

Sika

Country	Switzerland
Meeting date	17 April 2018 13:00
Meeting location	Waldmannhalle, Neugasse 55, Baar
Meeting type	Annual General Meeting
Securities	ISIN CH0000587979, Telekurs 58797

General Meeting Highlights

ITEMS 3.1.1, 3.1.4 and 3.1.8 - Discharge the 3 board members who were linked to Schenker-Winkler Holding (SWH) at the time of the transaction with Saint-Gobain (Mr. Urs Burkard, Dr. Willi Leimer and Mr. Jürgen Tinggren). Ethos has serious doubts that their attitude and actions at the time of the transaction with Saint-Gobain were in line with their duty of loyalty to Sika and its shareholders. Ethos recommends to OPPOSE (point 1.2.d of Ethos' guidelines).

ITEMS 4.1.2, 4.1.4 and 4.1.8 - Re-elect Mr. Urs Burkard, Dr. Willi Leimer and Mr. Jürgen Tinggren. Ethos considers that they did not act in the interests of the company and its non-family shareholders. Ethos recommends to OPPOSE (point 2.1.b of Ethos' guidelines).

ITEMS 4.2 and 4.3.2 - Proposals by SWH: Elect Prof. Dr. Jacques Bischoff as board member and chairman. He will represent the interests of SWH, which are currently not aligned with the interests of the non-family shareholders and other stakeholders of Sika. In line with the recommendation of the majority of the board, Ethos recommends to OPPOSE.

ITEM 6.2 - Proposal by the shareholder group formed by Cascade, Bill & Melinda Gates Foundation Trust, Fidelity, and Threadneedle: Extend the term of office of the special expert committee to the 2022 AGM. The resolution is in line with the long-term interests of the majority of the company's stakeholders. In line with the recommendation of the majority of the board, Ethos recommends vote to FOR.

ITEM 7 - Proposal by Schenker-Winkler Holding: Special audit. Ethos considers that the requested special audit is not necessary. In line with the recommendation of the majority of the board, Ethos recommends to OPPOSE.

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1. General Meeting Overview

1.1 Voting positions at this general meeting

Item	Proposal		Ethos voting position	Board recommendation
1	Approve annual report, financial statements and accounts		FOR	FOR
2	Approve allocation of income and dividend		FOR	FOR
3	Discharge board members and executive management			
3.1.1	Discharge Mr. Urs F. Burkard	●	OPPOSE	FOR
3.1.2	Discharge Mr. Frits van Dijk		FOR	FOR
3.1.3	Discharge Dr. Paul J. Hälg		FOR	FOR
3.1.4	Discharge Dr. Willi K. Leimer	●	OPPOSE	FOR
3.1.5	Discharge Ms. Monika Ribar		FOR	FOR
3.1.6	Discharge Mr. Daniel J. Sauter		FOR	FOR
3.1.7	Discharge Prof. Dr. Ulrich W. Suter		FOR	FOR
3.1.8	Discharge Mr. Jürgen Tinggren	●	OPPOSE	FOR
3.1.9	Discharge Mr. Christoph Tobler		FOR	FOR
3.2	Discharge executive management		FOR	FOR
4.1	Elections to the board of directors			
4.1.1	Re-elect Dr. Paul J. Hälg as board member		FOR	FOR
4.1.2	Re-elect Mr. Urs F. Burkard as board member	●	OPPOSE	FOR
4.1.3	Re-elect Mr. Frits van Dijk as board member		FOR	FOR
4.1.4	Re-elect Dr. Willi K. Leimer as board member	●	OPPOSE	FOR
4.1.5	Re-elect Ms. Monika Ribar as board member		FOR	FOR
4.1.6	Re-elect Mr. Daniel J. Sauter as board member		FOR	FOR
4.1.7	Re-elect Prof. Dr. Ulrich W. Suter as board member		FOR	FOR
4.1.8	Re-elect Mr. Jürgen Tinggren as board member	●	OPPOSE	FOR
4.1.9	Re-elect Mr. Christoph Tobler as board member		FOR	FOR
4.2	Proposal by Schenker-Winkler Holding: Elect Prof. Dr. Jacques Bischoff as board member		OPPOSE	OPPOSE
4.3	Election of the chairman of the board			
4.3.1	Proposal by the board of directors: Re-elect Dr. Paul J. Hälg as board chairman		FOR	FOR
4.3.2	Proposal by Schenker-Winkler Holding: Elect Prof. Dr. Jacques Bischoff as board chairman		OPPOSE	OPPOSE
4.4	Elections to the nomination and remuneration committee			

4.4.1	Re-elect Mr. Frits van Dijk to the nomination and remuneration committee		FOR	FOR
4.4.2	Re-elect Mr. Urs F. Burkard to the nomination and remuneration committee	●	OPPOSE	FOR
4.4.3	Re-elect Mr. Daniel J. Sauter to the nomination and remuneration committee		FOR	FOR
4.5	Re-elect Ernst & Young as auditors		FOR	FOR
4.6	Re-elect Mr. Jost Windlin as independent proxy		FOR	FOR
5	Remuneration			
5.1	Approval of the total remuneration of the board of directors for the term of office 2015/16		FOR	FOR
5.2	Approval of the total remuneration of the board of directors for the term of office 2016/17		FOR	FOR
5.3	Approval of the total remuneration of the board of directors for the term of office 2017/18		FOR	FOR
5.4	Advisory vote on the remuneration report		FOR	FOR
5.5	Approval of the total remuneration of the board of directors for the term of office 2018/19		FOR	FOR
5.6	Approval of the total remuneration of the executive management for the financial year 2019		FOR	FOR
6.1	Confirmation of the appointment of Mr. Jörg Riboni as member of the special expert committee		FOR	FOR
6.2	Proposal by the shareholder group formed by Cascade, Bill & Melinda Gates Foundation Trust, Fidelity, and Threadneedle: Extend the term of office of the special expert committee to the 2022 AGM		FOR	FOR
7	Proposal by Schenker-Winkler Holding: Special audit		OPPOSE	OPPOSE
	Proposals not listed in the invitation	●	OPPOSE	

1.2 Voting results of the general meeting of 11 April 2017

Item	Proposal	% For	Result	Ethos voting position	Board recommendation
1	Approve annual report, financial statements and accounts	100 %	Accepted	<i>FOR</i>	<i>FOR</i>
	Proposal by Schenker-Winkler Holding (not listed in the invitation): Allocation of income and dividend	68 %	Accepted	<i>OPPOSE</i>	<i>OPPOSE</i>
2	Approve allocation of income and dividend	-	-	● <i>FOR</i>	<i>WITHDRAWN</i>
3	Discharge board members and executive management	-	-		
3.1.1	Discharge Mr. Urs F. Burkard	75 %	Accepted	● <i>OPPOSE</i>	<i>FOR</i>
3.1.2	Discharge Mr. Frits van Dijk	34 %	Rejected	<i>FOR</i>	<i>FOR</i>
3.1.3	Discharge Dr. Paul J. Hälg	34 %	Rejected	<i>FOR</i>	<i>FOR</i>
3.1.4	Discharge Dr. Willi K. Leimer	75 %	Accepted	● <i>OPPOSE</i>	<i>FOR</i>
3.1.5	Discharge Ms. Monika Ribar	34 %	Rejected	<i>FOR</i>	<i>FOR</i>

3.1.6	Discharge Mr. Daniel J. Sauter	34 %	Rejected		<i>FOR</i>	<i>FOR</i>
3.1.7	Discharge Prof. Dr. Ulrich W. Suter	34 %	Rejected		<i>FOR</i>	<i>FOR</i>
3.1.8	Discharge Mr. Jürgen Tinggren	75 %	Accepted	●	<i>OPPOSE</i>	<i>FOR</i>
3.1.9	Discharge Mr. Christoph Tobler	34 %	Rejected		<i>FOR</i>	<i>FOR</i>
3.2	Discharge executive management	100 %	Accepted		<i>FOR</i>	<i>FOR</i>
4.1	Elections to the board of directors		-			
4.1.1	Re-elect Dr. Paul J. Hälg	88 %	Accepted		<i>FOR</i>	<i>FOR</i>
4.1.2	Re-elect Mr. Urs F. Burkard	77 %	Accepted	●	<i>OPPOSE</i>	<i>FOR</i>
4.1.3	Re-elect Mr. Frits van Dijk	99 %	Accepted		<i>FOR</i>	<i>FOR</i>
4.1.4	Re-elect Dr. Willi K. Leimer	78 %	Accepted	●	<i>OPPOSE</i>	<i>FOR</i>
4.1.5	Re-elect Ms. Monika Ribar	88 %	Accepted		<i>FOR</i>	<i>FOR</i>
4.1.6	Re-elect Mr. Daniel J. Sauter	87 %	Accepted		<i>FOR</i>	<i>FOR</i>
4.1.7	Re-elect Prof. Dr. Ulrich W. Suter	86 %	Accepted		<i>FOR</i>	<i>FOR</i>
4.1.8	Re-elect Mr. Jürgen Tinggren	78 %	Accepted	●	<i>OPPOSE</i>	<i>FOR</i>
4.1.9	Re-elect Mr. Christoph Tobler	87 %	Accepted		<i>FOR</i>	<i>FOR</i>
	Proposal by Schenker-Winkler Holding (not listed in the invitation): Elect Prof. Dr. Jacques Bischoff to the board of directors	13 %	Rejected		<i>OPPOSE</i>	<i>OPPOSE</i>
4.2	Re-elect Dr. Paul J. Hälg as board chairman	88 %	Accepted		<i>FOR</i>	<i>FOR</i>
4.3	Elections to the nomination and remuneration committee		-			
4.3.1	Re-elect Mr. Frits van Dijk to the nomination and remuneration committee	88 %	Accepted		<i>FOR</i>	<i>FOR</i>
4.3.2	Re-elect Mr. Urs F. Burkard to the nomination and remuneration committee	74 %	Accepted	●	<i>OPPOSE</i>	<i>FOR</i>
4.3.3	Re-elect Mr. Daniel J. Sauter to the nomination and remuneration committee	79 %	Accepted		<i>FOR</i>	<i>FOR</i>
4.4	Re-elect Ernst & Young as auditors	99 %	Accepted		<i>FOR</i>	<i>FOR</i>
4.5	Re-elect Mr. Jost Windlin as independent proxy	100 %	Accepted		<i>FOR</i>	<i>FOR</i>
5.1	Approval of the total remuneration of the board of directors for the term of office 2015/16	34 %	Rejected		<i>FOR</i>	<i>FOR</i>
5.2	Approval of the total remuneration of the board of directors for the term of office 2016/17	34 %	Rejected		<i>FOR</i>	<i>FOR</i>
5.3	Advisory vote on the remuneration report	33 %	Rejected		<i>FOR</i>	<i>FOR</i>
5.4	Approval of the total remuneration of the board of directors for the term of office 2017/18	34 %	Rejected		<i>FOR</i>	<i>FOR</i>
5.5	Approval of the total remuneration of the executive management for the financial year 2018	100 %	Accepted		<i>FOR</i>	<i>FOR</i>
6	Proposals not listed in the invitation		-		<i>OPPOSE</i>	<i>OPPOSE</i>

Attendance details

The attendance rate at the 2017 AGM was 81 % of the voting shares. The votes were represented as follows:

- Independent proxy: 28%
- Shareholders in the room: 72%

Note on the voting results

Schenker-Winkler Holding's (SWH) voting rights were limited to 5% of the registered shares for agenda items 4.1.1, 4.1.5, 4.1.6, 4.1.7, 4.1.9, 4.2, 4.3.1, 4.3.3, as well as for SWH's proposal to elect Prof. Dr. Jacques Bischoff to the board. SWH abstained from voting on the re-election of Mr. Frits van Dijk (representative of the bearer shareholders) under item 4.1.3.

