE DILIGENCE

Sika expects that the highest ethical standards will be applied by its suppliers. As of 2023, in line with the OECD guidelines¹, the company has been further establishing its Supply Chain Due Diligence and Risk Management Approach, integrating it in its Supplier Relationship Management (SRM) Process. The Supply Chain Due Diligence and Risk Management Approach is made of five steps: pre-evaluation and ESG risk assessment, qualification, evaluation, development, and termination where necessary.

1. PRE-EVALUATION AND ESG RISK ASSESSMENT

As of 2023, Sika started to pre-evaluate and select suppliers according to a defined set of environmental and social criteria. Procurement is responsible for performing a comprehensive risk analysis of all prospective and existing suppliers, based on country and industry-related ESG risks. To perform this pre-evaluation, the company uses the EcoVadis IQ tool. Depending on identified risks and thresholds, specific suppliers will additionally be asked to complete a Sika Supplier Self-Assessment evaluating a supplier's management and reporting system, ESG criteria, and quality assurance of the materials provided.

¹ [OECD Due Diligence Guidance for Responsible Business Conduct](#)

ECOVADIS IQ

EcoVadis IQ is a platform to comprehensively evaluate Sika's tier 1 supplier base for potential ethical, social, and environmental risks. The development of the tool started in February 2023 and is being rolled out globally. It supports the identification and assessment of ESG risks at supplier level while providing transparency also on country and industry-related risks. The tool builds on a vast array of information sources and metrics to provide a holistic view of sustainability context at specific supplier level, the so-called Supplier Risk Profiling. It relies on global human rights indexes and intensity factors related to issues like child labor, climate, and health and safety. The underlying methodology of risk mapping is aligned with EcoVadis ratings criteria, which prominently feature labor and human rights as a central pillar. This platform can be instrumental in enhancing Sika's responsible and sustainable procurement practices while mitigating risks.

2. QUALIFICATION

Following the pre-evaluation, the supplier qualification process is initiated with all selected business partners. Suppliers need to meet the minimum requirements designed to ensure compliance with international human rights and labor standards as well as prescribed quality, environmental, and health and safety criteria.

The Sika Supplier Code of Conduct is an integral element when qualifying Sika's tier 1 suppliers, and sets out the company's expectations for its supplier network, reflecting 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 commits to Sika's zero tolerance policy regarding the respect of basic human rights including child labor, forced labor, modern slavery, 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 conduct their processes and enforce the same standards and commitments to their respective supply chains. As a minimum obligation, Sika requires that all suppliers sign and agree to meet the standards set out in the revised Sika Supplier Code of Conduct. As of end of 2023, 55% of the Sika Group's direct spending was covered by suppliers who signed the revised Sika Supplier Code of Conduct (2022: 33%). The goal is to reach 100% coverage of new suppliers, in the coming years. After a successful qualification, suppliers are then onboarded and integrated into Sika's systems and processes.

1 Can refer to assessments or re-assessments.

3. EVALUATION

Embedded in the SRM approach, the supplier evaluation process helps Sika to obtain ESG-related information improving transparency and risk management at supplier level. Based on such evaluations, Sika can define action plans and engage with suppliers on the development of tailored improvement roadmaps. Vendors identified as potential high risk during pre-evaluation are prioritized and requested to conduct an EcoVadis assessment and/or audits which are tailored based on the size of the supplier and its location, under the Together for Sustainability (TfS) framework.

Over 1,000 Sika suppliers have been assessed and/or audited under the TfS framework. In 2023, 821 TfS supplier assessments¹ with EcoVadis and 255 TfS and Sika supplier audits were conducted. 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 2023, over 650 suppliers of Sika were re-/assessed under the TfS framework. Sika surpassed its self-defined and TfS-approved annual target of TfS assessments in 2023. For more information on Sika's risk management approach to child labor, please see the "People" chapter, "Human Rights" section on p.62 of the Sustainability Report 2023.

4. DEVELOPMENT

Sika has implemented a remediation and development process for all vendors that do not meet the company's expectations and standards in their respective evaluations. These vendors are then prioritized for Corrective Action Plan (CAP) and/or re-assessment/re-audit. Sika provides learning resources, such as the TfS Academy, and other internal guidelines to support suppliers during corrective actions. Based on the evaluations Sika carried out in 2022, a corrective action was initiated in 2023 with those suppliers where a need was identified. For more information, please see the box "Due diligence case study" on p.132 and "Trainings for Suppliers" on p.133.

5. TERMINATION

Violations identified during the due diligence process are escalated to the Head Global Procurement applying a case-by-case approach and, where necessary, suppliers are phased out. In 2023, no significant or actual risks that led to the phasing out of suppliers were identified.

SUPPLY CHAIN DUE DILIGENCE KEY FIGURES (TIER 1 SUPPLIERS)

in numbers	2022	2023
Suppliers assessed during the year ¹	770	821
Total suppliers with valid assessment ²	1,019	1,172

1 This indicator refers to both new assessments and re-assessments.

2 Under the TfS framework EcoVadis assessments have a validity period of three years. Therefore, the current indicator shows the sum of the assessments conducted in the last three years.

Following the acquisitions that took place in 2023 and in line with the ongoing integration process, Sika will focus on harmonizing Supplier Relationship Management processes for concerned entities in 2024.

DUE DILIGENCE CASE STUDY

In 2023, and in accordance with Sika's sustainability risk assessment for suppliers, a Sika procurement team identified a supplier in Pakistan operating within an industry susceptible to human rights violations. To mitigate and prevent any potential risk of harm to individuals or non-compliance with applicable regulations and standards, the responsible Sika procurement team initiated an engagement with the identified vendor on this specific topic. The supplier conducted an ESG assessment, and the scorecard revealed key areas of improvement regarding up-to-standard policies and reporting. During continued engagement through 2023, all participants in the process agreed on actions and connected timelines to improve the practice. Sika facilitated awareness training sessions and conducted constructive meetings to support their progress. Furthermore, the supplier was given access to training materials on human rights, environmental protection, and governance. This initiative-taking approach will foster a more ethical and environmentally conscious business environment.

TOGETHER FOR SUSTAINABILITY

Since February 2020, Sika has been an active member of Together for Sustainability (TfS), a member-driven initiative working to deliver 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. It is a global organization with regional members' representation in Asia, North America, and Latin America. As of December 2023, 50 member companies were part of the initiative.

TfS provides member companies with the framework to conduct ESG assessments and audits, by partnering with approved third party providers specialized in evaluating sustainability performance. TfS assessments are conducted by its key partner EcoVadis, whose methodology is built on international sustainability standards, including the Global Reporting Initiative, the United Nations Global Compact, and the ISO 26000. Their evaluations consider performance across twenty-one indicators in the themes of Environmental, Ethics, Labor & Human Rights, and Sustainable Procurement.

TfS audits are on-site ESG evaluations conducted by approved and certified third party providers, in which the sustainability performance of a supplier is verified against a defined set of audit criteria on Management, Environment, Health & Safety, Labor & Human Rights, and Governance.

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. This operating model of TfS promotes and provides transparency on sustainability activities and contributions within the supply chain, allowing Sika to initiate and achieve measurable improvements.

In addition to audits and assessments performed under the TfS framework, Sika utilizes its own Sika Supplier audit approach. Trained and experienced auditors incorporate ESG risk-related topics in their Supplier audit process to ensure transparency on sustainability practice in Sika's own supply chain. All evaluations provide the nominated suppliers and TfS with a comprehensive scorecard and/or findings report, and any measures or findings identified are reviewed via re-assessments or audits during supplier remediation.

For more information on audits and assessments conducted during the reporting year under the TfS framework, please see the "Supplier Relationship Management" section on p.130 of this chapter.

Sika Procurement has additionally 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 throughout 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 is a highly active member of the TfS Initiative, participating in three of the five core Workstreams through 2023:

- 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. Sika is chairing WS1.
- The 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 conducted by approved third party auditors who meet the required standards and evaluate the future progress and potential of Supplier Sustainability Audits.
- 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 Q4 2023, TfS launched the TfS White Paper initiative¹, which explores challenges and solutions for harmonizing carbon accounting methodologies, uncovering complexities and strategies for a more sustainable chemical industry. This Paper covers three macro topics fundamental for the chemical industry regarding carbon accounting: biogenic carbon accounting, mass balance as a transition mechanism, and recycled materials and content. It is an open-source document and can be downloaded from the TfS website. Sika is chairing WS5.

1  [Scope 3 GHG Emissions Programme - TfS Initiative \(tfs-initiative.com\)](https://www.tfs-initiative.com)

SUPPLIER ENGAGEMENT

As part of Sika's supplier engagement approach, several strategic sustainability meetings were organized with tier 1 suppliers in 2023. Not only were meetings led by the Chief Innovation & Sustainability Officer and Head Global Procurement were conducted, but also some more targeted supplier engagement meetings were held between Sika's procurement professionals and suppliers in Region Americas and within specific procurement categories. The conversations were all focused on climate-related strategies, carbon footprint impact at raw material level, related reduction levers, and social aspects. Such meetings not only fostered discussions on reducing emissions effectively, but also highlighted the importance for Sika to collect supplier-specific data, paving the way for increased collaborations to introduce sustainable raw materials and products in line with Sika's sustainability strategy and net zero commitment.

The focus on supplier-specific data collection is becoming increasingly crucial to improve data accuracy, consistency, and reliability at raw material level. Collecting supplier specific data will help to focus on raw material replacement with lower carbon-intensive solutions. With this information, CO₂ reduction at supplier level will be quantified and tracked in a transparent way. Supplier engagement, training, and development will help in increasing the share of supplier-specific data. To optimize and automatize the collection of Product Carbon Footprint (PCF), Sika plans to use the SiGreen platform, a TFS PCF sharing solution, developed by Siemens. Sika is currently taking part in the pilot phase that started in 2023 and the platform is expected to go live in 2024.

Another noteworthy supplier engagement activity is the Sika Sustainable Packaging Challenge. This initiative was launched in 2022, in Latin America, with the goal of engaging with current and potential Sika suppliers to seek innovative sustainability performance enhancement in its approach to packaging. This successful initiative was then repeated in 2023 in North America, Latin America, and Europe. The format of the challenge is as follows: after an initial round of suppliers being invited, those who show interest in participating are requested to submit their sustainable packaging proposal(s) within about two months. Thereafter, each proposal is evaluated by a Sika committee, composed of Sika's key departments (sustainability, procurement, R&D, operations, marketing, and communication). The top five finalists are selected to participate in a Sustainable Packaging Challenge Live Exhibition, and the winning proposal receives the support it needs to facilitate the integration of a new and sustainable packaging solution into Sika's product portfolio.

The 2023 challenges received great interest from both Sika's suppliers and the employees involved, contributing to the overall success of this project, which is planned to be conducted regularly within the various Sika regions.

Overall, more than 40 of Sika's current and potential suppliers have participated in the three challenges conducted in 2023. Among the submitted proposals, many were related to the introduction of post-consumer recycled content (PCR) to substitute virgin materials in aluminum/plastic cartridges and pails. Other recurrent proposals included the introduction of a single material for paper bags, making them more recyclable, and a shift from rigid to flexible plastic pails. Updates about the ongoing challenges are regularly shared on Sika's main social media channels such as LinkedIn, X, and Facebook.

TRAINING

TRAINING FOR SUPPLIERS

Sika continuously leverages externally provided sustainability-related trainings and webinars for suppliers. More specifically, Sika relies on the TFS Academy, a tailored learning and development platform specifically designed to help upskill procurement teams and their suppliers on sustainability-related topics: health and safety, environment, sustainable procurement, labor and human rights, management, and governance. The TFS Academy was launched in March 2022 and counts more than 340 courses offered in ten different languages. By identifying the key concerns and findings per region and/or supplier groups and streamlining exercises and improvement guidance, Sika ensures that it provides its supplier network with the necessary support to reach the required expectations through the Academy. In 2023, during supplier engagement meetings, Sika took the opportunity to concretely show its support for those suppliers with less experience on sustainability-related topics, by sharing with them the TFS Product Carbon Footprint (PCF) Guidelines and by giving them access to the TFS Academy.

TRAINING FOR EMPLOYEES

Sustainability-related trainings and best environmental and social practices are included in every area and regional procurement meeting, to increase awareness on the topic and ensure it becomes a priority for everyone, in line with Sika's sustainability strategy and net zero commitment. Overall, five area meetings and three regional meetings took place in 2023, for a total of around 150 procurement people involved. The topic of sustainable procurement was also a focus in the last Sika Sustainability Academy, held in October 2023, and attended by about 25 Sika employees from distinct functions and more than fourteen different countries. In addition, in 2023, Sika conducted the "Supplier auditor training program", a yearly initiative for procurement, technical, and quality experts attended by roughly 100 Sika employees.

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

MBCC Group IT Integration

The combined IT teams have been working closely together to develop an integration masterplan supporting synergy generation. Focus has also been on laying a foundation for all employees to be connected and facilitate collaboration.

Cybersecurity Strategy Assessment

To evaluate the effectiveness of cybersecurity controls and drive improvement initiatives, a full Cybersecurity Strategy assessment was completed, including a revision of the security technology stack.

KEY FIGURES

INVESTMENTS IN RATIONALIZATION, EFFICIENCY IMPROVEMENTS, AND DIGITALIZATION (IN CHF MN)

63.5

+2.3%

Change vs 2022

NUMBER OF DATA BREACHES REPORTED TO THE AUTHORITIES

0

-/+0.0

Change vs 2022

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 has implications for everybody – private individuals as well as companies. The rise in digital networking is not only leading to exponential growth in communication possibilities, but 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 market approaches, including their employees, customers, and business partners in the transformation process. Thanks to Sika's determination to become a digital leader in its markets, the company succeeded in integrating these opportunities in its growth trajectory and has benefited from the surge in demand in e-commerce and the new opportunities created by the introduction of analytical capabilities. In 2023, Sika invested CHF 63.5 million (2022: CHF 62 million) in rationalization, efficiency improvements, and digitalization.

VISION AND STRATEGY

Sika'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 new business models. The second involves using digital technologies to drive down costs and increase efficiency in processes and productivity in manufacturing and the supply chain. The third is about the positioning as a relevant participant in the digital world, facilitating doing business with Sika for customers and growing by transferring offline strength to digital. The latter leverages digital tools to drive growth, adoption, and collaboration across Sika's decentralized organization. These pillars are put into practice via five digital building blocks:

- Customer Centricity offers a full set of digital capabilities with the goal of increasing Sika's knowledge about customer needs and providing access to the services of Sika via the preferred channel of choice, be it physical or digital. Examples include customer portals such as exchange platforms for services and information; digital sales channels like Sika eShop, Electronic Data Interchange (EDI), or web-integrated "Buy now buttons" for placing orders 24/7; customer-specific apps; customer training platforms to support safe application of products; and customer analytics supported by AI technology.
- Operational Efficiency to increase transparency and to realize efficient and effective business processes using data and innovative technology. Examples include: Internet of Things (IoT) embedded in production, warehouse, and logistic processes to drive transparency for smart decisions in planning and execution; shop floor automation with integration in the Enterprise Resource Planning (ERP) using Artificial Intelligence (AI) technology to optimize our recipes; and vertical integration of information.
- New Business Models and Innovation leverages new business opportunities with technology and collaboration with innovative start-ups. Examples include integration into the BIM (Building Information Modeling) ecosystem; new ways of building with concrete like 3D concrete printing or robot applied "Mesh" technology; smart IoT connected membranes and building structures; digital services provided by Sika Apps to help our customers increase concrete quality and improve resource management; and an 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 digitalization and innovation, access to company information for all employees from everywhere at any time, digital learning, translation automation, and effective approval and collaboration workflows supported by apps.
- IT Excellence drives the provisioning of an effective IT architecture that is based on standardized modern core IT platforms (e.g., SAP S/4, Salesforce or O365) and 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. With strong capabilities in cybersecurity, the corporate IT team safeguards the integrity of the IT landscape and protects Sika data from being compromised.

GOVERNANCE

The Sika Global Digital 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, diversify, and improve customers' engagement channels. The Board is composed of the CEO, CFO, Regional Manager EMEA, Regional Manager Americas, Head Construction, Chief Innovation & Sustainability Officer, and the Head IT Sika Group.

The Board is mandated to transfer Sika's strength from analog to digital, enabling each digital team 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 digi-

SIKA GLOBAL DIGITAL BOARD	
CEO, CFO, Regional Manager EMEA, Regional Manager Americas, Head Construction, Chief Innovation & Sustainability Officer, Head IT Sika Group	
CUSTOMER CENTRICITY	EFFECTIVE KNOWLEDGE WORKER
OPERATIONAL EXCELLENCE	IT EXCELLENCE
NEW BUSINESS MODELS & INNOVATION	

tal 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 digital teams that drive the activities in the five digital building blocks. In 2023, the Global Digital Board met three times and discussed the following topics:

- Digital innovation: e.g., approval of the "Nuage" Sika project that will reduce data silos in R&D and thus increase efficiency and transparency; Sika AI concept; project Customer Centric Analytics (CCA) to achieve better transparency on the customer journey and support targeted customer services.
- Digital housekeeping: e.g., approval to review Sika's Salesforce platform architecture and enforce data and process standards; approval to implement an Operational Technology (OT) security framework.
- Digital architecture: e.g., approval of a new digital innovation strategy; the implementation of a Digital Lab; approval of the frontline worker project enabling provision of a digital identity to every single employee; the "Mercury" Sika project to establish a global data management framework.

SIKA'S DIGITAL TEAMS

The four digital teams "Customer Centricity", "Operational Excellence", "Effective Knowledge Worker", and "IT Excellence" support the Sika Digital Board to define digital strategies, execute digital projects, and help to increase the digital maturity of all Sika companies. New Business Models and Innovation is a result of the different Target Markets using the company's digital capabilities to develop digital products and services. Another source of digital innovation is Sika's innovation concept named "Scout" that allows participation of all Sika employees in innovation challenges.

DIGITAL TEAM "CUSTOMER CENTRICITY"

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. 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 "Learn and Develop". Understanding that customers want seamless learning and development opportunities via digital channels, Sika provides these opportunities in different platforms such as "Knowledge Articles" on the website, customer webinars on various relevant topics, or the "Sika Knowledge Center", an online portal where customers can visit courses and earn certificates.

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 needs of its local organization 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.

The Digital Team Customer Centricity is led by Corporate Construction and includes team members from all regions, corporate, and IT that are engaged in serving Sika's customers.

In 2023, the focus was on rolling out many of Sika's established customer solutions to additional geographies and on promoting several new digital initiatives from pilot to implementation phase. One such example is a solution that facilitates the display of relevant product data on customers' websites or e-commerce platforms, mostly used by distribution customers active in omnichannel. Another example is a further development of Sika's social media management solution, allowing local organizations to go beyond posting promotional messages and provide timely and precise answers to customers' requests.

DIGITAL TEAM “OPERATIONAL EXCELLENCE”

Operational efficiency is a strategic focal point for Sika as initiatives in this area are contributing to profitability. Digitalization of processes and data management plays a fundamental role in further developing and optimizing Sika operations. However, initiatives driving operational efficiency are implemented in various areas within the company with the aim to reduce operating expenses, e.g., in production, logistics, procurement, R&D, HR, finance, sales, and marketing. With the acquisition of MBCC, the company has enlarged the organization and related operations. To generate synergies, an integration masterplan has been developed, which also entails a comprehensive IT and ERP strategy. Sika aims to integrate the acquired business onto its solid core platform in an accelerated manner. This will substantiate the foundation of the company’s Digital Strategy 2028.

The digital team “Operational Excellence” is led by a representative of Sika’s Global Operations team (GOPS) and includes team members from all regions, corporate and IT that are engaged in operation and supply chain. It closely collaborates with the newly established Global Process Owner that is responsible for designing, simplifying, harmonizing, and protecting Sika’s end-to-end business processes based on a best demonstrated practice template. It also engages with Sika’s regional process teams who coordinate the implementation of digital solutions across business functions.

Alongside digitalization, automation has also provided a powerful boost. Sika’s operating systems are increasingly interconnected to the company’s IT landscape through interfaces between SAP/ERP and Manufacturing Execution Systems (MES) or Warehouse Management Systems (WMS). This makes it possible to design, monitor, and manage real processes via digital twins in the digital world. Sika has implemented several initiatives in different areas to promote efficiency in its operations:

- Smart logistics and warehousing: Sika is currently investing in a fully automated new warehouse and distribution center in Ohio, USA, which is currently under construction. The opening is foreseen for the end of the first quarter of 2024. In this pilot project, Sika will use autonomous forklifts 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 and autonomous material transportation. In addition, Sika has successfully completed a pilot for the introduction of a 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. Sika is planning to enhance and rollout the platform in the course of 2024.
- Manufacturing technologies: With the focus on providing a safe and ergonomic work environment, the company continuously invests in solutions to automate manual processes and automation projects. Besides the safety and ergonomic enhancements, we gradually improve the efficiency in material flow and associated 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. Sika started to explore use cases for this technology in operations.
- Training: The topics of digitalization and operational efficiency had dedicated sessions in 2023 Operations Academy. The Global Operations Technology team is also working closely together with the Learning and Development group as well as the “Efficient Knowledge Worker” digital team to further design programs to enhance the skills and capabilities towards the future use of digital tools and processes. On a regional and country level, the organization includes operational efficiency as content in training and development programs.

“NEW BUSINESS MODELS AND INNOVATION”

Sika leverages digital technology to optimize and enhance processes related to the use of its products and solutions and their life cycle. One example of optimization is the range of calculation software made available to customers. These tools allow for more speed in the selection of Sika products, 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’ need of repair. These tools allow customers to better manage the life cycle of a project and optimize processes during application.

The range of digital solutions developed by Sika covers the entire value chain of concrete production, from raw materials analysis to concrete mixing, and in transit quality control. Sika’s Sand App, for example, is a highly innovative digital solution for fast sand analysis. In 2023, the rollout of this tool continued, with a focus on Europe. In the USA, Sika further developed its cooperation with CiDRA Concrete Systems Inc., 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. 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 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 able to supply all the technologies required for industrial 3D concrete printing from one 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 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. In 2023, Sika established a strategic partnership with Duramon, a Swiss start-up company engaging in sensors for monitoring corrosion in concrete structures. As a prototype Sika also aggregated the data from sensors and applications in Concrete, Roofing, and Engineered Refurbishment into a digital-twin platform allowing for visualized monitoring in a single portal.

Sika covers all activities required for the complete digitalization of the construction industry, including design, processes and operations, additive materials, and connected devices. Digitalization supports not only efficiency and growth, but also Sika's sustainability agenda.

To identify digital opportunities, the Sika Group also uses the innovation concept "Scout" that allows every employee to actively participate in a digital challenge. In addition, Sika participates in innovation platforms like HackZurich or collaborates with start-ups to get access to outside knowledge. For more information on such initiatives, please see the "Products and Customers" chapter, "Innovation Management" section on p.113 of the Sustainability Report 2023.

DIGITAL TEAM "EFFECTIVE KNOWLEDGE WORKER"

Digital workplace (DWP) transformation is key to simplify processes for Sika's employees and increase effectiveness. This requires employees to be equipped with the right skills and tools so they can excel in today's dynamic work environment. With digital workplace tools based on the Microsoft platform, Sika facilitates collaboration and communication as well as automation of processes and approval workflows.

The activities of "Efficient Knowledge Worker" are managed by the Digital Workplace (DWP) User Adoption team. It consists of members of the corporate Learning department and corporate IT managers. To multiply the success of the DWP User Adoption Team, a champions' network named "Booster Organization" has been established to support the business with the digital transformation on a local level. Boosters are Digital Workplace Champions and have the task to strengthen user acceptance of new or existing IT solutions, such as Microsoft 365, and to increase the benefits for the company and employees in the digital transformation at Sika. Boosters are early adopters and help coordinate communication and training on site.

Reaching out to all employees with targeted digital information is a challenge since not every employee has access to a personal computer. In 2023, Sika executed the Plant Worker Project with the goal to create a digital Sika identity for all plant workers. For more information on this project, please see the "People" chapter, "Human Capital Development" section on p.72 of the Sustainability Report 2023.

DIGITAL TEAM "IT EXCELLENCE"

Sika's IT architecture is tuned to support digital transformation. Based on core applications that are standardized and implemented globally, such as SAP (ERP), Salesforce (CRM), Successfactors (HR platform), or Microsoft O365, Sika generates vast amounts of process data every single day. These data are exposed via powerful integration platforms to our consuming applications such as Websites, eShops, Customer Portals, or web applications. The protection of this architecture and our data is tasked to Sika's Cybersecurity Team and to Data Governance.

Sika Group IT Management team (GIM) is led by the Head IT Sika Group and includes the functional service line managers for IT Infrastructure, SAP, IT Applications, IT Services, and Cybersecurity, as well as the regional IT Managers. This team defines the IT Strategy of the Sika Group, approves new applications and their implementation, and is responsible for life cycle management and operation of the IT landscape.

In 2023, the following initiatives were implemented:

- IT landscape modernization: Keeping the IT landscape up to date ensures that the business can benefit from the newest functionalities and high operational availability and security. A major program is the consolidation of all legacy ERP to Sika's core SAP S/4 platform or, for smaller companies, to SAP Business by Design (ByD).
- Acquisition integration: The high pace in acquiring companies calls for strong IT integration capabilities and concepts. High focus is on the integration of the MBCC companies where IT security assessments have been accomplished and the overall integration plan has been developed together with the regional and local stakeholders. Already by end of 2023, some 20 MBCC companies were integrated into the local Sika companies.
- Single source of truth data architecture: Sika has enforced the focus on a powerful corporate data architecture and has launched a project that will provide the needed infrastructure (e.g., Data Lakes) and analytics capabilities (e.g., Analytics Workbench). This will reduce complexity, secure data integrity, provide flexible data journey, and enable strong AI capabilities.

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 amongst the top risks in Sika's Enterprise Risk Management framework. These risks are regularly assessed by the Board of Directors. The CFO is responsible for risk management in cybersecurity, supported by the Head IT Sika Group. For more information, please see the "Risk Management and TCFD Recommendations" chapter on p.22 of the Annual Report 2023.

