

## Sika

Country	Switzerland
Meeting date	11 June 2018 15:00
Meeting location	Waldmannhalle, Neugasse 55, Baar
Meeting type	Extraordinary General Meeting
Securities	ISIN CH0000587979, Telekurs 58797

### General Meeting Highlights

This EGM is called by the board of directors following the agreement reached by Sika, the Burkard family and Saint-Gobain on 11 May 2018 to resolve their conflict, which started in December 2014, when the Burkard family announced the sale of SWH (the holding company that holds 53% of the voting rights and 17% of the capital of Sika) to Saint-Gobain without having previously informed the non-conflicted board members. The main elements of the agreement reached between the 3 parties are the following:

- Saint-Gobain acquired SWH from the Burkard family for CHF 3.22 billion.
- Saint-Gobain/SWH sold registered shares representing 6.97% of the capital and 23.7% of the voting rights to Sika for CHF 2.08 billion.
- Sika calls this EGM to simplify the capital structure (introduce a single class of registered shares), remove the opting out clause as well as the transfer restriction and cancel the 6.97% shares acquired from SWH.
- After the simplification of the capital structure, Saint-Gobain will hold a 10.75% stake in Sika for at least 2 years.
- All pending litigation proceedings, as well as the special audit and the mandate of the special expert committee will be terminated.
- The 3 directors who were linked to SWH resigned from Sika's board with immediate effect on 11 May 2018.

The board also proposes to newly elect Mr. Justin Howell to the board and the nomination and remuneration committee, to fully discharge the board and the executive management for the financial years 2014 to 2017 and to approve the board remuneration for the period from the 2015 AGM to the 2019 AGM.

SWH (now fully owned by Saint-Gobain) has announced it will vote in favour of all resolutions proposed at this EGM.

Ethos is very satisfied with the agreement between Sika, the Burkard family and Saint-Gobain, which benefits all parties concerned and safeguards the independence of the company. Ethos recommends to vote FOR all items on the agenda.

### Report Content

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# 1. General Meeting Overview

## 1.1 Voting positions at this general meeting

Item	Proposal	Ethos voting position	Board recommendation
	Background to the EGM		
1.1	Removal of the opting out clause	FOR	FOR
1.2	Introduction of a single class of registered shares	FOR	FOR
1.3	Removal of the transfer restriction	FOR	FOR
1.4	Reduction of the share capital via cancellation of shares	FOR	FOR
2.1	Elect Mr. Justin Howell as board member	FOR	FOR
2.2	Elect Mr. Justin Howell to the remuneration committee	FOR	FOR
3.1	Approval of the total remuneration of the board of directors for the term of office 2015/16	FOR	FOR
3.2	Approval of the total remuneration of the board of directors for the term of office 2016/17	FOR	FOR
3.3	Approval of the total remuneration of the board of directors for the term of office 2017/18	FOR	FOR
3.4	Approval of the total remuneration of the board of directors for the term of office 2018/19	FOR	FOR
4.1	Discharge board members	FOR	FOR
4.2	Discharge executive management	FOR	FOR
5	Termination of the mandate of the special expert committee	FOR	FOR
	Transact any other business	● OPPOSE	

## 1.2 Voting results of the general meeting of 17 April 2018

Item	Proposal	% For	Result	Ethos voting position	Board recommendation
1	Approve annual report, financial statements and accounts	100 %	Accepted	FOR	FOR
2	Approve allocation of income and dividend	100 %	Accepted	FOR	FOR
3	Discharge board members and executive management		-		
3.1.1	Discharge Mr. Urs F. Burkard	76 %	Accepted	● OPPOSE	FOR
3.1.2	Discharge Mr. Frits van Dijk	30 %	Rejected	FOR	FOR
3.1.3	Discharge Dr. Paul J. Hälg	30 %	Rejected	FOR	FOR