2. Proxy Analysis

1	Approve annual report, financial statements and accounts	FOR
<p>The board of directors requests shareholder approval of the company's annual report and of the annual and consolidated accounts for the fiscal year 2017.</p>		
<p>Company performance in 2017 (see detailed figures in section 3.3 of this report)</p>		
- Total revenues variation in 2017		+8.7%
- Total revenues variation (3-year annualised)		+4.4%
- Operating margin 2017		14.3%
- Operating margin 2016		13.8%
- Net income variation		+14.3%
- Return on equity 2017		20.4%
- Return on equity 2016		20.6%
- Total Shareholder Return (TSR)		58.5%
- 3-year TSR		165.0%
<p>2017 Company milestones</p>		
<ul style="list-style-type: none"> • During the year under review, Sika made 19 key investments (9 new factories, 3 national subsidiaries and 7 acquisitions), continuing its expansion in growth markets. In addition, 74 new patent applications were filed and a large number of new products were launched in all target markets. • On 15 May 2017, the Sika share entered the blue-chip stock market index SMI and now belongs to the 20 most important shares in Switzerland. • On 1 July 2017, Mr. Paul Schuler succeeded Mr. Jan Jenisch as CEO. Mr. Schuler • 2017 was once again a record year for Sika, both in terms of operating profit (CHF 896.3 million, +12.7% on 2016) and net profit (CHF 649 million, +14.5% on 2015). 		
<p>Change of control and legal proceedings</p>		
<ul style="list-style-type: none"> • On 8 December 2014, the Burkard family (4th generation of the founding family) announced the sale of their participation in Sika (16.9% of the capital and 52.9% of the voting rights) to Saint-Gobain via the sale of Schenker-Winkler Holding (SWH). The purchase price (CHF 2.75 billion) included an 80% premium on the share price on the date of the announcement. • Legal proceedings are underway (see below) and the planned transaction has not been completed yet. • At the general meetings held in 2015, 2016 and 2017, the board applied art. 4 of Sika's articles of association to limit the voting rights of the registered shares held by SWH to 5% of the total number of registered shares. SWH's voting rights were limited for the agenda items that could have allowed the Burkard family to elect a majority of its own representatives to the board and therefore to finalise the takeover of Sika by Saint-Gobain. • Following these general meetings, the Burkard family filed complaints with the Cantonal Court of Zug. It argued that the board of directors did not have the right to apply this 5% limit because there was no direct sale of the Sika shares but the sale of the family holding company (SWH), which is itself the direct owner of the Sika shares. On the contrary, the board of directors has argued that the beneficial owner of the Sika shares changes with the transaction and that the limitation of the voting rights may be applied. 		

- On 28 October 2016, the Cantonal Court dismissed the Burkard family's complaint and sided with Sika. The Burkard family decided to appeal the judgment of the Cantonal Court. The Superior Court of Zug will rule on the appeal. Ethos maintained its status as an accessory party in support of the board of directors in the court of appeal legal proceedings.
- On 26 October 2017, Saint-Gobain and the Burkard family announced that they extended their agreement concerning the sale of SWH until June 2018. Saint-Gobain retains the right to extend the agreement until 31 December 2018.
- In view of the development of Sika's share price, the purchase price initially agreed between the Burkard family and Saint-Gobain (CHF 2.75 billion) now includes a discount on the market value. In fact, based on the share price of CHF 7'840 on 26 February 2018, the purchase price is 19% lower than the market value.
- At the presentation of the Group's results on 23 February 2018, Mr. Schuler (CEO) mentioned that the board has made a better offer to the Burkard family, which has not yet been discussed. In fact, the lawyer of the Burkard family, Mr. Urs Schenker, stated in the press in mid-February that the Burkard family will negotiate a new contract with Saint-Gobain.
- Ethos fully supports the board members who are not linked to SWH or the Burkard family, the Group management, 160 senior managers, and employee representatives that oppose Saint-Gobain's hostile takeover bid, which appears to be highly detrimental to the company and its minority shareholders.

Sika's annual report has a dedicated chapter on sustainability. In addition, the company publishes a separate and detailed sustainability report based on the GRI standards framework. The sustainability report is published a few weeks after the annual report.

In line with the provisions of the International Standards on Auditing (ISA), the audit report mentions 1 key audit matter (valuation of goodwill and intangible assets with indefinite useful life) that were most significant in the audit of the 2017 consolidated financial statements and how it was addressed by Ernst & Young. However, the audit report does not mention the materiality threshold used by Ernst & Young or the scope of the audit, which Ethos regrets.

Ethos has no special concerns regarding the accuracy of the company's financial statements and accounts and, in accordance with its voting guidelines, recommends to vote FOR.

2	Approve allocation of income and dividend	FOR
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The board of directors proposes that the amount at the disposal of the AGM be allocated as follows:

Available earnings brought forward	CHF	1'993.2 million
2017 Income of the parent company	CHF	+1'348.4 million
At the disposal of the AGM	CHF	3'341.6 million
Payment of dividend	CHF	-281.8 million
Allocation to reserves	CHF	-
Carry forward to statutory accounts	CHF	3'059.8 million

Key indicators

Consolidated net income	CHF	643.5 million
Free cash flow (Cash flow from operating activities - Capital expenditures)	CHF	493.4 million
Dividend per non-listed registered share	CHF	18.5 (2016: 16)
Dividend per listed bearer share	CHF	111 (2016: 96)
Payout ratio		43.8%
Dividend yield (based on the price of the bearer shares at year-end)		1.4%
Net cash (Cash and cash equivalents + Marketable securities - Current and non-current debt)	CHF	338.9 million

Subject to shareholder approval, the dividend will be paid on 23 April 2018. Ethos notes that, unlike last year, SWH supports the dividend proposed by the board of directors.

Given the company's results and cash position, Ethos, in accordance with its voting guidelines, recommends to vote FOR.

3 Discharge board members and executive management

The board of directors requests shareholders to discharge its members as well as those of the executive management of their responsibilities for their management of the company for the fiscal year 2017.

In line with the Swiss Code of Obligations, shareholders are requested to release the members of the board of directors from liability for their activities during the fiscal year under review. Shareholders that grant the discharge lose their right to file claims against the members of the board of directors for activities carried out during the year relating to facts that have been disclosed to shareholders. Nevertheless, all shareholders maintain their rights to file claims for facts that have not been disclosed to shareholders when the discharge was granted.

The meeting agenda stipulates that, upon approval of ITEMS 3.1.1 to 3.1.9 and 3.2, the members of the board and the executive management will be discharged subject to the results of the investigations that will be conducted as part of the special audit.

At this stage, it is unclear whether the attitude and activities of Sika's board members who were linked to Schenker-Winkler Holding (SWH) at the time of the transaction (Mr. Urs F. Burkard, Dr. Willi K. Leimer and Mr. Jürgen Tinggren) were in line with their duty of loyalty to Sika and thus whether they acted in the interests of the company and all its shareholders.

In fact, Ethos considers that the decision to sell the control of Sika to Sika's competitor Saint-Gobain (which was made without informing and discussing with Sika's management and independent board members prior to signing) is highly detrimental to the company and its minority shareholders, as it jeopardises the demonstrated success of the company. Therefore, Ethos cannot approve the discharge of the following board members:

- Mr. Urs F. Burkard (ITEM 3.1.1)
- Dr. Willi K. Leimer (ITEM 3.1.4)
- Mr. Jürgen Tinggren (ITEM 3.1.8)

The discharge of the other board members as well as the members of the executive management can be approved.

Ethos notes that SWH has repeatedly rejected the discharge of the directors who are not linked to SWH (Dr. Paul J. Hälg, Mr. Frits van Dijk, Ms. Monika Ribar, Mr. Daniel J. Sauter, Prof. Dr. Ulrich W. Suter and Mr. Christoph Tobler). As SWH can vote with its full voting rights (53% of the total voting rights) on the discharge, these members have not been discharged for the financial years 2014, 2015 and 2016. In addition, SWH has announced that it will once again not discharge them for the financial year 2017.

SWH has however always granted discharge to the executive management, as well as the board members who are linked to SWH (Mr. Urs F. Burkard, Dr. Willi K. Leimer and Mr. Jürgen Tinggren).

3.1.1	Discharge Mr. Urs F. Burkard	OPPOSE
	The board of directors requests shareholders to discharge Mr. Urs F. Burkard of his responsibilities for the management of the company. Ethos has serious doubts that his attitude and actions as board member at the time of the transaction with Saint-Gobain were in line with his duty of loyalty to Sika and its shareholders. Therefore, Ethos, in accordance with point 1.2.d of its voting guidelines, recommends to OPPOSE.	
3.1.2	Discharge Mr. Frits van Dijk	FOR
	The board of directors requests shareholders to discharge Mr. Frits van Dijk of his responsibilities for the management of the company. Ethos, in accordance with its voting guidelines, recommends to vote FOR.	
3.1.3	Discharge Dr. Paul J. Hälg	FOR
	The board of directors requests shareholders to discharge Dr. Paul J. Hälg of his responsibilities for the management of the company. Ethos, in accordance with its voting guidelines, recommends to vote FOR.	

3.1.4	Discharge Dr. Willi K. Leimer	OPPOSE
	The board of directors requests shareholders to discharge Dr. Willi K. Leimer of his responsibilities for the management of the company. Ethos has serious doubts that his attitude and actions as board member at the time of the transaction with Saint-Gobain were in line with his duty of loyalty to Sika and its shareholders. Therefore, Ethos, in accordance with point 1.2.d of its voting guidelines, recommends to OPPOSE.	
3.1.5	Discharge Ms. Monika Ribar	FOR
	The board of directors requests shareholders to discharge Ms. Monika Ribar of her responsibilities for the management of the company. Ethos, in accordance with its voting guidelines, recommends to vote FOR.	
3.1.6	Discharge Mr. Daniel J. Sauter	FOR
	The board of directors requests shareholders to discharge Mr. Daniel J. Sauter of his responsibilities for the management of the company. Ethos, in accordance with its voting guidelines, recommends to vote FOR.	
3.1.7	Discharge Prof. Dr. Ulrich W. Suter	FOR
	The board of directors requests shareholders to discharge Prof. Dr. Ulrich W. Suter of his responsibilities for the management of the company. Ethos, in accordance with its voting guidelines, recommends to vote FOR.	
3.1.8	Discharge Mr. Jürgen Tinggren	OPPOSE
	The board of directors requests shareholders to discharge Mr. Jürgen Tinggren of his responsibilities for the management of the company. Ethos has serious doubts that his attitude and actions as board member at the time of the transaction with Saint-Gobain were in line with his duty of loyalty to Sika and its shareholders. Therefore, Ethos, in accordance with point 1.2.d of its voting guidelines, recommends to OPPOSE.	
3.1.9	Discharge Mr. Christoph Tobler	FOR
	The board of directors requests shareholders to discharge Mr. Christoph Tobler of his responsibilities for the management of the company. Ethos, in accordance with its voting guidelines, recommends to vote FOR.	
3.2	Discharge executive management	FOR
	The board of directors requests shareholders to discharge the members of the executive management of their responsibilities for the management of the company. Ethos, in accordance with its voting guidelines, recommends to vote FOR.	

4.1 Elections to the board of directors

The board of directors proposes that all its members be re-elected to serve for another 1-year term. In addition, Schenker-Winkler Holding (SWH) proposes to newly appoint Mr. Jacques Bischoff as board member (ITEM 4.2) and chairman (ITEM 4.3.2). The majority of the board does not support the election of Prof. Bischoff.

Main features of board composition after the AGM if the board's recommendations prevail

Board size	9
Combination of the functions of Chairman and CEO	No
% independent directors	33.3%
% directors with links to SWH (current or at the time of the transaction)	33.3%
% executive directors	0.0%

% women directors	11.1%
Average age of directors	63.4
Average board tenure	12.0 years

Main features of board composition after the AGM if Prof. Bischoff is elected

Board size	10
Combination of the functions of Chairman and CEO	No
% independent directors	30.0%
% directors with links to SWH (current or at the time of the transaction)	40.0%
% executive directors	0.0%
% women directors	10.0%
Average age of directors	63.4
Average board tenure	10.8 years

Ethos is in profound disagreement with the decision to sell the control of Sika to Saint-Gobain and considers that Sika's board members who were linked to SWH at the time of the transaction (Mr. Urs F. Burkard, Dr. Willi K. Leimer and Mr. Jürgen Tinggren) did not act in the interests of the company and its minority shareholders. Therefore, Ethos cannot support their re-election. In addition, Ethos cannot accept the election of Prof. Bischoff, who will represent the interests of SWH, which are currently not aligned with the interests of the non-family shareholders and other stakeholders.