The execution of Sika's Cybersecurity Strategy is assigned to the Sika Cybersecurity Team who is responsible for ensuring that Sika employs the necessary processes, frameworks, and policies, and that IT Security aspects are effectively implemented.

A dedicated and highly professional Security Operations Center, which is part of the Sika Cybersecurity Team, is in place to continuously monitor and improve Sika's security posture by detecting, analyzing, and responding to cybersecurity incidents worldwide. Sika's Security Operations Center defends against security breaches based on the newest industry relevant threat intelligence and participates in 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.
- Internal IT security audits of local sites across the world according to Sika's IT Audit framework based on the ISO 27001 standard.
- Regular training of the Sika workforce on developments in cyber risks and how to counter these risks.

In 2023, 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, a full Cybersecurity Strategy assessment and transformation was completed, including a complete revision of the security technology stack. Such assessments and updates 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

Major incident response activities are addressed by the Sika Cyber Emergency Board according to procedures and plans laid out in the Cyber Emergency Handbook, which includes the IT contingency planning and incident response procedures. Local responsibility for severe security incident preparation lies with each Sika company. Since the IT contingency plan is managed by local Sika companies, the disaster recovery and cyber emergency response tests are carried out locally and performed at least once per year. This is also the case for the procedures for the global Cyber Emergency Board and cyber emergency response tests which are carried out locally and performed at least once per year. This also applies to the procedures of the global Cyber Emergency Board, where test scenarios are built and run together with an external partner.

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. Mandatory for every employee is to successfully pass the e-learning on "IT security for Users".

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 adequate protection and the accuracy of the personal data on file. The Data Protection Policy is closely aligned with widely accepted international standards and is adapted to local requirements during compliance implementations of local data protection legislations (e.g., implementation of the Swiss Federal Act on Data Protection (FADP)). It is reviewed regularly and updated if necessary to meet business needs, changes in technology, or regulatory requirements. In addition, the Sika Group is currently implementing a project to classify and protect its non-structured documents and e-mails to further protect Sika’s critical and sensitive information.

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 Incident Breach cases, coordinating Supervisory Authorities investigations, and monitoring the adequacy of Group technical and organizational measures (TOMs). A Group Data Protection Manager (Group DP Manager) who coordinates the implementation of the Group Privacy Program supports 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 DP Manager also manages the Privacy Portal, provides guidance, 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, 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 officer 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 is forwarded to the 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). If 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 must be documented, and mitigation actions to prevent similar breaches must be documented and implemented. The DP Group Manager supervises the implementation and documentation of the mitigation measures. In 2023, 100% of Sika’s General Managers confirmed – by means of the annual ESG Confirmation – that there were no data breaches which needed to be reported to the authorities.

DATA BREACHES

in numbers	2021	2022	2023
Data breaches reported to the authorities	0	0	0

TRAINING

In 2023, Sika provided several trainings throughout the organization on the following topics:

- Data Privacy Awareness Training: e-learning for all non-EU and non-adequate/comparable GDPR countries with or without a dedicated data protection regulation.
- General Data Protection Regulation (GDPR) e-learning: mandatory e-learning for all EU employees with an e-mail address, covering GDPR-specific data protection topics.
- New Swiss Data Protection Law, FADP e-learning: mandatory e-learning for all Swiss employees with an e-mail address, covering the FADP training requirements.
- Data Protection Essentials Training: additional e-learning available in English, which includes the basic 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.

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 2023

Sika maintained its profitable growth trajectory in 2023 even in a challenging economic environment, generating record sales. In local currencies sales grew by +14.5%. Material margin expanded significantly to 53.6% (2022: 49.4%).

KEY FIGURES

SALES GROWTH (IN CHF MN)

11,238.6

+7.1%

Change vs 2022

MATERIAL MARGIN

53.6%

+4.2%

Change in % points vs 2022

DISTRIBUTION OF VALUE-ADDED
(IN CHF MN)

3,557

+7.1%

Change vs 2022

TAX RATE

20.5%

-1.9% points

Change vs 2022

MATERIAL TOPICS

Economic
Performance

Tax
Approach

Risk and Crisis
Management

SDGs

8 DECENT WORK AND
ECONOMIC GROWTH



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 committed to deliver on the strategic pillars of its Strategy 2023 – Market Penetration, Operational Efficiency, Acquisitions, Values – and related targets. Starting from 2024, the new Strategy 2028 is in place, and it is based on four key pillars: Market Penetration, Innovation & Sustainability, Acquisitions, People & Culture. For more information on strategic pillars, please see the “Strategic Report”, “Strategy 2028 – Beyond the Expected” chapter on p.17 of the Annual Report 2023.

GOALS AND TARGETS

Strategy 2023 was launched in 2019 and was aligned with Sika’s goal for sustainable and profitable growth. The strategy was organized around six pillars focused on ambitious financial targets and on improving the carbon footprint of the company’s operations. Within these six pillars, Sika aimed to grow by 6–8% in local currencies per year up to 2023 and to achieve an EBIT margin of 15–18%. The new Strategy 2028 builds on the success of the previous growth model, setting ambitious financial and non-financial targets. It envisages leveraging Sika’s leading market position and innovative strength, setting the course towards even stronger company performance over the coming years. The annual growth target in local currencies has been lifted to 6–9% and the profitability target is now an EBITDA margin of 20–23%.

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 has organized 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. From 2024 on, Global Business will be integrated into the geographical regions and the reporting segments will be EMEA (Europe, Middle East, and Africa), Americas, and Asia/Pacific.

GOVERNANCE

Sika evaluates its management approach through a process steered by the BoD. Both the CEO and the CFO report to the BoD in writing on the development of business at least once a month. A monthly management package on financial performance is shared with Group Management and the BoD to provide an update on the company. In addition, nine Group Management and twelve 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.163 of the Annual Report 2023.

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

in CHF mn	2021	2022	2023
Revenues	9,252	10,492	11,239
Intermediate inputs	5,838	6,806	7,196
Non-liquidity related expenses	342	365	486
Distribution of value added	3,072	3,321	3,557
Employees wages and benefits	1,637	1,711	2,007
Payments to governments	331	390	328
Payments to lenders and shareholders	410	503	652
Economic value retained	694	717	570

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. For more information, please see the “Strategic Report”, “Business environment” chapter on p.12 of the Annual Report 2023, and the “Financial Report”, “Consolidated Financial Statements” chapter on p.200 of the Annual Report 2023.

FINANCIAL RESOURCES

Sika’s high cash generation results in a solid balance sheet. The strong deleveraging profile supports a strong credit rating, which in turn gives Sika good access to the capital markets. Reliable cash generation enables consistent investments in future growth. For example, in R&D, expansion of the geographical production footprint to fully capture market potential, bolt-on acquisitions, or training and development of employees. In addition to financing 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. To finance the MBCC acquisition, Sika successfully placed various bonds in the Swiss and Euro market. The trust of capital markets in Sika’s sustainable growth was demonstrated through the strong demand for such bond placements. For more information, please see the “Strategic Report”, “Business environment” chapter on p.12 of the Annual Report 2023, and the “Financial Report”, “Consolidated Financial Statements” chapter on p.200 of the Annual Report 2023.

FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT

In 2023, Sika received CHF 0.8 million (previous year: CHF 1.5 million) in government subsidies for employment relationships. The company also received CHF 5.5 million in government support (previous year: CHF 6.6 million) through specific grants. Please see Note 4 and Note 5 in the “Notes to the Consolidated Financial Statements” on p.205 of the Annual Report 2023.

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 2023 ESG 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 103 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; use complex structures or offshore havens to minimize its tax liabilities; adopt tax schemes based on form without commercial substance; use offshore entities that lack business purpose and substance; or 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. Report-

ing 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 %	2021	2022	2023
Tax rate	21.5	22.4	20.5

In 2023, the income tax rate amounted to 20.5%, thereby decreasing compared to the level of the previous year (22.4%). On average, Sika's tax rate is stable, showing the company's reliability as a taxpayer.

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. The [Sika Trust Line](#) allows for anonymous reporting directly to the attention of Corporate Compliance. For more information, please see the "People" chapter, "Business Ethics and Integrity" section on p.59 of the Sustainability Report 2023.

PUBLIC POLICY ADVOCACY ON TAX

For more information, please see the "People" chapter, "Public Policy" section on p.78 of the Sustainability Report 2023.

METHODOLOGICAL NOTE

GRI 2-2

GRI 2-4

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.209 of the Annual Report 2023. If 2023 acquisitions are excluded from consolidated 2023 figures, a dedicated mention is available in the relevant section.

In the year under review, the scope of consolidation of the Sustainability reporting was expanded to include:

- The acquired companies MBCC Group and Thiessen Team USA.
- The newly founded companies Sika (Zhejiang) Novel Material Co., Ltd., Jiaying City (China). and SikaDavco (Liaoning) New Materials Co., Ltd., Liaoning (China).

More information on these acquisitions and expansions is available in the “Financial Report” on p.199 of the Annual Report 2023. 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 “Notes to the Consolidated Financial Statements” on p.248 of the Annual Report 2023.

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.

REPORTING STANDARDS

The Sika Sustainability Report 2023 is part of the Sika corporate reporting package. The Sika Group has reported the information cited in the Sustainability Report 2023 for the period 01.01.2023–31.12.2023 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 01.01.2023–31.12.2023 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 2023 also complies with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which are described in more detail in the [TCFD report 2023](#) available in the download center of the corporate website.

REPORTING REGULATIONS

CORPORATE SUSTAINABILITY REPORTING DIRECTIVE

Sika Group will disclose information and KPIs in accordance with the Corporate Sustainability Reporting Directive (CSRD) from business year 2025, with first mandatory reporting in 2026. The company will comply with the European Sustainability Reporting Standard (ESRS) developed by the European Financial Reporting Advisory Group (EFRAG). In 2024, Sika will conduct a double-materiality assessment which is needed to develop a roadmap to fulfil ESRS requirements.

EU TAXONOMY

The EU Taxonomy requirements will affect the Sika Group because of the CSRD. Therefore, the company kicked off the “EU Taxonomy” project in 2022. Specifically, Sika 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.

NON-FINANCIAL DISCLOSURES IN ACCORDANCE WITH THE TRANSPARENCY REQUIREMENTS OF THE SWISS CODE OF OBLIGATIONS

The Sika Sustainability Report 2023 includes the company’s disclosures of non-financial matters required by the Swiss Code of Obligations (CO 964).

SWISS CODE OF OBLIGATIONS MAPPING TABLE

	Section in the Sustainability Report (SR) 2023/ Annual Report (AR) 2023	Page number(s) and/or URL(s) and /or other documents
ART. 964 A-C TRANSPARENCY ON NON-FINANCIAL MATTERS		
Description of the business model	SR – Sustainability at Sika AR – Strategic Report	p.42 p.12
Description of the main risks in relation to the non-financial matters	SR – Sustainability at Sika AR – Strategic Report	p.43 p.22 Sika Materiality Analysis 2022 TCFD Report 2023
Environmental matters		
Policies	SR – Planet SR – Products and Customers	p.83 p.111 ESG Policies and Guidelines
Measures including evaluation of their effectiveness	SR – Planet SR – Products and Customers	p.83 p.111
Performance indicators	SR – Planet SR – Products and Customers	p.83 p.111
CO ₂ goals	SR – Planet	p.83 Sika's Way to Net Zero
Social matters		
Policies	SR – People SR – Procurement SR – Products and Customers	p.50 p.127 p.111 ESG Policies and Guidelines Supplier Code of Conduct (SCoC)
Measures including evaluation of their effectiveness	SR – People SR – Procurement SR – Products and Customers	p.50 p.127 p.111
Performance indicators	SR – People SR – Procurement SR – Products and Customers	p.50 p.127 p.111
Employee-related matters		
Policies	SR – People	p.50 Code of Conduct (CoC) ESG Policies and Guidelines
Measures including evaluation of their effectiveness	SR – People	p.50
Performance indicators	SR – People	p.50
Human rights matters		
Policies	SR – People	p.62 Supplier Code of Conduct (SCoC) Code of Conduct (CoC) ESG Policies and Guidelines
Measures including evaluation of their effectiveness	SR – People	p.62
Performance indicators	SR – People	p.62

SWISS CODE OF OBLIGATIONS MAPPING TABLE

	Section in the Sustainability Report (SR) 2023/ Annual Report (AR) 2023	Page number(s) and/or URL(s) and /or other documents
Anti-corruption		
Policies	SR – People	p.59 ➤ Supplier Code of Conduct (SCoC) ➤ Code of Conduct (CoC) ➤ ESG Policies and Guidelines
Measures including evaluation of their effectiveness	SR – People	p.59
Performance indicators	SR – People	p.59
ART. 964 D-I – TRANSPARENCY IN RAW MATERIAL COMPANIES		
Report on payments to government bodies for companies active in the extraction of raw materials		➤ Report on Payments to Governments 2023
ART. 964 J-L – DUE DILIGENCE AND TRANSPARENCY IN RELATION TO MINERALS AND METALS FROM CONFLICT-AFFECTED AREAS AND CHILD LABOR		
Conflict minerals	SR – Procurement	p.130
Child labor	SR – People	p.62

DATA COLLECTION AND REPORTING METHODOLOGIES

Sustainability Performance Indicators disclosed in the Sika Sustainability Report 2023 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. Training hours are reported at company level on a quarterly basis.
- Community Engagement indicators are reported quarterly at company level.
- The ESG Confirmation does not cover MBCC legal entities for 2023 as the acquisition was closed during the fiscal year.
- Since 2022, Sika has 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.
- Since 2023, Sika has added granularity to the reporting of recruitment and turnover-related indicators. The breakdown of hirings and departures is now available per age category. 2019, 2020, 2021, and 2022 have not been restated accordingly.
- Acquisitions and scope changes that occurred in 2021 and 2022 did not lead to a restatement of the environmental indicators disclosed in the “Planet” chapter. Likewise, acquisitions that occurred in 2023 did not lead to a restatement of 2021 and 2022 environmental indicators disclosed in the “Planet” chapter except when stated specifically. However, in accordance with Sika’s new ESG data governance framework, they have been included for the full 2023 reporting year for indicators with a defined baseline for strategic performance monitoring ([➤ Table 22: Environmental Performance 2023](#) in the “Key Performance Indicators” section of the “Planet” chapter on p.106). The new strategic targets for 2023–2028 are defined with 2023 as a baseline. For more information on Sika’s ESG data governance including rebaselining, please see the “Methodological Note” chapter on p.147 of the Sustainability Report 2023.
- Water indicators for 2021 and 2022 disclosed in the “Water Management” and “Key Performance Indicators” sections of the “Planet” chapter have been restated due to a stricter application of internal reporting rules for groundwater volumes withdrawn used for cooling processes in one factory.
- 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 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.

OVERVIEW OF EMISSION FACTORS DOCUMENTATION PER SCOPE

Scope 1 GHG emissions – Direct energy	Defra/BEIS 2022
Scope 1 GHG emissions – Fugitive emissions	Defra/BEIS 2022
Scope 2 GHG emissions – Electricity – Market-based	<ul style="list-style-type: none"> – AIB 2021 European Residual mixes (residual emission factors for European locations) – 2022 Green-e residual mix emissions rates (residual emission factors for US locations) – IEA emission factors 2022 for all other locations
Scope 2 GHG emissions – Electricity – Location-based	<ul style="list-style-type: none"> – US EPA eGrid 2021 Emission Rates – IEA emission factors 2022 for all other locations
Scope 2 GHG emissions – District heating	Defra/BEIS 2022
Scope 3 GHG emissions	 Sika Methodology for Scope 3 Emissions Calculation
Biogenic CO ₂ emissions – Scope 1	Defra/BEIS 2023
Biogenic uptake – Scope 3 cat. 1	Sphera CUP 2023.2
Biogenic CO ₂ emissions – Scope 3 cat. 12	Based on the carbon content methodology
Air emissions	<ul style="list-style-type: none"> – UK National Atmospheric Emissions Inventory (NAEI) – Swedish Environmental Protection Agency (EPA)

- 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, fugitive emissions related to refrigerant gases were added to the scope 1 inventory as per the Greenhouse Gas Protocol. These emissions are calculated based on Defra/BEIS 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, district heating was added to the company scope 2 inventory as per the Greenhouse Gas Protocol. These emissions are calculated based on Defra/BEIS 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.
- Since 2022, scope 1 and 2 emissions related to Sika Corporate Services companies in Switzerland have been reported separately. 2019, 2020, and 2021 have not been restated accordingly.
- In 2022, rainwater was 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.
- Since 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 2023 for dedicated indicators and KPIs.

ESG DATA GOVERNANCE INCLUDING REBASELINING

In the context of its SBTi commitment and with a dynamic ESG data landscape continuously changing, Sika defined an internal ESG data governance policy in 2023 to ensure consistency, reliability, and traceability in data reporting. This governance framework, applied from 2023 onwards, provides systematic guidance for the following cases:

- Changes in reporting structure: structural changes such as merger and acquisitions, divestitures, or outsourcing of business activities.
- Reporting errors: calculation error, reporting mistakes or missing data.
- Methodological changes: scientific research changing the methodology, advancement in emission measurement technologies, changes in methodologies of calculation, changes in regulatory requirements, shift from one emission factor database to another, update of emission factor database due to methodological changes related to calculation update or error, more specific data available.
- Change of emission factors: change from average emission factor to supplier-specific emission factor, more precise emission factors that were unavailable in the database in previous years, regular update of database (average) such as Sphera, IAE, Defra, or GLEC, etc. (assuming that these updates reflect real change in GHG emissions; for example resulting from a change of energy mix in electricity supply).

ESG REBASELINING AND ADJUSTMENT GOVERNANCE

	ENVIRONMENT				SOCIAL AND GOVERNANCE		
	GHG emissions scope 1 and 2	GHG emissions scope 3	Water and waste	Others	Health and safety	FTE and headcount	Others
Acquisition and divestment							
With baseline	Rebaselining*				Per closing date		
Without baseline	N/A		Per closing date		Per closing date		
Methodology change							
With baseline	Rebaselining based on +/-5% of Group total				Rebaselining based on +/-5% of Group total		
Without baseline	N/A		Restatement PY based on +/-5% or less of Group total		Restatement PY based on +/-5% of Group total		
Error							
With baseline	Rebaselining based on +/-5% of Group total				Rebaselining based on +/-5% of Group total		
Without baseline	N/A		Restatement PY based on +/-5% of Group total		Restatement PY based on +/-5% of Group total		
Change of emission factors							
With baseline	Considered in the following year**				N/A		
Without baseline	N/A		Considered in the following year**		N/A		

With baseline: Corresponds to KPIs for which Sika has goals compared to a reference year.

Without baseline: Corresponds to KPIs for which Sika does not compare to a reference year.

General Remarks

+/- 5%

This threshold needs to be considered per dimension of impact and for scope 1, 2, and 3 GHG emissions based on the absolute CO₂eq amount of the most recent year. Sika might consider rebaselining/restatement for impacts below +/-5%. Sika will track the changes cumulatively and review them on a two-three year basis for potential rebaselining.

*Rebaselining

Newly acquired companies will be assessed for rebaselining even if the impact is lower than 5%. If data of an acquired company is not available, the closest succeeding available data is used as a proxy for the baseline and acquisition year. If no emission data is available at all, one option is to use the revenue of the former years multiplied by the acquired company's ratio of GHG emissions per revenue (tCO₂eq/CHF).

**Change emission factors

In the event of new scientific findings on emission factors and global warming potentials, these will be taken into account in the calculation of the GHG emissions in the following year. Scope 1-2: All factors are updated in January of the following year. Scope 3 per category: All average factors are updated once a year.

SBTi net zero consideration

Sika will track the changes cumulatively since the last rebaselining and will review them on a two to three-year basis for potential rebaselining according to the SBTi Target Validation Protocol. This approach excludes acquisitions since newly acquired companies will be systematically assessed for rebaselining. Additionally, Sika will not resubmit all rebaselining to the SBTi in consideration of the normal five years target review.

Independent practitioner's limited assurance report

on selected 2023 Sustainability Indicators to the Board of Directors of Sika AG

Baar

We have been engaged by Board of Directors to perform assurance procedures to provide limited assurance on selected 2023 Sustainability Indicators of Sika AG and its consolidated subsidiaries (hereinafter "Sika") contained within Sika AG's Sustainability Report 2023 (including the GHG reporting) for the period from 1 January 2023 to 31 December 2023 (hereinafter "Sika's Sustainability Report").

Scope and subject matter

The following selected 2023 Sustainability Indicators were subject to our limited assurance engagement ("2023 Selected Indicators") and represent the subject matter information:

- Scope 1 GHG emissions (tons of CO₂eq), table 1 on page 106;
- Scope 2 – Market-based (tons of CO₂eq), table 1 and Scope 2 – Location-based (tons of CO₂eq) GHG emissions, table 4 on page 106;
- GHG emissions intensity (kg CO₂eq) per ton sold, table 1 on page 106;
- Scope 3 GHG emissions, table on page 88;
 - Category 1 Purchased goods and services
 - Category 2 Capital goods
 - Category 3 Fuel- and energy-related activities
 - Category 4 Upstream transportation and distribution
 - Category 5 Waste generated in operations
 - Category 6 Business travel
 - Category 7 Employee commuting
 - Category 8 Upstream leased assets
 - Category 9 Downstream transportation and distribution
 - Category 11 Use of sold products
 - Category 12 End-of-life treatment of sold products
- Breakdown of energy consumption per source (TJ), table on page 90;
- Energy intensity per ton sold (MJ per ton sold), table 7 on page 107;
- Purchased renewable electricity rate, table 10 on page 108;
- Water consumption per ton sold (m³), table 12 on page 108;
- Total Waste generated (tons) and Waste intensity (kg per ton sold), table 16 on page 109;
- Recycling rate (%), table 18 on page 110;
- Number of lost time accidents (LTA) (No.) and Number of fatalities of Sika employees, table on page 57;
- LTA rate per 1'000 FTEs, table on page 57;
- Lost Time Injury Frequency Rate (LTIFR) per 200'000 hours, table on page 57;
- Number of lost time accidents (LTA) (No.) of contractors and Number of fatalities of contractors, table on page 57;
- Community engagement projects (No.), table on page 76;
- Volunteering days of employees (Days), table on page 76;

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- Breakdown of Employees per Gender and Category, table 18 on page 82;
- Board of Directors - Breakdown per Gender and Age, table 19 on page 82; and
- Breakdown of Senior Managers per region, table 20 on page 82.

With reference to pages 88 and 147 in Sika's Sustainability Report, Sika discloses the fact that during the period under review, the scope of consolidation of the Sustainability reporting was expanded with the acquisition of the companies MBCC Group and Thiessen Team USA. Our limited assurance engagement does not conclude on pre-acquisition information, 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 2023 Selected Indicators (including the GHG statement) were evaluated against the criteria described in Sika's Sustainability Report. The 2023 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 summarised in Methodological Note in the Sustainability Report.

The section "Methodological Note" was developed based, among others, on the GRI Sustainability Reporting Standards (GRI Standards 2021) published by the Global Reporting Initiative (GRI) and the Greenhouse Gas (GHG) Protocol Corporate Standard (Revised edition) and Sika's Methodology for Scope 3 emissions calculation available on Sika's website (together the "suitable Criteria").

Inherent limitations

The accuracy and completeness of the 2023 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 2023 Selected Indicators contained within Sika's Sustainability Report (including the GHG reporting) are subject to inherent uncertainty because of incomplete scientific knowledge used to determine factors related to the 2023 Selected Indicators contained within Sika's Sustainability Report (including the GHG reporting) 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 as defined above and described within Sika's Sustainability Report in the Methodological Note and in Sika's Methodology for Scope 3 emissions calculation for relevant definitions and procedures on the 2023 Selected Indicators.

Group Management's responsibility

The Group Management of Sika AG is responsible for preparing the 2023 Selected Indicators contained within Sika's Sustainability Report in accordance with the suitable Criteria. This responsibility includes the design, implementation and maintenance of the internal control system related to the preparation of the 2023 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.

Independence and quality management

We are independent of the Sika AG 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 an assurance limited engagement and to express a conclusion on the 2023 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 engage-

ments 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 we plan and perform our procedures to obtain limited assurance whether anything has come to our attention that causes us to believe that the 2023 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.

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 for a reasonable assurance engagement.

We performed the following procedures, among others:

- Assessment of the Methodological Note in the Sustainability Report and Sika's Methodology for Scope 3 emissions calculation, including the criteria to determine whether they are appropriate when applied in relation to the 2023 Selected Indicators (including the GHG statement);
- Inquiries of the relevant stakeholders for the 2023 Selected Indicators in Sika's Sustainability Report (including the GHG reporting);
- On-Site visits for selected Sika sites in USA, Canada, Chile, Argentina, Brazil, Mexico, China, Indonesia, Japan, Romania, Germany, Italy, Czech Republic, Spain and Morocco. 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 2023 Selected Indicators (including GHG reporting) of Sika AG, for the period from 1 January 2023 to 31 December 2023, as published in Sika's Sustainability Report 2023 and in the Annual Report 2023, are not, in all material respects, prepared in accordance with the suitable Criteria.

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 the 2023 Selected Indicators contained within Sika's Sustainability Report (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 2023 Selected Indicators in Sika's Sustainability Report (including the GHG reporting), 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

Zürich, 14 February 2024

"The maintenance and integrity of Sika AG's website and its content are the responsibility of the Group Management; the work carried out by the assurance provider does not involve consideration of the maintenance and integrity of the Sika AG's website, accordingly, the assurance providers accept no responsibility for any changes that may have occurred to the reported 2023 Selected Indicators contained within Sika's Sustainability Report (including the GHG reporting) or suitable Criteria 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

24.5

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 2023 financial year can be found on p.33-36 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.