3.1.4	Discharge Dr. Willi K. Leimer	76 %	Accepted	●	<i>OPPOSE</i>	<i>FOR</i>
3.1.5	Discharge Ms. Monika Ribar	30 %	Rejected		<i>FOR</i>	<i>FOR</i>
3.1.6	Discharge Mr. Daniel J. Sauter	30 %	Rejected		<i>FOR</i>	<i>FOR</i>
3.1.7	Discharge Prof. Dr. Ulrich W. Suter	30 %	Rejected		<i>FOR</i>	<i>FOR</i>
3.1.8	Discharge Mr. Jürgen Tinggren	77 %	Accepted	●	<i>OPPOSE</i>	<i>FOR</i>
3.1.9	Discharge Mr. Christoph Tobler	30 %	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. Hälgi as board member	84 %	Accepted		<i>FOR</i>	<i>FOR</i>
4.1.2	Re-elect Mr. Urs F. Burkard as board member	82 %	Accepted	●	<i>OPPOSE</i>	<i>FOR</i>
4.1.3	Re-elect Mr. Frits van Dijk as board member	100 %	Accepted		<i>FOR</i>	<i>FOR</i>
4.1.4	Re-elect Dr. Willi K. Leimer as board member	83 %	Accepted	●	<i>OPPOSE</i>	<i>FOR</i>
4.1.5	Re-elect Ms. Monika Ribar as board member	85 %	Accepted		<i>FOR</i>	<i>FOR</i>
4.1.6	Re-elect Mr. Daniel J. Sauter as board member	82 %	Accepted		<i>FOR</i>	<i>FOR</i>
4.1.7	Re-elect Prof. Dr. Ulrich W. Suter as board member	83 %	Accepted		<i>FOR</i>	<i>FOR</i>
4.1.8	Re-elect Mr. Jürgen Tinggren as board member	84 %	Accepted	●	<i>OPPOSE</i>	<i>FOR</i>
4.1.9	Re-elect Mr. Christoph Tobler as board member	85 %	Accepted		<i>FOR</i>	<i>FOR</i>
4.2	Proposal by Schenker-Winkler Holding: Elect Prof. Dr. Jacques Bischoff as board member	15 %	Rejected		<i>OPPOSE</i>	<i>OPPOSE</i>
4.3	Election of the chairman of the board	-				
4.3.1	Proposal by the board of directors: Re-elect Dr. Paul J. Hälgi as board chairman	87 %	Accepted		<i>FOR</i>	<i>FOR</i>
4.3.2	Proposal by Schenker-Winkler Holding: Elect Prof. Dr. Jacques Bischoff as board chairman	-			<i>OPPOSE</i>	<i>OPPOSE</i>
4.4	Elections to the nomination and remuneration committee	-				
4.4.1	Re-elect Mr. Frits van Dijk to the nomination and remuneration committee	86 %	Accepted		<i>FOR</i>	<i>FOR</i>
4.4.2	Re-elect Mr. Urs F. Burkard to the nomination and remuneration committee	78 %	Accepted	●	<i>OPPOSE</i>	<i>FOR</i>
4.4.3	Re-elect Mr. Daniel J. Sauter to the nomination and remuneration committee	74 %	Accepted		<i>FOR</i>	<i>FOR</i>
4.5	Re-elect Ernst & Young as auditors	98 %	Accepted		<i>FOR</i>	<i>FOR</i>
4.6	Re-elect Mr. Jost Windlin as independent proxy	100 %	Accepted		<i>FOR</i>	<i>FOR</i>
5	Remuneration	-				
5.1	Approval of the total remuneration of the board of directors for the term of office 2015/16	30 %	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	30 %	Rejected		<i>FOR</i>	<i>FOR</i>

## Voting Positions

5.3	Approval of the total remuneration of the board of directors for the term of office 2017/18	30 %	Rejected	<i>FOR</i>	<i>FOR</i>
5.4	Advisory vote on the remuneration report	28 %	Rejected	<i>FOR</i>	<i>FOR</i>
5.5	Approval of the total remuneration of the board of directors for the term of office 2018/19	30 %	Rejected	<i>FOR</i>	<i>FOR</i>
5.6	Approval of the total remuneration of the executive management for the financial year 2019	100 %	Accepted	<i>FOR</i>	<i>FOR</i>
6.1	Confirmation of the appointment of Mr. Jörg Riboni as member of the special expert committee	99 %	Accepted	<i>FOR</i>	<i>FOR</i>
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	69 %	Accepted	<i>FOR</i>	<i>FOR</i>
7	Proposal by Schenker-Winkler Holding: Special audit	33 %	Rejected	<i>OPPOSE</i>	<i>OPPOSE</i>
	Proposals not listed in the invitation	-		<i>OPPOSE</i>	

### Attendance details

The attendance rate at the 2018 AGM was 76% of the voting shares. The votes were represented as follows:

- Independent proxy: 25%
- Shareholders in the room: 75%

### Note on the voting results

The Burkard family's 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, 4.4.1, and 4.4.3. The Burkard family abstained from voting on the re-election of Mr. Frits van Dijk (representative of the bearer shareholders) under item 4.1.3.