Ethos notes that the directors who are not linked to SWH (Ms. Ribar, Dr. Hälg, Mr. van Dijk, Mr. Sauter, Prof. Suter and Mr. Tobler) will only accept their election if all of them are re-elected and Dr. Hälg is also re-elected as board chairman.

If the above 6 non-conflicted board members do not accept re-election, the board will lose significant expertise: 2 board members with extensive professional experience in the construction and materials industry (Dr. Hälg and Mr. Tobler) and one long-standing board member (Prof. Suter) who is an engineering professor specialised in the fields of chemicals and materials, where Sika is active, will leave the board, as well as the only 2 audit experts (Ms. Ribar and Mr. Sauter). Ethos considers that their presence on the board is extremely valuable.

In addition, the re-election of all 6 non-conflicted directors is key to preventing a premature change of control. Therefore, their presence on the board is very important until the resolution of the conflict between Sika and SWH. Therefore, Ethos supports their re-election.

4.1.1 Re-elect Dr. Paul J. Hälg as board member FOR

The board proposes to re-elect Dr. sc. techn. Paul J. Hälg (Swiss, 64) for a further 1-year term. He has been board member since 2009 and chairman since 2012. His re-election as board chairman is submitted to a separate vote (ITEM 4.2). He is considered independent.

Ethos considers that Dr. Hälg has fulfilled his chairmanship with the required diligence toward Sika's minority shareholder in the hostile takeover attempt launched by Saint-Gobain. Ethos, in accordance with its voting guidelines, recommends to vote FOR.

4.1.2 Re-elect Mr. Urs F. Burkard as board member OPPOSE

The board proposes to re-elect Mr. Urs F. Burkard (Swiss, 61) for a further 1-year term. He has been board member since 1990 and is currently member of the nomination and remuneration committee. As member of Sika's founding family and vice chairman of SWH, he is considered affiliated.

As mentioned above, Ethos considers that the members of the board of directors of Sika who are linked to SWH have not acted in the best interests of Sika and its stakeholders in consideration of the transaction with Saint-Gobain. Therefore, Ethos, in accordance with point 2.1.b of its voting guidelines, recommends to OPPOSE.

- 4.1.3 Re-elect Mr. Frits van Dijk as board member FOR**
- The board proposes to re-elect Mr. Frits van Dijk (Dutch, 71) for a further 1-year term. He has been board member since 2012 and is currently chairman of the nomination and remuneration committee. He is considered independent. Ethos, in accordance with its voting guidelines, recommends to vote FOR.
- 4.1.4 Re-elect Dr. Willi K. Leimer as board member OPPOSE**
- The board proposes to re-elect Dr. oec. Willi K. Leimer (Swiss, 60) for a further 1-year term. He has been board member since 2010 and is currently member of the audit committee. As chairman of SWH until 9 December 2014, he is considered affiliated.
- As mentioned above, Ethos considers that the members of the board of directors of Sika who were linked to SWH at the time of the transaction with Saint-Gobain have not acted in the best interests of Sika and its stakeholders. Therefore, Ethos, in accordance with point 2.1.b of its voting guidelines, recommends to OPPOSE.
- 4.1.5 Re-elect Ms. Monika Ribar as board member FOR**
- The board proposes to re-elect Ms. Monika Ribar (Swiss, 59) for a further 1-year term. She has been board member since 2011 and is currently chairman of the audit committee. She is considered independent.
- Ethos notes that Schenker-Winkler Holding (SWH) requests a special audit on her position on the board of directors of Capoinvest Ltd. with regard to her mandate as a member of the board of Sika under ITEM 7. As mentioned under ITEM 7, Ethos considers that the proposed special audit is not justified. In addition, there are no ongoing legal proceedings against Ms. Ribar. In fact, the chairman's letter to shareholders accompanying the invitation to the AGM mentions that the SIX Swiss Exchange has dealt with the alleged violation of the disclosure duty and has decided to close the preliminary investigation. Ethos also notes that Ms. Ribar is chairman of SBB-CFF-FFS (the Swiss railways owned by the Swiss Confederation). Therefore, the board recommends to re-elect Ms. Ribar.
- Ethos, in accordance with its voting guidelines and the board's recommendation, recommends to vote FOR.
- 4.1.6 Re-elect Mr. Daniel J. Sauter as board member FOR**
- The board proposes to re-elect Mr. Daniel J. Sauter (Swiss, 61) for a further 1-year term. He has been board member since 2000 and is currently member of the nomination and remuneration committee. Due to his long tenure on the board, he is considered affiliated. However, he has no conflict of interests. Ethos recommends to vote FOR.
- 4.1.7 Re-elect Prof. Dr. Ulrich W. Suter as board member FOR**
- The board proposes to re-elect Prof. Dr. sc. techn. Ulrich W. Suter (Swiss, 74) for a further 1-year term. He has been board member since 2003. Due to his long tenure on the board, he is considered affiliated. However, he has no conflict of interests. Ethos recommends to vote FOR.
- 4.1.8 Re-elect Mr. Jürgen Tinggren as board member OPPOSE**
- The board proposes to re-elect Mr. Jürgen Tinggren (Swedish, 60) for a further 1-year term. He has been board member since 2014. As board member of SWH until 9 December 2014, he is considered affiliated.
- As mentioned above, Ethos considers that the members of the board of directors of Sika who were linked to SWH at the time of the transaction with Saint-Gobain have not acted in the best interests of Sika and its stakeholders. Therefore, Ethos, in accordance with point 2.1.b of its voting guidelines, recommends to OPPOSE.
- 4.1.9 Re-elect Mr. Christoph Tobler as board member FOR**
- The board proposes to re-elect Mr. Christoph Tobler (Swiss, 61) for a further 1-year term. He has been board member since 2005 and is currently member of the audit committee. Due to his long relationship with the company (he was a member of Sika's management (Head of the Industry division) from 1998 to 2004 before joining the board at the 2005 AGM), he is considered affiliated. However, he has no conflict of interests and Ethos supports his re-election. Ethos therefore recommends to vote FOR.

4.2 Proposal by Schenker-Winkler Holding: Elect Prof. Dr. Jacques Bischoff as board member OPPOSE

Schenker-Winkler Holding (SWH) proposes to newly appoint Prof. Dr. iur. Jacques Bischoff (Swiss, 63) for a 1-year term. As representative of SWH, he is considered affiliated. The majority of the board of directors recommends to OPPOSE.

As mentioned above, Ethos cannot accept the election of Prof. Bischoff, who will represent the interests of SWH, which are currently not aligned with the interests of the non-family shareholders and other stakeholders. Therefore, Ethos, in accordance with its voting guidelines and the board's recommendation, recommends to OPPOSE.

4.3 Election of the chairman of the board

The board of directors proposes to re-elect Dr. Hälg as board chairman, while SWH proposes to newly appoint Prof. Bischoff as board chairman.

As mentioned under ITEM 4.1, all the board members who are not linked to SWH will not accept re-election if Dr. Hälg is not re-elected as chairman. If this is the case, the board will lose significant expertise and be exclusively composed of directors who are linked to SWH.

Therefore, Ethos considers that Dr. Hälg must be re-elected as chairman as he has fulfilled his chairmanship with the required diligence toward Sika's minority shareholder in the hostile takeover bid launched by Saint-Gobain.

4.3.1 Proposal by the board of directors: Re-elect Dr. Paul J. Hälg as board chairman FOR

The board of directors proposes to re-elect Dr. sc. techn. Paul J. Hälg as its chairman for a 1-year term.

Ethos notes that Dr. Hälg will only accept his re-election as chairman if Ms. Ribar, Mr. van Dijk, Mr. Sauter, Prof. Suter and Mr. Tobler are re-elected to the board of directors.

As mentioned above, Ethos considers that Dr. Hälg has fulfilled his chairmanship with the required diligence toward Sika, its minority shareholders and its other stakeholders in the hostile takeover attempt launched by Saint-Gobain. Ethos, in accordance with its voting guidelines, recommends to vote FOR.

4.3.2 Proposal by Schenker-Winkler Holding: Elect Prof. Dr. Jacques Bischoff as board chairman OPPOSE

Schenker-Winkler Holding (SWH) proposes to newly appoint Prof. Dr. iur. Jacques Bischoff as board chairman. The majority of the board of directors recommends to OPPOSE.

As mentioned above, Ethos considers that Dr. Hälg must be re-elected as chairman. In addition, since Ethos does not support Prof. Bischoff's election to the board, Ethos cannot approve his election as chairman. Therefore, Ethos, in accordance with its position under ITEM 4.2 and the board's recommendation, recommends to OPPOSE.

4.4 Elections to the nomination and remuneration committee

The board of directors proposes that Mr. Frits van Dijk, Mr. Urs F. Burkard and Mr. Daniel J. Sauter be re-elected to the nomination and remuneration committee to serve for another 1-year term.

Main features of the remuneration committee composition after the AGM

Committee size	3
Number of independent members	1
Number of executive members	0
Number of members with executive functions within other listed companies	0

Since Ethos cannot support the re-election of Mr. Burkard to the board of directors (see ITEM 4.1.2), Ethos cannot approve his re-election to the nomination and remuneration committee. The other 2 nominees (Mr. Sauter and Mr. van Dijk) have no conflict of interests. Their re-election to the nomination and remuneration committee can be approved.

4.4.1 Re-elect Mr. Frits van Dijk to the nomination and remuneration committee FOR

The board proposes to re-elect Mr. Frits van Dijk to the nomination and remuneration committee for a 1-year term. He is currently chairman of the committee. Ethos, in accordance with its voting guidelines, recommends to vote FOR.

4.4.2 Re-elect Mr. Urs F. Burkard to the nomination and remuneration committee OPPOSE

The board proposes to re-elect Mr. Urs F. Burkard to the nomination and remuneration committee for a 1-year term. Since Ethos did not support his re-election to the board of directors under ITEM 4.1.2, Ethos cannot approve his re-election to the nomination and remuneration committee and, in accordance with point 2.4.a of its voting guidelines, recommends to OPPOSE.

4.4.3 Re-elect Mr. Daniel J. Sauter to the nomination and remuneration committee FOR

The board proposes to re-elect Mr. Daniel J. Sauter to the nomination and remuneration committee for a 1-year term. Ethos, in accordance with its voting guidelines, recommends to vote FOR.

4.5 Re-elect Ernst & Young as auditors FOR

The board of directors recommends that shareholders ratify the re-appointment of Ernst & Young as the company's external auditors for a further 1-year term.

Audit versus non-audit fees

Non-audit fees / Audit fees (2017) 23.1%

Non-audit fees / Audit fees (3-year aggregate) 29.5%

Ernst & Young has been the company's external auditor since 1995 (23 years). While the rotation of the audit firm is not mandatory in Switzerland, the EU audit market reform requires to change external auditors on a regular basis (every 10 years or every 20 years if a public tendering process is conducted) to guarantee the independence of the audit firm and the quality of the audit. In the same spirit, Ethos has introduced a 20-year limit for the tenure of the audit firm.

A representative of the company informed Ethos that Sika did not tender the audit mandate at this stage since the audit partner and the whole audit team changed in 2015. In addition, the company decided to maintain the status quo in all governance aspects, including the auditors, in view of the situation with Saint-Gobain.

However, the representative of the company informed Ethos that Sika is considering tendering the audit mandate in the future, when the conflict between Sika and SWH will be resolved. Therefore, the re-appointment of Ernst & Young can be accepted at this stage. In addition, the ratio of non-audit fees paid by the company to its external auditor is within the limits set in Ethos' guidelines. Ethos recommends to vote FOR.

4.6 Re-elect Mr. Jost Windlin as independent proxy FOR

The board of directors proposes to re-elect Mr. Jost Windlin as independent proxy for a 1-year term. He is Partner (attorney at law and notary) at Zwicky, Windlin & Partner in Zug. Ethos is not aware of any potential conflict of interests and, in accordance with its voting guidelines, recommends to vote FOR.

