# SIKA SUSTAINABILITY PORTFOLIO MANAGEMENT (SPM) METHODOLOGY

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**BUILDING TRUST** 

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# TRANSFORMING INNOVATION AND EFFECTIVE SUSTAINABILITY

Sika is well-positioned to deliver high performing products which support the sustainability goals of customers.

Sustainability Portfolio Management (SPM) is the methodology used by Sika to evaluate, classify, and market products in defined segments in terms of both performance and sustainability.

A holistic approach to sustainability is crucial for Sika because it helps the company to better evaluate its products in the context of increasingly relevant sustainability trends within the construction and industrial market segments. Applying a holistic approach provides relevant insights on sustainability-related risks and opportunities and thus forms the basis of Sika's SPM approach. By working with the SPM Methodology, Sika strategically develops and markets value-added products, systems, and services in line with the company's Sustainable Solutions strategic focus area.

With its Sustainable Solutions – a classification defined by Sika using the SPM Methodology – Sika contributes to a more sustainable future for customers and society in general. The company empowers customers to foster their competitive advantage in regulations, sustainability, and market leadership.

Sika's goal is to manage innovation and sustainability, minimizing risks and maximizing opportunities. All new product developments are to be SPM validated. For more information on the company's strategic targets, please check the page **3** Sika Strategy 2028 on the corporate website.

# **OBJECTIVES**

Sika's SPM Methodology is built on the World Business Council for Sustainable Development (WBCSD) Chemical Industry Methodology for Product Sustainability Assessment (PSA)<sup>1</sup> to support the evaluation and classification of the sustainability and performance profiles of Sika's product portfolios.

The SPM Methodology is integrated in Sika's Product Creation Process (PCP) – Sika's internal innovation process – and is required for all new product developments. A standardized approach allows an efficient product development evaluation and ensures accurate information for making decisions and benchmarking purposes. Within the PCP, SPM evaluations are conducted at the early stage of the innovation process and once again before the product is rolled out into the market.

By systematically evaluating products using a consistent set of criteria within defined market segments, Sika will progressively build a product portfolio with a proven sustainability performance. Product developments that achieve a positive classification may be rolled out and promoted, while those with negative classifications shall lead to actions to improve the product profile. In addition, the application of SPM Methodology on existing products helps to identify mitigating actions with the aim to steer Sika's product portfolio in a structured way towards proven sustainability benefits aligned with megatrends.

This methodology is not limited to Sika, but common for multiple stakeholders that recognize the legitimacy of SPM, which is consistent with the WBCSD PSA methodology and considered as benchmark.

Benefits of Sika's SPM approach:

- Managing innovation and sustainability: Management tool to integrate sustainability into strategic and operational processes. Clear understanding of sustainable products and of how sustainability is measured and communicated.
- Minimizing risks and maximizing opportunities: Steering and transforming Sika's product portfolio towards proven sustainability performance aligned with regulations, megatrends, and life cycle focus.
- Anticipating market needs: Forward-looking (beyond current regulation/legislation), identifying sustainability market signals and potential impact on product portfolio, supporting sales staff and innovation teams to address customer needs.
- Anticipate market developments and their potential impact on product portfolio: Supporting
  the business to address sustainability needs evolving in the market and to meet customers' and
  stakeholders' expectations both today and tomorrow.
- Enhancing corporate reporting: Evidence on the product sustainability performance based on a recognized and structured approach. Measurability of business impact.
- Increase transparency and consistency: Communicated results, by agreeing on requirements with which a high-quality SPM must comply across the entire product range.
- Gaining credibility and building trust: Enhanced confidence and credibility of products' sustainability performance, attractiveness towards customers, business partners, staff, and talents.

## BACKGROUND

Sika's SPM Methodology is aligned with the WBCSD PSA Methodology<sup>1</sup>. The ambition of the WBCSD PSA Methodology is to guide companies from the chemical industry in developing and applying consistent, highquality portfolio sustainability assessment approaches for more sustainable product portfolios. The WBCSD PSA Methodology is widely accepted as the best practice method for companies in the chemicals and building materials sectors to embed sustainability into product portfolios in a systematic and robust way. The leading companies behind PSA have the ambition to evolve the methodology progressively toward a metric-based international standard that advances translating sustainability risks and opportunities into business solutions, while fostering transparency. In 2024, SPM was mentioned by the European Commission as key initiative supporting the transition pathway for the chemical industry<sup>2</sup>.

