



# SIKA MATERIALITY ANALYSIS 2022

## SUMMARY REPORT

SIKA GROUP  
JUNE 2022

**BUILDING TRUST**



# SUMMARY REPORT

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The purpose of this report is to present the work conducted for the Materiality Analysis 2022, and it is intended for anyone interested in Sika's sustainability journey.

# AT A GLANCE

## THE 4<sup>TH</sup> SIKA MATERIALITY ANALYSIS

- This is the 4<sup>th</sup> analysis conducted by Sika\* which helps to identify ESGE\*\* topics and the related risk and opportunities
- It is an important foundation for the Strategy review and development process
- Materiality is defined primarily from the perspective of the importance of the ESGE topics to Sika and to the stakeholders when it comes to Sika and its business

### Three-steps process

- Inventory of material ESGE topics
- Identification and prioritization of stakeholders
- Stakeholders survey and prioritization of material ESGE topics

### Stakeholders' panel and survey

- 1,127 responses (23% external, 77% internal)
- All ESGE topics were given medium to very high importance
- Global results show consistency among stakeholder groups and countries

### Outcome

- Review and Approval of the Materiality Matrix 2022 by Group Management and Board of Directors (BoD)

\*Sika conducted a materiality analysis in 2013, 2015, and 2018

\*\*ESGE: Environmental, Social, Governance, Economic

# PURPOSE

## BUILDING THE STRATEGY

### DEFINITION

- ‘Material’ are “those topics that can reasonably be considered **important for reflecting the organization’s economic, environmental, social, governance impacts** - positive or negative -, or influencing the decisions of stakeholders”
- **Perspective:** relevance (value creation/purpose) and impact (quantitative/qualitative)

### MOTIVATION

- **Prioritize the topics** that have the **biggest impact** on the economy, society and the environment, and that matter the most to Sika and its stakeholders
- **Identify topics** to be covered in Sika’s strategy and reporting but also supports decisions on where to focus internal resources

### OBJECTIVE

- Capture **ESGE risks and opportunities**, as a driver for future strategy and risk mitigation
- Spot **trends** and anticipate **emerging issues** that require active management and engagement
- Create the **basis for the further development** of the sustainability strategy

### BENEFITS

- Applying strategic focus and categorizing the biggest risks and opportunities, **building the strategy on the most relevant topics and stakeholder demands**
- Focus the efforts on allocating resources accordingly
- Engaging with internal functions and stakeholders, driving communication and reporting based on materiality, **meeting stakeholder expectations**

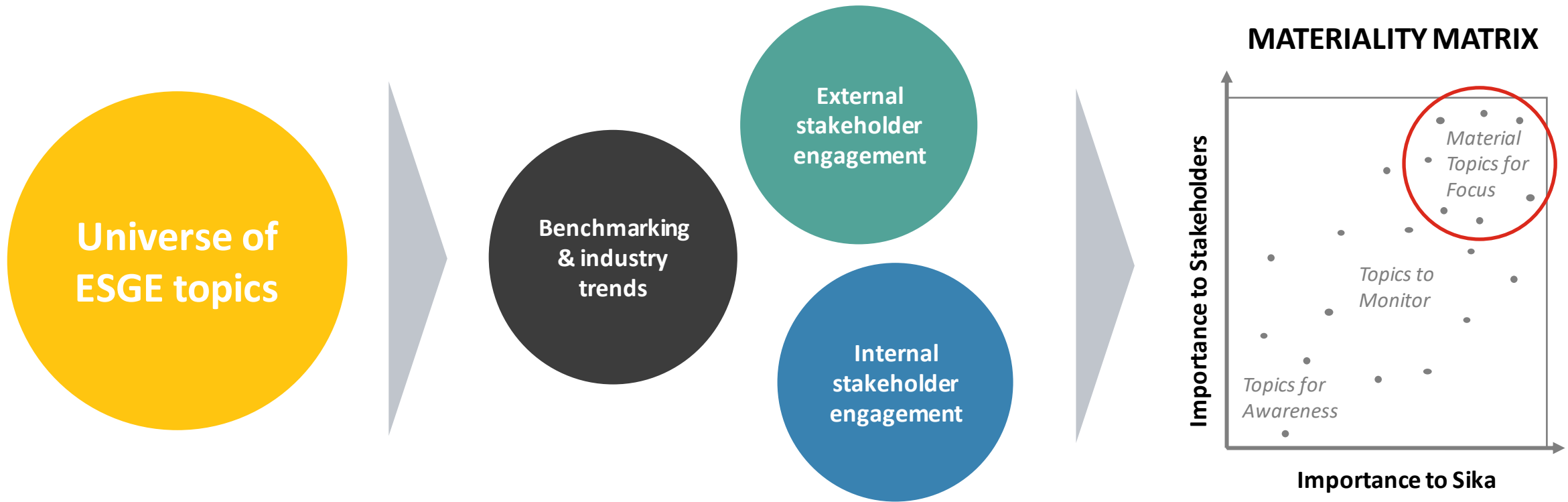
# PROCESS OVERVIEW

October 2021

November 2021

December 2021

January - May 2022



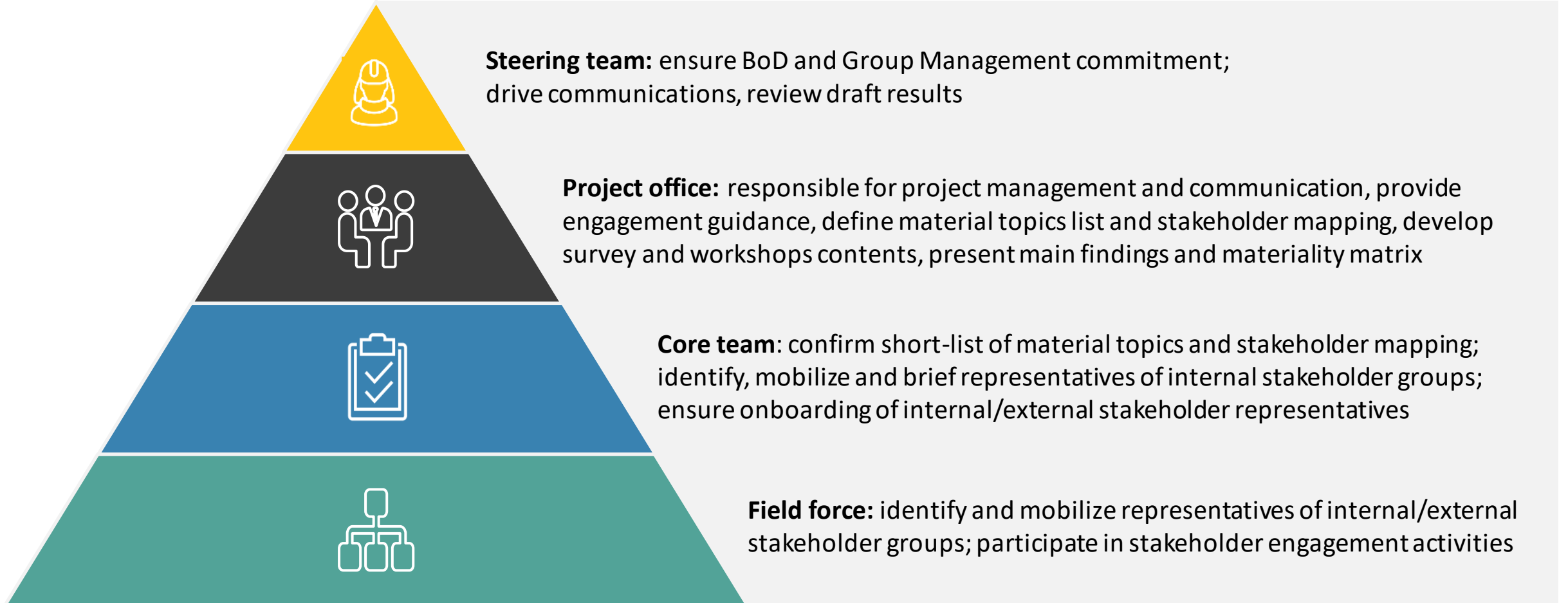
- Preparation of material topics list and stakeholder mapping