5 Remuneration

The board of directors requests 6 votes regarding the remuneration of the board of directors and the executive management at this AGM:

- ITEMS 5.1 to 5.3: Binding votes on the remuneration of the board of directors for the period from the 2015 AGM to the 2018 AGM. SWH has repeatedly rejected the remuneration of the board since the 2015 AGM. As SWH can vote with its full voting rights (53% of the total voting rights) on this matter, the remuneration of the board was not approved for the period from the 2015 AGM to the 2018 AGM. Since these votes are binding, the board has not received any remuneration since the 2015 AGM due to SWH's rejection.
- ITEM 5.4: Advisory vote on the remuneration report. SWH has repeatedly rejected the remuneration report since the 2015 AGM. As SWH can vote with its full voting rights on this matter, the remuneration reports for the financial years 2014, 2015 and 2016 were not approved. This has however no practical impact, as the votes on the remuneration report are advisory.
- ITEM 5.5: Binding vote on the remuneration of the board for the period from the 2018 AGM to the 2019 AGM. SWH has announced that it will once again oppose the remuneration of the board, which means that the board members will not receive any remuneration for their work until the next AGM.
- ITEM 5.6: Binding vote on the remuneration of the executive management for the 2019 financial year. Ethos notes that SWH has never rejected the remuneration of the executive management.

The remuneration at Sika is in line with Ethos' guidelines (see below for details). In addition, Ethos considers that it is normal to pay the board of directors for their work. Therefore, Ethos recommends to vote FOR all the proposals of the board regarding remuneration.

5.1	Approval of the total remuneration of the board of directors for the term of office 2015/16	FOR
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The board of directors requests shareholder approval of the total maximum remuneration to be paid to the board of directors for the period from the 2015 AGM to the 2016 AGM (retrospective vote). The board remuneration for this period was rejected 4 times by SWH (at the AGMs held in April 2015, 2016 and 2017, and at the EGM held in July 2015). Ethos recommended to vote FOR the requested amount at the 4 general meetings.

The board requests a maximum total amount of CHF 2'870'000 for its 9 members, including the chairman. The breakdown of the amount is provided in section 5 of this report.

The members of the board of directors cannot receive options or variable remuneration, which is in line with best practice. In addition, in view of the company's size and complexity, Ethos considers that the proposed board remuneration is acceptable (see "Comparison to company peers" under ITEM 5.5). Moreover, Ethos considers it is not normal that the controlling shareholder refuses to pay the board of directors. Therefore, Ethos, in accordance with its voting guidelines, recommends to vote FOR.

5.2	Approval of the total remuneration of the board of directors for the term of office 2016/17	FOR
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The board of directors requests shareholder approval of the total maximum remuneration to be paid to the board of directors for the period from the 2016 AGM to the 2017 AGM (retrospective vote). The board remuneration for this period was rejected twice by SWH (at the AGMs held in April 2016 and 2017). Ethos recommended to vote FOR the requested amount at both general meetings.

The amount is the same as the amount requested for the 2015/16 mandate (see ITEM 5.1). Ethos, in accordance with its voting guidelines, recommends to vote FOR.

5.3	Approval of the total remuneration of the board of directors for the term of office 2017/18	FOR
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The board of directors requests shareholder approval of the total maximum remuneration to be paid to the board of directors for the period from the 2017 AGM to the 2018 AGM (retrospective vote). The board remuneration for this period was rejected by SWH at the AGM held in April 2017. Ethos recommended to vote FOR the requested amount at the 2017 AGM.

The amount requested (CHF 2.9 million) is the same as the amount requested for the 2015/16 mandate and the 2016/17 mandate (see ITEMS 5.1 and 5.2), plus the following elements:

- CHF 25'000 in shares
- CHF 5'000 of social security contributions

Ethos considers that the proposed board remuneration is acceptable (see "Comparison to company peers" under ITEM 5.5) and, in accordance with its voting guidelines, recommends to vote FOR.

5.4

Advisory vote on the remuneration report

FOR

The board of directors requests an advisory vote on the remuneration report included in the annual report. While the vote is not binding, it allows shareholders to send a message to the board that could help shape executive remuneration. The remuneration report describes the remuneration policy and discloses the remuneration paid to both non-executive board members and members of the executive board. Section 4 of this report includes the description and detailed figures of the 2017 remuneration of the board of directors and of the members of the executive management of the company.

A) Changes implemented

In 2017, the following changes were made to the remuneration system:

- The target and threshold levels of Return on Capital Employed (ROCE) used to determine the vesting of the long-term incentive were increased: The target level (at which 100% of the initial grant vests) is now 29% (up from 28%) and the threshold level (below which there is no vesting) is now 24% (up from 23%).
- As already announced in the 2016 annual report, share ownership requirements have been introduced for the members of the executive management: They are required to own at least a minimum multiple of their annual base salary (300% for the CEO, 200% for the other executives) in Sika shares within 4 years of their appointment to the executive management.

B.1) Disclosure

Sika's remuneration report is one of the most comprehensive and transparent among Swiss listed companies, which Ethos commends. All the elements necessary to assess the remuneration system and make informed decisions are clearly disclosed, in particular:

- The functioning of the annual bonus and the long-term incentive plan (LTIP) are clearly explained.
- The performance conditions for the annual bonus and the long-term incentive plan, as well as the corresponding vesting scales, are clearly disclosed.
- The performance objective for the vesting of the LTIP (ROCE) is disclosed in advance (ex-ante)
- The effective level of variable remuneration (short-term and long-term) paid is clearly explained with regard to the performance achieved.
- The peer groups used by the company to compare its performance, as well as its overall level of remuneration are disclosed.

B.2) Remuneration structure: Board members

As mentioned above, the members of the board of directors have not received any remuneration since April 2015, since SWH repeatedly rejected the amounts submitted to shareholder approval.

The annual report mentions the remuneration for the full-year 2016 (which will not be paid unless ITEMS 5.2 and 5.3 are approved). The full-year remuneration of the chairman, Dr. Hältig is CHF 873'476, while the full-year remuneration of the other members of the board is CHF 247'351 on average.

B.3) Remuneration structure: Executive management

The members of the executive management, including the CEO, have a base salary and can receive variable remuneration under 2 incentive plans, which are described in detail under section 4.5 of this report. For the year under review, the company CEO, Mr. Schuler, received a total remuneration of CHF 3'389'000 (not comparable year-on-year, as he became CEO on 1 July 2017), of which 62% is variable. His total variable remuneration at grant represents 2.66 times his base salary. The other members of the management received on average CHF 1'909'375 (not comparable year-on-year due to several changes to the executive management), of which 47% is variable. Their total variable remuneration at grant represents 1.52 times their average base salary.

Pay-for-performance connection

In order to assess the pay-for-performance connection, and thus the relevance of the level of bonus paid, Ethos reviews the performance of the company compared to 65 other companies active in the same industry as Sika (based on the Global Industry Classification Standard (GICS) level 3). Ethos considers that the sales growth, the evolution of EBITDA (relative to the sales at the beginning of the period) and the total shareholder return (TSR) give a good overview of the performance of the company.

For the 2017 financial year, the company ranks at the following percentiles (100 is best) for each of the indicators:

Sales growth	61st
Evolution of EBITDA	59th
TSR	88th

Based on the three indicators, the performance of the company is above the median of the peer group. The effective bonus of the members of the executive management ranges from 130% to 150% of the target bonus (136% for the CEO). Ethos considers that the target bonus should reward median performance. Therefore, Ethos considers that the payment of a bonus above target is appropriate.

For the long-term incentive that vested in 2017, the ROCE performance condition (24% average ROCE over the 3-year performance period) has been overachieved: The average ROCE (excluding acquisitions) was 29.7%, leading to a 100% vesting (maximum), which is acceptable.

Positive features

- The variable remuneration effectively paid out is in line with the performance of the company.
- Both the annual bonus and the long-term incentive are clearly capped at reasonable levels. In fact, the CEO's bonus is capped at 162% of his base salary (including matching shares), while his long-term incentive is capped at 104% of his base salary. Therefore, the total variable remuneration of the CEO is capped at 266% of his base salary. For the other members of the management, the bonus is capped at between 71% and 125% of the base salary (depending on the function), while the long-term incentive is capped at between 40% and 86% of the base salary.
- Shareholding requirements were introduced in 2017. This aims to align the interests of the management with those of the shareholders.
- An important part of the variable remuneration is conditional upon the achievement of forward-looking long-term performance conditions.
- 60% of the annual bonus is based on relative performance conditions (measured against a peer group).

C) Ethos' recommendation

Ethos considers that the company's overall transparency with regard to remuneration is very good, and that the level of remuneration is acceptable with regard to the size of the company and its performance. In view of the above-mentioned positive features of the remuneration system, Ethos, in accordance with its voting guidelines, recommends to vote FOR.

5.5	Approval of the total remuneration of the board of directors for the term of office 2018/19	FOR
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The board of directors requests shareholder approval of the total maximum remuneration to be paid to the board of directors for the period from the 2018 AGM to the 2019 AGM (prospective vote).

A) Board proposal

The board requests a maximum total amount of CHF 3 million for its 9 members, including the chairman (see section 5 of this report for details).

B) Comparison to company peers

In 2016 (most recent figures available), the total remuneration paid to the members of the board of directors of companies similar to Sika (peers) was the following:

Median remuneration of chairmen	CHF	949'138
Median remuneration of other board members	CHF	288'048

NB: Ethos' peer group consists of 21 companies (excluding companies active in financial services) listed in Switzerland, including Sika, that are comparable to Sika in terms of market capitalisation, number of employees, and total revenues.

NB: To avoid biasing the median, the board remuneration of Sika used to calculate the above median corresponds to the amount that would have been paid out if it had been approved by SWH.

In 2017, Sika's board members did not receive any remuneration. However, the remuneration report mentions that if ITEMS 5.2 and 5.3 are approved, CHF 2'852'287 will be paid to the 9 board members for 2017. The requested amount therefore includes a 5% reserved compared to the 2017 remuneration. The envisaged 2017 board remuneration is as follows:

Chairman	CHF	873'476
Other board members (average)	CHF	247'351

The remuneration for the chairman as well as the other board members is below the median of the peer group.

C) Ethos' recommendation

The members of the board of directors cannot receive options or variable remuneration, which is in line with best practice. In addition, in view of the company's size and complexity, Ethos considers that the proposed board remuneration is acceptable. Therefore, Ethos, in accordance with its voting guidelines, recommends to vote FOR.

5.6	Approval of the total remuneration of the executive management for the financial year 2019	FOR
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The board of directors requests shareholder approval of the total maximum remuneration to be paid to the executive management for the 2019 financial year (prospective vote).

A) Board proposal

The board requests a maximum amount of CHF 18 million to be paid to the 8 members of the executive management, including the CEO (see section 5 of this report for details).

B) Ethos' appraisal of the requested amount

B.1) Fixed remuneration (CHF 8.8 million)

The amount includes the base salaries, benefits in kind and other payments, as well as the expected employer contributions to social security (based on the maximum amounts of variable remuneration) and employer contributions to pension funds.

In 2016 (most recent figures available), the base salaries paid to the members of the executive management of companies similar to Sika (peers) were the following:

Median base salary of CEOs	CHF	1'300'000
Median base salary of other executives	CHF	508'393

NB: Ethos' peer group consists of 21 companies (excluding companies active in financial services) listed in Switzerland, including Sika, that are comparable to Sika in terms of market capitalisation, number of employees, and total revenues.

In 2017, CHF 9'433'000 were paid to the 9 full-time equivalent members of the executive management as fixed remuneration. This amount also includes the 12-month notice period of 3 members of the management who stepped down during the year under review. The requested amount therefore does not allow for an increase in the fixed remuneration.

In 2017, the base salaries of the members of the executive management of Sika were as follows:

Mr. Schuler (as Regional Manager EMEA until 30 June and CEO since 1 July)	CHF	790'000
Other executives (average, including the former CEO)	CHF	584'875

In 2017, the base salary of the Mr. Schuler was 39% below the median base salary of CEOs (which is explained by the fact that he was not CEO during the full-year). The base salary of the other executives (including the former CEO) was 15% higher than the median of the peer group. Ethos considers that the base salaries at Sika are acceptable.

B.2) Variable remuneration (annual bonus: CHF 5.4 million, long-term incentive: CHF 3.8 million)

The amount reserved for the annual bonus corresponds to the maximum potential bonus that can be paid to the executive management, including the corresponding maximum potential number of matching shares (see point 4.5.B of this report).