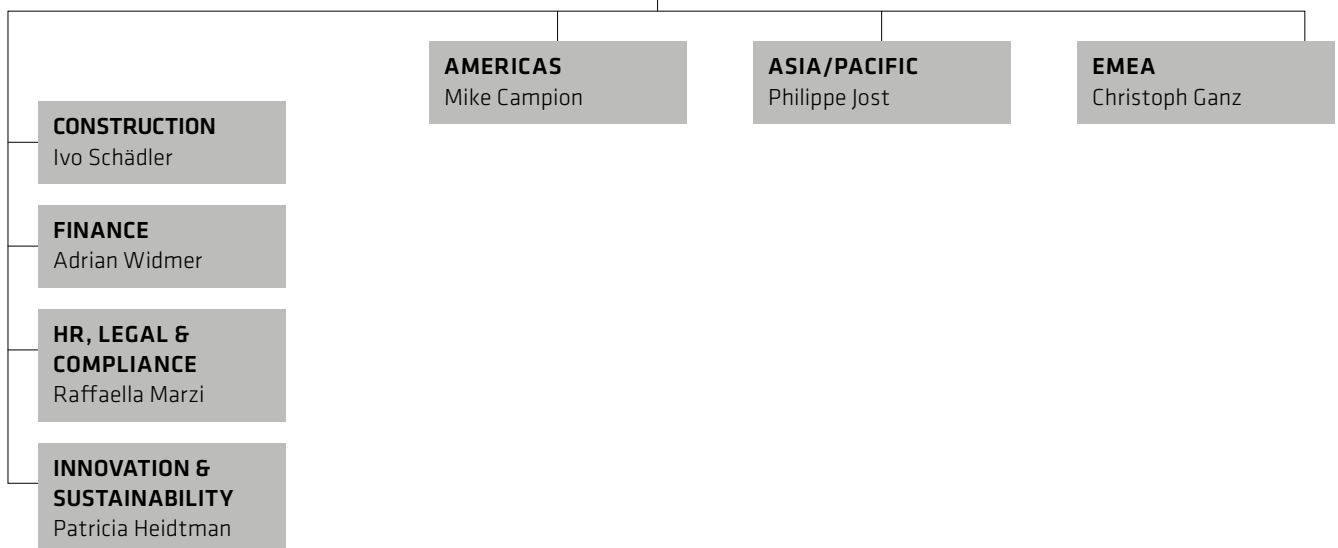
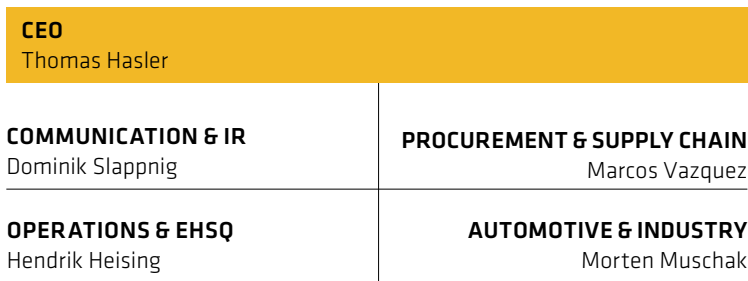
From the reporting year 2024 on, the Automotive & Industry divisions are fully integrated into the regions. In this way, Sika aims to achieve maximum momentum in a dynamic environment increasingly characterized by solutions for e-mobility and renewable energy.

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
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BOARD OF DIRECTORS

PAUL HÄLG, DR. SC. TECHN.,
SWISS FEDERAL INSTITUTE OF
TECHNOLOGY ZURICH (ETH)
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, Switzerland;
2001–2004: Executive Vice President Forbo
International SA, Eglisau, Switzerland;
1987–2001: Product Manager, Commercial Director,
CEO Gurit Essex AG, Freienbach, Switzerland;
1981–1986: Project and Group Leader Schweizerische
Aluminium AG (Alusuisse), Zurich, Switzerland

Mandates in listed companies:

Chair of the Board: Dätwyler Holding AG (and therefore
also of Perna Holding and Dätwyler Führungs AG),
Altdorf, Switzerland

Mandates in non-listed companies and organizations:

Chair of the Board: Welfare Foundation Sika, Baar,
Switzerland;

Member of the Board: Sonceboz Automotive SA,
Sonceboz, Switzerland;

Member of the Foundation Council: ETH Foundation
(supports education and research at ETH), Zurich,
Switzerland;

Swisscontact (Swiss foundation promoting economic,
social, and ecological development in emerging
economies), Zurich, Switzerland;

Rega (non-profit Swiss air rescue service), Zurich,
Switzerland

JUSTIN MARSHALL HOWELL, LL.B
AND B.C.L., MCGILL UNIVERSITY,
CANADA

Nationality: Canadian, American; 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 Chair of Pension and
Investment Committee)

VIKTOR WALDEMAR BALLI, MSC
CHEMICAL ENGINEER,
SWISS FEDERAL INSTITUTE
OF TECHNOLOGY ZURICH (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,
Switzerland;

1996–2006: Director of Niantic Group (Family Holding),
Amsterdam, Netherlands;

1991–1995: Principal of Adinvest AG, Zurich, Switzerland;

1989–1991: Head Corporate Finance, Marc Rich & Co
Holding AG, Zug, Switzerland;

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,
Switzerland (Chair of Audit Committee and Member
of Compensation Committee);

Medacta International SA, Castel San Pietro,
Switzerland (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, Switzerland;

Hemro AG, Zurich, Switzerland;

Louis Dreyfus Company International 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,
Switzerland; 2015–2018: Chief HR Officer Signify,
Amsterdam/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 and North America & 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, Switzerland

LUCRÈCE FOUFOPOULOS-DE RIDDER,
MSC MATERIALS ENGINEERING,
UNIVERSITY OF GHENT, BELGIUM;
MSC POLYMERS &
COMPOSITES ENGINEERING,
UNIVERSITY OF LEUVEN, BELGIUM

Nationality: Belgian, Swiss; Year of birth: 1967

Member since: 2022; Committees: Member of Audit
Committee and Sustainability Committee

2019–2023: 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 develop-
ment, 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);
Amcort plc, Bristol, United Kingdom

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 enabling a sustainable future),
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, Switzerland;

2005–2006: CFO Panalpina AG, Basel, Switzerland;

2000–2005: Chief Information Officer (CIO) Panalpina
AG, Basel, Switzerland;

1991–2000: various functions within Controlling, IT and
Global Project Management, Panalpina AG, Basel,
Switzerland

Mandates in non-listed companies and organizations:

Chair of the Board: SBB AG (Swiss Federal Railways),
Bern, Switzerland

PAUL SCHULER, MBA

Nationality: Swiss; Year of birth: 1955

Member since: 2021

2017-2021: CEO Sika AG, Baar, Switzerland;

2007-2021: Member of Group Management, Sika AG, Baar, Switzerland;

2013-2017: Regional Manager EMEA Sika AG, Baar, Switzerland;

2007-2012: Regional Manager North America;

General Manager Sika USA;

2003-2006: General Manager Sika Germany;

1988-2002: Product Manager, Head of Sales Industry; Marketing Manager Industry; Business Unit Leader Industry Sika AG, Baar, 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

THIERRY F. J. VANLANCKER, MSC

CHEMICAL ENGINEER,

UNIVERSITY OF GHENT, 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:

Chair of the Board: Aliaxis Group NV, Brussels, Belgium;

Member of the Board: Etex NV, Brussels, Belgium;

Board Advisor: Stahl Coatings BV, Waalwijk,

Netherlands

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 Americas
With Sika for 26 years in Asia and the USA

IVO SCHÄDLER

Head Construction
With Sika for 27 years in Switzerland and the UK

PATRICIA HEIDTMAN

Chief Innovation & Sustainability Officer
With Sika for 26 years in Switzerland and the USA

THOMAS HASLER

CEO
With Sika for 35 years in Switzerland and the USA

ADRIAN WIDMER

CFO
With Sika for 17 years in Switzerland

RAFFAELLA MARZI

Head Human Resources, Legal & Compliance
With Sika for 10 years in Switzerland and Italy

CHRISTOPH GANZ

Regional Manager EMEA
With Sika for 28 years in Switzerland, France, and the USA

PHILIPPE JOST

Regional Manager Asia/Pacific
With Sika for 27 years in the USA and Switzerland

**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 &
Sustainability Officer**

Nationality: Swiss, American; Year of birth: 1973

Chief Innovation & Sustainability Officer and Member
of Group Management since 2021

2017–2021: Corporate Technology Head Thermoplastic
Systems;
2011–2017: Vice President R&D Automotive, 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 Holding AG, Switzerland

**IVO SCHÄDLER, MSC
MATERIALS ENGINEER
SWISS FEDERAL INSTITUTE
OF TECHNOLOGY (ETH),
EXECUTIVE MBA
Head Construction**

Nationality: Swiss, Liechtenstein; Year of birth: 1966

Member of Group Management since 2017;
Head Construction since 2023

2017–2023: Regional Manager EMEA
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 Americas**

Nationality: American; Year of birth: 1965

Member of Group Management since 2017;
Regional Manager Americas since 2023

2017–2023: Regional Manager Asia/Pacific;
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
Regional Manager Asia/Pacific**

Nationality: Luxembourg, Swiss; Year of birth: 1971

Member of Group Management since 2019;
Regional Manager Asia/Pacific since 2023

2019–2023: Head Construction and Member of
Group Management
2015–2019: Head 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: 2015–now: Member of
the Board, 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 EMEA**

Nationality: Swiss; Year of birth: 1969

Member of Group Management since 2007;
Regional Manager EMEA since 2023

2018–2023: Regional Manager Americas
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,
Legal & Compliance**

Nationality: Italian; Year of birth: 1970

Member of Group Management since 2020;
Head Human Resources, Legal & Compliance since 2023

2019–2023: Head Human Resources & Compliance;
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
Further commitments: 2023–now: Member of
the Board, Vetropack Holding AG, Switzerland
(Member of Nomination and Compensation Committee)

CORPORATE GOVERNANCE

Submission of SBTi targets for validation before official deadline, supported and steered by the Sustainability Committee.

37.5%

WOMEN ON THE BOARD

AGM

WEBSTREAMED FOR
NINE YEARS ALREADY

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 43,923.18 million. In the year under review, the Sika Group encompassed unlisted subsidiaries in 103 countries. 274 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., Seven Tech Co. Ltd., Japan, and Concria Oy, Finland. Detailed information on the Group companies can be found on p.248 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 country.

The heads of the central Finance, Innovation & Sustainability, as well as Human Resources, Legal, & 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.156–162 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, 2023, 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. Compared to December 31, 2022, there are no changes in significant shareholdings as at 31 December, 2023.

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, 2023, totaled CHF 1,604,792.93 and was divided into 160,479,293 fully paid-in registered shares, with a nominal value of CHF 0.01 each.

In addition, as of December 31, 2023, there is conditional share capital (within the capital band) of 7,686,752 fully paid-up registered shares with a nominal value of CHF 0.01 each, representing a maximum nominal value of CHF 76,867.52, which was introduced at the last Annual General Meeting on March 28, 2023, and like the capital band is limited in time until March 28, 2028. As of December 31, 2023, there is no further conditional share capital, as the former provision in the Articles of Association on conditional share capital (outside the capital band) was deleted on December 7, 2023, due to the expiry of conversion and option rights.

Further information on the conditional share capital (within the capital band) can be found in art. 2 para. 5 and 6 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 authorized capital.

As of December 31, 2023, Sika AG has a capital band between CHF 1,527,925.41.99 (lower limit) and CHF 1,681,660.45 (upper limit), which was also introduced at the last Annual General Meeting on March 28, 2023. Within the capital band, the Board of Directors is authorized, until March 28, 2028, or until the earlier expiration of the capital band, to increase or decrease the share capital once or several times and in any amounts. The capital increase or reduction may be effected by the issuance of up to 7,686,752 fully paid-up registered shares with a nominal value of CHF 0.01 each or by cancelling up to 7,686,752 registered shares with a nominal value of CHF 0.01 each or by increasing or reducing the nominal value of the existing registered shares within the capital band. In the event of a capital increase, the Board of Directors shall determine the number of shares, the issue price, the type of contributions, the time of issuance, the conditions for exercising subscription rights, and the start of dividend entitlement. In this context, the Board of Directors may issue new shares by means of a firm underwriting by a bank or another third party and a subsequent offer to the existing shareholders. The Board of Directors is authorized to restrict or exclude trading in subscription rights. The Board of Directors may allow subscription rights that are not exercised to lapse or place them or the shares for which subscription rights are granted but not exercised at market conditions or otherwise use them in the interest of the company.

Further information on the capital band can be found in art. 2 para. 6 of the Sika Articles of Association (available at <https://www.sika.com/en/investors/corporate-governance-risk-management/articles-of-association.html>).

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 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.

In 2023, in connection with the conversion by bondholders of their convertible bonds (security no.: 41399024, ISIN: CH0413990240, ticker: SIK185), 6,744,242 of new fully paid-in registered shares with a nominal value of CHF 0.01 each were issued from the conditional share capital (outside the capital band) amounting to an issued share capital of Sika AG of CHF 1,604,792.93, divided into 160,479,293 fully paid-in registered shares with a nominal value of CHF 0.01 each.

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, that there is no agreement to take back or return the shares concerned, and that they bear the economic risk associated with the shares. 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 them 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.

According to art. 4 para. 2 of the Sika Articles of Association (available at <https://www.sika.com/en/investors/corporate-governance-risk-management/articles-of-association.html>), acquirers of shares who do not expressly declare in the application for registration in the share register that they hold the shares for their own account (nominees) will be entered without restriction in the share register as shareholders with voting rights up to a maximum of 3% of the share capital. Above this registration limit, nominees will be entered in the share register as shareholders with voting rights if the relevant nominee discloses the names, addresses, nationalities, and shareholdings of those beneficial owners for whose account it holds 0.5% or more of the share capital and if the reporting requirements pursuant to the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FinMIA) are met. In 2023, the Board of Directors had not registered any nominees with voting rights exceeding 3%.

Convertible bonds

As of December 31, 2023, there were no convertible bonds outstanding. 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. This convertible bond was, however, redeemed by Sika AG following the exercise of its early redemption option on September 25, 2023.

No options were issued to any external parties and no option plans exist for Members of the Board of Directors, Group Management, or employees.

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 until the conclusion of the next ordinary General Meeting following the election. They can be reelected. Detailed information on individual Members of the Board of Directors as per the balance sheet date of December 31, 2023, is listed on p.159 and 160 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 2022 on pages 162 and 163, 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 (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. There were no changes in the composition of the Board in 2023.

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 2023, the Board of Directors met 12 times. The meetings lasted between one and ten hours.

ATTENDANCE OF INDIVIDUAL BOARD MEMBERS

Board Member	Member since	Number of meetings attended
Paul Hälgi	2009	12 of 12
Viktor W. Balli	2019	12 of 12
Lucrèce Foufopoulos-De Ridder	2022	11 of 12
Justin M. Howell	2018	11 of 12
Gordana Landén	2022	12 of 12
Monika Ribar	2011	12 of 12
Paul Schuler	2021	12 of 12
Thierry F. J. Vanlancker	2019	11 of 12

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 2023, the CEO and the Chief Financial Officer (CFO) participated in all 12 and the other Members of Group Management in five to seven 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 2023, the Internal Audit participated in all four 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.159 and 160 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 four times. Monika Ribar, Viktor Balli, and Lucrèce Foufopoulos-De Ridder were present at all four meetings. Thierry Vanlancker was present at two of the four meetings. The Chair of the Board of Directors, the CFO, and the Internal Audit participated in all four meetings. The CEO attended all of the four meetings. KPMG AG, the auditor that was newly elected at the General Meeting in 2022, participated in three of the four 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	4 of 4
Viktor W. Balli	4 of 4
Lucrèce Foufopoulos-De Ridder	4 of 4

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 three hours. In the year under review, the Nomination and Compensation Committee held six meetings. The Chair of the Board of Directors and the CEO, as well as all other Members of the Committee, participated in all six meetings. 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 six 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.178 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.176–178 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	6 of 6
Gordana Landén	6 of 6
Thierry F. J. Vanlancker	6 of 6

SUSTAINABILITY COMMITTEE

The Sustainability Committee 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 & 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 five times. All committee members attended all five 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 five 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	5 of 5
Viktor W. Balli	5 of 5
Lucrece Foufopoulos-De Ridder	5 of 5

Information and control instruments vis-à-vis Group Management

Within the framework of its non-transferable and inalienable duties, the Board of Directors of Sika supervises Group Management. The CEO, as well as the CFO, report to the Board of Directors in writing on the development of business at least once per month. Extraordinary events are reported immediately to the Chair of the Board of Directors or the Audit Committee, insofar as such events relate to the latter's area of responsibility. In every meeting, the Chair of the Board of Directors, or, at the Chair's instruction, the CEO, informs the Board of Directors about the ongoing business. More detailed information regarding the information and reporting rights can be found in the Organizational Rules of Sika AG and Sika Group on page 5, section 3.4 (available at <https://www.sika.com/en/investors/corporate-governance-risk-management/organizational-rules.html>).

Sika has a comprehensive risk management structure, as well as an Internal Audit. Details can be found in the chapter "Risk Management and TCFD Recommendations" beginning on page 22 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.163 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, 2023, are listed on p.161 to 162 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.162 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 2022 on pages 162 and 163, 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 (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 has not entered into any management contracts with companies (or natural persons) outside the Sika Group.

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) 2023 results and a mapping table are presented in the "Risk Management and TCFD Recommendations" chapter on p.22 et seqq. of the 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.174 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 their/its shares represented at the General Meeting by a third party. The Board of Directors shall decide on the recognition of the proxy. In addition, shareholders can be represented by the independent proxy to whom any shareholder may give in writing or electronically power of attorney and instructions. Within the discretion provided by law, the Board of Directors may determine requirements for powers of attorney and instructions. 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 together at least 0.5% of the share capital or voting rights may demand that an item be put on the agenda to be discussed or request that proposals concerning agenda items be included in the invitation to the General Meeting. Shareholders may submit a brief explanatory statement together with the agenda items or the proposals. This must be included in the invitation to the General Meeting. 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 KPMG AG and was reelected at the General Meeting of March 28, 2023. 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 2023, the auditor participated in three of the four 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 8.7 million for its services. Thereof, CHF 7.8 million related to audit services, which included the audit of the statutory financial statements of Sika AG and its subsidiaries, as well as the audit of the consolidated financial statements. Some of the subsidiaries are audited by other audit firms. KPMG AG received additional fees totaling CHF 0.9 million for tax consultancy services.

Information policy

Sika provides extensive information on the development of business in its annual, half-year, and quarterly reports, at the annual media and financial analyst conference, as well as at the Annual General Meeting or the Capital Markets Day. 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

56 th Annual General Meeting	Tuesday, March 26, 2024
Dividend payment	Wednesday, April 3, 2024
Net sales first quarter 2024	Tuesday, April 16, 2024
Half-Year Report 2024	Tuesday, July 30, 2024
Capital Markets Day	Friday, October 4, 2024
Results first nine months 2024	Friday, October 25, 2024
Net sales 2024	Tuesday, January 14, 2025
Full-year results 2024	Friday, February 21, 2025

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 16, 2022, to February 21, 2023; March 17, 2023 to April 20, 2023; June 20, 2023, to August 8, 2023; September 19, 2023, to October 24, 2023; and December 15, 2023, to February 20, 2024.

In 2023, there were no exceptions from quiet periods granted.

COMPENSATION REPORT

The compensation system is well-balanced and supports long-term value creation for Sika and its stakeholders.

100%

INDEPENDENT NOMINATION AND
COMPENSATION COMMITTEE

ESG

TARGETS INTRODUCED IN LTI PLAN
FOR 2024

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 2023 business year.

The Compensation Report is written in accordance with the Swiss Code of Obligations, 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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Shareholdings of the Members of the Board of Directors and Group Management in 2023 (audited)	196
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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 2023 Compensation Report.

Overall, Sika maintained its profitable growth trajectory in 2023 even in a challenging economic environment. The total sales figure amounted to CHF 11,238.6 million, a rise of 7.1% in Swiss francs. In May, Sika closed with MBCC the biggest acquisition in the history of the company and in October, Sika released its new growth strategy, which is based on the four pillars Market Penetration, Innovation & Sustainability, Acquisitions, as well as People & Culture, and includes a balanced set of financial and non-financial targets. 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 succession planning for positions on the Board of Directors and Group Management. Thierry F.J. Vanlancker will be proposed as new Chair of the Board of Directors at the next Annual General Meeting in 2024, as Paul Hälgi has decided to step down from his position after twelve successful years. As of October 1, 2023, a rotation in the Group Management took place with the following changes: Christoph Ganz, former Regional Manager Americas, was appointed Regional Manager EMEA; Mike Campion, former Regional Manager Asia/Pacific, was appointed Regional Manager Americas; Philippe Jost, former Head Construction, was appointed Regional Manager Asia/Pacific; Ivo Schädler, former Regional Manager EMEA, was appointed Head Construction; Raffaella Marzi was Head Human Resources & Compliance, and is now Head Human Resources, Legal & Compliance.

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 and performance assessment of Group Management, 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 the context of the annual review of the compensation programs applicable to Group Management, the Nomination and Compensation Committee decided to amend the performance objectives in the incentive plans as of 2024 in order to further strengthen the alignment of the plans with the business and sustainability strategy. First of all, the long-term incentive (LTI) will include ESG targets with a weight of 20% which consist of a GHG emissions reduction target (scope 1 and 2), a water discharge reduction target, and a waste disposal reduction target. The other performance indicators will continue to be the relative total shareholder return (TSR) and the return on capital employed (ROCE), each with a weighting of 40%. ROCE will be measured relative to peer companies. Secondly, the short-term incentive (STI) will again include a people and project target with a weight of 10%, to replace the current GHG emissions reduction target. The structure of the compensation plans will otherwise remain unchanged.

At the 2023 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 as well as 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 2023, Justin M. Howell (Chair), Gordana Landén, and 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 the performance of the Group, its regions, and the individual performance;
- 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 2023, the Nomination and Compensation Committee held five meetings according to the following predetermined annual agenda, as well as one ad hoc meeting.

	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 Members 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 2-4 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.168 and 169.

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 2023, PricewaterhouseCoopers (PwC) Switzerland provided services related to executive compensation matters. 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 Human Resources, Legal & Compliance and the Head 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 total 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% in the event of a new election of the CEO. Proven disadvantages from a change of position may be compensated within this additional amount.
- **Pension benefits, loans, and credits** (Art. 12): Pension benefits are offered only in accordance with the occupational pension plans, which are specified in the respective regulations. The company does not offer any loans, credits, guarantees, or other securities to Members of the Board of Directors and Group Management.

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 two to four years). In 2023, a thorough review was conducted by PwC 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, Holcim, Kühne+Nagel, 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 in line with prevalent market practice.

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 2023 by PwC and Willis Towers Watson. For the Group Management positions based in Switzerland, PwC provided the analysis based on the same peer group of companies as for the compensation review of the Board of Directors. For the Group Management positions based outside Switzerland, compensation data of similar positions in industrial companies in the country of employment which are available in the Willis Towers Watson database are used as benchmark. PwC 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 2024. Sika's policy is to pay market median compensation for solid performance (target compensation) and to provide for compensation above the market median in the event 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 three years, conditionally upon solid performance.

PEER GROUP FOR BENCHMARKING PURPOSES

in CHF thousands	Market capitalization (01/09/2023)	Revenue (2023)	Headcount (2023)
Sika	38,037	11,239	33,547
Upper quartile	49,213	28,208	84,453
Median	31,185	8,092	35,853
Lower quartile	17,691	6,433	16,705

PERFORMANCE MANAGEMENT

The actual compensation paid to the individual Members of Group Management in a given year depends on the Group, 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 a given business year for the CEO and Members of Group Management are approved by the Nomination and Compensation Committee at the end of the previous business year, and achievement against those objectives is assessed at the beginning of the following year. 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 Group'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, and shareholding ownership guidelines are in place 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 and shareholding ownership guidelines are in place to align the interests of executives with those of the shareholders.

MARKET COMPETITIVENESS

Compensation is regularly benchmarked and is in line with competitive market practice.

TRANSPARENCY

Compensation programs are straightforward and transparent.

The compensation programs include key features that align the interests of executives with those of shareholders and are in line with good practice in corporate governance.

WHAT WE DO

- ⊕ Conduct an annual review of the compensation policy and programs
- ⊕ Maintain compensation plans with a strong link between pay and performance
- ⊕ Conduct a rigorous performance management process
- ⊕ Maintain compensation plans designed to align executive compensation with long-term shareholder interests
- ⊕ Require that the Board of Directors, the CEO, and the other Members of Group Management own a minimum number of Sika shares as a 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
- ⊕ Ensure pay equality and fairness in all countries we operate in

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

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 2023, Sika analyzed the compensation of Sika Senior Managers and General Managers globally (168 senior executives)¹. The results confirmed that Sika is fully compliant with equal pay for men and women (insignificant deviation below 5% depending on function).

The company initiated a global rollout of standardized job grades in 2023 that is planned to be finished by 2024. This constitutes a vital step to enhance fairness, transparency, and gender equality. This approach ensures uniform job evaluation criteria, provides clear progression paths, and promotes pay equity.

Sika performs regular internal analysis to ensure that employees are paid fairly and to address any potential pay gap. Sika completed the equal pay analysis in several countries such as:

- 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.
- UK, as required by the Equality Act 2010, performs regular pay audits and assessments to ensure that any gender pay gaps that exist in the organization are addressed.
- France performed the analysis according to the “index de l'égalité professionnelle”.
- USA followed the methodology used by the United States Department of Labor's Office of Federal Contract Compliance Programs (OFCCP), which involves multiple regression analyses on groups of at least 30 employees.
- Peru, in line with law No. 30709, ensures equality and non-discrimination between men and women by evaluating groups of jobs based on the tasks involved, the necessary skills, and job profiles.