Sika's SPM Methodology considers:

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- Sika Strategy: Creating and offering more Sustainable Solutions is a strategic focus of Sika.
- WBCSD Chemical Industry PSA: The Sika SPM Methodology conforms with the WBCSD Chemical Industry PSA Methodology.
- UN Sustainable Development Goals (SDGs): The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. The sustainability categories represented within the SPM Concept support the company's contribution to the UN Sustainable Development Goals (3, 11, 12, 13). For more information, please see Annex 2 of this document.
- Sustainability focus areas (customers, suppliers, peers): Sustainability is a focus area for many of Sika's key stakeholders, including customers, suppliers, and peers. Sika's SPM Methodology provides a clear and transparent framework against which products and solutions are evaluated, combining both sustainability and performance into a single concept.

Sika aims to be fact-based, transparent, and reliable in evaluating, classifying, marketing, and reporting on the performance and sustainability profiles of its products. To achieve this, Sika's SPM Methodology is structured according to the following principles:

- The reported categories, criteria, information, and data are relevant, complete, accurate, and balanced.
- The reported categories, criteria, information, and data are not misleading; information and data communicated is fact-based and proved by evidence.

The reported categories, criteria, information, and data provide a correct and fair representation for products in our industry. The following principles apply:

- Relevance: The Sustainability and Performance categories cover criteria that reflect the significant economic, environmental, and social impacts of our products, as well as those that would substantively influence the assessments and decisions of our customers, suppliers, and other stakeholders.
- Completeness: The coverage of relevant topics and definition of the categories reflect significant economic, environmental, and social impacts, and enable our customers and other stakeholders to assess performance of Sika's products throughout the market segments.
- Accuracy: The reported information and data are accurate and sufficiently detailed for customers and other stakeholders to assess the organization's Sustainable Solutions performance.
- Balance: The reported information and data reflect both the positive and negative aspects of Sika's
  performance to enable a reasoned assessment of our overall performance.

by Accenture AG, as part of a project commissioned by Sika in 2021.

2 🧖 Initiatives – European Commission

<sup>1</sup> The Sika Sustainability Portfolio Management (SPM) method was validated for compliance with the WBCSD PSA Methodology

# SCOPE

The SPM Methodology applies to all product categories, new product developments as well as existing products, and is applicable for all Sika subsidiaries and affiliated and associated companies in which Sika holds the majority.

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

# **SPM EVALUATION**

## **Process overview**

Sika's SPM Methodology is divided into four key steps, which are intended to be completed sequentially by an interdisciplinary project team.

- Step 1 Segmentation: This step involves the selection of the PTAC<sup>1</sup> (please see "Segmentation" on page 9) and the selection of the internal reference product. This step also includes the provision of general data regarding the product and the evaluation, such as the legal entity (company name), production location, the evaluation gate, and the definition of the SPM evaluation team.
- Step 2 Sustainability Evaluation: This step involves the detailed evaluation of the product against the 59 criteria within the 12 Sustainability Categories. As part of this assessment, each criterion is evaluated and assigned a rating. The individual criterion ratings are consolidated to generate the category rating. Once the assessment is complete, the category ratings are aggregated to provide the final Sustainability Classification.
- Step 3 Performance Evaluation: This step involves the detailed evaluation of the product against the 6 criteria within the 6 Performance Categories. As part of this assessment, each criterion is evaluated and assigned a rating. The individual criterion ratings are consolidated to generate the category rating.
   Once the assessment is complete, the category ratings are aggregated to provide the final Performance Classification.
- Step 4 Classification: This is the final step of the SPM Methodology. In this step, the results of Steps 2 and 3 are combined to provide a final product classification. Products with a positive sustainability rating (Clusters A, B, and C) can be promoted as Sustainable Solutions. Sika's objective is to transition all products and developments towards Clusters A, B, and C and to minimize products classified in Clusters E and F.