The amount reserved for the long-term incentive (LTIP) includes the maximum that can be granted under the LTIP in the financial year 2019. Since the LTIP is not leveraged (the maximum vesting corresponds to 100% of the initial grant), the requested amount also corresponds to the maximum that can vest in 2022.

While the functioning of the variable remuneration system is clearly described ex-post in the remuneration report, no indication is provided by the company with regard to the system that will be applied for the 2019 grants. However, Ethos notes that the historical pay-for-performance connection appears to be adequate and that the company does not pay out excessive remuneration (see ITEM 5.4). In addition, the current remuneration system is in line with Ethos' guidelines.

C) Ethos' recommendation

While Ethos would have preferred to vote retrospectively on the annual bonus to be able to assess the pay-for-performance connection, Ethos considers that the requested amount is adequate. In fact, Sika's remuneration structure is in line with Ethos' guidelines. In addition, the effective remuneration paid, as described in the remuneration report, is in line with the company's performance. Therefore, Ethos, in accordance with its voting guidelines, recommends to vote FOR.

6.1	Confirmation of the appointment of Mr. Jörg Riboni as member of the special expert committee	FOR
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A special expert committee consisting of 3 members (Mr. Peter Montagnon, Mr. Peter Spinnler and Mr. Jörg Walther) was formed following the approval of a shareholder resolution proposed by Cascade, Bill & Melinda Gates Foundation Trust, Fidelity, and Threadneedle at the 2015 AGM. The role of the special expert committee is to review and investigate the conduct of business of Sika relating to SWH, the Burkard family and Saint-Gobain, in particular with regard to its effect on the public shareholders.

The activities of the special expert committee are currently very limited: To date, the committee has taken the first preparatory measures for its activities and has conducted several meetings to build the foundations for its future activities. The committee will become fully active and start its auditing and monitoring activities if and when the composition of the board changes in a way that no longer guarantees the independence of the board from the Burkard family and Saint-Gobain.

In December 2016, Mr. Spinnler requested to be released of his functions as a member of the special expert committee for health reasons and the committee appointed Mr. Jörg Riboni (CFO of Emmi) to replace him. Therefore, Mr. Riboni became a member of the committee in December 2016. His appointment must be approved by the shareholders.

Therefore, the board of directors requests shareholder approval of the appointment of Mr. Riboni as member of the special expert committee. Ethos considers that confirming the appointment of a third member of the committee is in the interest of the company and its stakeholders. In addition, Mr. Riboni brings further financial expertise to the committee, which has an appropriate balance of competencies (Mr. Montagnon is a corporate governance expert and Mr. Walther is a lawyer). Therefore, Ethos, in accordance with its voting guidelines, recommends to vote FOR.

6.2	Proposal by the shareholder group formed by Cascade, Bill & Melinda Gates Foundation Trust, Fidelity, and Threadneedle: Extend the term of office of the special expert committee to the 2022 AGM	FOR
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The shareholder group formed by Cascade, Bill & Melinda Gates Foundation Trust, Fidelity, and Threadneedle (which held 8.4% of the capital and 4.8% of the voting rights as of 31 December 2017) proposes to extend the term of office of the special expert committee until the 2022 AGM. The current term of office of the special expert committee ends at the 2020 AGM.

In addition, the above-mentioned shareholder group proposes to increase the advance payment reserved for the expenses of the committee and its advisers from CHF 1 million to CHF 5 million. The additional CHF 4 million will consist of a credit granted to the special expert committee.

Ethos notes that the majority of the board recommends to vote FOR the proposal.

As mentioned above, the role of the special expert committee is to review and investigate the conduct of business of Sika relating to SWH, the Burkard family and Saint-Gobain, in particular with regard to its effect on the public shareholders. The committee will become fully active and start its auditing and monitoring activities if and when the composition of the board changes in a way that no longer guarantees the independence of the board from the Burkard family and Saint-Gobain. If and when the committee becomes fully active, it is authorised and instructed to:

- Review and investigate the business conduct of Sika that is related to SWH and/or Saint-Gobain or any of their representatives or advisers.
- Access all records and information of Sika (e.g. board minutes, board materials, confidential reports, plans and projects, correspondence, e-mail communication, drafts of such documents, etc.).
- Request any information from any member of the board of directors and Group management, employee or adviser of Sika.
- Inform the shareholders about its activities and findings at each general meeting and report at least twice a year.
- Enforce its rights to fulfil its mandate and to take all actions required to safeguard proper fulfilment of its mandate.

To date, neither the Burkard family nor Saint-Gobain have made constructive proposals to address the concerns of Sika's management and non-family shareholders. Therefore, it is possible that the special expert committee becomes fully active if one of the following scenarios materialises:

- The transaction between the Burkard family and Saint-Gobain closes and Saint-Gobain takes control of Sika.
- Saint-Gobain withdraws from the agreement with the Burkard family and the Burkard family imposes a new board (if Saint-Gobain withdraws from the agreement, the board of directors will no longer limit the voting rights of the Burkard family).

Ethos notes that CHF 0.9 million of the CHF 1 million initially approved for the expenses of the committee has already been used by the special expert committee to take the preparatory measures for its activities and build the foundations for its future activities. The committee is now ready to become fully active if and when the board becomes controlled by the Burkard family and/or Saint-Gobain.

Therefore, the amount initially approved will not be sufficient to cover the expenses of the committee and its advisers if and when the committee becomes fully active. Granting an additional credit of CHF 4 million will ensure that a board controlled by the Burkard family and/or Saint-Gobain cannot block the committee from performing its duties by refusing to pay them.

Ethos considers that extending the term of office of the special expert committee is necessary to protect the company, its stakeholders and non-family shareholders. In addition, Ethos considers that the increase of the amount reserved for the committee's expenses (from CHF 1 million to CHF 5 million) is acceptable. Therefore, Ethos, in accordance with its voting guidelines, recommends to vote FOR.

7	Proposal by Schenker-Winkler Holding: Special audit	OPPOSE
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Schenker-Winkler Holding (SWH) requests that a special audit be conducted on various questions relating to the following subjects:

- Ms. Monika Ribar's position on the board of directors of Capoinvest Ltd. with regard to her mandate as a member of the board of Sika.
- The benefits paid to the members of Sika's board of directors in 2015-2017.

Ms. Monika Ribar's mandate on the board of Capoinvest

- Capoinvest is a company based in the Virgin Islands and controlled by Mr. Jean-Claude Bastos, which develops a deep water port in Cabinda (Angola).
- Ms. Ribar was board member of Capoinvest between May 2015 and June 2016.
- There is no relationship between Capoinvest and Sika.
- In view of the short tenure of Ms. Ribar on the board of Capoinvest, the mandate did not have any impact on her activity at Sika.
- While the initial construction phase of the port started in June 2015, the project secured funding only in January 2017, when Ms. Ribar was no longer a member of the board.

- The SIX Exchange Regulation Guideline regarding the Directive Corporate Governance mentions that important external mandates (which need to be published in the annual report according to the DCG) include mandates in listed companies or in companies that fulfil the listing requirements at the level of international standards. Ethos' interpretation of this rule is that Ms. Ribar's mandate at Capoinvest did not need to be published in Sika's annual report, since Capoinvest's project was in the very early stages of development when Ms. Ribar was on the board. In fact, the "Paradise Papers" include more than 50 pages on Capoinvest's project dated January 2015, which reveal that the project is in the "pre-development phase". In fact, the chairman's letter to shareholders accompanying the invitation to the AGM mentions that the SIX Swiss Exchange has dealt with the alleged violation of the disclosure duty and has decided to close the preliminary investigation.

In view of the above and the short tenure of Ms. Ribar on the board of Capoinvest, as well as the fact that the project was in a very early stage when Ms. Ribar was on Capoinvest's board, Ethos considers that a special audit on these questions is not justified.

Ethos notes that Ms. Ribar is chairman of the board of SBB-CFF-FFS (the Swiss railways owned by the Swiss Confederation).

Benefits paid to the members of Sika's board in 2015-2017

- The remuneration reports of the financial years 2015, 2016 and 2017 have been audited by Ernst & Young, in line with the requirements of the Minder ordinance.
- In the 3 auditor reports, Ernst & Young expressed an unqualified opinion, confirming that the remuneration reports are in line with Swiss law and the Minder ordinance (i.e. all remuneration paid directly or indirectly to the members of the board of directors is disclosed).
- The 3 remuneration reports show that no remuneration has been paid to the members of the board of directors since the 2015 AGM, which is in line with the decision of the general meetings, due to SWH's repeated rejection of the amounts submitted to shareholder approval.
- The chairman's letter to shareholders accompanying the invitation to the AGM mentions that expenses in the amount of CHF 29'473 were paid out during the period in question, which corresponds to less than CHF 10'000 per year for all the board members.

Since the board remuneration has already been audited and is in line with the decisions of the general meetings, and the expenses paid are not significant, Ethos considers that a special audit on these questions is not justified.

Ethos' voting recommendation

In view of the above, Ethos considers that the proposed special audit is not necessary and therefore not in the interests of Sika, its stakeholders and non-family shareholders. Therefore, Ethos, in accordance with its voting guidelines, recommends to OPPOSE.

Proposals not listed in the invitation

OPPOSE

Ethos recommends to oppose any unannounced additional proposals made during the AGM either by the board or by a shareholder. The formal meeting agenda does not include this proposal, which is only included in the proxy card with no precise item number. Ethos, in accordance with point 9.1 of its voting guidelines, recommends to OPPOSE.

3. Company Information

Before the General Meeting of 17 April 2018

3.1 General Information

Headquarters	Baar (ZG), Switzerland
Activities	Sika is active in the field of specialty chemicals with operations divided into two business areas, the Construction Division (79% of Group sales in 2017) and the Industry Division (21%). Sika is active in processing materials used in sealing, bonding, damping, reinforcing, and protecting of load-bearing structures.
Employees	Total number on 31.12.2017: 18484 of whom 1970 in Switzerland
Chairman	Dr. sc. techn. Paul J. Hälg (since 2012), Swiss, aged 64
CEO	Paul Schuler (since 2017), Swiss, aged 63 Mr. Paul Schuler, the company's Regional Manager EMEA since 2013, succeeded Mr. Jan Jenisch as CEO on 22 May 2017.
Listing	SIX Swiss Exchange

3.2 Capital

Issued Capital	In CHF	Number	Nominal Value	Issued Capital
Registered shares		2'333'874	0.10	233'387
Bearer shares		2'151'199	0.60	1'290'719
Total issued capital				1'524'107

Only bearer shares are listed.

The company's articles of association include an exemption (opting-out clause) to the obligation to make a public offer to acquire all listed securities as stipulated in the Federal Law on Financial Market Infrastructure when a shareholder exceeds the 33.3% ownership threshold.

Authorisation to issue shares without guaranteed pre-emptive rights	In CHF	Equity Type	Number	% of Issued Capital
Conditional capital for the conversion of convertible bonds		Bearer shares	259'822	10.2%
Total authorisation				10.2%

The conditional capital corresponds to 12.1% of the listed bearer share capital. There are no convertible bonds outstanding.

Conditions to file a shareholder resolution	Date	31.12.2017	In CHF	Nominal value required	10'000
				Market value required	129'002'580
				% of listed voting capital	0.77%

The articles of association set the threshold to add an item to the agenda at CHF 10'000 nominal (0.66% of the total capital).

Restriction on registration of shares or voting rights	The board can refuse the registration as shareholder of buyers of registered shares exceeding 5% of the total number of registered shares. The board made an exception to this rule for the Burkard family.				
	Nominees are registered without voting rights.				

Important shareholders	Shareholder	% of Voting Rights	% of Capital	Comments
	Schenker-Winkler Holding	52.9%	17.0%	*
	Threadneedle and Bill & Melinda Gates Foundation	4.8%	8.4%	
	BlackRock	3.4%	6.0%	
	Total	61.1%	31.4%	

The above shareholdings are as announced to the SIX Swiss Exchange as of 31 December 2017.

* On 8 December 2014, the Burkard-Schenker family (owner of Schenker-Winkler Holding) announced the sale of their participation in Sika to Saint-Gobain via the sale of Schenker-Winkler Holding. On 11 December 2014, the Burkard-Schenker family and Saint-Gobain announced the formation of a shareholder group to SIX Swiss Exchange. On 7 April 2015, the Burkard-Schenker family and Saint-Gobain announced the dissolution of their group. On 7 April 2015, Saint-Gobain announced that it itself held 52.92% of the voting rights via Schenker-Winkler Holding. However, legal proceedings are underway in connection with the planned transaction, which has not yet been concluded.