1 Excluding MBCC.

EXTERNAL MANDATES

(AUDITED ACCORDING TO ARTICLE 734e OF THE SWISS CODE OF OBLIGATIONS)

Members of the Board of Directors and the Group Management have the following external mandates

BOARD OF DIRECTORS

In 2023	Company	Function	
Paul J. Hälgi	Mandates in listed companies		
	Dätwyler Holding AG (and therefore also PEMA AG and Dätwyler Führungs AG)	Chair of the Board	
	Mandates in non-listed companies and organizations		
	Welfare Foundation Sika, Baar, Switzerland	Chair of the Board	
	Sonceboz Automotive SA, Sonceboz, Switzerland	Member of the Board	
	ETH Foundation (supports education and research at ETH), Zurich, Switzerland	Member of the Foundation	
Viktor W. Balli	Mandates in listed companies		
	Givaudan AG, Vernier, Switzerland	Member of the Board (Chair of the Audit Committee and Member of the Compensation Committee)	
	Medacta International SA, Castel San Pietro, Switzerland	Member of the Board (Chair of the Audit and Risk Committee)	
	KWS Saat SE & Co. KGaA, Einbeck, Germany	Member of the Board (Chair of the Audit Committee)	
	Mandates in non-listed companies and organizations		
	Swiss Federal Audit Oversight Authority (RAB), Bern, Switzerland	Member of the Board	
	Hemro AG, Zurich, Switzerland	Member of the Board	
	Louis Dreyfus Company International Holding BV, Amsterdam, Netherlands	Member of the Board (Chair of the Audit and Risk Committee)	
	Lucrèce Foufopoulos-De Ridder	Mandates in listed companies	
		Royal Vopak, Rotterdam, Netherlands	Member of the Board (Member of the Audit Committee and Member of the Remuneration Committee)
Amcor plc, Bristol, United Kingdom		Member of the Board	
Mandates in non-listed companies and organizations			
Borouge (a joint venture between Borealis and ADNOC), Abu Dhabi, UAE		Member of the Board	
Justin M. Howell	Mandates in listed companies		
	Canadian National Railway Company, Montreal, Québec, Canada	Member of the Board (Member of the Governance, Sustainability and Safety Committee, Member of the Human Resources and Compensation Committee, and Chair of the Pension and Investment Committee)	

Gordana Landén	Mandates in non-listed companies and organizations Adecco Innovation Foundation (creates practical solutions to increase the employability and access of underserved populations to labor markets), Zurich, Switzerland	Member of the Foundation Council
Monika Ribar	Mandates in non-listed companies and organizations SBB AG (Swiss Federal Railways), Bern, Switzerland	Chair of the Board
Paul Schuler	Mandates in non-listed companies and organizations Swisspearl Group AG, Niederurnen	Chair of the Board
Thierry F. J. Vanlancker	Mandates in non-listed companies and organizations Aliaxis Group NV, Brussels, Belgium Etex NV, Brussels, Belgium Stahl Coatings BV, Waalwijk, Netherlands	Chair of the Board Member of the Board Board Advisor

GROUP MANAGEMENT

In 2023	Company	Function
Thomas Hasler	n/a	n/a
Mike Campion	n/a	n/a
Christoph Ganz	n/a	n/a
Patricia Heidtman	Bossard Holding AG, Switzerland	Member of the Board
Philippe Jost	Peikko Group, Finland	Member of the Board
Raffaella Marzi	Vetropack Holding AG, Switzerland	Member of the Board (Member of the Nomination and Compensation Committee)
Ivo Schädler	n/a	n/a
Adrian Widmer	Sonova Holding AG, Switzerland	Member of the Board (Chair of the Audit Committee)

Architecture of compensation of the Members of the Board of Directors

In order to ensure their independence in their supervisory duties, the Members of the Board of Directors receive fixed compensation only, consisting of a retainer for services to the Board and an additional fee for assignments to committees of the Board, as well as a representation allowance for the Board Chair. The retainer and the committee fees are paid half in cash and half in restricted share units (RSUs), while the representation allowance is paid 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 the event 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	30,000	30,000
Committee Members	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.

SHAREHOLDING OWNERSHIP GUIDELINE

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 (GHG emissions and safety), region goals
Long-term incentive (LTI)	PSU with a 3-year performance vesting	Reward long-term performance Align to shareholders	Business performance over 3 years	ROCE, relative 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 Group and its regions and the individual performance over a time horizon of one year. This variable compensation allows executives to participate in the Group'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 58% 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 100% of the performance bonus. For the other three Members of Group Management responsible for a region, Group performance accounts for 80% of the performance bonus, while the achievement of regional objectives accounts for 20% 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 for 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 own-set targets. The absolute performance consists of the reduction of GHG emissions per ton sold with a weight of 10%, a safety target with a weight of 10% for all Members of Group Management, as well as an absolute EBIT target at Group level, with a weight of 20%, for all Members of Group Management with a global role (functional roles).

Relative Group performance

Relative EBIT and net sales performance are measured based on an evaluation provided by an independent consulting firm, Obermatt. This benchmark compares and ranks Sika against the performance of a selected peer group of 22 companies, all industrial firms which were chosen because they have a comparable base of products, technology, customers, suppliers, or investors, and are thus exposed to similar market cycles.

PEER GROUP (OBERMATT BENCHMARK)		
- 3M - Industrial & Transportations	- H.B. Fuller Company	- RPM
- Arkema - Adhesive Solutions	- Geberit	- Saint-Gobain
- Armstrong World Industries Inc.	- Henkel-Adhesive Technologies	- SK Kaken Co., Ltd.
- Ashland	- Hilti Corporation ¹	- Sto AG
- Beacon Roofing Supply, Inc.	- Holcim - Solutions & Products	- Uzin Utz AG
- Beiersdorf - Tesa	- Huntsman-Performance Products	
- Carlisle Construction Materials	- Owens Corning	
- EMS-Chemie Holding AG	- Pidilite Industries Limited	
- Forbo-Flooring Systems		

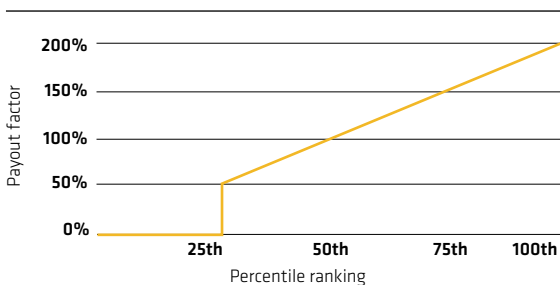
The peer group changed compared to the previous year with Arkema - Adhesive Solutions and Holcim - Solutions & Products as new peers. GCP was acquired by Saint-Gobain in 2022 and was therefore removed.

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 Group because absolute performance may be strongly impacted by market factors that are outside the control of management.

For both EBIT and net sales improvements, 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 objectives recognize the importance of mitigating the company’s impact on the environment and to encompassing sustainability in the measurement of the performance of Group Management. It is an objective to reduce GHG emissions (scopes 1 and 2) as well as to promote a safety culture and to reduce accidents by increasing safety measures. For 2023, the objective was a 4% reduction of GHG emissions per ton sold compared to 2022 GHG emissions per ton sold and to achieve a reduction of the Lost Time Accident (LTA) rate by 10% compared to 2022. For 2023, the individual performance component for People & Projects was discontinued and replaced with the safety target.

The Group EBIT objective is measured as a year-on-year improvement. For 2023, the objective was to improve Group EBIT by 15% compared to 2022.

REGION AND INDIVIDUAL PERFORMANCE

The region and individual performance include performance 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.

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 2023, the Nomination and Compensation Committee decided to focus on EBIT (expressed as an improvement versus previous year).

Individual performance (0% of the overall performance bonus in 2023, but 10% in previous years and again in 2024) includes performance objectives in the area of people management or key projects (People & Projects).

At the beginning of the following year, the actual performance achievement is compared with the objectives that were set for the business 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: GHG emissions	10%	10%
			← Safety: accident reduction	10%	10%
	← EBIT Group	20%			
	← Region performance	← Absolute	← EBIT region		20%

The overall bonus payout is capped and cannot exceed 150% of the performance bonus target. The performance bonus is paid out in March of the following year.

OUTLOOK

For 2024, the structure of the performance bonus will be adjusted to reflect the Strategy 2028. The Group performance will account for 70% of the performance bonus with 20% based on net sales growth (unchanged), 40% based on relative EBITDA improvement (previously based on relative EBIT improvement), 10% on safety with reduction of Lost Time Accident (LTA) rate (unchanged), and 20% based on Group EBITDA (previously EBIT) for functional roles. The GHG emissions reduction will be included in the LTI plan and will therefore be discontinued in the STI. For regional roles, 20% of the performance bonus will be based on regional EBITDA (previously EBIT). Finally, for all Group Management roles, 10% of the performance bonus will be based on individual objectives (suspended in 2023).

LONG-TERM INCENTIVE (LTI)

Sika's compensation policy is designed to also align a significant portion of compensation of Group Management to the Group's long-term performance and to strengthen Group Management's alignment with shareholders' interests. The LTI target is reviewed annually and amounts to 100% of the annual base salary for the CEO, and ranges from 58% to 100% for the other Members of Group Management.

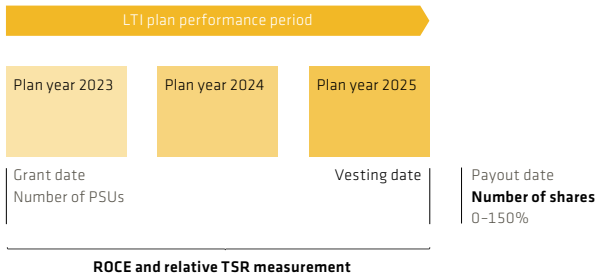
The LTI plan is a performance share unit (PSU) plan. At the beginning of the vesting period, a number of PSUs are granted to each Member of Group Management. The PSUs vest after a period of three years, conditionally upon fulfilling two equally weighted performance conditions, the ROCE, and relative 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 186, with one exception: as Hilti is not listed, it is not included in the peer group for the LTI.

For both performance conditions, the maximum achievement level is capped at 200%; however the overall vesting level for the LTI is capped at 150%. This is in line with the compensation philosophy of the company to align pay with performance and to keep the incentive plan leverage at a reasonable level. The final share allocation is determined after the three-year performance period, based on the following vesting rules:

Performance measures	ROCE (2023-2025)	Relative TSR (2023-2025)
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 26% 100% payout	Relative TSR at the median of the peer group 100% payout
Maximum payout level	200%	200%
	Combined maximum payout capped at 150%	
Vesting rules	<ul style="list-style-type: none"> - Threshold: ROCE of 23% = 50% payout - Target: ROCE of 26% = 100% payout - Maximum: ROCE of 29% = 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 the AGM in the year 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 the event of termination of employment, the unvested PSUs are forfeited except in case of retirement, disability, death, change of control, or liquidation. In the event 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 the event of a termination of employment due to death, liquidation, or a change of control, 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%.

Termination of employment (resignation, involuntary termination, etc.)

Forfeiture of unvested PSUs

Retirement and disability

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.

Death, liquidation, or change of control

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%.

OUTLOOK

For 2024, the structure of the LTI will be adjusted to reflect the Strategy 2028. The performance conditions will include ESG targets with a weight of 20% consisting of a GHG emissions reduction target (scope 1 and 2) with 10% weight, a water discharge reduction target with 5% weight, and a waste disposal reduction target with 5% weight. The other performance indicators will continue to be the relative TSR and the ROCE, each with a weighting of 40%. ROCE will be measured relative to peer companies, similar to relative TSR.

CLAWBACK AND MALUS PROVISIONS

Clawback and malus provisions apply to both the performance bonus and the long-term incentive plan. In the 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.

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 139,650 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 a 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 2023

This section is audited according to Art. 734a-f of the Swiss Code of Obligations.

In 2023, Members of the Board of Directors received a total compensation of CHF 3.1 million (2022: CHF 3.1 million) in the form of a retainer in cash of CHF 1.3 million (2022: CHF 1.3 million), committee fees in cash of CHF 0.2 million (2022: CHF 0.2 million), social security contributions of CHF 0.1 million (2022: CHF 0.1 million), and RSUs of CHF 1.5 million (2022: CHF 1.5 million). The compensation remained stable compared to the previous year. As of the Annual General Meeting 2022, half of the committee fees are paid in RSUs, therefore the amount of committee fees paid in cash decreased compared to the previous year and the amount of compensation paid in RSUs increased.

in CHF	Cash		Value of RSUs ¹			Total 2023	Cash		Value of RSUs ¹			Total 2022
	Retainer	Commit- tee fees	Retainer	Commit- tee fees	Social security ²		Retainer	Commit- tee fees	Retainer	Commit- tee fees	Social security ²	
Paul Halg, Board Chair	480,000	0	450,201	0	7,720	937,921	480,000	0	450,140	0	11,900	942,040
Viktor W. Balli, AC Member, SC Member	125,000	40,000	125,126	40,040	7,720	337,887	125,000	40,000	125,115	26,694	11,900	328,710
Lucre Foufopoulos- De Ridder ³ , AC Member, SC Member	125,000	40,000	125,126	40,040	7,720	337,887	83,333	26,667	83,394	26,694	11,900	231,989
Justin M. Howell, NCC Chair	125,000	30,000	125,180	30,043	0	310,224	125,000	40,000	125,115	20,073	0	310,188
Gordana Landen ³ , NCC Member	125,000	20,000	125,092	20,015	7,720	297,827	83,333	13,333	83,394	13,451	11,900	205,412
Monika Ribar, AC Chair	125,000	30,000	125,180	30,043	7,720	317,944	125,000	40,000	125,115	20,073	11,900	322,088
Daniel J. Sauter ⁴							41,667	13,333	41,721	0	11,900	108,622
Paul Schuler	125,000	0	125,118	0	7,720	257,838	125,000	0	125,115	0	11,900	262,016
Christoph Tobler ⁴							41,667	13,333	41,721	0	11,900	108,622
Thierry F. J. Vanlancker, SC Chair, NCC Member	125,000	50,000	125,078	50,031	0	350,109	125,000	46,667	125,115	33,523	0	330,305
TOTAL	1,355,000	210,000	1,326,101	210,213	46,320	3,147,636	1,355,000	233,333	1,325,946	140,508	95,204	3,149,991

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 122,345 in 2023 and CHF 72,901 in 2022 are excluded from the amount disclosed above).

3 Since AGM of April 12, 2022.

4 Until AGM of April 12, 2022.

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 March 28, 2023, shareholders approved an aggregate maximum compensation amount of CHF 3,400,000 for the Board of Directors for the term of office from the 2023 Annual General Meeting until the 2024 Annual General Meeting. The compensation effectively paid for the portion of this term of office included in this Compensation Report (April 1, 2023, until December 31, 2023) is within the limit approved by the shareholders. A conclusive assessment for the entire period will be included in the Compensation Report 2024.

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 compensation effectively paid to the Board of Directors for this term was CHF 3,147,492 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 2023

This section is audited according to Art. 734a-f of the Swiss Code of Obligations.

For 2023, the Members of Group Management received a total compensation of CHF 17.1 million (2022: CHF 16.1 million). This amount comprises fixed salaries of CHF 5.4 million (2022: CHF 5.0 million), short-term bonuses of CHF 6.1 million (2022: CHF 5.2 million), long-term incentives of CHF 3.6 million (2022: CHF 3.9 million), other expenses of CHF 0.5 million (2022: 0.6 million), contributions to social security of CHF 0.1 million (2022: CHF 0.1 million), and post-employment contributions of CHF 1.4 million (2022: CHF 1.3 million).

The highest-paid individual in 2023 was Thomas Hasler, Group CEO.

in CHF thousands (gross) ¹	CEO 2023	CEO 2022	Total 2023 ²	Total 2022 ³
Fixed base salary ⁴	1,250	1,150	5,377	5,055
Performance bonus (STI) cash ⁵	1,875	1,559	6,158	5,168
Long-term incentive (LTI) ⁶	1,082	1,152	3,559	3,857
Other payments ⁷	46	46	523	598
Social security ⁸	12	16	116	147
Pension contributions ⁹	270	264	1,381	1,286
TOTAL	4,535	4,187	17,114	16,111

1 All compensation amounts are stated gross.

2 On the basis of eight Members, all of whom served during the full year in 2023.

3 On the basis of eight Members, all of whom served during the full year in 2022.

4 Includes annual base salary and children/family allowances.

5 Estimated performance bonus (STI) for the reporting year that will be paid in April of the following year.

6 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).

7 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.

8 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 2023: CHF 887,613, of which CHF 285,456 relate to the CEO; in 2022: CHF 859,367, of which CHF 275,217 relate to the CEO).

9 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 2023, all of whom served on a full-year basis. This compares to eight Members in 2022, of whom all served on a full-year basis.
- The fixed compensation increased overall compared to the previous year. The compensation of the CEO 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 decreased slightly compared to the previous year as the long-service anniversary payments and the cost allowances related to international transfers decreased.
- The performance achievement under the performance bonus was higher in 2023 than in 2022. Further details are provided below.
- The grant value of the long-term incentive has decreased by 7% compared to the previous year. This is due to the fact that the Monte Carlo evaluation of the PSU relative to the share price was lower than in the previous year.
- The social security contributions remained stable compared to the previous year.
- The pension contributions increased slightly compared to previous year, which is due to the higher fixed compensation. The contribution rates in the pension plan have not changed significantly for several years.
- The variable compensation amounted to 237% of the annual base salary or 188% of the fixed compensation (annual base salary plus contributions to social security and pension plus other payments) for the CEO and to 164% of the annual base salary, or 116% of the fixed compensation for the other Members of Group Management on average.

The total amount of compensation of CHF 17.1 million awarded to Group Management in 2023 is below the maximum aggregate amount of compensation of CHF 20.5 million approved by the shareholders at the 2022 Annual General Meeting for business year 2023.

PERFORMANCE IN 2023 (NOT AUDITED)

In the performance bonus, Sika outperformed the peer companies in terms of net sales growth (ranked first, payout of 200%), and EBIT improvement year on year (ranked ninth, payout of 128.2%) (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 March 2024). GHG emissions per ton sold in 2023 were reduced by 8.1% compared to the previous year, which corresponds to a payout of 200%. The accident rate reduction was 23.6%, which provides for a payout of 169.5%. Group EBIT was 22.1% above previous year, which corresponds to a payout factor of 150%. This compares to a solid year 2022, where Sika outperformed its peers on net sales growth (ranked 8th with a 133.6% payout), outperformed the industry average in terms of EBIT improvement year on year (ranked 8th with a payout of 132.1%), and GHG emissions per ton sold were reduced by 11.7% (maximum target achievement with a payout of 200%).

Region performance, which is measured by EBIT, ranges from 100% to 200%. Consequently, the overall bonus payout percentage ranges from 148.2% to 150% (cap) for Members of Group Management and amounts to 150% for the CEO. This compares to a payout range of 111.6% to 150% for Group Management and to a payout of 135.6% for the CEO for 2022.

Objectives	Threshold				Target				Cap	
Group performance (relative to Peer Group)										
Group net sales growth (relative)									■	
Group EBIT improvement (relative)						■				
Group performance (absolute)										
Sustainability: GHG emissions									■	
Safety: accident reduction								■		
Group operating EBIT							■			
Region/individual performance										
Regional operating EBIT					■	—————				■
Total							■	■		
	0%	25%	50%	75%	100%	125%	150%	175%	200%	

In accordance with the LTI 2023–2025, 17,220 PSUs were granted to the Members of Group Management. Those PSUs had an overall grant value of CHF 4.1 million and will vest on December 31, 2025, based on the average ROCE performance during 2023–2025, on relative TSR performance during 2023–2025, and upon the continuous employment of the participant.

In the LTI that vested in 2023 (LTI 2021–2023), the performance condition of 24% average ROCE over the vesting period was partially achieved: the average three-year ROCE, excluding acquisitions, amounts to 24.9%, leading to a payout of 130.0%. Regarding the second performance condition, relative TSR, Sika outperformed 62.5% of the peer companies, leading to a payout of 125.1%. Therefore, the combined vesting level amounts to 127.6% and the 11,653 units granted to the current Members of Group Management have vested into 14,863 shares (11,653 PSUs granted multiplied by the vesting level of 127.6%) with a vesting value of CHF 4.1 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 (2021–2023).

**OVERVIEW OF THE OUTSTANDING PSU GRANTS
(INCLUDES MEMBERS OF GROUP MANAGEMENT AS OF DECEMBER 31, 2023)**

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 2021	Group Mgt (incl. CEO)	01/01/2021	2021–2023	12/31/2023	11,653	2,750,204	127.6%	14,863	4,068,113
	CEO ¹	01/01/2021	2021–2023	12/31/2023	2,778	676,649	127.6%	3,543	969,812
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
LTI 2023	Group Mgt (incl. CEO)	01/01/2023	2023–2025	12/31/2025	17,220	4,111,103	To be determined	To be determined	To be determined
	CEO	01/01/2023	2023–2025	12/31/2025	5,236	1,250,043	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, no compensation was paid to former Members of Group Management. Further, 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 2023

This section is audited according to Art. 734d of the Swiss Code of Obligations.

At the end of 2023, Members of the Board of Directors held a total of 175,998 shares of Sika AG (2022: 178,549). At the end of 2023, Members of Group Management held a total of 119,943 shares of Sika AG (2022: 112,656). This figure includes both privately acquired shares and those allocated under the Group's compensation schemes.

Participation	2023	2022
Board of Directors		
Paul Halg, Board Chair	59,019	57,569
Viktor W. Balli, AC Member, SC Member	2,658	2,126
Lucrece Foufopoulos-De Ridder, AC Member, SC Member	532	0
Justin M. Howell, NCC Chair	2,976	2,476
Gordana Landen, NCC Member	738	270
Monika Ribar, AC Chair	9,286	8,786
Paul Schuler	96,939	104,036
Thierry F.J. Vanlancker, SC Chair, NCC Member	3,850	3,286
Total	175,998	178,549
Group Management		
Thomas Hasler, Chief Executive Officer	33,751	30,323
Mike Campion, Regional Manager Americas	10,849	9,987
Christoph Ganz, Regional Manager EMEA	20,901	22,473
Patricia Heidtman, Chief Innovation and Sustainability Officer	891	891
Philippe Jost, Regional Manager Asia/Pacific	4,134	2,803
Raffaella Marzi, Head Human Resources, Legal & Compliance	1,783	1,783
Ivo Schadler, Head Construction	12,797	12,885
Adrian Widmer, Chief Financial Officer	34,837	31,511
Total	119,943	112,656

EQUITY OVERHANG AND DILUTION AS OF DECEMBER 31, 2023

In total as of December 31, 2023, the equity overhang, defined as the total number of share units and blocked shares outstanding divided by the total number of outstanding shares (160,479,293 registered shares), amounts to 207,726 units, 0.13%.

The company's "burn rate", defined as the number of equities (shares and share units) granted in 2023 (98,550 units) divided by the total number of outstanding shares, is 0.06%.



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 2023. The audit was limited to the information pursuant to Art. 734a-734f of the Swiss Code of Obligations (CO) in the sections "External Mandates", "Compensation awarded to the Board of Directors in 2023", "Compensation awarded to the CEO and to Group Management 2023" and "Shareholdings of the members of the Board of Directors and Group Management in 2023" on pages 182 to 196 of the Compensation Report.

In our opinion, the information pursuant to Art. 734a-734f CO in the Compensation Report complies 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 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 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 stand-alone 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 Remuneration 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 Remuneration Report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibilities for the Audit of the Compensation Report

Our objectives are to obtain reasonable assurance about whether the information pursuant to Art. 734a-734f CO 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 judgement and maintain professional skepticism 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, 13 February 2024

FINANCIAL REPORT

Sika profits from a solid balance sheet and a strong A- credit rating.

