

[INDUS]

DOCUMENTATION OF THE SCOPE 3 METHODOLOGY

in INDUS Group's sustainability reporting

10 February 2023

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INTRODUCTION

The scope 3 emissions for the corporate activities of INDUS Group are calculated using methods based on the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Scope 3 Standard) [1] as well as on the additional guidance provided by the GHG Protocol Technical Guidance for Calculating Scope 3 Emissions (Scope 3 Guidance) [2].

This document describes the boundaries and categories that are relevant for INDUS Group's scope 3 reporting. It also describes the methodology used for the relevant reporting categories.

INDUS Group's base year for targeted emission reductions is 2018.

ACCOUNTING AND REPORTING PRINCIPLES

The Corporate Value Chain (Scope 3) Accounting and Reporting Standard requires compliance with the following five principles (see below). The presented method for accounting for and reporting scope 3 emissions follows these principles.

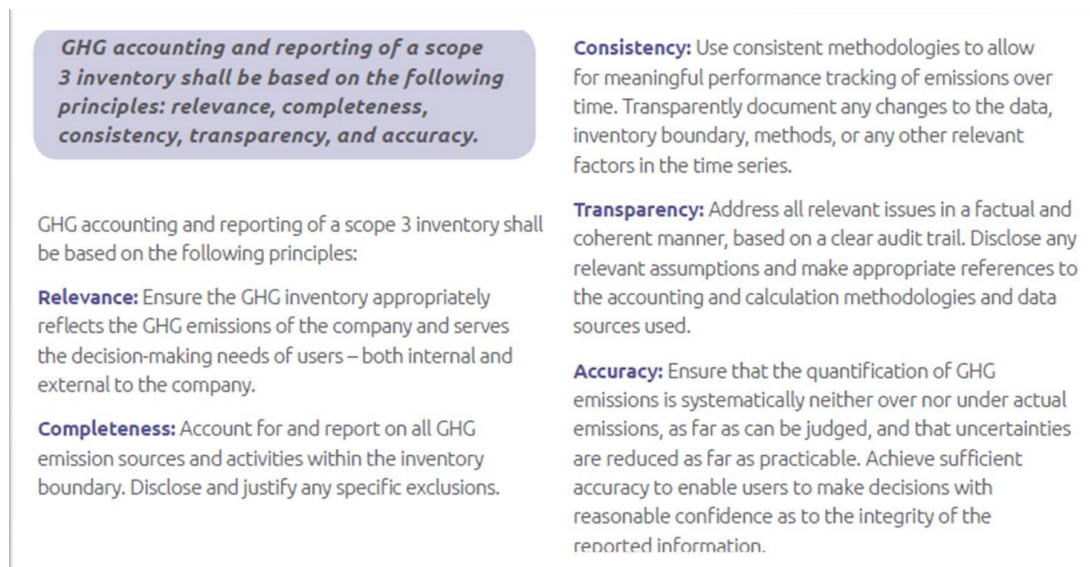


Fig. 1: Original text of the GHG Protocol principles

RELEVANCE

The following categories are considered relevant for GHG accounting and reporting. The reasons for inclusion or exclusion of individual categories are explained in the “Setting the boundaries” section.

COMPLETENESS

Activity data: All sales, purchased raw materials (raw materials, production equipment, packaging, etc.) and all logistical movements are taken into account. These are supplemented by data on the upstream and downstream transport processes as well as on the use and disposal processes of INDUS Group’s products.

CONSISTENCY

Activity data: The activity data are consistent with the INDUS Group’s business activities as they reflect production waste, business travel, total purchasing expenses (purchased goods and services) and sales (sold products). The end-of-life of products is handled based on the activity data determined for purchased goods and services as well as sold products.

Emissions data: To base reporting on a consistent set of footprint data, spend-based emission factors were calculated and used for most categories using climate data of representative suppliers and service providers.

Exceptions are categories 3, 5 and 12, for which the current Defra emission factors were used.