- Stakeholder engagement, communication and survey
- Analysis of results, preparation of draft matrix for Group Management

- Review of draft matrix and prioritization of ESGE topics by Group Management
- Matrix approval by BoD

# GOVERNANCE

## GLOBAL PROJECT SETUP



# EXECUTIVE SUMMARY

## MATERIAL TOPICS LIST

- Material topics list (including sub-topics) with definitions based on **ESG reporting frameworks** and **benchmark analysis**
- In total, **29 ESGE topics** were rated by stakeholders (7 Environment, 8 Social, 10 Governance, 4 Economic), focusing on the ESGE topics' **relevance for Sika's business**

### Environmental

*Climate Change*  
*Waste Management*  
*Water Management*  
*Biodiversity and Nature*  
*Energy Management*  
*Air Emissions*  
*Product Portfolio*

### Social

*Health and Safety*  
*Labor Management*  
*Community Relations*  
*Human Capital Development*  
*Human Rights*  
*Talent Attraction & Retention*  
*Stakeholder Engagement*  
*Diversity and Inclusion*

### Governance

*Corporate Governance*  
*Compliance*  
*Business Ethics and Integrity*  
*Customer Relationship Management*  
*IT Landscape*  
*Public Policy*  
*Risk and Crisis Management*  
*Tax Strategy*  
*Responsible Procurement*  
*Responsible Marketing*

### Economic

*Economic Performance*  
*Circular Economy*  
*Innovation Management*  
*Digitalization*

### DEFINITIONS OF SUB-TOPICS

Each topic clusters **sub-topics with clear definitions** to ensure a common language.  
Please check the Appendix for more details.

# EXECUTIVE SUMMARY

## STAKEHOLDER MAPPING – IDENTIFYING KEY STAKEHOLDERS

HIGHER	<p><b>Peers</b></p> <ul style="list-style-type: none"> <li>– Competitors</li> </ul> <p><b>Society</b></p> <ul style="list-style-type: none"> <li>– Sponsoring and Donation Partners</li> </ul> <p><b>Employees</b></p> <ul style="list-style-type: none"> <li>– Potential Employees</li> <li>– Families</li> </ul>	<p><b>Management/Board</b></p> <ul style="list-style-type: none"> <li>– Group Management</li> <li>– Local Management</li> <li>– Board of Directors</li> </ul> <p><b>Customers</b></p> <ul style="list-style-type: none"> <li>– Planners/Architects/Specifiers</li> <li>– Distributors</li> <li>– Concrete Customers</li> <li>– Key Project/Key Account Managers</li> <li>– Contractors/Sub Contractors</li> <li>– Industry Customers</li> <li>– Automotive Customers</li> </ul>	<p><b>Authorities/Regulators</b></p> <ul style="list-style-type: none"> <li>– Product/Building Standards</li> <li>– Product Certification Bodies</li> <li>– Governmental and Public Administration Bodies</li> </ul> <p><b>Financial Community</b></p> <ul style="list-style-type: none"> <li>– Creditors</li> <li>– Shareholders</li> <li>– Analysts</li> <li>– Rating Agencies</li> </ul>	<p><b>Peers</b></p> <ul style="list-style-type: none"> <li>– Associations/Sector Organisations</li> </ul> <p><b>Society</b></p> <ul style="list-style-type: none"> <li>– Media/Journalists</li> <li>– Academia</li> <li>– Local Communities</li> </ul> <p><b>Employees</b></p> <ul style="list-style-type: none"> <li>– Employees</li> </ul> <p><b>Suppliers</b></p> <ul style="list-style-type: none"> <li>– Logistic</li> <li>– Raw Materials and Packaging</li> </ul>
LOWER	<p><b>Financial Community</b></p> <ul style="list-style-type: none"> <li>– Insurance Companies</li> <li>– Bondholders</li> </ul> <p><b>Employees</b></p> <ul style="list-style-type: none"> <li>– Unions</li> </ul>	<p><b>Customers</b></p> <ul style="list-style-type: none"> <li>– Building Developers</li> <li>– Building Owners</li> <li>– Public Procurement</li> </ul> <p><b>Authorities/Regulators</b></p> <ul style="list-style-type: none"> <li>– Local Regulators</li> <li>– Product Regulation</li> <li>– Environmental Regulation</li> <li>– Occupational Legislators/Workers Insurance</li> <li>– Chemical Legislation</li> </ul>	<p><b>Peers</b></p> <ul style="list-style-type: none"> <li>– Industry Leaders</li> </ul> <p><b>Society</b></p> <ul style="list-style-type: none"> <li>– NGOs</li> </ul> <p><b>Employees</b></p> <ul style="list-style-type: none"> <li>– Employee Committees</li> </ul> <p><b>Suppliers</b></p> <ul style="list-style-type: none"> <li>– Services Consultants</li> <li>– Services/IT</li> </ul>	
	LOWER	<b>Ability of stakeholders to impact Sika</b>	HIGHER	

- **Stakeholders** are individuals, organizations, or anybody who has an impact on Sika and that will be impacted by the company
- **Stakeholder mapping** is a process of research, debate and discussion that draws from multiple perspectives to determine a key list of stakeholders
- A stakeholder mapping matrix is one of the most important stakeholder management tools that provide many benefits such as **identifying key stakeholders**, understanding their requirements, and planning the type of communications they need



# EXECUTIVE SUMMARY

## STAKEHOLDER ENGAGEMENT – STATISTICS

- Engaging with key stakeholders is the cornerstone of a solid materiality analysis
- 17 stakeholder groups** were clustered into 12 groups
- Approximately **3,300 internal and external contacts** were directly invited, with a total of **1,127 responses**
- For every response, **Sika donated** to **Pro Juventute**, Switzerland, and **SwissAid2Ukraine** (see Appendix)