GROSS RESULT

+16.3%

OPERATING FREE CASH FLOW
IN CHF MILLION

1,372.7

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT for the year ended December 31

in CHF mn	Notes	%	2022	%	2023	Change in %
Net sales	1, 2	100.0	10,491.8	100.0	11,238.6	7.1
Material expenses	3	-50.6	-5,312.0	-46.4	-5,213.8	
Gross result		49.4	5,179.8	53.6	6,024.8	16.3
Personnel expenses	4	-16.3	-1,710.5	-17.8	-2,006.8	
Other operating expenses	5	-14.4	-1,505.1	-17.6	-1,973.3	
Operating profit before depreciation		18.7	1,964.2	18.2	2,044.7	4.1
Depreciation and amortization expenses	2, 15, 16	-3.6	-384.5	-4.3	-485.3	
Impairment	2, 15, 16	0.0	0.0	-0.1	-10.3	
Operating profit	2	15.1	1,579.7	13.8	1,549.1	-1.9
Interest income	7	0.2	19.0	0.3	30.9	
Interest expenses	6	-0.6	-59.4	-1.5	-165.7	
Other financial income		0.1	6.9	0.1	7.3	
Other financial expenses	6	-0.5	-48.4	-0.8	-86.3	
Income from associated companies	7, 17	0.0	0.4	0.0	1.1	
Profit before taxes		14.3	1,498.2	11.9	1,336.4	-10.8
Income taxes	8	-3.2	-335.7	-2.4	-273.8	
Net profit		11.1	1,162.5	9.5	1,062.6	-8.6
Profit attributable to Sika shareholders		11.1	1,162.5	9.5	1,062.0	
Profit attributable to non-controlling interests	24	0.0	0.0	0.0	0.6	
Basic earnings per share (in CHF)	9		7.57		6.82	-9.9
Diluted earnings per share (in CHF)	9		7.29		6.65	-8.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended December 31

in CHF mn	Notes	%	2022	%	2023	Change in %
Net profit		11.1	1,162.5	9.5	1,062.6	-8.6
Remeasurements of defined benefit plans	22	-0.7	-74.7	0.5	53.7	
Income tax effect	8	0.1	7.3	-0.1	-8.2	
Items that will not be reclassified to profit or loss		-0.6	-67.4	0.4	45.5	
Exchange differences taken to equity		-2.3	-237.2	-7.2	-806.7	
Income tax effect	8	0.0	2.2	0.0	5.4	
Items that may be reclassified subsequently to profit or loss		-2.2	-235.0	-7.1	-801.3	
Other comprehensive income		-2.9	-302.4	-6.8	-755.8	
Comprehensive income		8.2	860.1	2.7	306.8	-64.3
Attributable to Sika shareholders		8.2	859.8	2.7	307.2	
Attributable to non-controlling interests	24	0.0	0.3	0.0	-0.4	

CONSOLIDATED BALANCE SHEET as at December 31

in CHF mn	Notes	2022	2023
Cash and cash equivalents	10, 26	1,873.3	643.9
Accounts receivable	11, 26	1,719.6	2,009.1
Inventories	12	1,212.8	1,240.7
Prepaid expenses and accrued income	13	190.1	243.8
Other assets	14, 26	25.5	63.8
Current assets		5,021.3	4,201.3
Property, plant, and equipment	15	1,822.3	2,257.3
Intangible assets and goodwill	16	4,229.1	8,223.6
Investments in associated companies	17	9.5	19.1
Deferred tax assets	8	144.8	188.6
Other assets	14, 26	92.2	160.8
Non-current assets		6,297.9	10,849.4
ASSETS		11,319.2	15,050.7
Accounts payable	18, 26	1,016.6	1,108.2
Accrued expenses and deferred income	19	489.0	678.2
Financial liabilities	20, 26	303.0	1,217.9
Income tax liabilities		205.9	365.4
Provisions	21	26.9	46.3
Current liabilities		2,041.4	3,416.0
Financial liabilities	20, 26	3,634.2	4,732.0
Provisions	21	78.0	200.5
Deferred tax liabilities	8	322.5	404.7
Employee benefit obligations	22	239.9	328.6
Other liabilities	23	36.1	35.7
Non-current liabilities		4,310.7	5,701.5
LIABILITIES		6,352.1	9,117.5
Capital stock	24	1.5	1.6
Treasury shares	24	-15.1	-11.9
Reserves	24	4,979.8	5,930.7
Equity attributable to Sika shareholders	24	4,966.2	5,920.4
Non-controlling interests	24	0.9	12.8
SHAREHOLDERS' EQUITY	24	4,967.1	5,933.2
LIABILITIES AND SHAREHOLDERS' EQUITY		11,319.2	15,050.7

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, 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 ²					-445.8	-445.8	-0.2	-446.0
Buyout of existing non-controlling interests ³					-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
January 1, 2023	1.5	1,878.8	-15.1	-1,232.7	4,333.7	4,966.2	0.9	4,967.1
Net profit					1,062.0	1,062.0	0.6	1,062.6
Other comprehensive income				-805.7	50.9	-754.8	-1.0	-755.8
Comprehensive income	0.0	0.0	0.0	-805.7	1,112.9	307.2	-0.4	306.8
Transactions with treasury shares ¹			3.2		-8.5	-5.3		-5.3
Share-based payments					9.7	9.7		9.7
Conversion of convertible bonds	0.1	1,264.2			-27.7	1,236.6		1,236.6
Dividends ⁵					-492.3	-492.3	-1.0	-493.3
Non-controlling interests from MBCC acquisition						0.0	73.8	73.8
Buyout of existing non-controlling interests ⁶					-170.7	-170.7	-60.5	-231.2
Inflation adjustment ⁴					69.0	69.0		69.0
December 31, 2023	1.6	3,143.0	-11.9	-2,038.4	4,826.1	5,920.4	12.8	5,933.2

1 Including income tax of CHF 0.1 million (CHF 1.3 million) in retained earnings.

2 Dividend per registered share (par value CHF 0.01): CHF 2.90.

3 Increase in shareholdings in Mortero Spa, Algeria.

4 Hyperinflation accounting concerns the subsidiaries in Argentina and Turkey.

5 Dividend per registered share (par value CHF 0.01): CHF 3.20.

6 Increase in shareholdings in Master Builders Solutions Saudi Arabia for Manufacturing LLC, Saudi Arabia, MBS Construction Chemicals Egypt (SAE), Egypt, and MBS Construction Chemicals Trading (SAE), Egypt.

CONSOLIDATED STATEMENT OF CASH FLOWS

in CHF mn	Notes	2022	2023
Profit before taxes		1,498.2	1,336.4
Depreciation and amortization expenses	15, 16	384.5	495.6
Increase (+)/decrease (-) in provisions/ employee benefit obligations and assets		-19.9	-10.3
Increase (-)/decrease (+) net working capital and accruals		-326.5	82.2
Non-liquidity-related financial expenses (+)/income (-) as well as cash flow from hedging transactions		46.4	85.6
Profit on divestment of the industrial coatings business		-166.5	0.0
Other adjustments	25	0.1	29.0
Income taxes paid		-316.5	-373.1
Cash flow from operating activities		1,099.8	1,645.4
Property, plant, and equipment: capital expenditures	15, 25	-238.0	-256.8
Property, plant, and equipment: disposals	15, 25	31.4	6.9
Intangible assets: capital expenditures	16, 25	-28.0	-23.1
Intangible assets: disposals	16, 25	0.0	0.3
Proceeds from divestment of businesses		211.7	0.0
Acquisitions less cash and cash equivalents		-142.7	-3,235.5
Acquisition and capital increase of associated companies		0.0	-10.3
Acquisitions (-)/disposals (+) of financial assets		-3.4	3.0
Cash flow from investing activities		-169.0	-3,515.5
Increase in financial liabilities	20	20.6	1,416.4
Repayment of financial liabilities	20	-42.0	-2,569.3
Repayment of lease liabilities	20	-95.5	-118.0
Repayment of a bond	20	-150.0	-200.0
Issue of bonds	20	598.9	2,854.1
Repayment liability component of mandatory convertible bond	20	-48.8	0.0
Repayment of convertible bond	20	0.0	-3.1
Purchase of treasury shares		-67.0	-44.9
Sale of treasury shares		46.2	39.2
Dividend payment to shareholders of Sika AG		-445.8	-492.3
Dividend payment to non-controlling interests		-0.2	-1.0
Buyout of existing non-controlling interests		-6.4	-186.2
Cash flow from financing activities		-190.0	694.9
Exchange differences on cash and cash equivalents		-42.5	-54.2
Net change in cash and cash equivalents		698.3	-1,229.4
Cash and cash equivalents at the beginning of the year	10	1,175.0	1,873.3
Cash and cash equivalents at the end of the year	10	1,873.3	643.9
Cash flow from operating activities contains:			
Dividends from associated companies		0.1	0.1
Interest received		16.9	30.0
Interest paid		-31.9	-98.8

NOTES 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, 2023, were considered. The consolidated financial statements have been prepared according to the going-concern principle. Generally, assets and liabilities are valued at historical cost 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 Accounting Standards 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.208 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, that Sika has applied since January 1, 2023. The application of these standards did not have any material impact on the consolidated financial statements of the Group:

- Amendments to IAS 1 – Disclosure of accounting policies
- Amendments to IAS 8 – Definition of accounting estimates
- Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction
- Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules

Sika has adopted the amendments to IAS 12 'Income Taxes' relating to 'International Tax Reform – Pillar Two Model Rules' issued by the International Accounting Standards Board (IASB) in May 2023. The Group has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

A number of new standards and amendments to standards and interpretations are effective for the financial year 2024 and later and have not been applied in preparing these consolidated financial statements. Their application is not expected to have a material impact on the Group's results and financial position.

- 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)
- Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements (applicable as of January 1, 2024)
- Amendments to IAS 21 – Lack of Exchangeability (applicable as of January 1, 2025)

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, 2023, 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 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 as profit or loss when the control of the net investment is lost.

The financial statements of the foreign subsidiaries are translated into Swiss francs as follows. Balance sheet positions are translated using year-end rates, the income statement at 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	2022 Balance sheet ¹ CHF	2022 Income statement ² CHF	2023 Balance sheet ¹ CHF	2023 Income statement ² CHF
Argentina	ARS	100	0.5224	0.5224	0.1037	0.1037
Australia	AUD	1	0.6275	0.6625	0.5694	0.5967
Brazil	BRL	100	17.4600	18.4800	17.2700	18.0000
Canada	CAD	1	0.6819	0.7341	0.6324	0.6663
Chile	CLP	10,000	10.7800	10.9700	9.4800	10.7200
China	CNY	100	13.3800	14.1900	11.7900	12.7000
Colombia	COP	10,000	1.9037	2.2467	2.1699	2.0778
Czech Republic	CZK	100	4.0832	4.0867	3.7453	4.0525
Egypt	EGP	100	3.7300	4.9900	2.7100	2.9300
Eurozone	EUR	1	0.9847	1.0049	0.9260	0.9726
Great Britain	GBP	1	1.1102	1.1776	1.0655	1.1180
India	INR	100	1.1168	1.2157	1.0076	1.0895
Indonesia	IDR	100,000	5.9610	6.4340	5.4220	5.9040
Japan	JPY	100	0.7001	0.7272	0.5923	0.6398
Mexico	MXN	100	4.7214	4.7445	4.9458	5.0679
Poland	PLN	100	21.0400	21.4200	21.3400	21.3900
Romania	RON	1	0.1989	0.2036	0.1861	0.1966
Saudi Arabia	SAR	1	0.2462	0.2546	0.2235	0.2399
Sweden	SEK	100	8.8500	9.4500	8.3500	8.4600
Thailand	THB	100	2.6733	2.7245	2.4385	2.5839
Turkey	TRY	100	4.9300	4.9300	2.8400	2.8400
UAE	AED	100	25.1400	26.0000	22.8200	24.5000
USA	USD	1	0.9232	0.9555	0.8380	0.9001
Vietnam	VND	100,000	3.9100	4.0800	3.4540	3.7776

1 Year-end rates.

2 Average rates.

In countries experiencing hyperinflation, namely Argentina and Turkey, 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.

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.248 et seq. of this report) and associated companies (see note 17). 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:

- Sika (Zhejiang) Novel Material Co., Ltd., Jiaxing City (China).
- SikaDavco (Liaoning) New Materials Co., Ltd., Liaoning (China).

The scope of consolidation was reduced to exclude the following companies:

- Parex Construction Chemical Canada Inc., Anjou/QC (Canada) was merged with Sika Canada Inc., Pointe Claire/QC.
- Sika Automotive Hamburg GmbH, Hamburg (Germany) was merged with Sika Automotive Deutschland GmbH, Frankfurt am Main.
- Sika Hamatite Co. Ltd., Tokyo (Japan), Sika Hamatite Sales Co. Ltd., Tokyo (Japan), Dyflex Co. Ltd., Tokyo (Japan), and Dic Proofing Co. Ltd., Tokyo (Japan) were merged with Sika Japan Ltd., Minato-ku.
- Sika Automotive Kentucky LLC, Lyndhurst/NJ (USA) was merged with Sika Corporation, Lyndhurst/NJ.
- Apurva India Pvt Ltd., Mumbai (India) was merged with Sika India Private Ltd., Mumbai.
- Master Builders Solutions (Thailand) Ltd., Samutprakarn (Thailand) was merged with Sika (Thailand) Ltd., Chonburi.
- Bexel Internacional S.A. de C.V., Monterrey (Mexico), Bexel PI S.A. de C.V., Monterrey (Mexico), and Bexel Productos Innovadores en Acabados S.A. de C.V., Monterrey (Mexico) were merged with Sika Mexicana SA de CV, Corregidora.
- Master Builders Solutions Hongkong Ltd., Hong Kong (China) was merged with Parex (China) Ltd, Hong Kong.
- Supermassa do Brasil Ltda., Pedro Leopoldo (Brazil) was merged with Sika S/A, Osasco.

Acquisitions 2022

In 2022, Sika acquired the two companies Sable Marco Inc., Canada, as well as United Gilsonite Laboratories (UGL), USA. By the end of 2022, their purchase prices and allocations (PPAs) were still subject to uncertainties. Both PPAs were left unchanged and are now final.

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
Accounts payable	4.3
Accrued expenses and deferred income	2.7
Financial liabilities	11.0
Provisions	2.1
Deferred tax liabilities	4.1
Total liabilities	24.2
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.

Since the purchases, the acquired businesses have contributed sales in 2022 of CHF 59.7 million. The profit share was insignificant. 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 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, 2022.

The directly attributable transaction costs of all acquisitions in 2022 amounted to CHF 1.4 million and were charged to other operating expenses.

Acquisitions 2023

In 2023, Sika acquired various companies or parts of companies.

Company	Type of transaction	Stake in %	Closing date
MBCC Group	Share deal	100.0	05/02/2023
Thiessen Team, USA	Share deal	100.0	07/06/2023

On May 2, 2023, Sika acquired MBCC Group, a leading global supplier of construction chemicals. With this highly complementary transaction, Sika strengthens its footprint across all regions, reinforces its range of products and services across the entire construction life cycle and drives the sustainable transformation of the construction industry further and faster.

Prior to the closure of the transaction, MBCC Group's chemical admixtures business in the UK, the USA, Canada, Europe, Australia, and New Zealand was sold to the private equity firm Cinven. In compliance with the regulatory anti-trust requirements Sika did not obtain control of these assets at any point in time during the close of the MBCC transaction and Sika did not obtain control over the sales proceeds paid by Cinven to the former owner. Consequently, these assets and the sales proceeds do not form part of the net assets acquired by Sika and are not part of Sika's consideration transferred to acquire MBCC Group.

Sika acquired all remaining business of MBCC Group, consisting of business in over 60 countries and 95 production facilities.

Since the purchase, MBCC has contributed sales of CHF 1,381.0 million, and a net profit of CHF 51.1 million. Accounts receivable had a gross value of CHF 532.2 million, CHF 49.1 mn were expected to be uncollectable at the date of acquisition.

On July 6, 2023, Sika acquired Thiessen Team USA, a US manufacturer of shotcrete and grouting products for the mining industry in the USA. The company serves the Western US mining industry which produces essential minerals for the growing electric vehicle industry among many other critical minerals. The acquisition will open up significant cross-selling potential and will support Sika's expansion in the US mining market. Since the purchase, Thiessen has contributed sales of CHF 7.8 million.

ACQUIRED NET ASSETS AT FAIR VALUES

in CHF mn	MBCC Group	Thiessen Team USA
Cash and cash equivalents	94.8	0.8
Accounts receivable	483.1	1.8
Inventories	291.4	1.2
Prepaid expenses and accrued income	34.5	0.2
Property, plant, and equipment	475.7	3.2
Right-of-use assets	61.0	0.0
Intangible assets	1,321.4	2.1
Deferred tax assets	29.2	0.0
Other assets	17.5	0.0
Total assets	2,808.6	9.3
Accounts payable	276.8	0.9
Accrued expenses and deferred income	128.9	0.2
Financial liabilities	1,886.6	0.0
Income taxes payable	126.7	0.2
Provisions	160.9	0.0
Employee benefit obligation	98.7	0.0
Deferred tax liabilities	211.7	1.1
Total liabilities	2,890.3	2.4
Net assets	-81.7	6.9
Non-controlling interests	-73.8	0.0
Goodwill	3,475.5	4.2
Total purchase price	3,320.0	11.1
Cash in acquired assets	-94.8	-0.8
Net cash outflow	3,225.2	10.3

If the acquisitions had occurred on January 1, 2023, consolidated pro forma net sales would have been CHF 11,910.9 million (+CHF 672.3 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, 2023.

Since the purchase prices and the purchase price allocations for all acquisitions still entail some uncertainty, mainly due to the size and complexity of the acquisition structure, all positions except for "Cash and cash equivalents" are provisional. Product synergies as well as combined distribution channels and product portfolios justify the goodwill recognized. Goodwill is tax-deductible in the amount of CHF 191.8 million.

The directly attributable transaction costs of all acquisitions amounted to CHF 83.7 million in 2023 and were charged to other operating expenses.

SUPPORTING INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Net sales CHF 11,238.6 mn (CHF 10,491.8 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 eleven years. In 2023, revenues of CHF 3.6 million (CHF 4.0 million) were recognized. The deferred revenue positions are included in accrued expenses and deferred income (see note 19) as well as in other liabilities (see note 23).

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.36 of the download version of this report.

“Other segments and activities” includes expenses for Group headquarters, and income from services provided to Group companies.

The companies acquired in 2023 were allocated to the respective segments as follows:

- Thiessen Team USA, was allocated to the segment Americas.
- MBCC Group was allocated to the EMEA, Americas and Asia/Pacific geographical segments according to the respective country headquarters of the companies.

NET SALES

in CHF mn	2022			2023		
	With third parties	With other segments	Total	With third parties	With other segments	Total
EMEA	4,143.5	264.8	4,408.3	4,499.2	251.4	4,750.6
Americas	3,193.5	4.2	3,197.7	3,423.5	4.9	3,428.4
Asia/Pacific	2,350.6	27.2	2,377.8	2,474.3	22.5	2,496.8
Global Business	804.2	14.0	818.2	841.6	12.8	854.4
Eliminations		-310.2	-310.2		-291.6	-291.6
Net sales	10,491.8	-	10,491.8	11,238.6	-	11,238.6
Products for construction industry			8,655.9			9,454.9
Products for industrial manufacturing			1,835.9			1,783.7

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	2022	2023	Change compared to prior year (in %)		
			In Swiss francs	In local currencies	Currency impact
By region					
EMEA	4,143.5	4,499.2	8.6	14.8	-6.2
Americas	3,193.5	3,423.5	7.2	14.9	-7.7
Asia/Pacific	2,350.6	2,474.3	5.3	15.1	-9.8
Global Business	804.2	841.6	4.7	10.0	-5.3
Net sales	10,491.8	11,238.6	7.1	14.5	-7.4
Products for construction industry	8,655.9	9,454.9	9.2	16.9	-7.7
Products for industrial manufacturing	1,835.9	1,783.7	-2.8	3.4	-6.2

OPERATING PROFIT

in CHF mn			Change compared to prior year	
	2022	2023	(in %)	
By region				
EMEA ¹	782.6	667.7	-114.9	-14.7
Americas	570.8	630.0	59.2	10.4
Asia/Pacific	370.5	426.2	55.7	15.0
Global Business	48.8	117.8	69.0	141.4
Other segments and activities ¹	-193.0	-292.6	-99.6	n.a.
Operating profit	1,579.7	1,549.1	-30.6	-1.9

1. Including gain on disposal of European industrial coating business in 2022: CHF 146.4 million in EMEA and CHF 20.1 million in other segments and activities.

RECONCILIATION OF SEGMENT RESULT AND NET PROFIT

in CHF mn	2022	2023
Operating profit	1,579.7	1,549.1
Interest income	19.0	30.9
Interest expenses	-59.4	-165.7
Other financial income	6.9	7.3
Other financial expenses	-48.4	-86.3
Income from associated companies	0.4	1.1
Profit before taxes	1,498.2	1,336.4
Income taxes	-335.7	-273.8
Net profit	1,162.5	1,062.6

OTHER DISCLOSURES

in CHF mn	2022		2023	
	Depreciation/ Amortization/ Impairment	Capital expenditures	Depreciation/ Amortization/ Impairment	Capital expenditures
EMEA	141.6	84.8	185.2	77.3
Americas	95.6	71.1	126.8	87.0
Asia/Pacific	88.6	67.6	107.4	77.8
Global Business	27.8	17.8	26.4	13.2
Other segments and activities	30.9	24.7	49.8	24.6
Total	384.5	266.0	495.6	279.9

The following countries had a share of greater than 10% of at least one of the Group's key figures. Switzerland is listed as the country of domicile of Sika.

in CHF mn	Net sales				Non-current assets ¹			
	2022	%	2023	%	2022	%	2023	%
USA	2,253.5	21.5	2,411.3	21.5	1,051.3	17.3	2,808.2	26.7
China	1,303.4	12.4	1,303.6	11.6	1,228.4	20.3	1,488.0	14.2
France	650.9	6.2	670.0	6.0	608.4	10.0	588.1	5.6
Switzerland	389.5	3.7	392.4	3.5	556.5	9.2	944.4	9.0
All other	5,894.5	56.2	6,461.3	57.4	2,618.1	43.2	4,674.0	44.5
Total	10,491.8	100.0	11,238.6	100.0	6,062.7	100.0	10,502.7	100.0

1 Non-current assets less financial assets, deferred tax assets, and employee benefit assets.

3. Material expenses CHF 5,213.8 mn (CHF 5,312.0 mn)

Material expenses decreased as a percentage of net sales by 4.2 percentage points largely due to a global decrease in raw material costs. Sustained sales pricing in conjunction with positive input cost dynamics have led to an overall increase of the material margin from 49.4% to 53.6%.

Unsaleable goods are written down to their fair value less costs of disposal, missing inventory to zero. The related cost of CHF 62.9 million (CHF 49.7 million) are included in material expenses.

4. Personnel expenses CHF 2,006.8 mn (CHF 1,710.5 mn)

in CHF mn	2022	2023
Wages and salaries	1,400.4	1,637.9
Social charges	311.6	369.7
Government support	-1.5	-0.8
Personnel expenses	1,710.5	2,006.8

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 serve to compensate.

POST-EMPLOYMENT BENEFIT EXPENSES

in CHF mn	2022	2023
Defined benefit plans ¹	31.1	29.5
Defined contribution plans	50.8	59.3
Post-employment benefit expenses	81.9	88.8

1 Includes pension expense recognized in income statement (see note 22) 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 2023 totaled CHF 31.6 million (CHF 21.6 million), CHF 9.7 million (CHF 10.5 million) of which was recorded in equity and CHF 21.8 million (CHF 11.1 million) in liabilities. At year-end, liabilities from share-based compensation plans amounted to CHF 25.7 million (CHF 21.3 million). Thereof, CHF 19.4 million (CHF 12.3 million) is recognized in accrued expenses and deferred income and CHF 6.3 million (CHF 9.0 million) is included in employee benefit obligations.

PERFORMANCE BONUS (SHORT-TERM INCENTIVE)

Sika Senior Management (SSM)

Part of the performance bonus of Sika Senior Management (by definition, Sika Senior Management includes the management level reporting to Group Management, managing directors of subsidiaries, and heads of central and regional functions; 147 (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 4.8 million. In the prior year, the market value of the grant amounted to CHF 5.2 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.

Senior Management

Sika introduced a new senior management layer in 2023 consisting of 284 managers with a high business and strategic impact called Regional Senior Management (RSM) and Corporate Senior Management (CSM), that complements the Sika Senior Management (SSM) group. Senior Management participates 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 2022-2024	10,968	365.34	4.0
Senior Manager LTI 2022-2024	13,608	365.34	5.0
Granted in 2022			9.0
Group Management LTI 2023-2025	17,870	221.70	4.0
Senior Manager LTI 2023-2025	35,567	221.70	7.9
Granted in 2023			11.9

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 2023 to April 2024, entitlements to 5,869 shares were granted at a market value of CHF 1.5 million (CHF 261.78 per share). The conversion into shares will take place in April 2024. For the term of office from April 2022 to April 2023, entitlements to 4,949 shares were granted with a market value of CHF 1.5 million (CHF 310.40 per share). The conversion into shares took place in April 2023.

5. Other operating expenses CHF 1,973.3 mn (CHF 1,505.1 mn)

in CHF mn	2022	2023
Production and operations ¹	498.5	573.5
Logistics and distribution	519.4	566.1
Sales, marketing, and travel costs	303.5	370.5
Administration and other costs ²	183.7	463.2
Total	1,505.1	1,973.3

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 increased from 14.4% to 17.6% mainly as a result of acquisition- and integration-related costs of MBCC Group of CHF 109.3 million (CHF 78.3 million) and a prior-year gain of CHF 166.5 million for the sale of the European industrial coatings business, both included in "Administration and other costs". Furthermore, higher costs are driven by increased expenses for energy, travel, freight, and operations-related costs.

Other operating expenses include government support of CHF 5.5 million (CHF 6.6 million). Government grants are recognized where there is reasonable certainty that the grant will be received, and all attached conditions will be complied with. The grant is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

Research and development expenses are not capitalized since the recognition criteria are not met. Expenditures on research and development in the Group during the year under review totaled CHF 270.5 million (CHF 232.0 million), roughly equivalent to 2.4% (2.2%) 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 252.0 mn (CHF 107.8 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 107.0 million (CHF 32.6 million), interests on lease liabilities of CHF 18.4 million (CHF 12.7 million), other interest expenses of CHF 36.2 million (CHF 12.4 million), as well as the interest component of pension expenses of defined benefit plans of CHF 4.2 million (CHF 1.7 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 26). Other financial expenses increased to CHF 86.3 million (CHF 48.4 million).

7. Interest income/income from associated companies

CHF 32.0 mn (CHF 19.4 mn)

Interest income is recognized pro rata temporis using the effective interest method. Short-term surpluses in liquidity in various countries resulted in interest income of CHF 30.9 million (CHF 19.0 million). Income from associated companies is CHF 1.1 million (CHF 0.4 million).

8. Income taxes

in CHF mn	2022	2023
Income tax during the year under review	365.0	380.6
Deferred income tax	-29.3	-116.5
Income tax from prior years	0.0	9.7
Total	335.7	273.8

RECONCILIATION BETWEEN EXPECTED AND EFFECTIVE TAX EXPENSE

in CHF mn	%	2022	%	2023
Profit before taxes		1,498.2		1,336.4
Expected tax expense	23.1	346.4	21.8	290.7
Non-taxable income/non-tax-deductible expenses	0.4	6.2	2.6	34.4
Effect of changes in tax rates	0.0	0.0	-0.1	-0.9
Adjusted tax expense from earlier periods	0.0	0.0	0.7	9.7
Valuation adjustment on deferred tax assets	-1.2	-18.0	-0.5	-6.5
Withholding tax on dividends, licenses, and interests	1.0	14.4	1.8	24.4
Other ¹	-0.9	-13.3	-5.8	-78.0
Tax expense as per consolidated income statement	22.4	335.7	20.5	273.8

1 Includes a decrease of CHF 66.9 million in 2023 for changes in estimates of deferred taxes related to Parex China and a decrease of CHF 23.2 million for a tax benefit on tax-deductible goodwill in Switzerland.

The effective tax rate decreased to 20.5% (22.4%). The expected average Group income tax rate of 21.8% (23.1%) 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 decrease in the expected tax rate is mainly attributable to the extraordinary gain on the sale of the industrial coating business in Germany at a tax rate of 31.0% in 2022.