3.3 Financials and Key Figures

Year end 31. December
Reporting standard IFRS

		2017	2016	2015
Total revenues	CHF	6'248.30 million	5'747.70 million	5'489.20 million
EBIT	CHF	896.30 million	795.30 million	673.30 million
Net income attributable to shareholders (without minority interests)	CHF	643.50 million	563.10 million	460.30 million
Shareholders' equity	CHF	3'384.70 million	2'924.30 million	2'530.80 million
Market capitalisation at year-end	CHF	16'650.28 million	10'523.67 million	7'787.34 million
Earnings per registered share (basic)	CHF	42.25	36.97	30.23
Earnings per bearer share (basic)	CHF	253.52	221.81	181.37
Dividend per registered share	CHF	18.50	16.00	13.00
Dividend per bearer share	CHF	111.00	96.00	78.00
Payout ratio (on group net income)		43.79 %	43.28 %	43.01 %
Market value per bearer share at year-end	CHF	7'740.00	4'892.00	3'620.00

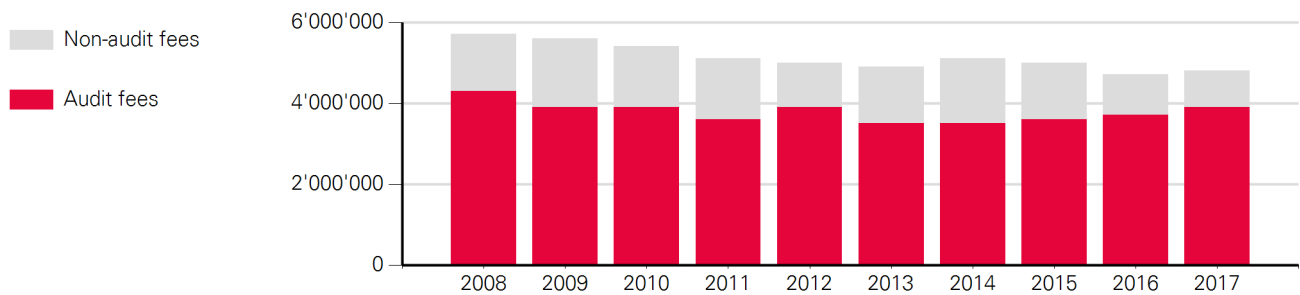
Comments The above market capitalisation corresponds to the market value of the listed bearer shares. Taking into account all shares (listed and not listed) and no control premium, the market value of the company is CHF 19.7 billion.

The 2016 dividend corresponds to the dividend proposed by SWH and approved at the 2017 AGM, which was lower than the dividend proposed by the board of directors (CHF 17 per registered share and CHF 102 per bearer share).

3.4 External Auditor

Auditor Ernst & Young, since 1995

Fees	In CHF	2017	2016	2015
Audit fees		3'900'000	3'700'000	3'600'000
Non-audit fees		900'000	1'000'000	1'400'000
Total		4'800'000	4'700'000	5'000'000



Comments The lead auditor, Mr. Christoph Michel, has been in charge since 2015.

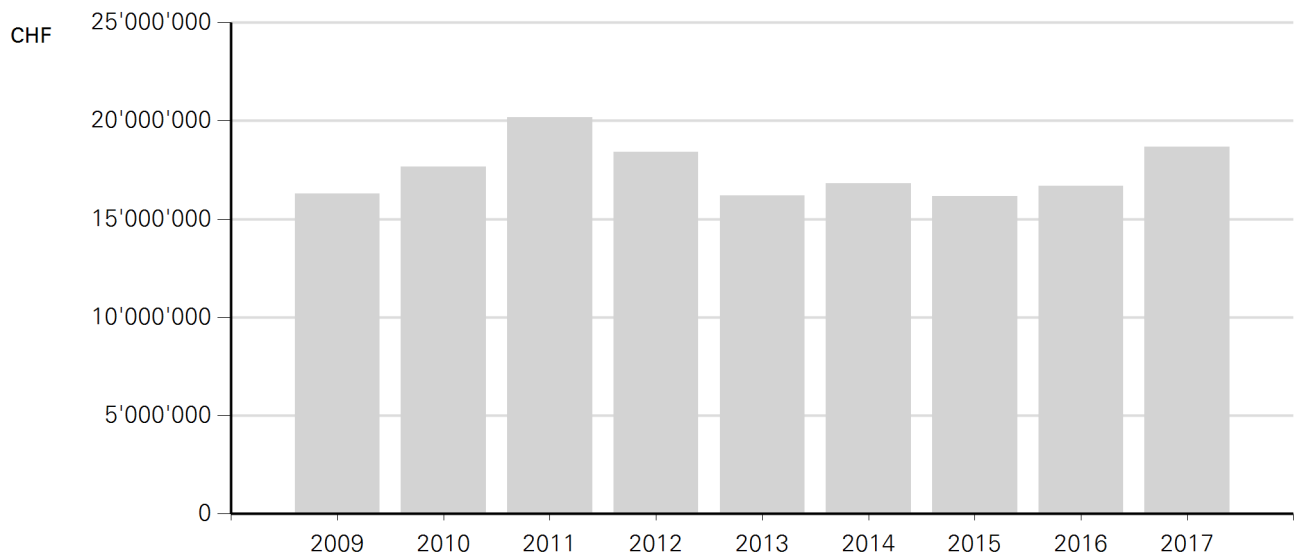
In 2017, non-audit fees were broken down as follows:

- Tax consultancy fees: CHF 800'000
- Audit-related consultancy fees: CHF 100'000

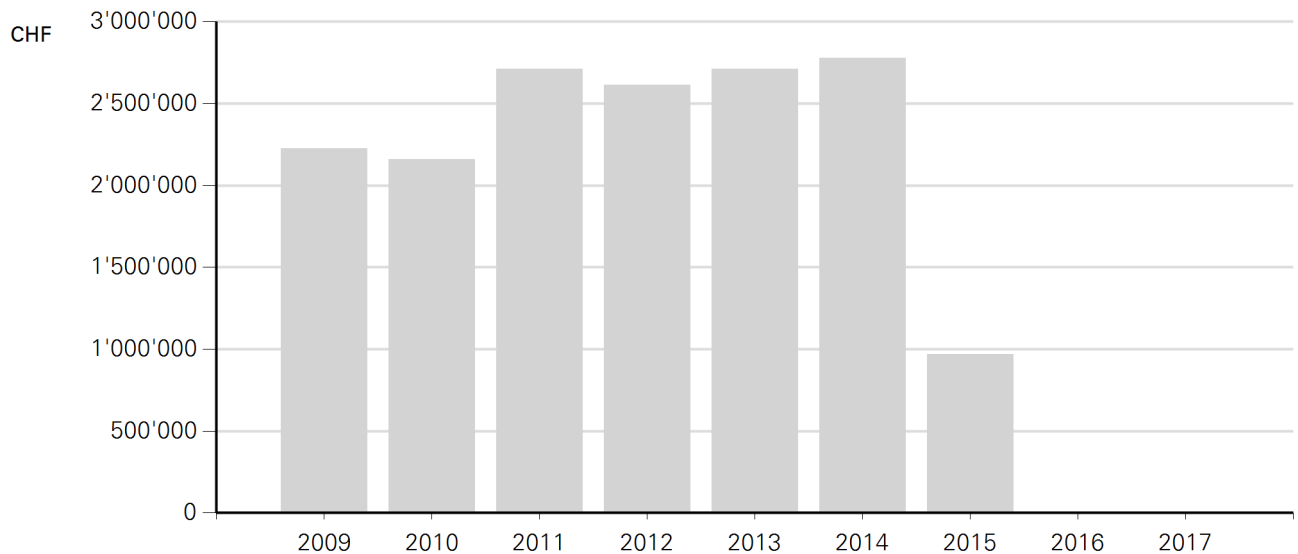
4. Remuneration Report

4.1 Evolution of the Aggregate Remuneration

A Members of the Executive Management



B Board Members (Outside Executive Management)



4.2 Global Remuneration Figures

A Members of the Executive Management

		2017 Number	2017 CHF	2016 Number	2016 CHF	Var.
Total number of persons (FTE)		9.0		9.5		
Cash	Fixed		5'469'000		4'774'000	14.6%
	Variable		3'865'000		4'539'000	-14.9%
Shares	Fixed	0	0	0	0	0.0%
	Variable	NA	5'366'000	NA	3'958'000	35.6%
Options	Variable	0	0	0	0	0.0%
Other			3'964'000		3'417'000	16.0%
Total			18'664'000		16'688'000	11.8%
Highest paid executive			3'389'000		3'782'000	NA
Average other executives			1'909'375		1'518'353	NA

B Board Members (Outside Executive Management)

		2017 Number	2017 CHF	2016 Number	2016 CHF	Var.
Total number of persons (FTE)		9.0		9.0		
Cash	Fixed		0		0	0.0%
	Variable		0		0	0.0%
Shares	Fixed	0	0	0	0	0.0%
	Variable	0	0	0	0	0.0%
Options	Variable	0	0	0	0	0.0%
Other			0		0	0.0%
Total			0		0	0.0%
Highest paid non-executive			0		0	0.0%
Average other non-executives			0		0	0.0%

Comments

A. Members of the executive management:

The executive remuneration includes the following elements:

- Base salary
- Short-term incentive paid in cash and shares (see point 4.5.B of this report)
- Long-term incentive in the form of Performance Share Units (PSUs, see point 4.5.C of this report)
- Pension
- Social security contributions, benefits in kind and other expenses

The highest paid executive was Mr. Paul Schuler (CEO since 1 July 2017), while it was Mr. Jan Jenisch (former CEO) in 2016. The remuneration is therefore not comparable year-on-year. Due to several changes within the executive management, the average remuneration of the other executives is also not comparable year-on-year (NA in table 4.2.A).

Ethos notes that the total amount paid in 2017 (CHF 18.7 million) exceeds the amount approved at the 2016 AGM for the 2017 financial year (CHF 18 million). This is due to the appointment of 3 new members to the executive management and to the fact that the members who have stepped down from executive management received their 12-month notice period. This is however compliant with Sika's articles of association, which includes a reserve for new hire of 200% of the average total remuneration of the executive management during the previous fiscal year.

B. Non-executive board members:

In principle, the annual remuneration of the members of the board (excluding the chairman) is as follows:

- Basic fee for board membership: CHF 150'000*
- Fixed amount paid in shares blocked for 4 years: CHF 50'000
- Additional fee for committee chairmanship: CHF 50'000
- Additional fee for committee membership: CHF 30'000

* In addition, the vice chairman of the board receives additional remuneration of CHF 5'000 per day if additional work is required (e.g. to step in for the absence of the chairman).

In principle, the chairman of the board receives the following elements:

- Basic fee (individually determined based on skills and experience) paid in cash
- Fixed amount (individually determined based on skills and experience) paid in shares blocked for 4 years
- Representation allowance

In case of change of control or liquidation, the shares are unblocked immediately.

The above-mentioned fees relate to a full year. However, SWH rejected the amounts requested for the board of directors at all the general meetings held since the announcement of the planned transaction with Saint-Gobain in December 2014. As a result, the members of the board of directors have not received any remuneration since April 2015.