### Internal Stakeholder Groups

Board of Directors (BoD)	6	Group Management	8	Senior Managers	140	Employees	717
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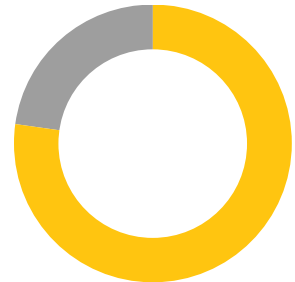
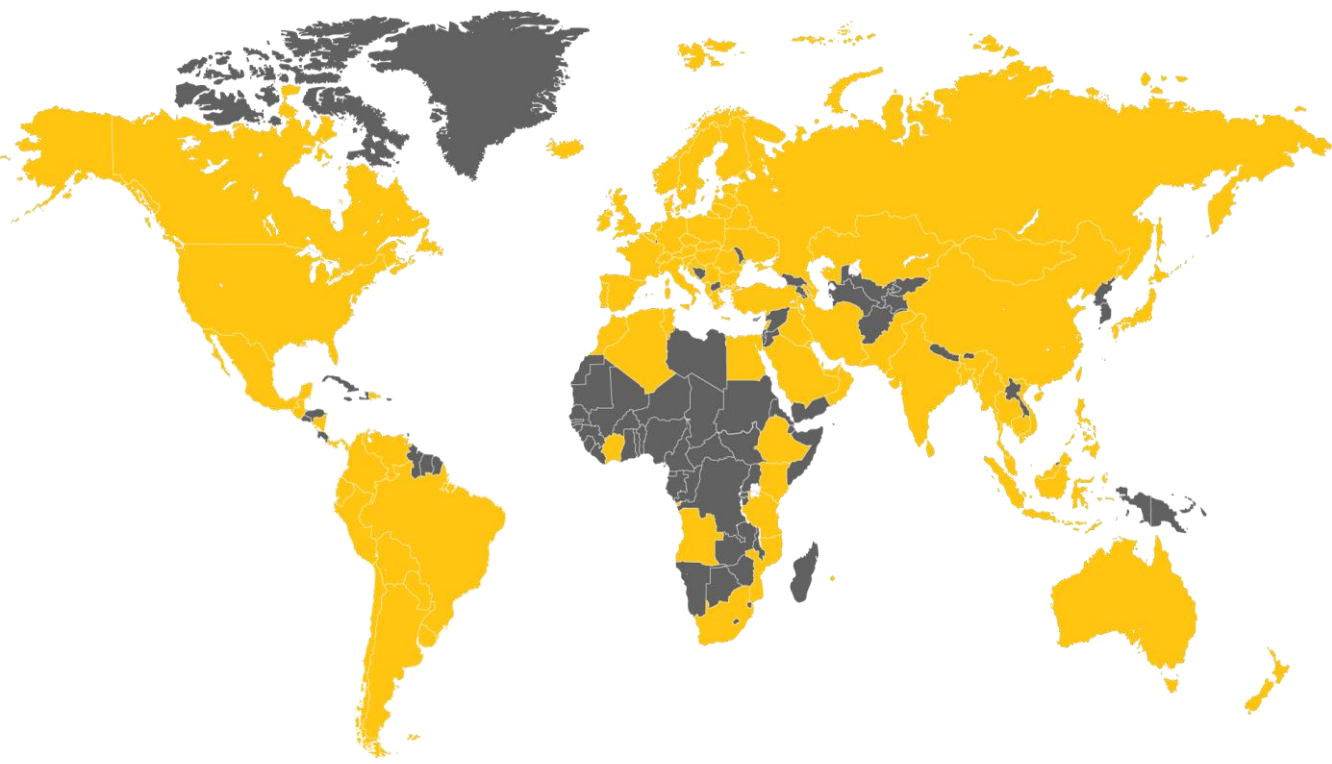
### External Stakeholder Groups

Customers	150	Suppliers	38	Financial Community	26	Media/Journalists	3
Authorities/Regulators	5	Industry Associations	11	NGOs/Academia	13	Local Communities	10

# EXECUTIVE SUMMARY

## STAKEHOLDER ENGAGEMENT – DASHBOARD

- 1'127 respondents
- 94 countries
- 17 stakeholder groups



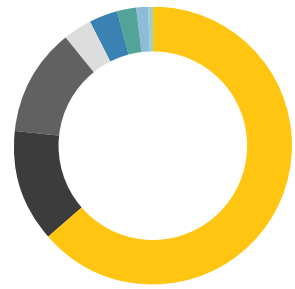
**Stakeholders**

- 871, Internal (77%)
- 256, External (23%)



**Stakeholders by Regions**

- 703, EMEA (63%)
- 218, Americas (19%)
- 206, Asia/Pacific (18%)



**Stakeholders by groups**

- 717, Employees (64%)
- 150, Customers (13%)
- 140, Senior Managers (13%)
- 38, Suppliers (3%)
- 37, Society\*(3%)
- 26, Financial Community (2%)
- 14, BoD/Group Management (1%)
- 5, Authorities/Regulators (1%)

\*Society: NGOs, Academia, Media and Journalists, Industry Associations, Local Communities