SPM evaluations are conducted through a web-based tool, where all the steps are clearly defined and containing all the Sustainability and Performance criteria. The approval process is also conducted via this tool, where approvers can sign and agree, or disagree, with the final product classification.

An online training about Sika's SPM Methodology is available to all Sika employees, as well as internal extended guidelines and supporting materials. Moreover, an SPM Expert Network was established inside Sika with the purpose of supporting the evaluation teams with their tasks.

## Figure 1: Sika's SPM Methodology for product evaluation



## Roles and responsibilities

SPM evaluations are collaborative processes involving a wide range of functions to effectively analyze a product. The interdisciplinary SPM project team includes representatives from the key disciplines identified as Rating Responsible within each of the 12 SPM Sustainability Categories and 6 SPM Performance Categories. It is essential that all functions listed as rating responsible are represented within this project team.

#### TABLE 1: COLLABORATION FUNCTIONS AND THEIR ROLES

Collaboration Function	Roles and Responsibilities	
Product Management	Co-leads the evaluation process and manages segmentation step (PTAC definition). Provides expertise on product performance, business strategy, and market overview. Decision about branding/marketing for products classified as Sustainable Solutions. Ensures the proper documentation of SPM Profiles with traceable source and evidence.	
R&D	Co-leads the evaluation process. Provides expertise on new product developments and chemistry of the product. Identifies areas for improvement in product profiles. Initiates governance process if needed. Ensures the proper documentation of SPM Profiles with traceable source and evidence.	
Product Sustainability	Provides expertise on Life Cycle Analysis and other product sustainability assessments.	
Procurement	Provides expertise related to raw material suppliers.	
Operations	Provides expertise on manufacturing process.	
EHS	Provides expertise on health and safety aspects across the product's full life cycle.	
Product Stewardship	Provides expertise on chemical hazard and exposure, as well as regulatory trends.	

## **Evaluation steps**

#### SEGMENTATION

The first step of the SPM Methodology places the product to be evaluated within the context of its unique combination of market segment, family brand, technology, and application. This is known as the Product – Technology – Application Combination (PTAC) and it is the unit of analysis of the SPM Methodology.

The PTAC logic has been applied to follow the requirements of the WBCSD PSA Framework, where the market segment should be homogenous in terms of the sustainability profile of the products it contains. In some very specific cases, exceptions may be granted, for example for very specialized products or innovations for unique applications where different technologies may be combined.

#### SUSTAINABILITY EVALUATION

The Sustainability Evaluation is a comprehensive evaluation of a product's sustainability attributes along the Sustainability Categories relevant for Sika. Numerous criteria, formulated as questions, lie beneath each of the 12 Sustainability Categories:

- 1. **Supplier Sustainability:** Improving the sustainability performance of the supply chain upstream, by ensuring that all suppliers are selected and committed to the highest ESG standards.
- Reputational and Business Risks: Addressing current and future reputational and business risks, related to the application/use of the product, which have the potential to have a negative effect on sustainability aspects.
- 3. Chemical Hazard and Exposure: Assessing and eliminating chemical hazards and exposure.
- 4. **Regulatory Trends and Forthcoming Regulation:** Aligning product developments with regulatory trends and stakeholder expectations.

- 5. Air Quality and Emissions: Products that promote good air quality and minimize emissions.
- 6. Health and Safety: Products that are safe and easy to use.
- 7. Energy: Products that promote energy efficiency principles.
- Climate: Products that minimize the impact on the climate. For more information, please see Annex 3 on the climate calculation procedure for CO<sub>2</sub> reduction claims on p.19 of this paper.
- 9. Resources and Circularity: Efficient use of precious resources and supporting circularity.
- 10. **Packaging:** Prioritizing the use of responsible packaging for products.
- 11. Green Building: Products that contribute to world-renowned Green Building Standards.
- 12. Cost Savings Downstream: Helping customers to directly, measurably, and significantly reduce costs during application/use.

Each criterion is assessed by assigning a rating, selecting a proof point, and adding a mandatory written justification (evidence) to support the rating.