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	2022	2023
January 1	-223.8	-177.7
Credited (+)/debited (-) to income statement ¹	29.3	116.5
Credited (+)/debited (-) to other comprehensive income	9.5	-2.8
Credited (+)/debited (-) to equity	-0.9	-8.9
Exchange differences	12.3	40.4
Acquisitions/divestments	-4.1	-183.6
December 31	-177.7	-216.1

1 The credited amount to the income statement 2023 originates to CHF 66.9 million from temporary differences on investments, to CHF 40.2 million from tax losses/tax credits, and to CHF 9.4 million from other positions on the balance sheet.

ORIGIN OF DEFERRED TAX ASSETS AND LIABILITIES

in CHF mn	2022			2023		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Tax losses/tax credits	11.8		11.8	61.5		61.5
Current assets	32.8	-13.4	19.4	54.1	-12.8	41.3
Property, plant, and equipment	10.8	-134.5	-123.7	13.0	-171.0	-158.0
Other non-current assets	94.1	-171.7	-77.6	91.7	-329.8	-238.1
Liabilities	159.3	-16.8	142.5	189.9	-20.9	169.0
Temporary differences on investments ¹	0.0	-150.1	-150.1	0.0	-91.8	-91.8
Gross values	308.8	-486.5	-177.7	410.2	-626.3	-216.1
Offsetting	-164.0	164.0	0.0	-221.6	221.6	0.0
Total	144.8	-322.5	-177.7	188.6	-404.7	-216.1

1 This position includes expected withholding taxes of CHF 8.8 million (CHF 11.4 million) on undistributed dividends from Group companies. Deferred tax liabilities of CHF 55.1 million (CHF 138.7 million) and CHF 27.9 million (CHF 0.0 million) pertain to expected tax payments in connection with legal restructurings of the acquired Parex and MBCC companies, respectively, in the coming years.

CARRY FORWARD OF TAX LOSSES, FOR WHICH NO DEFERRED TAX ASSETS HAVE BEEN RECOGNIZED

in CHF mn	2022	2023
1 year or less	5.4	3.6
1-5 years	23.1	20.3
Over 5 years or non-expiring	0.7	1.5
Total	29.2	25.4

The underlying average tax rate of tax losses for which no deferred tax assets have been recognized is 25.8% (25.7%).

In the year under review, deferred tax assets from carried forward tax losses of CHF 6.6 million (CHF 3.0 million) were used and deferred carried forward tax losses of CHF 46.8 million (CHF 3.4 million) were capitalized.

There are deductible temporary differences of CHF 365.0 million (CHF 365.0 million). A deferred tax asset of CHF 2.8 million was recognized on CHF 65.0 million of this amount. The underlying average tax rate is 4.3% (5.2%). A further 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).

PILLAR TWO INCOME TAXES

The Organization for Economic Co-operation and Development (OECD) has published Global Anti-Base Erosion (GloBE) Model Rules, which include a minimum tax of 15% by jurisdiction (Pillar Two). Various countries intend to enact or have enacted tax legislation to either fully or partially comply with Pillar Two. The Group is within the scope of the OECD's Pillar Two. The Group is in the process of assessing its exposure to Pillar Two, which did not impact the 2023 results but will impact the results from January 1, 2024 onwards. On December 22, 2023 the Swiss government decided to partially implement Pillar Two by introducing a Qualified Domestic Minimum Top-up Tax (QDMTT) to reach the required taxation level of 15% on Pillar Two qualifying profits of subsidiaries in Switzerland effective from January 1, 2024. The Swiss government did not introduce the Income Inclusion Rule (IIR), which would require Switzerland to levy taxes on Pillar Two qualifying profits of subsidiaries in other countries not reaching the 15%. Based on the assessment to date and the expected business development, this global minimum tax regime should not materially impact Group's tax rate in 2024.

9. Earnings per share CHF 6.82 (CHF 7.57)

BASIC EARNINGS PER SHARE

	2022	2023
Net profit used to calculate basic earnings per share (CHF mn)	1,162.5	1,062.0
Weighted average number of shares outstanding ¹	152,713,022	155,767,700
Weighted average number of potential shares of the 3.75%-mandatory convertible bond	814,049	0
Weighted average number of shares used to calculate basic earnings per share	153,527,071	155,767,700
Basic earnings per share (CHF)	7.57	6.82

1. Excluding treasury shares held in the Group.

DILUTED EARNINGS PER SHARE

	2022	2023
Net profit attributable to Sika shareholders (CHF mn)	1,162.5	1,062.0
Increase in profit assuming all conversion rights of the 0.15%-convertible bond have been exercised (CHF mn)	8.1	5.5
Net profit used to calculate diluted earnings per share (CHF mn)	1,170.6	1,067.5
Weighted average number of shares outstanding ¹	152,784,517	155,842,369
Weighted average number of potential shares of the 3.75%-mandatory convertible bond	814,049	0
Weighted average number of potential shares of the 0.15%-convertible bond	6,887,394	4,679,271
Weighted average number of shares used to calculate diluted earnings per share	160,485,960	160,521,640
Diluted earnings per share (CHF)	7.29	6.65

1. Excluding treasury shares held in the Group, including potential shares needed for share-based compensation plans.

10. Cash and cash equivalents CHF 643.9 mn (CHF 1,873.3 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 2,009.1 mn (CHF 1,719.6 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 26.

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	2022	2023
Not overdue	1,351.5	1,607.5
Past due <31 days	213.2	208.0
Past due 31-60 days	64.3	77.7
Past due 61-180 days	64.4	79.0
Past due 181-365 days	7.7	10.9
Past due >365 days	18.5	26.0
Net accounts receivable	1,719.6	2,009.1

MOVEMENTS ON THE ALLOWANCE FOR DOUBTFUL DEBTS

in CHF mn	2022	2023
January 1	80.6	95.8
Additions to or increase in allowances	27.3	33.1
Reversal of allowances	-5.8	-7.1
Utilization of allowances	-1.3	-6.8
Exchange differences	-5.0	-13.7
December 31	95.8	101.3

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 1,240.7 mn (CHF 1,212.8 mn)

in CHF mn	2022	2023
Raw materials and supplies	495.6	491.0
Semi-finished goods	75.5	70.5
Finished goods	527.0	542.7
Merchandise	114.7	136.5
Total	1,212.8	1,240.7

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 243.8 mn (CHF 190.1 mn)

This includes advance payments and prepaid expenses for the accrual of expenses and income.

14. Other assets CHF 224.6 mn (CHF 117.7 mn)

OTHER CURRENT ASSETS

in CHF mn	2022	2023
Derivatives (at fair value through profit and loss)	6.8	47.2
Securities (at fair value through profit and loss)	2.8	4.3
Loans (at amortized cost)	15.9	12.3
Other financial assets	25.5	63.8
Other current assets	25.5	63.8

OTHER NON-CURRENT ASSETS

in CHF mn	2022	2023
Securities (at fair value through profit and loss)	59.5	67.8
Loans (at amortized cost)	14.3	14.5
Other financial assets	73.8	82.3
Employee benefit assets ¹	16.6	75.8
Other	1.8	2.7
Other non-financial assets	18.4	78.5
Other non-current assets	92.2	160.8

1 Includes the excess of assets for employee benefit plans with defined benefits, see note 22.

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 26.

15. Property, plant, and equipment CHF 2,257.3 mn (CHF 1,822.3 mn)

in CHF mn	2022	2023
Own property, plant, and equipment	1,488.7	1,865.3
Right-of-use assets	333.6	392.0
Property, plant, and equipment	1,822.3	2,257.3

OWN PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment is 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. Property and plants include land and buildings. Equipment and vehicles include machinery, vehicles, laboratory and other equipment, furnishings and IT hardware.

OWN PROPERTY, PLANT, AND EQUIPMENT

in CHF mn	Property	Plant	Equipment and motor vehicles	Plants and buildings under construction	Total
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 January 1, 2023	218.2	442.5	675.1	152.9	1,488.7
Additions	0.6	5.2	45.2	205.8	256.8
Acquired on acquisition	78.9	149.8	215.3	34.9	478.9
Exchange differences	-21.1	-35.0	-69.4	-16.5	-142.0
Disposals	-0.4	-1.6	-4.1	0.0	-6.1
Reclassifications ¹	1.1	27.5	146.2	-175.5	-0.7
Depreciation charge for the year	0.0	-37.0	-163.0	0.0	-200.0
Impairments	0.0	-0.7	-9.6	0.0	-10.3
December 31, 2023	277.3	550.7	835.7	201.6	1,865.3
Acquisition cost	277.9	1,080.2	2,413.6	201.6	3,973.3
Cumulative depreciation and impairment	-0.6	-529.5	-1,577.9	0.0	-2,108.0
Net values at December 31, 2023	277.3	550.7	835.7	201.6	1,865.3

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
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, 2023, but not recognized as liabilities is CHF 65.9 million (CHF 29.2 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 months 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	2022	2023
Expenses relating to leases of low-value assets	10.4	16.4
Expenses relating to short-term leases	29.0	28.5
Expenses relating to variable lease payments not included in lease liabilities	2.7	3.1

The cash-outflow of all lease payments amount to CHF 166.0 million (CHF 137.6 million) of which CHF 118.0 million (CHF 95.5 million) is included in financing activities and the residual amount in operating activities in the statement of cash flows.

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 the 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 the 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 6.7 million (CHF 4.9 million) as of December 31, 2023.

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, 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 January 1, 2023	112.9	156.0	64.7	333.6
Additions	17.1	46.6	56.3	120.0
Acquired on acquisition	13.6	30.0	17.4	61.0
Exchange differences	-13.8	-14.6	-5.7	-34.1
Remeasurements	5.8	16.9	1.5	24.2
Disposals	-1.3	-2.1	-5.1	-8.5
Reclassifications ¹	1.7	0.0	0.1	1.8
Depreciation charge for the year	-19.9	-44.5	-41.6	-106.0
December 31, 2023	116.1	188.3	87.6	392.0
Acquisition cost	179.5	300.1	170.1	649.7
Cumulative depreciation and impairment	-63.4	-111.8	-82.5	-257.7
Net values at December 31, 2023	116.1	188.3	87.6	392.0

1 Right-of-use assets are reclassified to property, plant, and equipment when the purchase option is exercised.

16. Intangible assets and goodwill CHF 8,223.6 mn (CHF 4,229.1 mn)

in CHF mn	Goodwill	Software	Trademarks	Customer relations	Other intangibles	Total
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
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 January 1, 2023	3,225.7	59.2	269.6	623.1	51.5	4,229.1
Additions	0.0	22.2	0.0	0.2	0.7	23.1
Acquired on acquisition	3,479.7	2.0	103.1	960.1	258.3	4,803.2
Exchange differences	-505.0	-3.1	-15.3	-125.1	-2.7	-651.2
Disposals	0.0	0.0	0.0	0.0	-0.2	-0.2
Reclassifications	0.0	0.1	0.0	0.0	-1.2	-1.1
Amortization for the year	0.0	-14.2	-39.1	-96.4	-29.6	-179.3
December 31, 2023	6,200.4	66.2	318.3	1,361.9	276.8	8,223.6
Acquisition costs	6,204.4	208.3	469.8	1,799.3	408.8	9,090.6
Cumulative amortization and impairment	-4.0	-142.1	-151.5	-437.4	-132.0	-867.0
Net values at December 31, 2023	6,200.4	66.2	318.3	1,361.9	276.8	8,223.6

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
Trademarks	3–20 years
Customer relations	1–23 years
Patents	5–10 years
Technology	5–20 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 2025.

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	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
EMEA	3.0	11.9	2,072.0
Americas	2.6	14.0	2,129.5
Asia/Pacific	2.3	9.8	1,739.4
Global Business	2.4	11.2	259.5
December 31, 2023			6,200.4

17. Investments in associated companies CHF 19.1 mn (CHF 9.5 mn)

The following associated companies are included in the consolidated financial statements as of December 31, 2023: HPS North America, LLC, USA (Sika stake 49%, prior year 20%), Condensil SARL, France (40%), Chemical Sangyo Ltd., Japan (50%), Seven Tech Co. Ltd., Japan (50%), and Concria Oy, Finland (30%). The stake in Concria Oy was acquired this year.

STAKE IN NET SALES AND NET INCOME OF ASSOCIATES

in CHF mn	2022	2023
Sales	8.1	18.9
Profit (+)/loss (-)	0.4	1.1

18. Accounts payable CHF 1,108.2 mn (CHF 1,016.6 mn)

Accounts payable do not bear interest and will usually become due within 30 to 60 days.

19. Accrued expenses and deferred income CHF 678.2 mn (CHF 489.0 mn)

Accrued expenses and deferred income relate to outstanding invoices and liabilities for the past financial year, including performance-based compensation payable to employees and social security expenses in the following year, as well as refund liabilities for expected volume discounts. In addition, deferred revenues for warranty extensions in the amount of CHF 3.8 million (CHF 4.6 million) are included (see note 1).

20. Financial liabilities CHF 5,949.9 mn (CHF 3,937.2 mn)

in CHF mn	2022			2023		
	Current	Non-current	Total	Current	Non-current	Total
Derivatives	9.1	0.4	9.5	82.0	0.0	82.0
Bank loans	11.1	0.0	11.1	4.3	669.6	673.9
Lease liabilities	78.1	256.1	334.2	112.0	287.0	399.0
Straight bonds	199.9	2,099.9	2,299.8	1,012.6	3,752.6	4,765.2
Convertible bond	0.0	1,249.7	1,249.7	0.0	0.0	0.0
Other financial liabilities	4.8	28.1	32.9	7.0	22.8	29.8
Total	303.0	3,634.2	3,937.2	1,217.9	4,732.0	5,949.9

Furthermore, Sika has the following credit facilities:

- Revolving credit facility of CHF 1,100.0 million, drawable in CHF, EUR, USD, or GBP. The term ends on December 13, 2028. As of December 31, 2023, Sika has utilized CHF 389.6 million under this credit line.
- Revolving credit facility of CHF 1,100.0 million, drawable in CHF, EUR, USD, or GBP. The term ends on August 10, 2028. As of December 31, 2023, Sika has utilized CHF 280.0 million under this credit line.

OUTSTANDING STRAIGHT BONDS

in CHF mn						2022	2023
Issuer	Bond	Nominal	Coupon	Term	Book value	Book value	
Sika AG, Baar, Switzerland	Straight bond	CHF 200.0	1.875%	2013-11/14/2023	199.9	0.0	
	Straight bond	CHF 100.0	1.600%	2022-05/28/2024	99.9	100.0	
	Straight bond	CHF 250.0	0.625%	2018-07/12/2024	250.2	250.0	
	Straight bond	CHF 200.0	2.125%	2023-10/11/2024	0.0	199.9	
	Straight bond	CHF 200.0	1.900%	2022-11/28/2025	199.6	199.5	
	Straight bond	CHF 140.0	0.600%	2018-03/27/2026	140.0	140.0	
	Straight bond	CHF 200.0	2.250%	2023-04/13/2026	0.0	200.1	
	Straight bond	CHF 130.0	1.125%	2018-07/12/2028	130.6	130.5	
	Straight bond	CHF 300.0	2.350%	2022-11/28/2028	299.4	299.5	
	Straight bond	CHF 250.0	2.250%	2023-04/13/2029	0.0	249.6	
Sika Capital B.V., Utrecht, Netherlands	Straight bond	EUR 500.0	4.168% ¹	2023-11/01/2024	0.0	462.7	
	Straight bond	EUR 1,000.0	3.750%	2023-11/03/2026	0.0	922.2	
	Straight bond	EUR 500.0	0.875%	2019-04/29/2027	490.6	461.7	
	Straight bond	EUR 750.0	3.750%	2023-05/03/2030	0.0	688.7	
	Straight bond	EUR 500.0	1.500%	2019-04/29/2031	489.6	460.8	
Total					2,299.8	4,765.2	

1 Three-month Euribor plus 20 basis points, reoffered quarterly. The rate indicated is applicable as at December 31, 2023.

On April 13, 2023, Sika AG completed an offering of CHF 650 million fixed rate bonds issued in three tranches:

- CHF 200.0 million 2023 – Oct. 2024 with a fixed coupon of 2.125% p.a. The bond was issued at 100.091%
- CHF 200.0 million 2023 – Apr. 2026 with a fixed coupon of 2.25% p.a. The bond was issued at 100.338%.
- CHF 250.0 million 2023 – Apr. 2029 with a fixed coupon of 2.25% p.a. The bond was issued at 100.111%.

On May 3, 2023, Sika Capital B.V., Utrecht, completed an offering of EUR 2,250 million bonds issued in three tranches:

- EUR 500.0 million 2023 – Nov. 2024 with a floating coupon of 3mE+20bps payable quarterly.
- EUR 1,000.0 million 2023 – Nov. 2026 with a fixed coupon of 3.75% p.a. The bond was issued at 99.93%.
- EUR 750.0 million 2023 – May 2030 with a fixed coupon of 3.75% p.a. The bond was issued at 99.451%.

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 had a coupon of 0.15% p.a. On August 24, 2023, Sika notified the bondholders that it has exercised the early redemption option. As a result, by September 25, 2023, all outstanding bonds were either converted into new shares from the conditional capital of Sika AG or repaid. In the reporting year, bonds with a nominal value of CHF 1,264.2 million were converted (CHF 141.7 million), and bonds with a nominal value of CHF 3.1 million were repaid to the bondholders.

RECONCILIATION LIABILITY COMPONENT 0.15%-CONVERTIBLE BOND 2018-2025

in CHF mn	2022	2023
January 1	1,381.9	1,249.7
Interest expense (amortized cost)	7.2	5.9
Conversion of bond into registered shares	-139.4	-1,252.5
Redemption	0.0	-3.1
December 31	1,249.7	0.0
Open par value	1,267.3	0.0

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.

CHANGE IN FINANCIAL LIABILITIES

in CHF mn	Bank loans	Bonds	Lease liabilities	Derivatives and other financial liabilities	Total financial liabilities
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
January 1, 2023	11.1	3,549.5	334.2	42.4	3,937.2
Proceeds	1,416.4	2,854.1	0.0	0.0	4,270.5
Repayments	-2,565.8	-203.1	-118.0	-3.5	-2,890.4
Cash flow	-1,149.4	2,651.0	-118.0	-3.5	1,380.1
Acquired on acquisition	1,812.6	0.0	67.3	6.7	1,886.6
Exchange differences	-0.7	-192.3	-33.9	-4.0	-230.9
New leases	0.0	0.0	115.8	0.0	115.8
Conversion of bonds into shares	0.0	-1,252.5	0.0	0.0	-1,252.5
Other changes	0.3	9.5	33.6	70.2	113.6
Non-cash movements	1,812.2	-1,435.3	182.8	72.9	632.6
December 31, 2023	673.9	4,765.2	399.0	111.8	5,949.9

The classification and valuation principles for financial liabilities are described in note 26.

21. Provisions and contingent liabilities CHF 246.8 mn (CHF 104.9 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	17.9	28.4	46.3
Non-current provisions	60.8	139.7	200.5
Provisions	78.7	168.1	246.8
Reconciliation			
January 1, 2023	44.0	60.9	104.9
Additions	9.0	29.1	38.1
Assumed on acquisition	48.1	112.8	160.9
Exchange differences	-5.4	-7.2	-12.6
Utilization	-4.6	-11.5	-16.1
Reversal	-12.4	-16.0	-28.4
December 31, 2023	78.7	168.1	246.8

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 cases with a probability of occurrence above 50%. Furthermore they include tax risks from acquisitions with a probability of occurrence below 50% (contingent liabilities, see below).

From the sum of provisions, CHF 200.5 million (CHF 78.0 million) are shown as non-current liabilities, since an outflow of funds is not expected within the next twelve months. For provisions of CHF 46.3 million (CHF 26.9 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.

Sika AG acts as guarantor in the share and purchase agreement (SPA) regarding certain subsidiaries of the MBCC Group between Sika International GmbH, acting as seller, and the purchaser. Further to the obligations in the SPA, and as between the Sika entities, Sika AG agreed to accept all of the rights, claims, title, benefit and interest to, in and under the SPA, whether current or future, actual or contingent of Sika International GmbH. The recognition of risks embedded in the business acquired (mainly fiscal), as well as the fair value measurement of the contingent liabilities related thereto, led to the recognition of additional contingent liabilities at fair value for an amount of CHF 85.6 million (included in sundry risks).

Sika is part of antitrust investigations announced by the European, UK, US and Turkish competition authorities in relation to certain activities in the construction chemical industry. Sika is fully cooperating with the investigations which are still at an early stage. It is therefore too early to draw any conclusion on the likely outcome as these type of investigations are normally lengthy and it is not expected that any decision would be issued in the near future.

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%.

22. Employee benefit obligations

in CHF mn	2022			2023		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Employee benefit plans with defined benefits	16.6	138.9	122.3	75.8	211.6	135.8
Other employee commitments	-	101.0	101.0	-	117.0	117.0
Total	16.6	239.9	223.3	75.8	328.6	252.8

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 plans 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 PLANS

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 PLANS

Defined benefit pension plans for staff exist within 55 (45) Group companies. The biggest plans are in Switzerland, accounting for 78.6% (83.2%) of Sika's entire defined benefit pension obligations and 96.1% (96.8%) 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 plan 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 plan 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, 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
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

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, 2023	-920.6	897.8	-99.5	-122.3
Current service cost	-28.6			-28.6
Past service cost (-) and gains (+)/losses (-) on settlements and curtailments	-0.9			-0.9
Interest expense (-)/interest income (+)	-25.5	20.5	-2.2	-7.2
Total expense recognized in income statement	-55.0	20.5	-2.2	-36.7
thereof Switzerland	-41.7	19.2	-2.2	-24.7
thereof others	-13.3	1.3	0.0	-12.0
Return on plan assets, excluding amounts included in interest income		17.2		17.2
Actuarial gains (+)/losses (-) from change in financial assumptions	-69.0			-69.0
Actuarial gains (+)/losses (-) from change in demographic assumptions	-3.7			-3.7
Experience gains (+)/losses (-)	7.5			7.5
Change in asset ceiling			101.7	101.7
Total remeasurement recognized in other comprehensive income	-65.2	17.2	101.7	53.7
thereof Switzerland	-55.5	16.0	101.7	62.2
thereof others	-9.7	1.2	0.0	-8.5
Exchange differences	17.8	-2.2		15.6
Contributions by employers		26.3		26.3
Contributions by plan participants	-17.8	17.8		0.0
Benefits paid	43.2	-31.5		11.7
Acquired in a business combination	-105.5	21.4		-84.1
At December 31, 2023	-1,103.1	967.3	0.0	-135.8
thereof Switzerland	-867.0	929.7	0.0	62.7
thereof others	-236.1	37.6	0.0	-198.5

The contributions expected to be paid into the defined benefit pension plans for 2024 amount to CHF 24.3 million.

The Group's total expenses for employee benefits are included in the consolidated financial statements under "Personnel expenses", excluding net interest that is recognized under interest expenses.

The stated deficit results mainly from the defined benefit obligation of the unfunded benefit plans of CHF 178.6 million (CHF 104.4 million). Schemes in Germany, in particular, do not have segregated assets. For the Swiss pension plan, the result is a surplus of CHF 62.7 million (surplus of CHF 4.5 million).

MAJOR CATEGORIES OF TOTAL PLAN ASSETS

in CHF mn	2022			2023		
	Switzerland	Others	Total	Switzerland	Others	Total
Cash and cash equivalents	17.3	6.8	24.1	15.0	6.5	21.5
Equity instruments	337.7	0.7	338.4	388.9	0.5	389.4
Debt instruments	307.8	2.7	310.5	322.4	12.5	334.9
Real estate investments	204.3	0.0	204.3	203.4	0.0	203.4
Other assets	2.4	18.1	20.5	0.0	18.1	18.1
Total	869.5	28.3	897.8	929.7	37.6	967.3

Most of the plan assets of the pension schemes are invested in assets with quoted market prices. In the year under review, 8.3% (7.8%) of the investments in real estate did not have a quoted market price.

AMOUNTS INCLUDED IN PLAN ASSETS

in CHF mn	2022		2023	
	Switzerland	Others	Switzerland	Others
Shares Sika AG ¹	24.9	0.0	32.1	0.0
Property occupied by Sika	11.1	0.0	11.5	0.0
Total	36.0	0.0	43.6	0.0

1. According to Swiss law, employer shareholdings may not exceed 5% of assets.

ACTUARIAL ASSUMPTIONS - WEIGHTED AVERAGE

	2022		2023	
	Switzerland	Others	Switzerland	Others
Discount rate in the year under review (%)	2.20	3.56	1.50	3.61

Significant actuarial assumptions for pension plans in Switzerland are the above stated discount rate in the year under review, interest rate on retirement savings capital of 1.5% (2.2%) as well as the life expectancy of plan participants for which the mortality table BVG 2020 GT (BVG 2020 GT) is applied. Actuarial assumptions for pension plans outside Switzerland are individually not significant.

THE SENSITIVITY OF THE DEFINED BENEFIT OBLIGATION TO CHANGES IN THE PRINCIPAL ASSUMPTIONS

in CHF mn	Change in assumptions	DBO increase (+)/decrease (-)	
		Switzerland	Others
Discount rate	+0.25%	-28.2	-6.6
Discount rate	-0.25%	30.1	6.4
Life expectancy	one year increase	18.1	
Interest rate on retirement savings capital	+0.25%	8.2	
Interest rate on retirement savings capital	-0.25%	-8.1	

FURTHER INFORMATION

	2022		2023	
	Switzerland	Others	Switzerland	Others
Total number of defined benefit plans	3	41	3	58
thereof number of defined benefit plans funded	2	12	2	19
thereof number of defined benefit plans unfunded	1	29	1	39
Average weighted duration in years	12.8	12.7	13.6	12.2

23. Other liabilities CHF 35.7 mn (CHF 36.1 mn)

Other liabilities consist of deferred revenue for warranty extensions that will not be realized within the next twelve months.