Prof. Dr. Bischoff was not elected to the board of directors under ITEM 4.2. Since only a member of the board can be elected as chairman, ITEM 4.3.2 was not submitted to shareholder vote.

## 2. Proxy Analysis

### Background to the EGM

This EGM is called by the board of directors following the agreement reached by Sika, the Burkard family and Saint-Gobain on 11 May 2018 to resolve their conflict, which started in December 2014, when the Burkard family announced the sale of SWH (the holding company that holds 53% of the voting rights and 17% of the capital of Sika) to Saint-Gobain. The agreement reached between the 3 parties includes the following elements:

- Saint-Gobain acquired SWH from the Burkard family for CHF 3.22 billion. The purchase price reflects an increase of more than CHF 500 million from the purchase price agreed in December 2014 between Saint-Gobain and the Burkard family, taking into account the increase in Sika's value since 2014.
- Saint-Gobain/SWH sold registered shares representing 6.97% of the capital and 23.7% of the voting rights) to Sika for CHF 2.08 billion. This amount includes a CHF 795 million premium over the market value on 4 May 2018.
- Sika calls this EGM to propose the following changes to the articles of association (ITEMS 1.1 to 1.4):
  - Cancellation of the 6.97% shares acquired from SWH
  - Implementation of the "one share, one vote" principle (introduction of a single class of registered shares and removal of the 5% transfer restriction)
  - Removal of the opting out clause

The proposed amendments introduce the equal treatment of shareholders, which Ethos welcomes. SWH (now fully owned by Saint-Gobain) has announced it will vote in favour of all resolutions proposed at this EGM. The proposals under ITEMS 1.1 (removal of the opting out clause), 1.2 (introduction of a single class of shares), 1.3 (removal of the transfer restriction) and 1.4 (capital reduction) are conditional on each other (i.e. if one of these items is rejected, all these items are considered rejected).

- After this EGM, Saint-Gobain will own 10.75% of the capital and voting rights. Saint-Gobain is bound by lock-up, stand-still and offer obligations. In particular, the parties have agreed on a lock-up (2 years) and stand-still obligations (up to 10.75% for 4 years, up to 12.875% for the following 2 years) with regard to Saint-Gobain's stake in Sika. In addition, in case of an intended sale, these shares will first be offered to Sika up to 10.75%. Therefore, the agreement guarantees that no public tender offer will be made on Sika's shares by Saint-Gobain for 6 years.
- Sika and Saint-Gobain will continue their substantial existing business relationship and seek to further expand it to areas of mutual benefit while preserving and respecting each Group's economic and legal independence.
- All pending litigation proceedings, as well as the special audit and the mandate of the special expert committee will be terminated.
- The 3 directors linked to SWH (Mr. Urs Burkard, Dr. Willi Leimer and Mr. Jürgen Tinggren) resigned from the board with immediate effect on 11 May 2018. Therefore, the board currently consists of only 6 directors.
- Saint-Gobain will not be represented on Sika's board of directors.

In addition to the above-mentioned proposals to introduce the equal treatment of shareholders, the following items are also put to shareholder vote:

- Election of Mr. Justin Howell (representative of Cascade and Bill & Melinda Gates Foundation Trust) to the board of directors as well as the nomination and remuneration committee.
- Binding votes on the remuneration of the board of directors for the period from the 2015 AGM to the 2019 AGM, which were previously rejected by the Burkard family.
- Discharge the members of the board of directors for the period from 1 January 2014 to this EGM. The discharge of the board members for the financial years 2014, 2015, 2016 and 2017 was either not granted or granted with reservations.