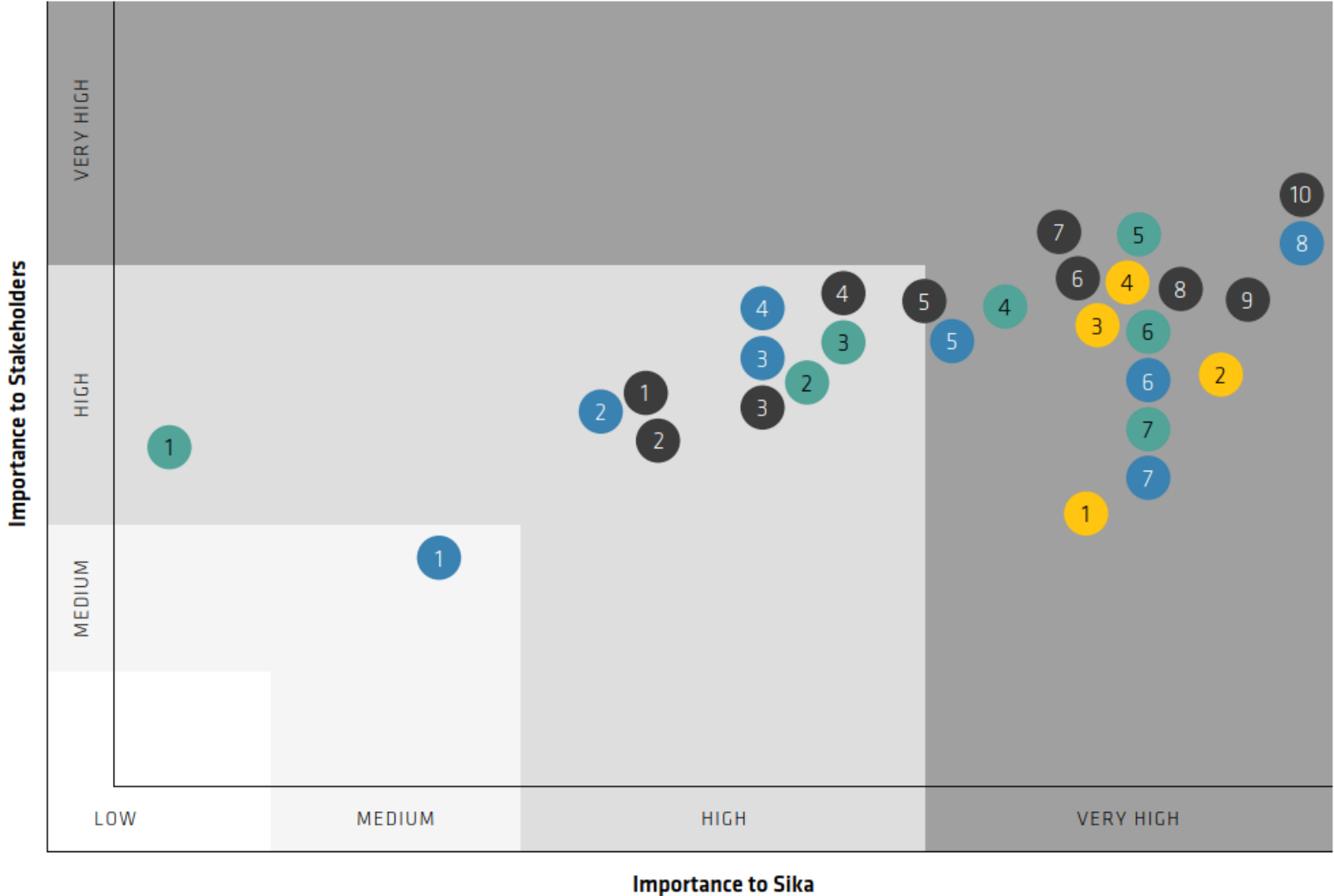
# EXECUTIVE SUMMARY

## STAKEHOLDER ENGAGEMENT – MAIN FINDINGS

- Feedback collected from more than **90 countries**
- All **Stakeholder Groups** were represented (23% external and 77% internal stakeholders)
- All Sika **Regions** were **represented**
  - Majority of the stakeholders from **Europe**, particularly **Switzerland**
  - The proportion of participants between internal/external, and stakeholder type and group were approximately the same in all the regions
- All topics were given **medium to very high importance**, clear convergence between internal and external stakeholders' opinions on the most important topics
  - **Internal** stakeholders gave **higher scores to Governance and Economic** topics
  - **External** stakeholders gave **higher scores to Social and Environmental** topics
  - **Global results match regional preferences view**

# MATERIALITY MATRIX 2022

## ESG MATERIAL TOPICS



- 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

# APPENDIX



# SOCIAL PROJECT

## SUPPORTING CHILDREN, YOUNG PEOPLE, AND UKRAINE



- Support of children and young people on their way to self-determined and responsible personalities
- Direct and effective help with a wide range of offers
- More than 300,000 children and young people and almost 140,000 parents in Switzerland benefit every year.

- Supply chain for humanitarian relief from Switzerland to any place in Ukraine
- Sourcing and centralized storage and collection of goods
- Advice and assistance for relocation, adaptation and legal issues.



Swiss Aid  
to Ukraine

# SUB-TOPICS DEFINITION

## ENVIRONMENTAL DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Climate Change	Climate strategy and targets	Establishment of short- and long-term targets to reduce GHG emissions and slow down the planet warming, as well as introduction of key strategies to make sure climate-related goals are both established and attained in a timely manner.
Climate Change	Reduction of GHG emissions	Greenhouse gases, or GHGs, are compound gases that trap heat or longwave radiation in the atmosphere. Their presence in the atmosphere makes the Earth's surface warmer. Primary GHGs in the Earth's atmosphere are carbon dioxide (CO <sub>2</sub> ), nitrous oxide (N <sub>2</sub> O), methane (CH <sub>4</sub> ). Human activities are the main source of GHGs. The burning of fossil fuel, deforestation, intensive livestock farming, the use of synthetic fertilizers, industrial processes all contribute to a dangerous increase in GHGs in the atmosphere.
Climate Change	Climate governance	Climate governance is the diplomacy, mechanisms and response measures aimed at preventing, mitigating or adapting to the risks posed by climate change.

# SUB-TOPICS DEFINITION

## ENVIRONMENTAL DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Climate Change	Climate-related risks and opportunities	<p>In order to assess and report company's overall impact on global climate and climate change impacts on financials results, climate-related risks and opportunities need to be analyzed and incorporated into risk management, strategic planning and decision-making processes of the company.</p> <p>Identification, assessment, and management of climate-related risks helps to mitigate negative consequences of climate change. Such risks can include increasing frequency of extreme rainfall, extreme heatwaves, water stress, as well as higher costs of doing business due to new climate regulations and shifts in consumer demand. Efforts to mitigate and adapt to climate change also produce opportunities for organizations, for example, through resource efficiency and cost savings, the adoption of low-emission energy sources, the development of new products and services, access to new markets, and building resilience along the supply chain.</p>
Climate Change	Carbon storage solutions	<p>Carbon storage solutions (CCS) is the process of capturing CO<sub>2</sub> that would otherwise be released into the atmosphere from industrial activity and injecting the captured greenhouse gases back into the ground for safe, secure and permanent storage. It can be used to reduce the impact of emissions-intensive industries like cement, steel and chemical production.</p>



# SUB-TOPICS DEFINITION

## ENVIRONMENTAL DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Climate Change	Low-carbon solutions	Introduction of new production ways, technologies, products and approaches to reach high or expected performance while reducing its carbon footprint (GHG emission) across the value chain.
Climate Change	Internal carbon pricing	Internal carbon pricing is a risk mitigation strategy used to manage climate-related business risks and prepare for a transition to a low-carbon economy. Companies set an internal price that places a monetary value on greenhouse gas (GHG) emissions, which businesses can then factor into investment decisions and business operations.
Waste Management	Waste prevention and reduction	Waste prevention and reduction is a set of processes and practices intended to reduce the amount of waste produced. By reducing or eliminating the generation of harmful and persistent wastes, waste minimization supports efforts to promote a more sustainable society.
Waste Management	Hazardous and non-hazardous waste and its disposal	Hazardous waste is any kind of waste that – based on its composition, chemical-physical or biological properties – requires special technical and organizational measures to dispose of it in an environmentally compatible manner (e.g., pesticides, motor oils, chemicals, etc.). Non-hazardous waste is any kind of waste that – based on its composition, chemical-physical or biological properties – does not require special technical and organizational measures to be disposed of (e.g., plastic packaging, clean glass, paper, cardboard, etc.).

# SUB-TOPICS DEFINITION

## ENVIRONMENTAL DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Water Management	Water consumption	The water consumption or footprint of a business is defined as the total volume of fresh water (e.g., well water, surface water, rainwater etc.) used to produce the goods and services offered by the business.
Water Management	Wastewater and wastewater disposal	Wastewater is used water which needs special treatment and is not eligible to be returned to the water cycle without treatment.
Water Management	Water discharge	Sum of effluents, used water, and unused water released to seawater, sewer/ sewage plant, or a third party, for which the organization has no further use.
Water Management	Water stress/ scarcity	“Water stress” refers to the ability, or lack thereof, to meet human and ecological demand for water. Water scarcity can mean scarcity in availability due to physical shortage, or scarcity in access due to the failure of institutions to ensure a regular supply or due to a lack of adequate infrastructure.

