

Sika AG ESG Evaluation Increased To 75 On Improving Environmental Performance And Governance

May 25, 2023

This report does not constitute a rating action.

MADRID (S&P Global Ratings) May 25, 2023--S&P Global Ratings today increased its ESG Evaluation on Switzerland-based Sika AG to 75 from 74 (on a scale of 1 to 100). Our updated **ESG Evaluation** on the company is the result of an ESG profile of 67 combined with strong (+8) preparedness. Higher numbers indicate stronger sustainability in our evaluations.

Sika AG

	To	From
ESG Evaluation	75/100	74/100
ESG Profile	67/100	66/100
E-Profile (30%)	64/100	62/100
S-Profile (30%)	59/100	59/100
G-Profile (40%)	75/100	73/100
Preparedness	Strong (+8)	Strong (+8)

The improvement reflects our view that Sika is progressing on its management of greenhouse gas (GHG) emissions while reinforcing its governance structure.

In 2022, Sika committed to set Science Based Targets Initiative (SBTi)-validated targets, covering scope 1, 2, and 3 emissions. It intends to reduce its footprint along the whole value chain by increasing energy efficiency and the use of electricity originating from renewable sources, but also by collaborating with its suppliers and working on product reformulations. Sika intends to leverage its product portfolio's potential to enable GHG reductions in hard-to-abate sectors such as building materials and cement. We view positively that, in line with industry best practice, the company has developed a system to identify and calculate emissions from its material scope 3 GHG categories in line with the GHG Protocol, and that in 2022, scope 3 figures were externally assured.

In addition, Sika's governance structure has improved in terms of board independence and gender diversity over the past year, with women now accounting for 38% of the board, above the Swiss peer median of 22%. However, the lack of country-by-country tax and CEO-employee pay ratio

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disclosures is a limiting factor in our assessment of the company's disclosures.

Sika still lags other specialty chemical peers on occupational safety but is taking steps to address this.

Finally, our ESG Evaluation remains supported by the company's robust preparedness. Its customer focus helps it anticipate and adapt to a variety of plausible long-term disruptions, which makes its strategy resilient, in our view.

Founded in 1910 and headquartered in Baar, Switzerland, Sika is a specialty chemicals company that manufactures additives, adhesives, sealants, and other bespoke products for the construction and auto sectors. Operating more than 300 production facilities across 101 countries, the company has seen above-market expansion in recent years. Its sales increased 13.4% to Swiss franc (CHF) 10.49 billion in 2022 from CHF9.25 billion in 2021. This growth has been organic and through acquisitions. On May 1, 2023, Sika completed the acquisition of MBCC Group, its largest acquisition closed so far.

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