For the Sustainability Classification, each criterion rating is aggregated to the Sustainability Category level to provide a Sustainability Category rating. The Sustainability Category ratings are then aggregated to provide the overall Sustainability Classification. The final Sustainability Category ratings and the overall Sustainability Classification are governed by a pre-defined scoring system. If any criteria ratings were assessed to be below Neutral (i.e., Barrier or Concerns), then the worst criterion rating determines the overall Category rating. If the lowest criterion rating was assessed to be Neutral, then the highest criterion rating (i.e., Neutral, Added Value, or Best in Class) determines the overall Category rating level.



## Figure 2: Decision tree to sustainability criteria and category rating

#### PERFORMANCE EVALUATION

The Performance Evaluation is a comprehensive evaluation of a product's performance attributes along the 6 Performance Categories relevant for Sika and its customers:

- 1. Technical Performance: Achievement of selected technical objectives.
- 2. Application Performance: The product's convenience and ease of use.
- 3. **Durability:** Solutions that prove the test of time.
- 4. Esthetics/Optics: Well designed, pleasing appearance and effect.
- 5. Cost Performance: Cost-effective solutions.
- 6. **Others:** Product-technology-specific requirements.

For the Performance classification, the same logic applies as for the Sustainability Classification. If any criteria ratings were assessed to be below "Standard" (i.e., Bottom or Below), then the worst criterion rating determines the overall Category rating. If the lowest criterion rating was assessed to be Standard, then the highest criterion rating (i.e., Standard, Above, or Best in Class) determines the overall Category rating level.

Balancing or offsetting negative Sustainability or Performance criteria ratings (risks) with sustainability or performance benefits (positive impacts) is not permitted. If a solution contributes exclusively to the Sustainability Category "Cost Savings Downstream", the product shall be categorized as a Neutral. If a solution contributes exclusively to the Performance Category "Cost Performance", the product shall be categorized as a Standard.

## Figure 3: Decision tree to performance category rating



SPM CLASSIFICATION CATEGORIES

The outcome of the SPM Evaluation is a final rating per product in the defined segment along the dimensions of sustainability and performance.

## Figure 4: SPM classification process



Five classifications exist within the sustainability and performance dimensions, as outlined in the table below.

## TABLE 2: OVERVIEW OF SUSTAINABILITY CLASSIFICATIONS

5 SPM Sustainability Classifications	
Best in Class	Strong sustainability-related benefits/Unique solution in the market
(positive)	Product has at least one strong benefit (no sustainability-related challenges identified)
Added Value	Relevant sustainability-related benefits
(positive)	Product has at least one relevant benefit (no sustainability-related challenges identified)
Neutral	No sustainability-related challenges and benefits Product has no benefits (no sustainability-related challenges identified)
Concerns	Minor sustainability-related challenges
(negative)	Product has at least one minor sustainability-related challenge
Barrier	Strong sustainability-related challenges
(negative)	Product has at least one strong sustainability-related challenge

#### TABLE 3: OVERVIEW OF PERFORMANCE CLASSIFICATION

5 SPM Performance Classifications	
Best in Class (better)	Superior performance/Unique solution in the market Product has at least one superior benefit (no lower performance in any category)
Above (better)	Significantly better performance compared to the internal reference product in market segment Product has at least one significant benefit (no lower performance in any category)
Standard	Same performance as the internal reference product in market segment Product has same performance in all categories
Below (lower)	Significantly lower performance compared to the internal reference product in market segment Product has significantly lower performance in at least one category
Bottom (lower)	Lowest performance in market segment Product has lowest performance in at least one category

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

Figure 5: SPM Portfolio structure – 6 categorization clusters (A – E)



## SPM CLASSIFICATION CLUSTERS

The results of the Sustainability and Performance Evaluations are combined to determine the final Product Classification of the product within the defined PTAC. The overall Sustainability Classification generated in Step 2 and the overall Performance Classification generated in Step 3 are used to classify the product along the two axes of Performance and Sustainability within the PTAC.