# SUB-TOPICS DEFINITION

## ENVIRONMENTAL DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Water Management	Release of plastic in the waterways	Continuous depositing of plastic waste in waterways entering natural ecosystems from a variety of sources, including cosmetics, clothing, and industrial processes. This results in the formation of microplastics that endanger both wildlife and negatively impact our natural capital.
Water Management	Water quality	Water quality standards (WQS) are provisions of state, territorial, authorized tribal or federal law that describe the desired condition of a water body and the means by which that condition will be protected or achieved.
Water Management	Water-related risks	Major risks related to water are the following: risk of too much, too little and too polluted water (water-related disasters such as tropical storms, floods and droughts), disruption to freshwater systems, lack of access to water supply and sanitation. The company needs to introduce water management policies and systems to secure responsible consumption of water in the water stresses areas/countries.
Biodiversity and Nature	Site planning to limit land use and impact on nature	A site plan or a plot plan is a type of plan, which shows existing and proposed conditions for a given area, typically a parcel of land which is to be modified due to site construction and operation. Integration of environmental factor in such planning allows to avoid deforestation (caused, for instance, by site construction or accidental fires) and other negative impacts on nature.

# SUB-TOPICS DEFINITION

## ENVIRONMENTAL DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Biodiversity and Nature	Assessment of impact on nature and biodiversity	Procedure that a company undertakes in order to assess its impacts on natural environment (including ecosystems, species, freshwater, soils, minerals, the air and oceans, as well as natural processes and functions) by its business activities along the value chain (operation and products).
Biodiversity and Nature	Protection of animals in risk of extinction	Various methodologies that are implemented to help foster wildlife considered by experts to be at risk of disappearing (e.g., IUCN Red List).
Biodiversity and Nature	Re-naturalization	Renaturalization or rewilding, is the process of ecological restoration of a site to a natural landscape and habitat, safe for humans, wildlife, and plant communities (e.g., recreation of habitats including forests, etc.).
Biodiversity and Nature	Financial risks due to nature loss	Companies have impact on the natural environment and can cause nature loss. For example, land use conversion for agriculture is responsible for over 70% of the terrestrial biodiversity loss. In order to avoid nature loss and incorporate considerations of nature into business and finance decision-making, the company can quantify the value of, and costs associated with, maintaining existing global stocks of natural capital. Such costs would be considered as financial risks for the company.

# SUB-TOPICS DEFINITION

## ENVIRONMENTAL DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Biodiversity and Nature	Transition risks and stranded assets	Transition risks are risks that arise due to a shift in societal expectations and market pressure to move towards more sustainable practices. Stranded assets are assets that are no longer usable in these new societal norms. As an example, the export of sand could be banned in the near future and sand might become a stranded asset due to its high environmental impacts.
Energy Management	Energy consumption from non-renewable sources	The consumption of energy that originates from one of the four major non-renewable resources : Oil, natural gas, coal, and nuclear energy.
Energy Management	Energy consumption from renewable sources	The consumption of energy that originates from one of the many renewable resources we have at our disposal, including hydropower, solar energy, biomass, wind, geothermal energy and ambient heat. This gives rise to the concept of "green electricity", meaning energy generated from natural resources.

# SUB-TOPICS DEFINITION

## ENVIRONMENTAL DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Energy Management	Energy efficiency	Energy efficiency means using less energy to perform the same task – that is, eliminating energy consumption as much as possible.
Energy Management	Certificates purchase policy (move towards carbon removal)	Certificates purchase policy refers to a certificate that is purchased in this case to reduce CO2 emissions. E.g., CO2 certificates represent emissions that are offset.
Air Emissions	NOx, SOx, dust, and VOC	Emissions of some substances can harm human health, wildlife and biological diversity. For example, small particles of toxic metals can travel long distances in the air, be inhaled, or settle on the ground and in water. Exposure to these substances, even in small amounts, can be hazardous to both humans and wildlife.

# SUB-TOPICS DEFINITION

## ENVIRONMENTAL DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Product Portfolio	Production processes efficiency	Refers to the degree to which a production process reflects 'best practice' and allows for an optimal production process, either in an engineering or an economic sense.
Product Portfolio	Product information/ documentation	Customer communication delivered with the product or service, describing its characteristics and how to handle it during and at the end of its lifecycles (e.g., via technical documentation etc.)
Product Portfolio	Product performance/ certification	Product performance refers to how well a product satisfies customer needs, serves its purpose and meets industry standards (e.g. certifications). As an example, durability of the product is considered in order to prolong the life span of the final application.
Product Portfolio	Product safety	Product safety is the ability of a product to be safe for intended use, as determined when evaluated against a set of established rules. For instance, since many chemicals are classified as hazardous substances and mixtures, companies must ensure that products containing chemicals pose no risk to people or the environment.

# SUB-TOPICS DEFINITION

## ENVIRONMENTAL DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Product Portfolio	Ease of application/ use	Ease of use is a concept that provides users of a product or service to use it in the exact way it was intended to be used in a safe, effective, and efficient manner.
Product Portfolio	Product sustainability	Product sustainability follows the life-cycle thinking principle along the value chain with the aim to innovate and optimize products and solutions over their whole life cycle with regards to their environmental, social and economic benefits and impacts, from the extraction of raw materials until the final disposal.
Product Portfolio	Strategy to manage chemicals of concern and their impact on customers	Implemented strategies that incorporate life-cycle thinking and limiting the overall production and use of hazardous chemicals and their potentially negative impact on human health.
Product Portfolio	Compliance with chemical regulations	Meeting the currently required chemical regulations (e.g., REACH), and planning with regards to sustainability practices to meet future forthcoming regulations.



# SUB-TOPICS DEFINITION

## ENVIRONMENTAL DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Product Portfolio	Sustainable construction & transportation	Any efficient, safe and accessible means of transport or construction, with an overall low impact on the environment. Examples include low and ultra low CO2 emission vehicles and sustainable construction materials (e.g., low Carbon materials, recycled material content, etc.) usages.
Product Portfolio	Product packaging	Product packaging concept refers to the process of designing, evaluating, and producing packaging for provided products. While planning and developing product packaging, companies can consider the usage of sustainable materials, packaging recyclability or ability to be reused, as well as other general characteristics such as functionality, convenience, design, etc.
Product Portfolio	Product pricing	The act to determine the value of a product e.g., ESG rating can influence the value of a product.