24. Shareholders' equity CHF 5,933.2 mn (CHF 4,967.1 mn)

in CHF mn	2022	2023
Capital stock	1.5	1.6
Capital surplus	1,878.8	3,143.0
Treasury shares	-15.1	-11.9
Currency translation differences	-1,232.7	-2,038.4
Retained earnings	4,333.7	4,826.1
Equity attributable to Sika shareholders	4,966.2	5,920.4
Non-controlling interests	0.9	12.8
Shareholders' equity	4,967.1	5,933.2

Equity accounts for 39.4% (43.9%) 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, 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
At January 1, 2023	153,735,051	1,537,351
Capital increase from conditional capital	6,744,242	67,442
At December 31, 2023	160,479,293	1,604,793

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, profit/loss of treasury shares, as well as remeasurements of defined benefit plans recognized in other comprehensive income. Profit distribution is subject to local legal restrictions.

The Board of Directors proposes to the Annual General Meeting a distribution to the shareholders in the total amount of CHF 3.30 per single-class registered share. This corresponds to a maximum possible payout of CHF 529.6 million. The dividend for 2022 was CHF 3.20 per single-class registered share.

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.248 et seq. of this report).

25. Cash flow statement

CASH FLOW ANALYSIS

in CHF mn	2022	2023
Cash flow from operating activities	1,099.8	1,645.4
Cash flow from investing activities	-169.0	-3,515.5
Cash flow from financing activities	-190.0	694.9
Exchange differences	-42.5	-54.2
Net change in cash and cash equivalents	698.3	-1,229.4

FREE CASH FLOW AND OPERATING FREE CASH FLOW

in CHF mn	2022	2023
Cash flow from operating activities	1,099.8	1,645.4
Net investment in		
Property, plant, and equipment	-206.6	-249.9
Intangible assets	-28.0	-22.8
Acquisitions less cash and cash equivalents	-142.7	-3,235.5
Proceeds from divestment of businesses	211.7	0.0
Acquisition of associated companies	0.0	-10.3
Acquisitions (-)/disposals (+) of financial assets	-3.4	3.0
Free cash flow	930.8	-1,870.1
Acquisitions (+)/disposals (-) less cash and cash equivalents	-69.0	3,245.8
Acquisitions (+)/disposals (-) of financial assets	3.4	-3.0
Operating free cash flow	865.2	1,372.7

OTHER ADJUSTMENTS

in CHF mn	2022	2023
Profit (-)/loss (+) from disposals of non-financial assets	-21.8	-0.9
Personnel expenses settled through treasury shares	10.5	9.7
Hyperinflation adjustment	7.0	11.4
Others	4.4	8.8
Total	0.1	29.0

26. 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 considered uncollectible.

PROVISION MATRIX OF ACCOUNTS RECEIVABLE

in CHF mn	Estimated total gross carrying amount at default	Expected credit losses
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 181–365 days	23.9	16.2
Past due >365 days	77.3	58.8
December 31, 2022	1,815.4	95.8
Not overdue	1,610.6	3.1
Past due <31 days	210.9	2.9
Past due 31–60 days	81.5	3.8
Past due 61–180 days	92.0	13.0
Past due 181–365 days	23.0	12.1
Past due >365 days	92.4	66.4
December 31, 2023	2,110.4	101.3

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	2022		2023	
		Book value	Fair value	Book value	Fair value
Cash and cash equivalents		1,873.3		643.9	
Accounts receivable		1,719.6		2,009.1	
Loans (at amortized cost)		30.2		26.8	
Securities (at fair value through profit and loss)	1	62.3	62.3	72.1	72.1
Derivatives (at fair value through profit and loss)	2	6.8	6.8	47.2	47.2
Financial assets at December 31		3,692.2		2,799.1	
Bank loans		11.1		673.9	
Accounts payable		1,016.6		1,108.2	
Lease liabilities		334.2		399.0	
Bonds	2	3,549.5	3,749.5	4,765.2	4,764.0
Other financial liabilities		32.9		29.8	
Financial liabilities measured at amortized cost		4,944.3		6,976.1	
Derivatives (at fair value through profit and loss)	2	9.5	9.5	82.0	82.0
Financial liabilities at December 31		4,953.8		7,058.1	

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 0.8 million (CHF 0.6 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	Fair value		Contract value	Contractual value upon maturity		
	(+)	(-)		Up to 3 months	3 to 12 months	Over 12 months
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
Forward contracts (foreign exchange)	8.0	-3.5	300.0	84.2	215.8	0.0
Swaps (foreign exchange)	39.2	-78.1	4,106.0	1,256.9	2,849.1	0.0
Swaps (interest rate)	0.0	-0.4	100.0	0.0	100.0	0.0
Open derivatives 2023	47.2	-82.0	4,506.0	1,341.1	3,164.9	0.0

Losses from currency differences recognized in the income statement amounted to CHF 52.2 million (loss CHF 49.8 million), including a net loss of CHF 8.2 million (net gain of CHF 12.0 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	2022		2023	
	Profit before tax	Comprehensive income	Profit before tax	Comprehensive income
EUR: +10%	-3.6	0.0	5.6	0.0
EUR: -10%	3.6	0.0	-5.6	0.0
USD: +10%	-14.1	10.6	15.6	46.6
USD: -10%	14.1	-10.6	-15.6	-46.6

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. 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 20). The Group uses interest rate derivatives to manage its interest-rate-related exposure and financial result. Local bank loans and mortgages are moderate compared to the Group's total borrowing. 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 1% of the Group's net sales. The Group held no securities for loans and accounts receivable at year-end 2022 nor at year-end 2023. 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	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
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
Bank loans	4.3	669.6	0.0	673.9
Accounts payable	1,108.2	0.0	0.0	1,108.2
Lease liabilities	122.5	230.5	153.4	506.4
Bonds	1,042.1	2,440.0	1,424.7	4,906.8
Other financial liabilities	7.1	5.2	17.5	29.8
Financial liabilities measured at amortized cost	2,284.2	3,345.3	1,595.6	7,225.1
Financial liabilities at fair value through profit and loss	82.0	0.0	0.0	82.0
December 31, 2023	2,366.2	3,345.3	1,595.6	7,307.1

CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy equity ratios to support its business. The Group manages its capital structure and adjusts it considering changes in economic conditions. No changes were made in the objectives, policies, or processes during the years ended December 31, 2023, and December 31, 2022. 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.

Other disclosures

SIGNIFICANT SHAREHOLDERS

At December 31, 2023, 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. Compared to December 31, 2022, there are no changes in significant shareholding.

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

EMPLOYEE BENEFIT PLANS

In Switzerland, employee benefit plans are handled through independent foundations, to which a total of CHF 34.4 million (CHF 29.1 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 2023 amounted to CHF 0.7 million (CHF 0.7 million).

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	2022	2023
Current benefits	15.1	14.8
Share-based payments ¹	5.5	5.5
Pension benefits	1.3	1.4
Total	21.9	21.7

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 Compensation Report (p.196 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 13, 2024. The financial statements will be submitted for approval to the Annual General Meeting on March 26, 2024.

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 Djazair SpA, Les Eucalyptus	DZD	313,400	100*	◆★★
	○ Mortero Spa, Béjaia	DZD	60,000	100*	
	❖ Sika Trading DZ Sarl, Algiers	DZD	43,000	49 ^{2*}	
	○ Master Builder Solution Algeria SARL, Sidi Mousa	DZD	30,000	100*	
Angola	○ Sika Angola (SU), Limitada, Luanda	AOA	172,596	100	
Austria	○ Sika Österreich GmbH, Bludenz	EUR	2,500	100	◆★
	❖ TPH Bausysteme GmbH, Zwettl	EUR	43	100*	
Azerbaijan	○ Sika Limited Liability Company, Baku	AZN	5,311	100	◆
	○ Master Builders Solutions Azerbaijan LLC, Baku	AZN	448	100	
Bahrain	○ Sika Gulf B.S.C., Adliya	BHD	1,000	100*	◆★★
	▲ Sika Arabia Holding Company WLL, Manama	BHD	6,000	100	
Belarus	○ BellNECO LLC, Brest	BYN	49,742	100	◆
Belgium	○ Sika Belgium NV, Nazareth	EUR	10,264	100	◆★
	❖ Sika Automotive Belgium S.A., Saintes	EUR	1,649	100	
	○ Master Builders Solutions Belgium NV, Ham	EUR	21,964	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	EUR	531	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*	◆★
	○ Master Builders Solutions CZ s.r.o., Chrudim	CZK	28,000	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	99.81	◆★★
	○ Modern Waterproofing Company S.A.E., Cairo	EGP	119,000	98.89	◆★★
	○ MBS Construction Chemicals Egypt (SAE), Menoufa- Sadat City	EGP	6,000	100	◆★★
	❖ MBS Construction Chemicals Trading (SAE), New Cairo	EGP	5,000	100*	
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*	◆★★
	○ Dixel SAS, Les Salles du Gardon	EUR	37	100*	
	○ MBCC France S.A.S, Courcouronnes	EUR	1	100	◆★
Germany	▲ Sika Holding CH AG & Co KG, Stuttgart	EUR	26,000	100*	
	○ Sika Deutschland GmbH, Stuttgart	EUR	75	100*	◆★
	○ Sika Manufacturing Deutschland GmbH, Troisdorf	EUR	4,000	100*	◆★

Country	Company ¹		Capital stock in thousands	Voting and capital share in %	Certifi- cation
	○ 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	◆ ★
	○ PCI Augsburg GmbH, Augsburg	EUR	10,000	100*	◆
	○ Wolman Wood and Fire Protection GmbH, Sinzheim	EUR	2,100	100*	◆ ★
	▲ MBS Oldenburger Grundbesitz GmbH, Oldenburg	EUR	25	100*	◆ ★
	○ TPH Bausysteme GmbH, Norderstedt	EUR	75	100*	
	○ MBCC Investments GmbH, Mannheim	EUR	25	100*	◆
Ghana	○ Sika Chemicals Ghana Ltd., Accra	GHS	41,767	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	
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	◆ ★
Jordan	○ Jordanian Swiss Company for Manufacturing and Marketing Construction Chemicals Limited, Amman	JOD	372	80*	
Kazakhstan	○ Sika Kazakhstan LLP, Almaty	KZT mn	1,413	100	◆ ★
	○ Master Builders Solutions Central Asia LLP, Almaty	KZT	8,158,000	100	◆
Kenya	○ Sika Kenya Limited, Nairobi	KES	50,000	100	◆ ★ *
	○ MB Solutions Kenya Ltd., Nairobi Machakos	KES	202,900	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	◆
Luxemburg	▲ Sika HoldCo S.à.r.l., Luxembourg	EUR	12	100*	
	▲ Sika Investments S.à.r.l., Luxembourg	EUR	12	100*	
Mauritius	○ Sika (Mauritius) Ltd., Plaine Lauzun	MUR	2,600	100*	◆
Morocco	○ Sika Maroc, Casablanca	MAD	264,000	100	◆ ★ *
	○ Master Builders Solutions Maroc S.A.R.L, Ain Sebaa Casablanca	MAD	16,010	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	
	○ MB Construction Chemicals Solutions Nigeria LLC, Lagos	NGN mn	2,843	100	
Norway	○ Sika Norge AS, Skjetten	NOK	42,900	100	◆ ★ *
Oman	❖ Sika LLC, Muscat	OMR	150	100*	
	○ Master Builders Solutions LLC, Muscat Misfah	OMR	150	70*	◆ ★
Pakistan	○ Sika Pakistan (Pvt.) Limited, Lahore	PKR	824,786	100	◆ ★ *

Country	Company ¹		Capital stock in thousands	Voting and capital share in %	Certifi- cation
	○ Master Builders Solutions Pakistan Ltd., Karachi	PKR	904,000	100	
Poland	○ Sika Poland Sp. z o.o., Warsaw	PLZ	12,188	100	◆★★
	○ Sika Automotive Zlotoryja Sp. z o.o., Zlotoryja	PLZ	6,001	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	
	○ MBS Building Systems LLC, Podolsk	RUB	100,000	100*	
Saudi Arabia	○ Sika Saudi Arabia Limited (A Single Shareholder Limited Liability Company), Jeddah	SAR	41,750	100*	◆★
	○ Master Builders Solutions Saudi Arabia for Manufacturing LLC, Khobar	SAR	45,000	100*	◆
Senegal	○ Sika Sénégal S.U.A.R.L., Dakar	XOF mn	2,979	100	◆★
Serbia	○ Sika Srbija d.o.o., Simanovci	EUR	373	100	◆★
	❖ Master Builders Solutions d.o.o. Beograd, Beograd	RSD	211,700	100	
Slovakia	❖ Sika Slovensko, spol.s r.o., Bratislava	EUR	1,131	100	◆★★
	○ Sika Automotive Slovakia s.r.o., Zlaté Moravce	EUR	7	100	◆★★
	❖ Master Builders Solutions Slovakia spol s.r.o., Zilina	EUR	15	100*	
Slovenia	❖ Sika d.o.o., Trzin	EUR	1,029	100	◆★
South Africa	○ Sika South Africa (Pty) Ltd, Pinetown	ZAR	25,000	100	◆★★
	○ MB Construction Chemicals Solutions South Africa (Pty) Ltd., Johannesburg	ZAR	581,250	100	◆
Spain	○ Sika S.A.U., Alcobendas	EUR	19,867	100	◆★★
	○ Sika Automotive Terrassa S.A., Terrassa	EUR	2,965	100	◆★★
	○ MBCC Spain S.L., Alcobendas	EUR	16,598	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	◆★★
	▲ 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, Baar	CHF	100	100	
	▲ Sika Americas Management AG, Baar	CHF	100	100	
	▲ Sika Germany Management AG, Baar	CHF	50	100	

Country	Company ¹		Capital stock in thousands	Voting and capital share in %	Certifi- cation
	▲ Sika Global Business Management AG, Widen	CHF	100	100	
	○ Polypag AG, Altstätten	CHF	700	100	◆
	▲ Sika International GmbH, Baar	CHF	100	100	
	❖ TPH Bausysteme Schweiz AG, Zürich	CHF	100	100*	
	▲ Sika Investments AG, Baar	CHF	100	100	
Tanzania	○ Sika Tanzania Construction Chemicals Limited, Dar es Salaam	TZS mn	8,244	100	◆ ★
	MB Construction Chemicals Solutions Tanzania Ltd., Dar Es				
	○ Salaam	TZS mn	8'311	100	
Tunisia	○ Sika Tunisienne Sàrl, Douar Hicher	TND	150	100*	◆ ★
Turkey	○ Sika Yapi Kimyasallari A.S., Tuzla	TRY	48,700	100	◆ ★ ★
	○ ABC Kimya Sanayi ve Dış Ticaret Anonim Şirketi, Istanbul	TRY	5,200	100*	◆
	❖ Sika Turkey Otomotiv Sanayi ve Tic. Ltd. Şti., Istanbul	TRY	5,900	100	◆
	▲ ParexGroup Yapi Kimyasallari Sanayi Ve Ticaret AŞ., Istanbul	TRY	57,301	100*	
	Master Builders Solutions Yapi Kimyasallari Sanayi ve Ticaret				
	○ Limited Şirketi, Istanbul	TRY	747,825	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	
	▲ Master Builders Solutions Construction Chemicals FZE, Dubai	AED	1,000	100	
	○ Master Builders Solutions Construction Chemicals LLC, Dubai	AED	300	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	116,000	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*	
	○ MBCC Construction Chemicals Limited, Welwyn Garden City	GBP	0	100*	◆ ★
	▲ MBCC Investments UK Limited, Welwyn Garden City	GBP	65,000	100	
Uzbekistan	○ Master Builders Solutions CC LCC, Tashkent	UZS	3,800,000	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	◆ ★ ★
	Master Builders Solutions Brasil Indústria e Comércio de				
	○ Quimicos para Construção Ltda, São Paulo (Eb)	BRL	6,000	100	◆ ★
Canada	○ Sika Canada Inc., Pointe Claire/QC	CAD	88,384	100	◆ ★
	○ Hydrotech Membrane Corporation, Anjou/QC	CAD	100	100*	◆
	○ Sable Marco Inc., Pont-Rouge/QC	CAD	56,000	100*	
	❖ MBSCS Canada Inc., Pointe-Claire	CAD	4,899	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	◆ ★
	○ Master Builders Solutions Chile Limitada, Pudahuel	CLP	493,775	100	◆
Colombia	○ Sika Colombia S.A.S, Tocancipá	COP mn	14,500	100	◆ ★ *
	○ Master Builders Solutions Colombia S.A.S, Bogota D.C.	COP	9,500,000	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	◆ ★
	❖ Master Builders Solutions Ecuador S.A., Quito	USD	351	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	1,851,620	100	◆ ★ *
	○ Master B. Solutions Mexicana, S.A. de C.V., Ciudad De Mexico	MXN	200,050	100*	◆
	❖ Imperarva S.A. de C.V., Cuautitlan Izcalli	MXN	300	100*	
	○ Pinturas Térmicas del Norte S.A. de C.V., Monterrey	MXN	80,906	100*	◆
Nicaragua	❖ Sika Nicaragua, Sociedad Anonima, Managua	NIO	20,000	100	
Panama	○ Sika Panama S.A., Ciudad de Panamá	USD	7,200	100	
	○ Master Builders Solutions Panamá S.A., San Francisco	USD	10	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	◆ ★
	○ Master Builders Solutions Perú S.A., Lima Cercado	PEN	7,552	70*	◆ ★
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	0	100*	◆
	○ Sika Automotive Gastonia Inc., Gastonia/NC	USD	1	100*	◆
	○ Parex USA, Inc., Anaheim/CA	USD	7,176	100*	
	❖ American Hydrotech, Inc., Chicago/IL	USD	7	100*	
	○ United Gilsonite Laboratories, Inc., Dunmore/PA	USD	404	100*	
	Master Builders Solutions Construction Systems US, LLC,				
	○ Lyndhurst	USD	0	100*	◆
	○ Watson Bowman Acme Corp., Lyndhurst	USD	1	100*	◆
	○ Colorbiotics, LLC, Lyndhurst	USD	0	100*	
	○ Thiessen Equipment USA Inc., Lyndhurst	USD	10	100*	
	○ Master Builders Solutions Puerto Rico Corporation, Caguas/PR	USD	3,667	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	238,294	100	◆

Country	Company ¹		Capital stock in thousands	Voting and capital share in %	Certifi- cation
	○ MB Solutions Bangladesh Limited, Dhaka	BDT	1,400,100	100	
Cambodia	○ Sika (Cambodia) Ltd., Phnom Penh	KHR	422,000	100	◆*
China	○ Sika (China) Ltd., Suzhou	USD	50,000	100	◆**
	Sika Sarnafil Waterproofing Systems (Shanghai) Ltd., ○ Shanghai	USD	22,800	100	◆**
	○ Sika Guangzhou Ltd., Guangzhou	CNY	80,731	100	◆**
	❖ Sika Ltd. Dalian, Dalian	CNY	45,317	100	
	❖ Sika (Guangzhou) Trading Company Ltd., Guangzhou	CNY	3,723	100*	
	○ Sika (Sichuan) Building Material Ltd., Chengdu	CNY	60,010	100*	◆*
	○ Sika (Jiangsu) Building Material Ltd., Zhengjiang	CNY	60,010	100*	◆**
	○ Sika Automotive Shanghai Co. Ltd., Shanghai	CNY	2,666	100	◆*
	○ Sika Automotive (Tianjin) Co. Ltd., Tianjin	CNY	83,262	100	◆**
	Ronacrete (Guangzhou) Construction Products Limited, ○ Guangzhou	CNY	17,056	100*	◆**
	❖ Home of Heart (Shanghai) E-Commerce Co. Ltd., Shanghai	CNY	10,000	100*	
	❖ Sika (Shanghai) Management Co., Ltd., Shanghai	USD	10,000	100*	
	❖ SikaDavco (Guangzhou) Management Co. Ltd., Guangzhou	USD	2,000	100*	
	❖ SikaDavco (Guangzhou) Co. Ltd., Guangzhou	USD	10,000	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	60,000	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*	
	○ MB Solutions (China) Co., Ltd., Shanghai	CNY	722,500	100*	◆**
	MB Solutions Construction Systems (Huzhou) Co., Ltd., ○ Huzhou City	CNY	30,113	100*	◆**
	○ Shanghai MBT & SCG Co. Ltd., Minhang	CNY	56,000	60*	◆*
	○ SikaDavco (Liaoning) New Materials Co., Ltd. Liaoning	USD	1,500	100	
	▲ Sika (Zhejiang) Novel Material Co., Ltd., Jiaxing City	USD	33,500	100	

Country	Company ¹		Capital stock in thousands	Voting and capital share in %	Certifi- cation
	○ Sika Hongkong Ltd., Hong Kong	HKD	30,000	100	◆ ★
	❖ Ronacrete (Far East) Ltd., Hong Kong	HKD	450	100*	
	❖ Master Builders Solutions Hong Kong Limited, Hong Kong	HKD	35,950	100*	
	▲ Suzuka International Ltd, Hong Kong	HKD	10	100*	
	▲ MBCC Hong Kong Establishment Limited, Hong Kong	HKD	0	100	
	▲ MBCC Hong Kong Limited, Hong Kong	HKD	0	100	
India	○ Sika India Private Ltd., Mumbai	INR	85,000	100	◆ ★ *
	❖ Axson India Private Limited, Pune	INR	3,000	100*	
	○ Master Builders Solutions India Private Limited, Navi Mumbai	INR	4,150,100	100	◆ ★
Indonesia	○ Sika Indonesia P.T., Bogor	IDR mn	3,282	100	◆ ★ *
	○ PT Master Builders Solutions Indonesia, Cikarang	IDR	22,500,000	100*	◆
	❖ PT Master Builders Solutions Distribution Indonesia, Cikarang	IDR	82,500,000	100*	
Japan	○ Sika Japan Ltd., Minato-ku	JPY	490,000	100	◆ ★ *
	■ DCS Co. Ltd., Toda-shi	JPY	30,000	100*	
	○ Pozzolith Solutions Ltd., Chigasaki City	JPY	5,177,269	100*	◆
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	
	○ Master Builders Solutions Malaysia Sdn. Bhd., Klang	MYR	92,833	100	◆ ★
	○ Nautec Materials Sdn. Bhd, Johor	MYR	16,732	100	
Mongolia	○ Sika Mongolia LLC, Ulaanbaatar	MNT mn	7,091	100	◆ *
Myanmar	○ Sika Myanmar Limited, Dagon Myothit (South) Township	USD	3,018	100	◆ ★
	○ Master Builders Solutions Myanmar Ltd., Yangon	MMK	5,978,002	100	
New Zealand	○ Sika (NZ) Ltd., Auckland	NZD	1,100	100	◆ ★ *
Philippines	○ Sika Philippines Inc., Las Pinas City	PHP	55,610	100	◆ ★ *
	○ Master Builders Solutions Philippines Inc., Carmona	PHP	10,500	100*	
Singapore	○ Sika (Singapore) Pte. Ltd., Singapore	SGD	6,250	100	
	▲ Sika Asia Pacific Mgt. Pte. Ltd., Singapore	SGD	100	100	
	❖ Master Builders Solutions Singapore Pte. Ltd, Singapore	SGD	1,500	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	◆ ★ *
	○ Master Builders Solutions Vietnam Ltd., Ho Chi Minh City	VND mn	82,000	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 17.

² Fully consolidated – control over the company through shareholder agreement.

* Company indirectly held by Sika AG.

Material changes are indicated p.209 of this report.



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 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements (pages 200 to 254) give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) 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 those of 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



ACQUISITION OF MBCC GROUP

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 2023, the consolidated financial statements included goodwill amounting to CHF 6,200 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 cash-flow (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 2023, goodwill is of material importance.

In the financial year 2023 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.

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.
- 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.
- 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 conducted sensitivity analyses taking into account the historical forecasting accuracy.
- We assessed the appropriateness of the disclosures related to the impairment test.

For further information on the valuation of goodwill refer to the following:

- Note “Principles of consolidation and valuation” on pages 205 - 208
- Note 16 “Intangible assets and goodwill” on pages 229 – 230



ACQUISITION OF MBCC GROUP

Key Audit Matter

On May 2, 2023 Sika acquired all shares of MBCC Group (“MBCC”) for a total consideration of CHF 3.2 billion.

As part of the acquisition accounting, International Financial Reporting Standards require the recognition and measurement of the identifiable assets acquired and liabilities assumed at their fair values. As a result, Sika recognized goodwill of CHF 3.5 billion, representing the difference of the total consideration paid and the fair value of MBCCs net assets. Goodwill reflects market access, combined distribution channels and supplementary product portfolios.

Identifying and assessing the fair values of the assets acquired and liabilities assumed requires management judgement.

In particular, the valuation of intangible assets such as customer relationships and technology are based on estimates made by Sika management. In determining the fair values of these intangible assets, Sika management engaged experts who applied a valuation model that incorporates, amongst others, assumptions in respect of future revenues and margins, useful lives, customer attrition and discount rates.

Based on this rationale, we consider the acquisition of MBCC as a key audit matter.

Our response

Our audit procedures to assess the accounting for the business combination included, among others, the following:

- We analysed the MBCC purchase agreement to understand the key terms and conditions of the transaction and their implications on the accounting and the purchase price allocation. In addition, we reconciled the consideration paid to the agreement and bank statements.
- We considered the appropriateness of the fair values ascribed to assets and liabilities, including the involvement of local component auditors for the audit of the opening balance sheet of entities acquired.
- We obtained the fair value calculations for specific assets and liabilities done by the experts engaged by Sika and assessed the expert’s qualification, experience and expertise.
- We challenged the methods, assumptions and data used to identify and measure the fair values of assets and liabilities with the support of our own valuation and tax specialists.
- We assessed the appropriateness of the goodwill allocation to the cash generating units (CGUs).
- We evaluated the presentation and disclosure of the transaction in the consolidated financial statements.