- Discharge the members of the executive management for the period from 1 January 2014 to this EGM. The discharge of the members of the executive management for the financial years 2014, 2015, 2016 and 2017 was granted with reservations.
- Termination of the mandate of the special expert committee.

Ethos is very satisfied with the agreement between Sika, the Burkard family and Saint-Gobain, which benefits all parties concerned and safeguards the independence of the company. Ethos recommends to vote FOR all items on the agenda.

<b>1.1</b>	<b>Removal of the opting out clause</b>	<b>FOR</b>
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Under the condition that the EGM approves ITEMS 1.2 (introduction of a single class of shares), 1.3 (removal of the transfer restriction) and 1.4 (capital reduction), the board of directors proposes to delete art. 5 from the articles of association to remove the opting out clause, which exempts a buyer who acquires more than one third of the voting rights from the obligation to make a public offer to the rest of the capital.

At the 2015 AGM (the first AGM following the announcement of the takeover attempt by Saint-Gobain), Ethos and 11 other shareholders filed a shareholder resolution to remove the opting out clause. This resolution received the support of 97% of the shareholders not linked to the Burkard family, but was rejected (since the voting rights of SWH were not limited for this item).

Opting out clauses can put a company at risk and be very detrimental to minority shareholders and other stakeholders. Therefore, Ethos, in accordance with its voting guidelines, recommends to vote FOR.

<b>1.2</b>	<b>Introduction of a single class of registered shares</b>	<b>FOR</b>
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Under the condition that the EGM approves ITEMS 1.1 (removal of the opting out clause), 1.3 (removal of the transfer restriction) and 1.4 (capital reduction), the board of directors proposes to introduce a single class of shares. Currently, the capital amounts to CHF 1'524'106.80, consisting of the following classes of shares:

- 2'333'874 non-listed registered shares with a nominal value of CHF 0.10 (CHF 233'387.40 in total)
- 2'151'199 listed bearer shares with a nominal value of CHF 0.60 (CHF 1'290'719.40 in total)

Upon approval of this item, the following changes will be made:

- Each bearer share (with a current nominal value of CHF 0.60) will be split into 60 shares of CHF 0.01 nominal.
- Each registered share (with a current nominal of CHF 0.10) will be split into 10 shares of CHF 0.01 nominal.
- The bearer shares will be converted into registered shares.

Therefore, following the cancellation of shares proposed under ITEM 1.4 and the simplification of the capital structure proposed under this item, Sika's capital will consist of 141'781'060 listed registered shares with a nominal value of CHF 0.01 (CHF 1'417'811.60 in total).

In addition, the following technical changes are proposed:

- Adaptation of the conditional capital (which will correspond to 7.5% of the issued capital following this EGM).
- Deletion of art. 3 para. 6 (regarding the possibility of conversion of bearer shares into registered shares and vice versa by a decision of the general meeting), art. 3 para. 7 (regarding the possibility for holders of registered shares to swap their registered shares for bearer shares) and art. 8.1 para. 6 (regarding the right of each class of shares to be represented on the board).
- Deletion of the provision included in art. 8.1 para. 6 that mentions that holders of bearer shares receive the annual report upon request.

Ethos welcomes the introduction of a single class of shares, which is a fundamental step in the introduction of the equal treatment of all shareholders. Ethos, in accordance with its voting guidelines, recommends to vote FOR.

**1.3 Removal of the transfer restriction FOR**

Under the condition that the EGM approves ITEMS 1.1 (removal of the opting out clause), 1.2 (introduction of a single class of shares), and 1.4 (capital reduction), the board of directors proposes to delete art. 4 of the company's articles of association to remove the transfer restriction. In fact, the current articles of association include a clause that allows the board to refuse a buyer of registered shares as shareholder if the number of shares acquired exceeds 5% of the total number of registered shares issued.

Ethos acknowledges that the transfer restriction has protected the company against the hostile takeover bid of Saint-Gobain. In fact, this clause has allowed the board of directors to limit SWH's voting rights 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. Without the transfer restriction, the board of directors would have had no means to prevent Saint-Gobain from taking control of Sika by buying only 17% of the capital.