The resulting SPM Profiles are classified into six different clusters, based on the Classification in Step 4:

- Cluster A: More Performance More Sustainable
- Cluster B: Same Performance More Sustainable
- Cluster C: Less Performance More Sustainable
- Cluster D: Neutral
- Clusters E: Concerns
- Cluster F: Barrier

# GOVERNANCE

A Governance structure (Figure 6) has been established to evaluate next steps following the final product classification resulting from an SPM Evaluation. This process defines the key actions that need to be taken depending on the SPM Profile as an outcome of a product SPM Evaluation.

## Figure 6: SPM Governance structure



#### TABLE 4: SPM GOVERNANCE DEPENDING ON SPM PROFILE

Cluster	Sustainability Classification	Performance Classification	Governance Process
More Performance More Sustainable (Cluster A)	Best In Class Added Value	Best In Class Above	Products are classified as Sustainable Solutions and can be promoted under the Sustainable Solutions communication concept with additional marking as "Sustainably Impactful".
Same Performance More Sustainable (Cluster B)	Best In Class Added Value	Standard	Products are classified as Sustainable Solutions and can be promoted under the Sustainable Solutions communication concept with additional marking as "Sustainably Impactful".
Lower Performance More Sustainable (Cluster C)	Best In Class Added Value	Below Bottom	Products are classified as Sustainable Solutions and can be promoted under the Sustainable Solutions communication concept with additional marking as "Sustainably Impactful".
Neutral (Cluster D)	Neutral	Any	Not considered Critical.
Concerns (Cluster E)	Concerns	Any	Considered Critical. An action plan is required for the products classified as Concerns.
<b>Barrier</b> (Cluster F)	Barrier	Any	Considered Very Critical. An action plan is required for products classified as Barrier. Need SPM Steering Committee approval to proceed through Sika's innovation process or remain in the market.

# MARKETING AND COMMUNICATION

Products that have an SPM Profile with a final classification as "More Sustainable" (Clusters A, B and C) are called "Sustainable Solutions".

Sika's "Sustainable Solutions" are promoted under the corresponding communication concept and can be easily identified by the "Sustainably Impactful" eye-catcher.

For all products promoted as "Sustainable Solutions", the Sustainability Fact Sheet summarizes and provides a comprehensive overview of the sustainability benefits and aspects of the product. This additional information can be found online on the respective product webpage or through the QR code on the packaging.

Figure 7. Sustainably Impactful eye-catcher on product packaging



# **METHODOLOGY REVIEW**

As the Sustainability categories and criteria will evolve over time, a periodic review and update is crucial. Therefore, the SPM Methodology shall be reviewed as follows.

- At least every 5 years: Review of Sustainability and Performance categories and criteria on a structured basis, to ensure that the fact base on which the SPM Evaluation relies is still up-to-date and representative. This includes all relevant documents associated with the SPM Methodology.
- Ad hoc basis: Whenever there is reason to believe that the SPM Methodology needs to be updated because of important changes in the market (e.g., new regulation, industry initiatives, etc.) or in the pillars on which the method is built.
- New release of WBCSD Chemical Industry PSA Methodology: Whenever a new release of the WBCSD Chemical Industry PSA Methodology takes place, Sika's SPM Methodology shall be reviewed. This review will be started/completed within maximum 1 year after the release and will focus on important changes, amendments, or additional requirements. It is vital that the Sika SPM Methodology conforms with the latest version of the WBCSD Chemical Industry PSA Methodology.

As a result of the periodic or ad hoc SPM Methodology review process, the SPM Guideline and SPM Tool (including all accompanying documents) shall be updated. Any relevant changes compared to the previous version will be highlighted accordingly. Any release of a revised/updated SPM Methodology version will be aligned with the SPM Steering Committee with approval from the Chief Innovation & Sustainability Officer.