For further information on the acquisition of MBCC Group refer to the following

- Note “Principles of consolidation and valuation” on pages 205 - 208
- Note “Scope of Consolidation and acquisitions” on pages 209 - 212

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 Accounting Standards 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, ISA 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, ISA 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 Art. 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 the 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, 13 February 2024

FIVE-YEAR REVIEWS

CONSOLIDATED INCOME STATEMENT for the year ended December 31

in CHF mn	2019	2020	2021	2022	2023
Net sales	8,109.2	7,877.5	9,252.3	10,491.8	11,238.6
Material expenses	-3,765.2	-3,562.7	-4,461.0	-5,312.0	-5,213.8
Gross result	4,344.0	4,314.8	4,791.3	5,179.8	6,024.8
Personnel expenses	-1,544.3	-1,525.9	-1,635.3	-1,710.5	-2,006.8
Other operating expenses	-1,412.1	-1,291.3	-1,398.0	-1,505.1	-1,973.3
Operating profit before depreciation	1,387.6	1,497.6	1,758.0	1,964.2	2,044.7
Depreciation/amortization/impairment	-332.5	-367.1	-366.6	-384.5	-495.6
Operating profit	1,055.1	1,130.5	1,391.4	1,579.7	1,549.1
Interest income/interest expense	-55.0	-51.9	-45.4	-40.4	-134.8
Financial income/expense and income from associated companies	-33.5	-18.2	-10.4	-41.1	-77.9
Profit before taxes	966.6	1,060.4	1,335.6	1,498.2	1,336.4
Income taxes	-208.1	-235.3	-287.1	-335.7	-273.8
Net profit	758.5	825.1	1,048.5	1,162.5	1,062.6
Free cash flow	-717.0	1,120.3	594.9	930.8	-1,870.1
Operating free cash flow	1,026.1	1,259.4	908.4	865.2	1,372.7
Gross result as % of net sales	53.6	54.8	51.8	49.4	53.6
Operating profit as % of net sales	13.0	14.4	15.0	15.1	13.8
Net profit as % of net sales (ROS)	9.4	10.5	11.3	11.1	9.5
Net profit as % of shareholders' equity (ROE)	24.0	25.1	23.9	23.4	17.9

SEGMENT INFORMATION

in CHF mn	EMEA					Americas				
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
Net sales	3,530	3,496	4,071	4,144	4,499	2,183	2,012	2,427	3,194	3,424
Operating profit	488	572	691	783	668	356	345	446	571	630
in % of net sales	13.8	16.4	17.0	18.9	14.8	16.3	17.1	18.4	17.9	18.4
Depreciation/amortization	141	154	153	142	185	78	82	81	96	127
Capital expenditures	89	48	54	85	77	41	36	47	71	87

in CHF mn	Asia/Pacific					Global Business				
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
Net sales	1,613	1,723	2,081	2,351	2,474	783	647	673	804	842
Operating profit	263	285	349	371	426	92	55	50	49	118
in % of net sales	16.3	16.5	16.8	15.8	17.2	11.7	8.5	7.4	6.1	14.0
Depreciation/amortization	59	76	78	89	107	25	25	25	28	26
Capital expenditures	35	27	44	68	78	17	11	14	18	13

in CHF mn	Other segments and activities					Total				
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
Net sales	0	0	0	0	0	8,109	7,878	9,252	10,492	11,239
Operating profit	-144	-126	-145	-193	-293	1,055	1,131	1,391	1,580	1,549
in % of net sales						13.0	14.4	15.0	15.1	13.8
Depreciation/amortization	29	30	30	31	50	332	367	367	385	496
Capital expenditures	11	10	12	25	25	193	132	171	266	280

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		2019	2020	2021	2022	2023
Cash and cash equivalents		995.1	1,318.7	1,175.0	1,873.3	643.9
Accounts receivable	a	1,441.9	1,361.8	1,576.8	1,719.6	2,009.1
Inventories	b	866.5	814.0	1,158.3	1,212.8	1,240.7
Other assets ¹		166.4	140.1	255.4	215.6	307.6
Current assets		3,469.9	3,634.6	4,165.5	5,021.3	4,201.3
Property, plant, and equipment		1,795.8	1,702.6	1,776.6	1,822.3	2,257.3
Intangible assets		4,351.0	4,172.3	4,379.9	4,229.1	8,223.6
Other assets ²		343.0	284.5	384.8	246.5	368.5
Non-current assets		6,489.8	6,159.4	6,541.3	6,297.9	10,849.4
ASSETS		9,959.7	9,794.0	10,706.8	11,319.2	15,050.7
Accounts payable	c	837.2	846.3	1,033.2	1,016.6	1,108.2
Financial liabilities		342.9	334.7	343.1	303.0	1,217.9
Other liabilities ³		632.9	644.1	719.9	721.8	1,089.9
Current liabilities		1,813.0	1,825.1	2,096.2	2,041.4	3,416.0
Financial liabilities		4,070.1	3,851.9	3,393.9	3,634.2	4,732.0
Non-current provisions, employee benefit obligations		414.9	417.8	418.5	317.9	529.1
Other liabilities ⁴		500.5	411.2	402.3	358.6	440.4
Non-current liabilities		4,985.5	4,680.9	4,214.7	4,310.7	5,701.5
LIABILITIES		6,798.5	6,506.0	6,310.9	6,352.1	9,117.5
Capital stock		1.4	1.4	1.4	1.5	1.6
Treasury shares		-7.3	-5.2	-10.7	-15.1	-11.9
Reserves		3,130.0	3,289.6	4,403.1	4,979.8	5,930.7
Equity attributable to Sika shareholders		3,124.1	3,285.8	4,393.8	4,966.2	5,920.4
Non-controlling interests		37.1	2.2	2.1	0.9	12.8
SHAREHOLDERS' EQUITY	d	3,161.2	3,288.0	4,395.9	4,967.1	5,933.2
LIABILITIES AND SHAREHOLDERS' EQUITY	e	9,959.7	9,794.0	10,706.8	11,319.2	15,050.7

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	2019	2020	2021	2022	2023
Net working capital	(a+b-c)	1,471.2	1,329.5	1,701.9	1,915.8	2,141.6
Net working capital as % of net sales		18.1	16.9	18.4	18.3	19.1
Net debt ¹	f	3,407.8	2,855.8	2,547.1	2,051.6	5,219.7
Gearing in %	(f:d)	107.8	86.9	57.9	41.3	88.0
Equity ratio in %	(d:e)	31.7	33.6	41.1	43.9	39.4

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	2019	2020	2021	2022	2023
Capital employed ¹		7,026.4	6,582.1	7,263.0	7,366.2	11,634.9
Annual average of capital employed	g	5,501.0	6,804.3	6,922.6	7,314.6	9,500.6
Operating profit	h	1,055.1	1,130.5	1,391.4	1,579.7	1,549.1
Return on capital employed (ROCE) in %	(h:g)	19.2	16.6	20.1	21.6	16.3

1 Capital employed: current assets, PPE, intangible assets less cash and cash equivalents, current securities, current liabilities (excluding bank loans and bond).

EMPLOYEES

	2019	2020	2021	2022	2023
EMEA (Europe, Middle East, Africa)¹	12,284	12,534	13,004	12,972	16,214
Germany	2,334	2,247	2,256	2,168	3,469
Switzerland	2,013	1,948	1,985	1,948	2,071
France	1,392	1,362	1,375	1,396	1,515
United Kingdom	951	890	972	1,013	1,001
America¹	6,271	5,936	6,820	7,394	8,825
USA	2,547	2,438	2,671	2,893	3,355
Mexico	499	476	1,061	1,046	1,711
Brazil	964	824	833	854	905
Asia/Pacific¹	6,586	6,378	7,235	7,342	8,508
China	2,753	2,806	3,414	3,480	3,773
Japan	682	672	988	930	1,151
Total	25,141	24,848	27,059	27,708	33,547
Personnel expenses (in CHF mn)					
Wages and salaries	1,257	1,235	1,328	1,399	1,637
Social charges, other	287	291	307	312	370
Personnel expenses	1,544	1,526	1,635	1,711	2,007
Personnel expenses as % of net sales	19.0	19.4	17.7	16.3	17.9
Key data per employee (in CHF thousands)					
Net sales	359	315	356	383	367
Net value-added ²	116	107	118	121	116

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	2019	2020	2021	2022	2023
Source of value-added					
Corporate performance (net sales)	8,109	7,878	9,252	10,492	11,239
Intermediate inputs	-5,157	-4,819	-5,838	-6,806	-7,196
Gross value-added	2,952	3,059	3,414	3,686	4,043
Non-liquidity-related expenses					
Depreciation and amortization	-333	-367	-367	-385	-496
Change in provisions	-6	-26	25	20	10
Net value-added	2,613	2,666	3,072	3,321	3,557
Distribution of value-added					
To employees					
Wages and salaries	1,257	1,235	1,328	1,399	1,637
Social charges	287	293	309	312	370
To governments	254	280	331	390	328
To lenders (interest expenses)	56	33	55	57	159
To shareholders (dividend payout, incl. non-controlling interests)	293	327	355	446	493
To the company					
Net profit for the year	759	825	1,049	1,163	1,063
Less dividend payout	-293	-327	-355	-446	-493
Net value-added	2,613	2,666	3,072	3,321	3,557
Number of employees					
End of year	25,141	24,848	27,059	27,708	33,547
Annual average	22,601	24,995	25,954	27,384	30,628
Net value-added per employee (in CHF thousands)	116	107	118	121	116

SIKA AG, BAAR, FINANCIAL STATEMENTS

SIKA AG INCOME STATEMENT for the year ended December 31

in CHF mn	Notes	2022	2023
Dividend income	1	553.9	636.3
Financial income	2	133.3	511.1
Other income	3	135.3	60.3
Income		822.5	1,207.7
Financial expenses	2	-159.8	-504.5
Personnel expenses	4	-14.7	-20.1
Other operating expenses	5	-139.6	-119.6
Operating profit before depreciation		508.4	563.5
Impairment losses (-)/reversal of impairment losses (+) on investments		-9.7	-10.7
Depreciation and amortization expenses		-0.1	-0.1
Net profit before taxes		498.6	552.7
Direct taxes		-6.5	-5.1
Net profit for the year		492.1	547.6

SIKA AG BALANCE SHEET as at December 31

in CHF mn	Notes	2022	2023
Cash and cash equivalents	6	1,273.9	87.5
Securities		0.1	3.1
Other current receivables	7	2,529.5	4,325.9
Prepaid expenses and accrued income		12.1	36.0
Current assets		3,815.6	4,452.5
Financial assets	8	0.9	464.4
Investments	9	3,392.7	5,799.0
Property, plant, and equipment		0.2	0.3
Other non-current assets		13.8	20.7
Non-current assets		3,407.6	6,284.4
ASSETS		7,223.2	10,736.9
Accounts payable	10	13.2	32.1
Current interest-bearing liabilities	11	580.3	1,197.9
Other current liabilities		1.2	3.2
Accrued expenses and deferred income	12	58.6	77.4
Current provisions		0.0	1.0
Current liabilities		653.3	1,311.6
Non-current interest-bearing liabilities	11	3,381.5	4,908.0
Other non-current liabilities		2.9	3.0
Non-current provisions		2.5	8.6
Non-current liabilities		3,386.9	4,919.6
LIABILITIES		4,040.2	6,231.2
Share capital		1.5	1.6
Legal capital reserves		1,736.8	3,000.9
Legal retained earnings		4.0	4.0
Voluntary retained earnings		121.7	121.7
Profit brought forward		1,334.1	1,389.4
Treasury shares	13	-15.1	-11.9
Shareholders' equity	14	3,183.0	4,505.7
LIABILITIES AND SHAREHOLDERS' EQUITY		7,223.2	10,736.9

NOTES TO THE SIKA AG FINANCIAL STATEMENTS

Principles

GENERAL

The 2023 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 636.3 mn (CHF 553.9 mn)

Dividends from subsidiaries are recognized in this position.

2. Financial income CHF 511.1 mn (CHF 133.3 mn)/ Financial expenses CHF 504.5 mn (CHF 159.8 mn)

Financial income includes interest income and gains from foreign exchange transactions. Financial expenses include the interest costs on bonds, bank debts, cashpool and loan payables to subsidiaries (see note 11), as well as foreign currency losses on loans to subsidiaries and other financing costs.

in CHF mn	2022			2023		
	Income	Expenses	Net	Income	Expenses	Net
Interest – 3rd party	0.9	-19.4	-18.5	4.4	-65.6	-61.2
Interest – subsidiaries	38.3	-20.5	17.8	215.5	-111.3	104.2
Realized foreign exchange result	22.0	-89.2	-67.2	183.1	-268.5	-85.4
Unrealized net foreign exchange result	72.1	-7.3	64.8	108.1	-39.3	68.8
Other financial result	-	-23.4	-23.4	-	-19.8	-19.8
Total	133.3	-159.8	-26.5	511.1	-504.5	6.6

Interest expenses increased in 2023 due to the additional financing needed for the MBCC acquisition, as explained in note 11.

In 2023, the refinancing of the acquired MBCC companies resulted in higher loan receivables (see note 7). Furthermore, the prevailing macroeconomic conditions are marked by an upward trend in interest rates, leading to an increase in interest income.

The realized and unrealized exchange rate gains and losses can be primarily attributed to the depreciation of the euro and the US dollar currencies. However, the net exchange rate risk is limited due to back-to-back financing arrangements and effective hedging strategies.

3. Other income CHF 60.3 mn (CHF 135.3 mn)

Other income includes income from the cost allocation to subsidiaries. In addition, costs related to the acquisition of the MBCC Group were recharged to selected subsidiaries in 2022 who benefit from the acquisition.

4. Personnel expenses CHF 20.1 mn (CHF 14.7 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. The annual cost of the long-term employee participation plan depends on Sika's share price performance. In 2023, the increased share price led to higher expenses.

5. Other operating expenses CHF 119.6 mn (CHF 139.6 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 2023, non-recurring costs related to the acquisition of the MBCC Group of CHF 37.9 million were incurred. Furthermore, stamp taxes of CHF 12.5 million had to be paid due to the conversion of the convertible bond (see note 11).

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).

6. Cash and cash equivalents CHF 87.5 mn (CHF 1,273.9 mn)

Bank deposits of CHF 42.9 million (CHF 1,216.7 million) are invested in Swiss francs and CHF 44.6 million (CHF 57.2 million) in foreign currencies. The high cash position at the end of the year 2022 was part of the financing strategy for the acquisition of the MBCC Group in May 2023.

7. Other current receivables CHF 4,325.9 mn (CHF 2,529.5 mn)

in CHF mn	2022	2023
Receivables from third parties	3.0	2.0
Receivables from subsidiaries	35.4	82.6
Cashpool receivables from subsidiaries	100.6	14.6
Dividend receivables from subsidiaries	30.5	22.9
Loan receivables from subsidiaries	2,360.0	4,203.4
Loan receivables from related parties	-	0.4
Total	2,529.5	4,325.9

Refinancing and legal restructuring of the acquired MBCC companies resulted in higher loan receivables.

8. Financial assets CHF 464.4 mn (CHF 0.9 mn)

in CHF mn	2022	2023
Loan receivables from subsidiaries ¹	-	463.3
Financial assets	0.9	1.1
Total	0.9	464.4

1. Loan to a subsidiary with subordination.

9. Investments CHF 5,799.0 mn (CHF 3,392.7 mn)

The change in investments results mainly from the legal restructuring of the MBCC acquisition. Sika AG is now direct shareholder of several MBCC companies and has carried out capital increases at subsidiaries for local buy-outs. Other changes result from valuation changes, the formation of new companies, acquisitions, and liquidations. Major participations are summarized on the list of Group companies beginning on p.248 of this report.

10. Accounts payable CHF 32.1 mn (CHF 13.2 mn)

in CHF mn	2022	2023
Payables to third parties	2.7	3.2
Payables to subsidiaries	10.5	28.9
Total	13.2	32.1

11. Interest-bearing liabilities current CHF 1,197.9 mn (CHF 580.3 mn)/ non-current CHF 4,908.0 mn (CHF 3,381.5 mn)

in CHF mn	2022			2023		
	Current	Non-current	Total	Current	Non-current	Total
Bank debt	-	-	-	-	669.6	669.6
Cashpool liabilities to subsidiaries	137.5	-	137.5	473.4	-	473.4
Loan payables to subsidiaries	242.8	994.2	1,237.0	174.5	3,018.4	3,192.9
Bonds	200.0	2,387.3	2,587.3	550.0	1,220.0	1,770.0
Total	580.3	3,381.5	3,961.8	1,197.9	4,908.0	6,105.9

Interest-bearing liabilities increased due to the acquisition of MBCC as of May 2, 2023. The transaction was financed with the issuance of:

- 3 straight bonds in the total amount of CHF 650.0 million placed by Sika AG;
- 3 Euro bonds in the total amount of EUR 2,250 million placed via Sika Capital B.V., Netherlands (a 100% subsidiary of Sika AG);
- interim bridge financing. The interim bridge financing was fully repaid in August 2023.
- bank facilities. Both revolving credit facilities were increased from CHF 750.0 million to CH 1,100.0 million each. As of December 31, 2023, Sika has utilized CHF 669.6 million under those two credit lines.

OUTSTANDING BONDS

in CHF mn	Coupon	Term	2022	2023
			Book value	Book value
Straight bond	1.875%	2013-11/14/2023	200.0	n.a.
Straight bond	1.600%	2022-05/28/2024	100.0	100.0
Straight bond	2.125%	2023-10/11/2024	n.a.	200.0
Straight bond	0.625%	2018-07/12/2024	250.0	250.0
Convertible bond	0.150%	2018-06/05/2025	1,267.3	n.a.
Straight bond	1.900%	2022-11/28/2025	200.0	200.0
Straight bond	0.600%	2018-03/27/2026	140.0	140.0
Straight bond	2.250%	2023-04/13/2026	n.a.	200.0
Straight bond	1.125%	2018-07/12/2028	130.0	130.0
Straight bond	2.350%	2022-11/28/2028	300.0	300.0
Straight bond	2.250%	2023-04/13/2029	n.a.	250.0
Total			2,587.3	1,770.0

The convertible bond in the total amount of CHF 1,650.0 million due in 2025 was placed by Sika AG in 2018. As of September 25, 2023, Sika has exercised its early redemption option. In the reporting year, bonds with a nominal value of CHF 1,264.2 million were converted (CHF 141.7 million). The remaining bonds of CHF 3.1 million have been repaid.

12. Accrued expenses and deferred income CHF 77.4 mn (CHF 58.6 mn)

Accrued expenses and deferred income include pro rata interest on bonds issued of CHF 13.0 million (CHF 4.5 million) as well as accrued interest expenses on loan payables of CHF 38.1 million (CHF 11.2 million). Also included are employee-related accruals and accruals for outstanding invoices.

13. Treasury shares CHF 11.9 mn (CHF 15.1 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, 2022	31,125	10.7
Reductions	-221,313	-62.6
Additions	254,634	67.0
December 31, 2022	64,446	15.1
January 1, 2023	64,446	15.1
Reductions	-198,473	-48.1
Additions	182,814	44.9
December 31, 2023	48,787	11.9

In the year under review, the average share price was CHF 248.19 (CHF 258.37).

14. Shareholders' equity CHF 4,505.7 mn (CHF 3,183.0 mn)

The ratio of shareholders' equity to total assets amounts to 42.0% (44.1%).

in CHF mn	Capital stock	Legal capital reserves ¹	Retained earnings ²	Treasury shares	Shareholders' equity
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
January 1, 2023	1.5	1,736.8	1,459.8	-15.1	3,183.0
Dividend payment			-492.3		-492.3
Increase from conditional capital	0.1	1,264.1			1,264.2
Transactions with treasury shares				3.2	3.2
Net profit for the year			547.6		547.6
December 31, 2023	1.6	3,000.9	1,515.1	-11.9	4,505.7

1 Including reserves from capital contributions.

2 Retained earnings: legal retained earnings, voluntary retained earnings, and profit brought forward.

The higher profit in 2023 is mainly due to higher dividend income. In April 2023, the dividend of CHF 492.3 million from profit brought forward for 2022 was paid out to shareholders.

SHARE CAPITAL

The share capital corresponds to the nominal capital of all issued registered shares with a par value of CHF 0.01 each and includes treasury shares which do not carry voting and dividend rights. The capital is fully paid, and structured as follows:

	Units	Par value in CHF
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
At January 1, 2023	153,735,051	1,537,351
Capital increase from conditional capital	6,744,242	67,442
At December 31, 2023	160,479,293	1,604,793

CONDITIONAL CAPITAL

In the reporting year, 6,744,242 (10,690,084) new shares were issued from conditional capital, which were used for the conversion of the issued bonds (see note 11).

The remaining conditional capital of 91,187 shares has been deleted and the article of association have been adjusted accordingly. As of December 31, 2022, there was a conditional capital of CHF 68,354.29, divided into 6,835,429 registered shares with a par value of CHF 0.01 each. These shares were reserved for the exercise of option or conversion rights.

CAPITAL BAND

The Company has a capital band between CHF 1,527,925.41 (lower limit) and CHF 1,681,660.45 (upper limit). Within the capital band, the Board of Directors is authorized, until March 28, 2028 or until the earlier expiration of the capital band, to increase or decrease the share capital once or several times and in any amounts. The capital increase or reduction may be effected by the issuance of up to 7,686,752 fully paid-up registered shares with a nominal value of CHF 0.01 each or by cancelling up to 7,686,752 registered shares with a nominal value of CHF 0.01 each or by increasing or reducing the nominal value of the existing registered shares within the capital band. As of December 31, 2023, the capital band is not used.

RESERVES FROM CAPITAL CONTRIBUTION

The reserves from capital contribution include the premium from capital increases less the distributions to shareholders.

in CHF mn	2022	2023 ¹
January 1	239.2	1,680.6
Premium from conversion of bonds	1,441.4	1,264.1
December 31	1,680.6	2,944.7

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 20.8 million between the reserves from capital contribution stated in the statutory financial statements of Sika AG and the amount the Swiss Federal Tax Administration recognizes at December 31, 2023.

Other information

FULL-TIME EQUIVALENTS

The number of full-time equivalents for the reporting year is 46 (44) employees.

PARTICIPATIONS IN SIKA AG

Sika AG granted the following number of shares as part of employee participation plans. The shares were issued in April 2023 at a market price of CHF 248.80 (CHF 306.90).

in CHF thousands	2022		2023	
	Units	Nominal	Units	Nominal
Board of Directors	4,843	1,486.3	4,949	1,231.3
Group Management	9,494	2,913.6	5,854	1,456.5
Employees	2,516	772.0	1,935	481.4
Total	16,853	5,171.9	12,738	3,169.2

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 the total amount of nominal EUR 3,250.0 million.

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	2022	2023
Letters of guarantee		
Issued	986.1	3,018.4
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.

Sika AG acts as guarantor in the share and purchase agreement (SPA) regarding certain subsidiaries of the MBCC Group between Sika International GmbH, acting as seller, and the purchaser. Further to the obligations in the SPA, and as between the Sika entities, Sika AG agreed to accept all of the rights, claims, title, benefit and interest to, in and under the SPA, whether current or future, actual or contingent of Sika International GmbH.

NET RELEASE OF HIDDEN RESERVES

There was no net release of hidden reserves in the current year nor in the previous year.

SIGNIFICANT SHAREHOLDERS

On December 31, 2023, the company had 46,340 (42,240) registered shareholders. Information regarding significant shareholders can be found on p.247 of this report.

Proposed appropriation of profit brought forward and repayment of reserves from capital contribution

The Board of Directors proposes to the Annual General Meeting the following appropriation of profit brought forward and repayment of reserves from capital contribution:

in CHF mn	2022	2023
Composition of the profit brought forward		
Net profit for the year	492.1	547.6
Results carried forward from prior year	842.0	841.8
Profit brought forward	1,334.1	1,389.4
Dividend payment out of the profit brought forward	492.3	264.8
Results carried forward	841.8	1,124.6

As the general statutory reserve currently exceeds 20% of shareholders' equity, a further allocation to the reserve was waived.

in CHF mn	2022	2023
Repayment of reserves from capital contribution		
Legal capital reserves qualified as reserves from capital contribution	1,680.6	2,944.7
Repayment of reserves from capital contribution	0.0	264.8
Reserves from capital contribution carried forward	1,680.6	2,679.9

On approval of this proposal, the following payment will be made per registered share:

in CHF	2022	2023
Gross dividend	3.20	1.65
Repayment from reserves from capital contribution	-	1.65
Gross payout per registered share¹	3.20	3.30
35% withholding tax on gross dividend	1.12	0.58
Net payout per registered share	2.08	2.72

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 a distribution to the shareholders in the total amount of CHF 3.30 per single-class registered share. The dividend for 2022 was CHF 3.20 per single-class registered share.

Payment of the distribution is tentatively scheduled for Wednesday, April 3, 2024. Registered shareholders will receive payment of the distributed amount 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 26, 2024.

Baar, February 13, 2024

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 2023, 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 265 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 2023, the financial statements of Sika AG include investments in subsidiaries in the total amount of CHF 5'799.0 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 2023, investments in subsidiaries are of material importance.

In the financial year 2023, an impairment expense on investments in the amount of CHF 10.7 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 267
- Information on balance sheet and income statement items, 9. Investments on page 269

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 and the proposed repayment of legal capital reserve comply 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, 13 February 2024

FINANCIAL CALENDAR

56TH ANNUAL GENERAL MEETING	Tuesday, March 26, 2024
DIVIDEND PAYMENT	Wednesday, April 3, 2024
NET SALES FIRST QUARTER 2024	Tuesday, April 16, 2024
HALF-YEAR REPORT 2024	Tuesday, July 30, 2024
CAPITAL MARKETS DAY	Friday, October 4, 2024
RESULT FIRST NINE MONTHS 2024	Friday, October 25, 2024
NET SALES 2024	Tuesday, January 14, 2025
FULL-YEAR RESULTS 2024	Friday, February 21, 2025

IMPRINT

PUBLISHED BY

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EDITORIAL WORK

Sika AG, Baar, Switzerland
Linkgroup AG, Zurich, Switzerland

PRINT

Kalt Medien AG, Zug, Switzerland

PHOTOGRAPHY

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The complete Annual Report is published in English.
It can be accessed on the Sika website under www.sika.com/annualreport.

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