However, the amendments to the articles of association proposed at this EGM will significantly reduce the risk of a hostile takeover attempt. In fact, with the simplification of the capital structure proposed under ITEM 1.2, it will no longer be possible for a buyer to take control of the company by buying only a minority of the capital. In addition, with the removal of the opting out clause proposed under ITEM 1.1, any buyer acquiring more than one third of the voting rights will have the obligation to make a public offer on all shares at the same conditions (i.e. the payment of a control premium will no longer be possible).

Therefore, Ethos considers that the transfer restriction can be removed from the articles of association and, in accordance with its voting guidelines, recommends to vote FOR.

**1.4 Reduction of the share capital via cancellation of shares FOR**

Under the condition that the EGM approves ITEMS 1.1 (removal of the opting out clause), 1.2 (introduction of a single class of shares) and 1.3 (removal of the transfer restriction), the board of directors proposes to cancel 1'062'962 registered shares (corresponding to 6.97% of the capital and 23.7% of the voting rights), which were acquired from SWH.

As mentioned above, the proposal is in connection with the agreement reached by Sika, the Burkard family and Saint-Gobain, as well as the simplification of the capital structure.

Ethos, in accordance with its voting guidelines, recommends to vote FOR.

**2.1 Elect Mr. Justin Howell as board member FOR**

The board proposes to newly appoint Mr. Justin Howell (Canadian, age not disclosed) for a 1-year term. He is also proposed for election as new member of the nomination and remuneration committee under ITEM 2.2.

**Main features of board composition after the AGM (for more details, see section 6 of this report)**

Board size	7
Combination of the functions of Chairman and CEO	No
% independent directors	42.9%
% executive directors	0.0%
% women directors	14.3%
Average age of directors	NA
Average board tenure	9.7 years

Mr. Howell is a Senior Investment Analyst at BMGI (the investment office of the Gates family and Bill & Melinda Gates Foundation Trust). Currently, Bill & Melinda Gates Foundation Trust forms a shareholder group with Cascade Investment (another investment vehicle for Bill Gates' holdings), Threadneedle and Fidelity. On 6 September 2017 (no subsequent announcement to the SIX Swiss Exchange), the shareholder group held 4.8% of the voting rights (corresponding to 9.1% of the voting rights after this EGM), of which 3% are controlled by Cascade Investment and Bill & Melinda Gates Foundation Trust (5.7% of the voting rights after this EGM). Therefore, Mr. Howell is considered affiliated as a representative of a significant shareholder. Ethos notes that the shareholder group supported Sika's management and non-conflicted board members in the hostile takeover attempt by Saint-Gobain.

Upon the election of Mr. Howell, the overall board independence will not be sufficient according to Ethos' guidelines, as 4 of the 7 directors (including Mr. Howell) do not strictly fulfil Ethos' independence criteria. However, the 3 current non-independent directors (Mr. Daniel Sauter, Prof. Ulrich Suter, and Mr. Christoph Tobler) are considered affiliated due to their long tenure at Sika, but have no conflict of interests. In fact, no changes were made to the composition of the board of directors during the 3.5-year conflict between Sika, the Burkard family and Saint-Gobain, which was essential in order to safeguard the independence of the company.

As none of the current board members have conflict of interests, Ethos can accept the election of Mr. Howell and recommends to vote FOR.

**2.2 Elect Mr. Justin Howell to the remuneration committee FOR**

The board proposes to elect Mr. Justin Howell to the nomination and remuneration committee for a 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 in other listed companies	0

Consistent with its position under ITEM 2.1, Ethos recommends to vote FOR.

**3.1 Approval of the total remuneration of the board of directors for the term of office 2015/16 FOR**

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 5 times by the Burkard family (at the AGMs held in April 2015, 2016, 2017 and 2018, and at the EGM held in July 2015). Ethos recommended to vote FOR the requested amount at the 5 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 3 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 3.4). Therefore, Ethos, in accordance with its voting guidelines, recommends to vote FOR.

**3.2 Approval of the total remuneration of the board of directors for the term of office 2016/17 FOR**

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 3 times by the Burkard family (at the AGMs held in April 2016, 2017 and 2018). Ethos recommended to vote FOR the requested amount at the 3 general meetings.



The amount is the same as the amount requested for the 2015/16 mandate (see ITEM 3.1). Ethos, in accordance with its voting guidelines, recommends to vote FOR.