4.3 Individual Remuneration Figures

Individual figures for 2017 (CHF)

A Members of the Executive Management

Name, Function	Cash Fixed	Cash Variable	Shares Fixed	Shares Variable	Options Variable	Other	Total
P. Schuler, CEO	790'000	619'000	0	1'485'000	0	495'000	3'389'000
Average other executives	584'875	405'750	0	485'125	0	433'625	1'909'375

B Board Members (Outside Executive Management)

Name, Function	Cash Fixed	Cash Variable	Shares Fixed	Shares Variable	Options Variable	Other	Total
P. Hälg, Ch	0	0	0	0	0	0	0
U. Burkard, Mbr	0	0	0	0	0	0	0
W. Leimer, Mbr	0	0	0	0	0	0	0
M. Ribar, Mbr	0	0	0	0	0	0	0
D. Sauter, Mbr	0	0	0	0	0	0	0
U. Suter, Mbr	0	0	0	0	0	0	0
J. Tinggren, Mbr	0	0	0	0	0	0	0
C. Tobler, Mbr	0	0	0	0	0	0	0
F. van Dijk, Mbr	0	0	0	0	0	0	0

4.4 Best Practice Checklist

A Members of the Executive Management

Company practice	Each member's remuneration disclosed separately	-
	All pay components disclosed separately (salary, bonus, LTI, pension)	Ok
	Peer group for setting the remuneration levels disclosed	Ok
	Peer group for benchmarking the company's performance under the variable remuneration plan(s) disclosed	Ok
	Accrual principle applied	Ok
	Performance criteria for short-term incentive adequately disclosed	Ok
	% of annual bonus depending on individual criteria disclosed	Ok
	Ex-post explanation of the level of achievement of the performance objectives for the short-term incentive	Ok
	Performance criteria for the vesting of long-term incentive adequately disclosed	Ok
	Precise performance objectives for the vesting of the long-term incentive disclosed ex-ante	Ok
	Precise performance objectives for the vesting of the long-term incentive disclosed ex-post	Ok
	Level of vesting of the long-term incentive (in % of the initial grant) disclosed	Ok
	Value realised upon vesting of the long-term incentive disclosed	Ok
	Shares granted valued at fair market value	Ok
	Options granted valued at fair market value	Not relevant
	Reconciliation of reported remuneration with amounts approved prospectively	Ok

B Board Members (Outside Executive Management)

Company practice	Non-executive directors' fees partly paid in shares	Ok
	Non-executive directors do not receive options	Ok
	Non-executive directors do not receive performance based remuneration	Ok
	Minimum share ownership requirements exist for non-executive board members	-
	Reconciliation of reported remuneration with amounts approved prospectively	Not relevant

4.5 Remuneration Structure (Executives)

A Remuneration Breakdown

Breakdown	Base salary	Short-term incentives	Long-term incentives	Pensions / Other
Of highest paid executive	23.3%	32.3%	29.8%	14.6%
Of other executives	30.6%	26.4%	20.3%	22.7%

B Short-term Incentives

Short-term incentives in % of base salary	On target	Maximum	Actual
Of highest paid executive	100.0%	162.0%	138.6%
Of other executives	NA	NA	86.2%

Performance criterion	Type	Weighting (highest paid)	Weighting (other executives)
Net sales	Relative	20.0%	20.0%
EBIT	Absolute	20.0%	20.0%
EBIT	Relative	40.0%	40.0%
Net working capital	Absolute	10.0%	10.0%
People and projects management	Absolute	10.0%	10.0%

Additional description of the short-term incentive:

The relative criteria (EBIT improvement and net sales growth) correspond to the Group performance conditions, while the absolute criteria are measured at the level of the business under responsibility of the beneficiary (EBIT, net working capital, people and project management).

For each objective of the Group performance, the performance is measured against a peer group of 25 companies and the payout factors are the following:

- Below the lower quartile of the peer group: no payout
- Below median: 50% of target
- At the median: 100% of target
- Upper quartile: 150% of target
- Best in the peer group: 200% of target

Any payout factor in between is interpolated linearly.

For each individual objective, the payout factor can be between 0% and 200% of the target. The overall bonus is however capped at 150% of the target bonus.

According to the Sika Share Purchase Plan (SSPP), the members of management can either take 100% of their bonus in cash, or they can convert 20% or 40% of their bonus into shares. For every 5 shares purchased under the SSPP, Sika grants 1 matching share. All shares have a blocking period of 4 years. In case of change of control or termination of employment due to retirement, death or disability, the blocking period may be shortened.

The target bonus of the CEO is set at 100% of his base salary (between 44% and 77% for the other members of the executive management). The maximum bonus shown above has been calculated including matching shares in case of maximum deferral (40% of the bonus).

Company's explanation of the bonus paid:

Sika has outperformed the peer companies both in terms of net sales growth (ranked 6th, payout of 157%) and in terms of EBIT improvement year on year (ranked 7th, payout of 144%). The group performance achievement is estimated at 148.5% (best-estimate at time of publication) and will be calculated by Obermatt based on the annual report publications of the peer companies before the payout date in April 2018. Individual performance, which is mainly measured by EBIT and net working capital improvement versus previous year, at Group and regional level, ranges from 103% to 168% for members of Group Management and amounts to 118% for the CEO (average of target achievement as CEO and as Head EMEA). Consequently, the overall bonus payout percentage ranges from 130% to 150% (cap) for Group Management and amounts to 136% for the CEO (average of target achievement as CEO and as Head EMEA).

C Long-term Incentives

Incentive	Plan 1	Plan 2	Plan 3
Type of awards	PSUs		
Fair value at grant date disclosed	No		
Vesting period for time-vesting awards	Not relevant		
Performance period	3 years		
Sale restriction after performance/vesting period	None		
Absolute performance criteria for vesting	ROCE		
Relative performance criteria for vesting	None		
Initial grant for the highest paid (in % of the base salary)	104%		
Minimum final grant (in % of initial grant)	0%		
Maximum final grant (in % of initial grant)	100%		
Maximum payout (valued at date of grant, in % of the base salary)	104%		

Comments

Plan 1

Each year, a certain number of Performance Share Units (PSUs) is granted to each executive manager. The PSUs vest after a period of 3 years depending on the return on capital employed (ROCE). The average ROCE achieved during the performance period is assessed against the target ROCE set by the board at the beginning of the vesting period. For the 2016 grant, the ROCE target (excluding acquisitions) is 29% and the threshold is 24%.

The PSUs vest into shares as follows:

- ROCE below the threshold level: 0%
- ROCE at the threshold level: 50%
- ROCE at or above target: 100%
- ROCE between threshold and target level: linear interpolation

To determine the level of vesting, the acquisitions are excluded from the ROCE calculations in the year of acquisition and for 2 additional calendar years.

In case of change of control, the PSUs are subject to an early vesting, pro-rated for the number of months that have expired since the grant date and based on an achievement payout of 75%.

In 2017, the target grant corresponds to 104% of base salary for the CEO (between 40% and 86% for the other executives).

For the LTI that vested in 2017, the ROCE performance condition (24% average ROCE over the 3-year performance period) has been overachieved: The average ROCE (excluding acquisitions) was 29.7%, leading to a full vesting.

4.6 Remuneration and Financial Performance

A Change in Remuneration 2016-2017

Highest paid executive	NA
Average other executives	NA
Highest paid non-executive	0.0%
Average other non-executives	0.0%

B Change in Financial Performance 2016-2017

Sales	8.7%
Operating income	12.7%
Net income	14.3%
Total shareholder return	60.2%

4.7 Share and Option Holdings

A Members of the Executive Management

Name	Function	31.12.2017 Shares	31.12.2017 Options	31.12.2016 Shares	31.12.2016 Options
P. Schuler	CEO	942	0	828	0
Total other executives	–	2'040	0	3'317	0
Total		2'982	0	4'145	0

B Board Members (Outside Executive Management)

Name	Function	31.12.2017 Shares	31.12.2017 Options	31.12.2016 Shares	31.12.2016 Options
P. Hälg	Ch	577	0	577	0
U. Burkard	Mbr	67	0	67	0
W. Leimer	Mbr	67	0	67	0
M. Ribar	Mbr	89	0	89	0
D. Sauter	Mbr	2'067	0	2'067	0
U. Suter	Mbr	67	0	67	0
J. Tinggren	Mbr	99	0	99	0
C. Tobler	Mbr	167	0	167	0
F. van Dijk	Mbr	92	0	92	0
Total		3'292	0	3'292	0

Comments

The shareholdings of Mr. Burkard do not include the shares held by Schenker-Winkler Holding.

5. Remuneration Requested

Executive Management

Item	Component	Type	Amount requested (CHF)	Nb. of pers. (FTE)	Modality
5.6	Fixed remuneration	Cash	8'800'000	8	Prospective
5.6	Short-term variable remuneration	Cash, shares	5'400'000	8	Prospective
5.6	Long-term variable remuneration	Shares	380'000	8	Prospective

Total remuneration requested for the executive management: 14'580'000

Board of Directors

Item	Component	Type	Amount requested (CHF)	Nb. of pers. (FTE)	Modality
5.1	Fixed fees	Cash	1'930'000	9	Retrospective
5.1	Fixed fees	Shares	725'000	9	Retrospective
5.1	Social security contributions	Other	215'000	9	Retrospective
5.2	Fixed fees	Cash	1'930'000	9	Retrospective
5.2	Fixed fees	Shares	725'000	9	Retrospective
5.2	Social security contributions	Other	215'000	9	Retrospective
5.3	Fixed fees	Cash	1'930'000	9	Retrospective
5.3	Fixed fees	Shares	750'000	9	Retrospective
5.3	Social security contributions	Other	220'000	9	Retrospective
5.5	Fixed fees	Cash	2'030'000	9	Prospective
5.5	Fixed fees	Shares	750'000	9	Prospective
5.5	Social security contributions	Other	220'000	9	Prospective

Total remuneration requested for the board of directors: 11'640'000

Comments

The amount requested under ITEM 5.1 is for the 2015-2016 term of office (previously rejected by SWH).
 The amount requested under ITEM 5.2 is for the 2016-2017 term of office (previously rejected by SWH).
 The amount requested under ITEM 5.3 is for the 2017-2018 term of office (previously rejected by SWH).
 The amount requested under ITEM 5.5 is for the term of office from the 2018 AGM to the 2019 AGM.

6. Board of Directors

Composition after the General Meeting of 17 April 2018

Committee	Executive	Affiliated non-executive	Independent non-executive	Total
Board of Directors	0	7	3	10
Audit committee	0	2	1	3
Nomination and remuneration committee	0	2	1	3

Election procedure for directors	Individual
Mandate duration	1 year
Mandatory age limit	70 years
Single signature	No
Number of board meetings during the past year	12 (96% attendance)
Number of audit committee meetings during the past year	5 (100% attendance)
Number of nomination and remuneration committee meetings during the past year	6 (100% attendance)
Individual attendance rate at board meetings disclosed	Yes

Upon reaching the age of 70, directors generally resign. Prof. Ulrich Suter reached the age of 70 in 2014.

The board includes 1 woman.

NB: Prof. Dr. iur. Jacques Bischoff (new nominee proposed for election as board member and chairman by Schenker-Winkler Holding, SWH) is included in the above table). Therefore, the 7 affiliated directors include the following board members:

- 4 directors with links to SWH (current or at the time of the transaction): Mr. Urs F. Burkard, Dr. oec. Willi K. Leimer, Mr. Jürgen Tinggren, and Prof. Dr. iur. Jacques Bischoff

- 3 directors who are considered affiliated due to their long tenure at Sika, but are not linked to SWH: Mr. Daniel J. Sauter, Prof. Dr. sc. techn. Ulrich W. Suter, and Mr. Christoph Tobler.