# SUB-TOPICS DEFINITION

## SOCIAL DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Health and Safety	Occupational health and safety	An incident that occurs when a process or general procedure doesn't go according to its designed flow. Fatality rate are a measure of fatalities that occur as a result of such incidents at the workplace. Sickness rate are a measure of occurring sicknesses within the overall workforce of the company. Occupational diseases include work-related skin diseases, cancers, stress, respiratory diseases and many others.
Health and Safety	Health risks	Potential health hazards workers are exposed to as a result of their activities and Measures implemented and strategies designed to protect employees from potential health risks arising from pandemics, including COVID-19.
Health and Safety	Safety measures and health programs	Safety measures and health programs foster a proactive approach to “finding and fixing” workplace hazards before they can cause injury or illness. Rather than reacting to an incident, management and workers collaborate to identify and solve issues before they occur.
Health and Safety	Contractors' health and safety	Measures and procedures designed to protect employees in the value chain from potential health and safety risks.

# SUB-TOPICS DEFINITION

## SOCIAL DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Labor Management	Labor management	Labor-management relations refers to interactions between employees, as represented by labour unions, and their employers. Labor unions are organizations of employees in particular industries, companies, or groups of industries or companies, who join together to further workers' interests. The primary focus of Labor-Management Relations should be on the grievance, handling the industrial dispute, and interpretation of labor laws, etc. it provides a context in which organizational rules and regulations are framed so that organizational roles assigned to members are performed.
Community Relations	Community engagement	Community engagement seeks to better engage the community and create a dialogue between communities and organizations to achieve long-term and sustainable outcomes, processes, relationships, discourse, decision-making, or implementation. For example, the “Sika Cares” community engagement program focuses on improving the quality of life of children, adults and families in the communities in which the company is active.
Community Relations	Volunteerism	Volunteering is a voluntary act of employees freely giving time and labor for community service. Company can support volunteering work in relation to social activities and personal development, including such activities as community infrastructure development, training individuals with skills that will help them develop their community, etc.

# SUB-TOPICS DEFINITION

## SOCIAL DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Community Relations	Community relations	Programs that address issues of interest to the general public, business, academia, authorities, public administration and other non-news media entities.
Human Capital Development	Employee trainings	Employee training on all hierarchical level is defined as a planned set of activities to develop employees' job skills. These could be technical, vocational, management, sustainability/ ESG related skills, etc. which applies to all topics that are material for Sika.
Human Capital Development	Digital skills	Methodologies or trainings designed to enhance usage of digital devices and emerging technologies. Digital skills in the workplace can include original content creation, e-commerce, network and information security, UX/UI design, digital marketing, social media marketing, and data analytics.
Human Capital Development	Feedback culture	A feedback culture is a culture where every employee feels they have the right to give feedback to another person in the organization – no matter where they may fall on the organizational chart.
Human Rights	Human rights due diligence in the whole value chain	Human rights due diligence is a way for enterprises to proactively manage potential and actual adverse human rights impacts with which they are involved. Examples include child labor, forced labor and poor working conditions.

# SUB-TOPICS DEFINITION

## SOCIAL DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Human Rights	Training on human rights policies	Training on human rights and their importance can be provided for employees to raise awareness about potential concerns in the area. Such trainings can also be provided to employees of contractor organizations in order to prevent violation of human rights in the supply chain.
Human Rights	Freedom of association	The right of workers and employers to form and join organizations of their own choosing is an integral part of a free and open society.
Human Rights	Child labor	Work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development. Child labor is a particular issue in the supply chain, and it is the organization's responsibility to monitor and mitigate human right violations.
Talent Attraction and Retention	Compensation and social benefits	Employee compensation and social benefits include various types of non-wage compensation provided to employees in addition to their normal wages or salaries. Examples include housing, group insurance, health & dental care, retirement benefits, etc.
Talent Attraction and Retention	Incentives programs	Employee incentive programs are rewards and benefits used to motivate positive behaviors in the workforce. Such programs can include tuition reimbursement, additional time off, additional flexibility in work arrangements, etc.

# SUB-TOPICS DEFINITION

## SOCIAL DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Talent Attraction and Retention	Employee turnover	Employee turnover is the rate at which employees leave the organization voluntarily or due to dismissal, retirement, or death in service. High employee turnover can be a result of poor working conditions or absence of retention programs.
Talent Attraction and Retention	Work-life balance	The work-life balance sets out to achieve an ideal balance between a person's working life and private life. It is a concept in which the maximum happiness of an employee acts as the fuel for productive and fulfilling work, for which both employer and employee are responsible.
Stakeholder Engagement	Stakeholder engagement	Stakeholder engagement is the process by which an organization involves in a dialogue people who may be affected by its decisions or can influence the implementation of its decisions.
Stakeholder Engagement	Public affairs and lobbying	Public affairs is a term that describes an organization's relationship with stakeholders. These are individuals or groups with an interest in the organization's affairs, such as politicians, civil servants, and local communities, clients, shareholders, trade associations, think tanks, business groups, charities, unions and the media. Lobbying is part of public affairs and refers to the act to lobby someone in authority to support laws or rules that give your organization or industry an advantage.

# SUB-TOPICS DEFINITION

## SOCIAL DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Diversity and Inclusion	Equal treatment	The principle of equal treatment establishes that all people – and in the context of the workplace, all workers – have the right to receive the same treatment and not to be discriminated against criteria such as age, disability, nationality, race and religion.
Diversity and Inclusion	Inclusion	Inclusion can be defined as the achievement of a work environment in which all individuals are treated fairly and respectfully, have equal access to opportunities and resources, and contribute fully to the organization's success.
Diversity and Inclusion	Diversity	The practice or quality of including or involving people from a range of different social and ethnic backgrounds and of different genders, sexual orientations, religions, people with different opinions and the different ways to organize the private life (such as work-life balance, part-time work, etc.) of which none should be a factor to hinder a career.
Diversity and Inclusion	Gender pay gaps	The gender pay gap is the difference in average gross hourly earnings between women and men. It is based on salaries paid directly to employees before income tax and social security contributions are deducted. Some of the reasons for the gender pay gap are structural and are related to differences in employment, level of education and work experience. If we remove this part, what remains is known as the adjusted gender pay gap.

# SUB-TOPICS DEFINITION

## GOVERNANCE DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Corporate Governance	Board structure and diversity	Board diversity aims to cultivate a broad spectrum of demographic attributes and characteristics in the boardroom. According to research, gender diversity is related positively to company performance.
Corporate Governance	Executive compensation	Executive compensation is composed of both the financial compensation and other non-financial benefits received by an executive from their employing firm in return for their service. Linking executive compensation with a company's sustainability goals may result in a better model for sustainable corporate health.
Corporate Governance	Sustainability governance and decision-making	Sustainability governance helps a company implement sustainability strategy across the business, manage goal-setting and reporting processes, strengthen relations with external stakeholders, and ensure overall accountability. Best practice can include appointment of a Head of Sustainability or creation of a specific standalone Sustainability Committee.