<b>3.3</b>	<b>Approval of the total remuneration of the board of directors for the term of office 2017/18</b>	<b>FOR</b>
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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 twice by the Burkard family (at the AGMs held in April 2017 and 2018). Ethos recommended to vote FOR the requested amount at both general meetings.

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 3.1 and 3.2), 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 3.4) and, in accordance with its voting guidelines, recommends to vote FOR.

<b>3.4</b>	<b>Approval of the total remuneration of the board of directors for the term of office 2018/19</b>	<b>FOR</b>
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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 (mixed modality). The board remuneration for this period was rejected by the Burkard family at the AGMs held in April 2018). Ethos recommended to vote FOR the requested amount at the 2018 AGM.

**A) Board proposal**

The board requests a maximum total amount of CHF 2.53 million for its members, including the chairman (see section 5 of this report for details). The amount requested includes the remuneration of 9 members for 1 month (from the 2018 AGM to 11 May 2018), 6 members for 1 month (from 11 May 2018 until this EGM), and 7 members for 10 months (from this EGM to the 2019 AGM).

**B) Comparison to company peers**

In 2017 (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	970'026
Median remuneration of other board members	CHF	311'40

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 included in the calculation of the above median is the remuneration proposed at this EGM.

In 2017, Sika's board members did not receive any remuneration. However, the remuneration report mentions that upon approval of the amounts requested for the 2016/17 and 2017/18 terms of office, CHF 2'852'287 will be paid to the 9 board members for 2017. On a full-time basis, the requested amount therefore includes a 6% reserved compared to the 2017 remuneration. The expected 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.

<b>4.1</b>	<b>Discharge board members</b>	<b>FOR</b>
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The board of directors requests shareholders to discharge its current and retired members of their responsibilities for their management of the company for the period from 1 January 2014 until this EGM.

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 period from 1 January 2014 until this EGM. 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.

At the AGMs held in 2015, 2016, 2017 and 2018, the Burkard family did not grant discharge to the non-conflicted board members (i.e. the 6 current board members), but the Burkard family granted discharge to the board members who were linked to SWH (i.e. the 3 retired board members, Mr. Urs Burkard, Dr. Willi Leimer and Mr. Jürgen Tinggren). In addition, the discharge granted was subject to the results of the investigations conducted as part of the special audit.

Therefore, the discharge of the current board members for the financial years 2014, 2015, 2016 and 2017 was not granted, while the discharge of the retired board members was granted with reservations.

As mentioned under "Background to the EGM", the special audit (which investigated whether non-public information regarding Sika was made available to Saint-Gobain or SWH and whether any arrangements have been made between board members (in particular the representatives of SWH) and Saint-Gobain or SWH) has been terminated. Therefore, it is still unclear whether the attitude and activities of the 3 retired board members who were linked to SWH (Mr. Urs Burkard, Dr. Willi 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, and whether they should be discharged.

However, as the majority of the board (6 out of 9 members, including the chairman) acted in the best interest of the company and the discharge is requested "in globo", Ethos recommends to vote FOR.

<b>4.2</b>	<b>Discharge executive management</b>	<b>FOR</b>
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The board of directors requests shareholders to discharge the members of the executive management of their responsibilities for the management of the company for the period from 1 January 2014 until this EGM.

Therefore, the discharge of the executive management for the financial years 2014, 2015, 2016 and 2017 was granted with reservations (i.e. the discharge granted was subject to the results of the investigations conducted as part of the special audit). Ethos, in accordance with its voting guidelines, recommends to vote FOR.

<b>5</b>	<b>Termination of the mandate of the special expert committee</b>	<b>FOR</b>
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The board of directors proposes to terminate the mandate of the special expert committee, which was formed following the approval of a shareholder resolution filed 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 the 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 would have become fully active and start its auditing and monitoring activities if the composition of the board changed in a way that no longer guaranteed the independence of the board from the Burkard family and Saint-Gobain.

As the conflict between Sika, the Burkard family and Saint-Gobain has been resolved in a way that safeguards the independence of the company, the mandate of the special expert committee can be terminated. Therefore, Ethos, in accordance with its voting guidelines, recommends to vote FOR.