Prof. Dr. iur. Jacques Bischoff		
Affiliated	Chairman	New Nominee
Nationality	Swiss	
Age	63	
Director since / term ends	2018 / 2019	
Committee memberships	none	
Affiliation	<ul style="list-style-type: none"> – Important shareholder or its representative Board member of Schenker-Winkler Holding. 	
Main activity	none	
Directorships	<ul style="list-style-type: none"> – Schenker-Winkler Holding, Switzerland - Member – SGO Business School AG, Switzerland - Chairman – ADUR Management AG, Switzerland - Member – Billag AG, Switzerland - Member – Schützen Rheinfelden AG, Switzerland - Member 	
Other relevant mandates	<ul style="list-style-type: none"> – Stiftung Burkwil, Switzerland - Vice chairman – esisuisse, Switzerland - Member – GABU - Stiftung, Switzerland - Member – Zürcher Stiftung für das Hören, Switzerland - Member 	
Comments	<p>Former Rector of the University of Applied Sciences in Business Administration Zurich (HWZ). Former CEO of Telekurs Multipay. 20 years as a lecturer at various Swiss universities and tertiary institutions.</p>	

Dr. sc. techn. Paul J. Hälg		
Independent	Chairman	Up for Re-election
Nationality	Swiss	
Age	64	
Director since / term ends	2009 / 2019	
Committee memberships	none	
Main activity	none	
Directorships	<ul style="list-style-type: none"> – Dätwyler (listed), Switzerland - Chairman – Pema Holding AG (100% owned by Dätwyler Führungs), Switzerland - Chairman – Dätwyler Führungs AG, Switzerland - Chairman and Co-owner – Dätwyler Cabling Solutions AG (100% owned by Pema Holding AG), Switzerland - Member – Baumann Federn AG, Switzerland - Member – Sonceboz Automotive SA - Member 	
Other relevant mandates	<ul style="list-style-type: none"> – Wohlfahrtsstiftung der Sika, Switzerland - Chairman – ETH Zürich Foundation, Switzerland - Member – Swisscontact, Switzerland - Member 	
Comments	<p>CEO of Dätwyler (2004-2016). Executive Vice President of Forbo (2001-2004). Various positions at Gurit-Essex (1987-2001), ultimately as CEO.</p>	

Urs F. Burkard

Affiliated	Member	Up for Re-election
Nationality	Swiss	
Age	61	
Director since / term ends	1990 / 2019	
Committee memberships	– Nomination and remuneration committee	
Affiliation	– Important shareholder or its representative – Board membership exceeding time limit for independence	
Main activity	Member of the founding family. Vice chairman of Schenker-Winkler Holding. – Burkard Design Consulting, Switzerland - Managing Director	
Directorships	– Schenker-Winkler Holding, Switzerland - Vice chairman and Co-owner – Pynogin AG, Switzerland - Member and Co-owner – Gazet Holding AG, Switzerland - Member – modularis AG, Switzerland - Member	
Other relevant mandates	– Wohlfahrtsstiftung der Sika, Switzerland - Member	

Dr. oec. Willi K. Leimer

Affiliated	Member	Up for Re-election
Nationality	Swiss	
Age	60	
Director since / term ends	2010 / 2019	
Committee memberships	– Audit committee	
Affiliation	– Miscellaneous	
Main activity	Chairman of Schenker-Winkler Holding until 9 December 2014. – ISPartners Investment Solutions AG, Switzerland - Partner	
Directorships	– ISPartners Investment Solutions AG, Switzerland - Chairman and Co-owner – Mojo Capital, Luxembourg - Chairman – Canica Holding AG, Switzerland - Member – Helvetica Capital AG, Switzerland - Member	
Comments	Since 2002, Partner at WMPartners Wealth Management AG fully integrated into Julius Baer in 2017. Managing director of Private Wealth Management at Bank Morgan Stanley, Zurich (1990-2002).	

Prof. Dr. sc. techn. Ulrich W. Suter

Affiliated Member Up for Re-election

Nationality	Swiss
Age	74
Director since / term ends	2003 / 2019
Committee memberships	none
Affiliation	– Board membership exceeding time limit for independence
Main activity	none
Directorships	– Rainbow Photonics AG, Switzerland - Member
Other relevant mandates	– Stiftung Bibliothek Werner Oechslin, Switzerland - Member – Swisscontact, Switzerland - Member
Comments	Consultant to the Head National Research Foundation (Singapore). Professor at ETH Zurich (Swiss Federal Institute of Technology), Department of Material Science (1988-2008). Professor at MIT, Department of Chemical Engineering (1982-1989).

Jürgen Tinggren

Affiliated Member Up for Re-election

Nationality	Swedish
Age	60
Director since / term ends	2014 / 2019
Committee memberships	none
Affiliation	– Miscellaneous Board member of Schenker-Winkler Holding until 9 December 2014.
Main activity	none
Directorships	– Johnson Controls (listed), USA - Member
Other relevant mandates	– The Conference Board, USA - Member
Comments	Several positions at Schindler (1997-2016): - Executive board member (2013-2016) - CEO (2011-2013) - President of the Group Executive Committee (2007-2011) - Deputy President of the Group Executive Committee, responsible for Technology and Strategic Procurement (2005-2007) - Member of the Group Executive Committee, responsible for Asia/Pacific (1999-2005) - Member of the Group Executive Committee, responsible for Europe (1997-1999) Various positions at Sika (1985-1997), ultimately as member of the management committee with responsibility for North America.

Christoph Tobler

Affiliated Member Up for Re-election

Nationality	Swiss
Age	61
Director since / term ends	2005 / 2019
Committee memberships	– Audit committee
Affiliation	– Miscellaneous – Board membership exceeding time limit for independence
	Linked to the company since 1998.
Main activity	– Sefar Holding AG, Switzerland - CEO and board member
Directorships	– AG Cilander, Switzerland - Chairman – Viscosistadt AG, Switzerland - Member
Other relevant mandates	– Wohlfahrtsfonds Sefar AG, Switzerland - Vice chairman – economiesuisse, Switzerland - Member – Swiss National Bank (SNB), Switzerland - Member, Regional advisory board
Comments	Head of Sika's Industry Division (1998-2004).

Frits van Dijk

Independent Member Up for Re-election

Nationality	Dutch
Age	71
Director since / term ends	2012 / 2019
Committee memberships	– Nomination and remuneration committee, Chairman
Main activity	none
Directorships	– Nestlé Malaysia Berhad - Member
Comments	Career at Nestlé (1970-2011), ultimately member of the executive management responsible for Asia, Oceania, Africa & Middle East (2000-2011).

7. Glossary

English	Deutsch	Français
A		
Activities	Aktivitäten	Activités
Affiliated	Affiliert	Affilié
AGM (Annual General Meeting)	Ordentliche Generalversammlung	Assemblée générale ordinaire
Annual bonus	Jahresbonus	Bonus annuel
Attendance rate	Teilnahmequote	Taux de présence
Audit committee	Prüfungsausschuss	Comité d'audit
Audit fees	Honorare für Revisionsdienstleistungen	Honoraires de révision
Audit-related fees	Honorare für revisionsnahe Dienstleistungen	Honoraires pour les services liés à la révision
Autorised capital	Genehmigtes Kapital	Capital autorisé
Average	Mittelwert	Moyenne
B		
Base salary	Grundgehalt	Salaire de base
Bearer share	Inhaberaktie	Action au porteur
Board meeting	Verwaltungsratssitzung	Séance du conseil d'administration
Board members	Verwaltungsratsmitglieder	Membres du conseil d'administration
Board of directors	Verwaltungsrat	Conseil d'administration
Breakdown	Detaillierte Offenlegung	Répartition détaillée
C		
Capital	Kapital	Capital
Capital contribution reserves	Reserven aus Kapitaleinlagen	Réserves issues d'apports en capital
CEO (Chief Executive Officer)	Geschäftsleiter	Président de la direction générale
Chairman	Verwaltungsratspräsident	Président du conseil d'administration
Chairman's committee	Ausschuss des Verwaltungsratspräsidenten	Comité du président du conseil d'administration
Comments	Kommentare	Commentaires
Committee meeting	Ausschusssitzung	Séance du comité
Conditional capital	Bedingtes Kapital	Capital conditionnel
Corporate governance committee	Ausschuss für Corporate Governance	Comité de gouvernance d'entreprise
D		
Dividend	Dividende	Dividende
Dividend rights certificates	Partizipationsscheine	Bons de participation
E		
Earnings per share	Gewinn pro Aktie	Bénéfice par action

English	Deutsch	Français
E		
EGM (Extraordinary General Meeting)	Ausserordentliche Generalversammlung	Assemblée générale extraordinaire
Election	Neuwahl	Election
Election procedure for directors	Wahlverfahren für Verwaltungsräte	Procédure d'élection des administrateurs
Employees	Personalbestand	Employés
Executive management	Geschäftsleitung	Direction générale
External auditor	Externe Revisionsstelle	Auditeur externe
F		
Fair value	Beizulegender Zeitwert	Juste valeur
Fees	Gebühren	Honoraires
Financial performance	Finanzergebnis	Performance financière
Financial reporting	Finanzberichterstattung	Information financière
Financials	Finanzergebnis	Données financières
G		
General information	Allgemeine Informationen	Informations générales
Global remuneration figures	Allgemeine Vergütungsangaben	Rémunérations agrégées
H		
Headquarters	Hauptsitz	Siège social
Highest paid executive	Höchstbezahltes Mitglied der Konzernleitung	Membre le mieux rémunéré de la direction générale
I		
Important shareholders	Bedeutende Aktionäre	Actionnaires importants
Independent	Unabhängig	Indépendant
Individual remuneration figures	Individuelle Vergütungsangaben	Rémunérations individuelles
Internal Control	Internes Kontrollsystem	Contrôle interne
K		
Key figures	Kennzahlen	Chiffres clés
L		
Listing	Kotierung	Cotation
LTIP (Long-term incentive plan)	Langfristige Beteiligungspläne	Plan de participation à long terme
M		
Mandate duration	Mandatsdauer	Durée du mandat
Mandatory age limit	Obligatorische Altersgrenze	Limite d'âge statutaire
Market capitalisation	Marktkapitalisierung	Capitalisation boursière
Market value	Marktwert	Valeur boursière
N		
NA (Not available)	Nicht verfügbar	Pas disponible
ND (Not disclosed)	Nicht offengelegt	Pas publié
Net income	Reingewinn	Bénéfice net

English	Deutsch	Français
N		
Net revenues	Nettoerträge	Revenus nets
New nominee	Neuer Kandidat / Neue Kandidatin	Nouveau candidat
Nomination and remuneration committee	Nominations- und Vergütungsausschuss	Comité de nomination et de rémunération
Nomination committee	Nominationsausschuss	Comité de nomination
Non-audit fees	Honorare für nicht revisionsbezogene Dienstleistungen	Honoraires non liés à la révision
Non-voting equity securities	Genussscheine	Bons de jouissance
Notice period	Kündigungsfrist	Délai de préavis
NR (Not relevant)	Irrelevant	Pas pertinent
O		
Operating income	Betriebsergebnis	Résultat d'exploitation
Operating margin	Operative Marge	Marge opérationnelle
P		
Payout ratio	Gewinnausschüttungsquote	Taux de distribution du bénéfice
Peer group	Vergleichsgruppe	Groupe de référence
Pensions	Altersvorsorge	Contributions de retraite
Performance criteria	Leistungskriterien	Critères de performance
R		
Re-election	Wiederwahl	Réélection
Registered share	Namensaktie	Action nominative
Remuneration	Vergütung	Rémunération
Remuneration committee	Vergütungsausschuss	Comité de rémunération
Reporting standard	Rechnungslegungsstandard	Norme comptable
Restriction on registration of shares or voting rights	Beschränkungen der Übertragbarkeit der Aktien und des Stimmrechts	Restrictions relatives à l'inscription des actions ou aux droits de vote
Return on equity	Eigenkapitalrendite	Rendement des capitaux propres
Risk committee	Risiko-Ausschuss	Comité des risques
S		
Share and option holdings	Aktien- und Optionenbesitz	Détention d'actions et d'options
Share capital	Aktienkapital	Capital-actions
Shareholder resolution	Aktionärsantrag	Résolution d'actionnaire
Shareholders' equity	Eigenkapital	Capitaux propres
Short-term incentives	Kurzfristige variable Vergütung	Rémunération à court-terme
Stock ownership requirements	Aktienbesitz Anforderungen	Exigences en matière de détention d'actions
Strategy committee	Strategie-Ausschuss	Comité de stratégie
Structure	Struktur	Structure
Sustainability committee	Ausschuss für Nachhaltigkeit	Comité de développement durable

English	Deutsch	Français
T		
Total revenues	Betriebsertrag	Revenus totaux
Total shareholder return	Gesamte Aktienrendite	Rentabilité de l'action
U		
Up for re-election	Zur Wiederwahl	A réélection
Y		
Year end	Jahresende	Fin de l'année

Report issued:

03 April 2018

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About Ethos

The Ethos Foundation aims at promoting socially responsible investment as well as a stable and prosperous socio-economic environment. Ethos is composed of more than 210 Swiss pension funds and other tax-exempt institutions. Its subsidiary Ethos Services is an acknowledged provider of consulting services comprising socially responsible investment (SRI) funds, shareholder meeting analyses and an investor engagement and dialogue programme.

For further information: www.ethosfund.ch.

Frequently used abbreviations

AGM	Annual General Meeting
EGM	Extraordinary General Meeting
NA	Not available
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operating Officer
OE	Other Executive Function
Ex-	Former



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