# SUB-TOPICS DEFINITION

## GOVERNANCE DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Corporate Governance	Reputation risk	Damages to company's reputation by any substantial wrongdoings which become public may have negative repercussions for its future business success and its standing with the stakeholders. Substantial wrongdoings can be in any area, including substantial product claims, accidents at a factory or any type of non-compliance. It may also extend to personal wrongdoings of members of the Board and Group Management. A comprehensive operational risk management and compliance program reduces the risk.
Corporate Governance	Investor Ratings	An assessment tool assigned by an analyst or an investor to a stock or a bond which measures a company's performance solely on economic performance. Non-financial rating is a technique used to support companies in improving their corporate social responsibility behavior and considers the companies behavior towards the environment, governance and its social commitment. A company's profitability heavily relies on non-financial factors e.g., corporate governance, risk management policy, management of ESG risks which can impact investors decision-making and plays a role in a companies' longevity. Examples of non-financial ratings include MSCI, Sustainalytics, CDP and S&P. Therefore, next to financial investor ratings, non-financial investor ratings plays a decisive role in the investors' perception of a company.

# SUB-TOPICS DEFINITION

## GOVERNANCE DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Compliance	Compliance with industry regulations	Compliance within the industry is essential for the business to stay in line with industry regulations (incl. products, packaging), to protect both workers and the public.
Compliance	Compliance with Sustainability/ ESG regulations	Compliance within the industry is essential for the business to stay in line with existing and forthcoming sustainability/ ESG regulations (e.g., climate related, products, packaging etc.), to protect people, planet and the business.
Compliance	Customer compliance readiness	Helping customers in getting prepared for new laws, regulations and certifications.
Business Ethics and Integrity	Codes of Conduct	A code of conduct is a set of rules outlining the norms, rules, and responsibilities or proper practices of an individual party or an organization.

# SUB-TOPICS DEFINITION

## GOVERNANCE DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Business Ethics and Integrity	Anti-corruption	Corruption is ‘abuse of entrusted power for private gain’, which can be instigated by individuals or organization. Corruption includes practices such as bribery, facilitation payments, fraud, extortion, collusion, and money laundering. It also includes an offer or receipt of any gift, loan, fee, reward, or other advantage to or from any person as an inducement to do something that is dishonest, illegal, or a breach of trust in the conduct of the enterprise’s business. For companies, corruption impedes business growth, escalates costs and poses serious legal and reputational risks. For this reason, companies introduce anti-corruption policies and procedures to combat corruption in the organization.
Business Ethics and Integrity	Anti-competitive practices	Anti-competitive behavior - action of the organization or employees that can result in collusion with potential competitors, with the purpose of limiting the effects of market competition. Examples of anti-competitive behavior actions can include fixing prices, coordinating bids, creating market or output restrictions, imposing geographic quotas, or allocating customers, suppliers, geographic areas, and product lines.

# SUB-TOPICS DEFINITION

## GOVERNANCE DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Business Ethics and Integrity	Integrity	Integrity refers to the ethical integrity of the individual actors, the ethical quality of their interaction as well as that of the dominating norms, activities, decision making procedures and results within an organization.
Customer Relationship Management	Customer satisfaction measurement	Customer satisfaction is a measure of how products and services supplied by a company meet or surpass customer expectation. Customer satisfaction information, including surveys and ratings, can help a company determine how to best improve or changes its products and services.
Customer Relationship Management	Customer relationship measurement	One measurement approach that seeks to assess the mutuality of relationships balances customer-centricity with organizational performance.
Customer Relationship Management	Request and analysis of customer data	Customer analytics is the process of collecting and analyzing customer data to understand customers' needs, price sensitivity, doubts in choosing products/services, etc., and develop targeted marketing and sales activities.

# SUB-TOPICS DEFINITION

## GOVERNANCE DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
IT Landscape	Cyber Security risk and security measures	International corporations are exposed to Cyber attacks which can be any type of an offensive maneuvers employed by nation-states, individuals, groups, or organizations that target computer information systems, infrastructures, computer networks, and/or personal computer devices by various means of malicious acts usually originating from an anonymous source that either steals, alters, or destroys a specified target by hacking into a susceptible system.
IT Landscape	IT infrastructure and information security management system	An established framework of policies and controls that manage information security and risks systematically and across the entire enterprise. It describes and demonstrates organization's strategic approach to information security and privacy.
IT Landscape	Data protection and customer privacy	Customer data privacy involves the handling and protection of the sensitive personal information provided by customers during everyday transactions.

# SUB-TOPICS DEFINITION

## GOVERNANCE DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Public Policy	Public policy	Approach to public policy advocacy, and the impacts that can result from the influence an organization exerts.
Risk and Crisis Management	Process safety	Indicators that define process safety performance. Process safety incident is an event that has potential impact on the safety of people and natural environment (e.g., an event involving the release/loss of containment of hazardous materials that can result in large-scale health and environmental consequences). Process Safety Incidents typically involve an unexpected failure in a pipeline or processing facility, often including a fire, explosion, or chemical leak.
Risk and Crisis Management	Risk governance	Risk governance refers to the policies, processes and mechanisms by which decisions about risks are taken and implemented. It also includes the concept of risk culture that incorporates the norms of behavior for individuals and groups within an organization that determine the collective ability to identify and understand, openly discuss and act on the organization's current and future risks.
Risk and Crisis Management	Risks assessment and management	A systematic process of identifying hazards and evaluating any associated risks within a workplace, then implementing reasonable control measures to remove or reduce them.

# SUB-TOPICS DEFINITION

## GOVERNANCE DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Tax Strategy	Tax Strategy	A plan, based firmly on data and the facts of the business, which sets out the tax decisions made in supporting the organization's goals.
Tax Strategy	Good corporate citizenship	A company that prioritizes making a positive social impact, acting ethically and ensuring the long-term sustainability of its operations, among other actions. For instance, such company doesn't avoid tax.
Tax Strategy	Tax Risk	The increasing fight for tax base by most countries leads to the risk of potential tax exposures on both a Corporate and a local level.
Responsible Procurement	Environmental and social impacts in supply chain	Significant actual and potential negative environmental and social impacts identified in the supply chain. Negative impacts include those that are either caused or contributed to by an organization, or that are directly linked to its activities, products, or services by its relationship with a supplier. Environmental and social impacts in supply chain can include water pollution, deforestation, hazardous air emissions, excessive energy use, health and safety of contractors, human rights protection, business ethics and anti-corruption, etc.

# SUB-TOPICS DEFINITION

## GOVERNANCE DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Responsible Procurement	Conflict minerals	Conflict Minerals refer to raw materials or minerals that come from a particular part of the world where conflict is occurring and affects the mining and trading of those materials. Conflict minerals could be present knowingly or unknowingly in the supply chain and contaminate it.
Responsible Procurement	Due diligence and supplier assessment	Due diligence is the investigation that a business is normally expected to take before entering into an agreement or contract with another party. This involves making the relevant inquiries to determine whether a third party complies with the corporate policies and conducts responsible business.
Responsible Procurement	Sustainable logistics	Sustainable logistics aims to lower the environmental footprint of its tasks, such as CO2 emissions, noise pollution, and accidents. In this sense, logistics suppliers must look for a balance between financial growth, care for the environment, and the health of society.
Responsible Procurement	Packaging	Packaging enables the movement of products from its point of origin to its point of consumption and influences all other industries directly or indirectly. Increasing length of global supply chains for products has led to a simultaneous increase in the use of packaging layers and associated waste along the supply chain. Thus, packaging poses challenges and opportunities to the environment and society, with implications for supply chain costs.