### **Transact any other business**

**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. Remuneration Requested

#### Board of Directors

Item	Component	Type	Amount requested (CHF)	Nb. of pers. (FTE)	Modality
3.1	Fixed fees	Cash	1'930'000	9	Retrospective
3.1	Fixed fees	Shares	725'000	9	Retrospective
3.1	Social security contributions	Other	215'000	9	Retrospective
3.2	Fixed fees	Cash	1'930'000	9	Retrospective
3.2	Fixed fees	Shares	725'000	9	Retrospective
3.2	Social security contributions	Other	215'000	9	Retrospective
3.3	Fixed fees	Cash	1'930'000	9	Retrospective
3.3	Fixed fees	Shares	750'000	9	Retrospective
3.3	Social security contributions	Other	220'000	9	Retrospective
3.4	Fixed fees	Cash	1'700'000	7	Mix
3.4	Fixed fees	Shares	650'000	7	Mix
3.4	Social security contributions	Other	180'000	7	Mix

**Total remuneration requested for the board of directors: 11'170'000**

#### Comments

The amount requested under ITEM 3.1 is for the 2015-2016 term of office.  
 The amount requested under ITEM 3.2 is for the 2016-2017 term of office.  
 The amount requested under ITEM 3.3 is for the 2017-2018 term of office.  
 The amount requested under ITEM 3.4 is for the 2018-2019 term of office.

## 4. Board of Directors

### Composition after the General Meeting of 11 June 2018

Committee	Executive	Affiliated non-executive	Independent non-executive	Total
Board of Directors	0	4	3	7
Audit committee	0	1	1	2
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

The 3 directors linked to Schenker-Winkler Holding (Mr. Urs Burkard, Dr. Willi Leimer and Mr. Jürgen Tinggren) resigned from the board with immediate effect when the company announced the agreement reached between Sika, the Burkard family and Saint-Gobain on 11 May 2018. Therefore, the board currently consists of only 6 directors. However, the company has announced that the board will appoint new directors in time.

Mr. Urs Burkard was a member of the nomination and remuneration committee and Dr. Willi Leimer was a member of the audit committee. Mr. Justin Howell (representative of Cascade Investment and Bill & Melinda Gates Foundation Trust) is proposed for election to the board and to the nomination and remuneration committee. The company has not yet announced the new composition of the audit committee.

Upon reaching the age of 70, directors generally resign. In view of the conflict between Sika, the Burkard family and Saint-Gobain, an exception was made for Prof. Ulrich Suter.

The board includes 1 woman.

## Dr. sc. techn. Paul J. Hälg

Independent	Chairman
Nationality	Swiss
Age	64
Director since / term ends	2009 / 2019
Committee memberships	none
Main activity	none
Directorships	<ul style="list-style-type: none"> <li>– Dätwyler (listed), Switzerland - Chairman</li> <li>– Pema Holding AG (100% owned by Dätwyler Führungs), Switzerland - Chairman</li> <li>– Dätwyler Führungs AG, Switzerland - Chairman and co-owner</li> <li>– Dätwyler Cabling Solutions AG (100% owned by Pema Holding AG), Switzerland - Member</li> <li>– Baumann Federn AG, Switzerland - Member</li> <li>– Sonceboz Automotive SA - Member</li> </ul>
Other relevant mandates	<ul style="list-style-type: none"> <li>– Wohlfahrtsstiftung der Sika, Switzerland - Chairman</li> <li>– ETH Zürich Foundation, Switzerland - Member</li> <li>– Swisscontact, Switzerland - Member</li> </ul>
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>

## Justin Howell

Affiliated	Member	New Nominee
Nationality	Canadian	
Age		
Director since / term ends	2018 / 2019	
Committee memberships	– Nomination and remuneration committee	
Affiliation	– Important shareholder or its representative	
Main activity	<ul style="list-style-type: none"> <li>– Representative of Cascade Investment and Bill &amp; Melinda Gates Foundation Trust.</li> <li>– BMGI - Senior Investment Analyst</li> </ul>	
Directorships	– OE Holdings, USA - Member	
Comments	<p>Former investment banker at Bank of America Merrill Lynch (until 2010).            Former attorney at Cravath, Swaine &amp; Moore.</p>	