# **ANNEX 1: KEY DEFINITIONS**

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Definition
Set of criteria under which the product is evaluated to assess its performance.
The third step of an SPM Evaluation involves the detailed assessment of a product against the Performance Categories of Sika's SPM Methodology.
Framework for chemicals companies to develop portfolio sustainability management methodologies and processes.
The final step of an SPM Evaluation involves the determination of a product's classification along the axes of Performance and Sustainability.
Unique combination of market segment (application), product family brand name, and product technology – the unit of the SPM Evaluation. All products within the same PTAC are part of the same portfolio.
The first step of an SPM Evaluation which involves the allocation of a given product within a defined PTAC.
A Sika product or system.
Sustainability Portfolio Management, the methodology used by Sika to evaluate, classify, and market its products in defined market segments in terms of both performance and sustainability.
The best-selling Sika product within a given market segment (PTAC).
Self-declared and unqualified claims of "sustainable" and "sustainability" shall not be used. When using a qualified claim of "sustainable", any portion of that claim shall conform to the SPM Methodology and/or the corresponding Sustainability Category and ISO 14021.
Set of criteria under which the product is evaluated to assess its sustainability profile.
The second step of an SPM Evaluation which involves the detailed assessment of a product against the twelve Sustainability Categories of Sika's SPM Methodology.
A Sika solution that meets the SPM Methodology requirements and is classified (based on the SPM Profile) in Clusters A, B, or C.
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# ANNEX 2: SPM AND UN SDGs

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UN SDG	
12: Responsible Consumption and Production	
12: Responsible Consumption and Production	
3: Good Health and Well-being	
3: Good Health and Well-being	
3: Good Health and Well-being 11: Sustainable Cities and Communities	
3: Good Health and Well-being	
11: Sustainable Cities and Communities 12: Responsible Consumption and Production	
11: Sustainable Cities and Communities 13: Climate Action	
11: Sustainable Cities and Communities 12: Responsible Consumption and Production	
12: Responsible Consumption and Production 13: Climate Action	
11: Sustainable Cities and Communities	
N/A	
	12: Responsible Consumption and Production12: Responsible Consumption and Production12: Responsible Consumption and Production3: Good Health and Well-being3: Good Health and Well-being11: Sustainable Cities and Communities3: Good Health and Well-being11: Sustainable Cities and Communities3: Good Health and Well-being11: Sustainable Cities and Communities12: Responsible Consumption and Production11: Sustainable Cities and Communities12: Responsible Consumption and Production11: Sustainable Cities and Communities12: Responsible Consumption and Production12: Responsible Consumption and Production13: Climate Action11: Sustainable Cities and Communities12: Responsible Consumption and Production13: Climate Action11: Sustainable Cities and Communities13: Climate Action11: Sustainable Cities and Communities12: Responsible Consumption and Production13: Climate Action11: Sustainable Cities and Communities

## **ANNEX 3: SPM CLIMATE CATEGORY**

The SPM Climate category includes three criteria dealing with the following aspects:

- 1. Cradle-to-gate carbon footprint of raw materials.
- 2. Climate impact of the production process.
- 3. Climate impact reduction in use and application.

A high-level assessment of potential climate-related sustainability benefits is conducted at the start of the SPM Evaluation. If criterion one is identified as an area of potential sustainability benefit (the raw materials of the product under assessment are expected to have a lower carbon impact compared to those of the internal reference product), the SPM Climate calculation procedure is initiated. To market the product under study as "more sustainable" under the Climate category according to criteria two and three, more detailed life cycle assessment (LCA) studies are required.

To show benefits (added value or best in class) according to criterion one, a calculation of the global warming potential (GWP) of the raw material composition of both the product under evaluation and the internal reference product is performed in accordance with Sika's internal SPM Climate category calculation methodology. The included life cycle stage is the production of raw materials (cradle to raw material gate) as raw materials represent the largest share of the product carbon footprint. Importantly, this method is only applicable when the transport and manufacturing processes are similar for both products in the evaluation.

The results are calculated using the climate indicator IPCC AR6 GWP 100, including biogenic CO<sub>2</sub>, including Land Use Change (LUC). To ensure accuracy and reliability of Sika's external communications, all assessments resulting in climate benefits are reviewed by internal trained product sustainability specialists, who have been appointed at local, regional or corporate level. A standardized review checklist is used.

Lastly, the details of the calculation and the relevant product-related information is documented in a standardized background report.

The communication is prepared using standardized text blocks and templates as defined by Sika's internal SPM Marketing and Communication guidance.

## Sika AG

Zugerstrasse 50 6340 Baar Switzerland

Contact Tel +41 58 436 68 00 www.sika.com