# SUB-TOPICS DEFINITION

## GOVERNANCE DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Responsible Procurement	Direct material sourcing	Sourcing of critical direct materials could be at risk due to single sourced material, supplier discontinuity and capacity shortage.
Responsible Marketing	Fact-based marketing communications	Marketing is an important method of communication between organizations and customers, and is subject to many regulations, laws, and voluntary codes. An organization is expected to use fair and responsible practices in its business and dealings with customers. Fair and responsible marketing requires the organization to communicate transparently about the economic, environmental, and social impacts of its brands, products, and services. Fair and responsible marketing also avoids any deceptive, untruthful, or discriminatory claims, and does not take advantage of a customers' lack of knowledge or choices.
Responsible Marketing	Product labelling	Product labelling is the act of writing and displaying information about a product focused on the product's informational or written part.

# SUB-TOPICS DEFINITION

## ECONOMIC DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Economic Performance	Financial results	Financial results capture financial performance of a company, which is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues.
Economic Performance	Shareholder value	Shareholder value is the value given to stockholders in a company based on the firm's ability to sustain and grow profits over time.
Economic Performance	Business growth	Sika's strategy includes inorganic growth through acquisitions. There is some potential risk that not all suitable acquisition candidates are spotted, and hence promising acquisition opportunities are missed. The M&A strategy should also consider material Sustainability/ ESG topics, such as climate-related risks/ opportunities etc. In addition, the number of acquisitions consummated require a diligent and smart integration approach in order not to destroy value.
Economic Performance	Cash/Liquidity	Shocks in the financial systems limit company's financing possibilities and increase financing costs.

# SUB-TOPICS DEFINITION

## ECONOMIC DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Economic Performance	Investments CapEX towards environmental topics	CapEx refers to Capital Expenditure which are funds used by a company to acquire, upgrade or maintain physical assets such as property, investments, buildings, etc. In this case, this is specifically referring to Capital expenditure for funds to help to support and invest in ESG topics.
Circular Economy	Resource consumption	Responsible usage of both non-renewable and renewable resources, including material consumption, water consumption, energy consumption, land consumption, etc. Responsible consumption of (scarce) resources means that companies and customers make their choices taking into account environmental impacts at all stages of the product life cycle.
Circular Economy	Recycled materials	Recycling is the process of collecting and processing materials that would otherwise be thrown away as trash and turning them back into new products.
Circular Economy	Renewable and bio-based materials	Bio-based raw materials are those derived from living organisms such as different types of crops, wood, and algae. Renewable materials are made of resources which will replenish to replace the portion depleted by usage and consumption, either through natural reproduction or other recurring processes.

# SUB-TOPICS DEFINITION

## ECONOMIC DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Circular Economy	End-of-life solutions and services	Circular economy starts with avoiding waste and reusing materials that reached their end of life. Proposing solutions and services designed to minimize waste and close the material cycle, reducing or avoiding the consumption of the world's finite resources is the goal. This includes aspects like de-constructability, separability, recyclability and reusability of products or having a recycling infrastructure in place etc.
Circular Economy	Urban mining	Urban mining is the process of recovering and reusing a city's materials. These materials may come available from buildings, infrastructure, or products when the functional lifetime of an object is over. The scale of the climate crisis requires it to be applied more ambitiously and more proactively, treating the whole city as a "mine" and actively prospecting materials to ensure that as much of their value is retained as a reliable supply of high-quality secondary materials.
Circular Economy	Eco-design of products	Eco design anticipates and minimizes negative environmental impacts of manufacturing, usage, repairing and disposal of products all the while maintaining the product's quality level aligned to its ideal usage. Life Cycle Assessment (LCA) is a widely used and internationally accepted methodology to quantify potential impacts on the environment.

# SUB-TOPICS DEFINITION

## ECONOMIC DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Innovation Management	Innovating sustainable solutions	Development of innovative sustainable products, systems and services that provide environmental, social and economic benefits at the same time, while minimizing potential negative impacts on the environment and human health over their whole life cycle, from the extraction of raw materials until the final disposal.
Innovation Management	Innovation strategy	An innovation strategy is a plan to grow market share or profits through product and service innovation. When it comes to creating the solution, an innovation strategy must also indicate whether a product improvement, or a disruptive or breakthrough innovation approach is best.
Innovation Management	R&D projects and expenditures	Research & Development (R&D) represents the activities companies undertake to innovate and introduce new products and services or to improve their existing offerings.
Innovation Management	Clean technology innovation	Any process, product, or service that reduces negative environmental impacts through significant energy efficiency improvements, the responsible use of energy resources, or environmental protection activities.

# SUB-TOPICS DEFINITION

## ECONOMIC DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Innovation Management	Innovative partnerships	An innovation partner is a platform, organization (incl. Start-up, university ...), individual, or location in which several companies or creators work toward mutual interests to uncover new approaches to solving existing market problems.
Innovation Management	Technology risk	The risk that innovations or other market development would have a severe effect on the actual product offering.
Innovation Management	Intellectual property	Intellectual property is a category of property that includes intangible creations of the human intellect. The most well-known types are copyrights, patents, trademarks, and trade secrets.
Innovation Management	Business model innovation	Changes in customer behavior, globalization and emerging sustainability challenges are currently creating a window of opportunity for new business models. A business model innovation is thus the conscious change of an existing business model or the creation of a new business model that better satisfies the needs of the customer aligned with emerging sustainability challenges than existing business models.

# SUB-TOPICS DEFINITION

## ECONOMIC DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Digitalization	Automation	Automation is the creation and application of technologies to produce and deliver goods and services with minimal human intervention. The implementation of automation technologies, techniques and processes improve the efficiency, reliability, and/or speed of many tasks that were previously performed by humans.
Digitalization	Artificial Intelligence	Artificial intelligence is the theory and development of computer systems able to perform tasks normally requiring human intelligence, such as visual perception, speech recognition, decision-making, and translation between languages.
Digitalization	3-D Constructions	Construction 3D Printing refers to various technologies that use 3D printing as a core method to fabricate buildings or construction components.

# SUB-TOPICS DEFINITION

## ECONOMIC DIMENSION

TOPIC	SUB-TOPIC	DEFINITION
Digitalization	Predictive Maintenance	Predictive maintenance is a technique that uses data analysis tools and techniques to detect anomalies in operation and possible defects in equipment and processes so you can fix them before they result in failure. Predictive maintenance detects possible failures before they occur – letting you correct the problem to mitigate any potential downtime or failures during construction. The industry is using the latest in IoT (Internet of Things), fatigue-sensors, machine learning, and predictive analytics to understand how long our tools can last during critical portions of the construction process.
Digitalization	Virtual Reality	The computer-generated simulation of a three-dimensional image or environment that can be interacted with in a seemingly real or physical way by a person using special electronic equipment.
Digitalization	Customer engagement via digital channels	Digital customer engagement includes all the ways a customer interacts with the business via technology (e-commerce for example), and how the company interacts with its customers, including email, social media, and corporate website.





## SIKA MATERIALITY ANALYSIS 2022

BUILDING TRUST