## Monika Ribar

Independent

Member

Nationality	Swiss
Age	59
Director since / term ends	2011 / 2019
Committee memberships	– Audit committee, Chairman
Main activity	– ribar partners GmbH (consulting firm), Switzerland - Managing Partner
Directorships	– SBB CFF FFS, Switzerland - Chairman – Deutsche Lufthansa (listed), Germany - Member – Chain IQ Group AG, Switzerland - Member
Comments	Several positions at Panalpina (1991-2013), including: - CEO (2006-2013) - CFO (2005-2006) - Chief Information Officer (2000-2005) - Corporate Controller (1991-2000)

## Daniel J. Sauter

Affiliated

Member

Nationality	Swiss
Age	61
Director since / term ends	2000 / 2019
Committee memberships	– Nomination and remuneration committee
Affiliation	– Board membership exceeding time limit for independence
Main activity	none
Directorships	– Julius Bär (listed), Switzerland - Chairman – Trinsic AG, Switzerland - Chairman and co-owner – Hadimec AG, Switzerland - Chairman and co-owner – Tabulum AG, Switzerland - Chairman – ARAS Holding, Switzerland - Member
Other relevant mandates	– Avenir Suisse, Switzerland - Member
Comments	Chairman of the board of directors of Alpine Select (2001-2012). CEO and Delegate of the board of Xstrata (1994-2001). CFO and Senior Partner of Glencore International (1983-1998).

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

Affiliated	Member
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).

## Christoph Tobler

Affiliated	Member
Nationality	Swiss
Age	61
Director since / term ends	2005 / 2019
Committee memberships	– Audit committee
Affiliation	– Miscellaneous – Board membership exceeding time limit for independence
Main activity	Linked to the company since 1998. – 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

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).

## 5. Glossary

English	Deutsch	Français
<b>A</b>		
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>B</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
<b>C</b>		
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
<b>D</b>		
Dividend	Dividende	Dividende
Dividend rights certificates	Partizipationsscheine	Bons de participation
<b>E</b>		
Earnings per share	Gewinn pro Aktie	Bénéfice par action

English	Deutsch	Français
<b>E</b>		
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
<b>F</b>		
Fair value	Beizulegender Zeitwert	Juste valeur
Fees	Gebühren	Honoraires
Financial performance	Finanzergebnis	Performance financière
Financial reporting	Finanzberichterstattung	Information financière
Financials	Finanzergebnis	Données financières
<b>G</b>		
General information	Allgemeine Informationen	Informations générales
Global remuneration figures	Allgemeine Vergütungsangaben	Rémunérations agrégées
<b>H</b>		
Headquarters	Hauptsitz	Siège social
Highest paid executive	Höchstbezahltes Mitglied der Konzernleitung	Membre le mieux rémunéré de la direction générale
<b>I</b>		
Important shareholders	Bedeutende Aktionäre	Actionnaires importants
Independent	Unabhängig	Indépendant
Individual remuneration figures	Individuelle Vergütungsangaben	Rémunérations individuelles
Internal Control	Internes Kontrollsystem	Contrôle interne
<b>K</b>		
Key figures	Kennzahlen	Chiffres clés
<b>L</b>		
Listing	Kotierung	Cotation
LTIP (Long-term incentive plan)	Langfristige Beteiligungspläne	Plan de participation à long terme
<b>M</b>		
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
<b>N</b>		
NA (Not available)	Nicht verfügbar	Pas disponible
ND (Not disclosed)	Nicht offengelegt	Pas publié
Net income	Reingewinn	Bénéfice net

English	Deutsch	Français
<b>N</b>		
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
<b>O</b>		
Operating income	Betriebsergebnis	Résultat d'exploitation
Operating margin	Operative Marge	Marge opérationnelle
<b>P</b>		
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
<b>R</b>		
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
<b>S</b>		
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
<b>T</b>		
Total revenues	Betriebsertrag	Revenus totaux
Total shareholder return	Gesamte Aktienrendite	Rentabilité de l'action
<b>U</b>		
Up for re-election	Zur Wiederwahl	A réélection
<b>Y</b>		
Year end	Jahresende	Fin de l'année

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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](http://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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