TRANSPARENCY

Transparency in accounting and reporting is ensured by subjecting all data and calculations to a limited third-party audit and by publishing the results in the sustainability report. INDUS Group's sustainability report is publicly available online. The data and calculations were released for third-party review. Spreadsheets were provided to the auditor for this purpose. These make it possible to retrace every step of the calculation.

ACCURACY

The activity data used for INDUS Group's scope 3 reporting can be divided into high, medium and low accuracy.

High-accuracy data are primary data taken from INDUS' financial data reporting system (LucaNet). These include the costs of purchased materials, the costs of waste and wastewater generated during production, the number of employees as well as the revenue from sold products.

Medium-accuracy data are activity data resulting from combining primary data (LucaNet) with secondary data. Secondary data include statistical averages or calculated values taken from relevant literature or reports. For category 7, for example, accurate employee figures from LucaNet are used to calculate the corresponding emissions based on them using statistical averages for distances and transport mixes. For upstream transportation, assumptions about the financial share of transportation in delivery costs are made based on averages and used for the calculation.

Low-accuracy data are activity data that combine estimates for activity data with statistical or extrapolated values. This is done, for example, in category 1, where the costs of purchased raw materials, consumables and supplies are allocated to predefined material types. Based on this, emissions are then calculated using specific emission factors for each material type.

BOUNDARIES OF SCOPE 3 GREENHOUSE GAS EMISSIONS REPORTING

BASIS OF CONSOLIDATION

Scope 3 accounting and reporting includes all significant activities under financial control of INDUS Group. The reporting covers the significant categories, the inclusion and exclusion of which are explained in the next chapter.

Greenhouse gas emissions (GHG emissions) are calculated based on the collection of relevant activity data of all portfolio companies in the scope of consolidation via INDUS' existing financial data reporting system, which has been expanded for the specific retrieval of activity data.

INDUS uses the financial control approach in accordance with GHG Protocol standards to account for the GHG footprint of INDUS Group. According to this approach, the emissions of all consolidated companies of which INDUS or a direct portfolio company of INDUS own at least 50% are included in INDUS Group's GHG footprint at 100%. This is the case for all consolidated portfolio companies of INDUS Group. This scope of consolidation covers all companies with relevant GHG emissions that belonged to INDUS Group for the entire financial year. These include significant production facilities as well as larger office and sales units. Insignificant emitters, especially local sales offices, are not covered. By applying the GHG emissions criterion, the other fields of activity in INDUS Group are also qualitatively covered. Overall, the scope of consolidation for non-financial reporting therefore largely corresponds to the financial scope of consolidation less various insignificant emitters. For all disclosures pursuant to EU taxonomy, the scope of consolidation (mandatorily) corresponds to that of financial reporting, i.e. it also includes new acquisitions during the year. The gross value added of the "sustainability" scope of consolidation and the financial data used for calculating scope 3 emissions are calculated based on the unconsolidated statement of income in accordance with IFRS of the individual companies in the scope of consolidation.

CONSIDERED TIME PERIOD

INDUS Group's scope 3 reporting includes data from the areas of purchasing, sales, logistics, production, business travel and company cars, which cover the entire range of the activities of INDUS Group in the accounting year. This means that the actual emissions may have already occurred at an earlier point in time, e.g. in case of purchased goods and services, upstream transportation and distribution, materials and packaging materials, or will occur only in the future, e.g. through the use and disposal of products of INDUS Group or the disposal of waste generated in operations.

RECORDING OF EMISSIONS

In addition to CO₂, nitrous oxide (N₂O), methane (CH₄) and hydrofluorocarbons (HFCs) are also taken into account when calculating greenhouse gas emissions. Perfluorocarbons (PFCs), sulfur hexafluoride (SF₆) and nitrogen trifluoride (NF₃) are not recorded individually because they are not generated in significant amounts in the production processes. The greenhouse gases are converted into CO₂ equivalents (CO₂eq) according to their global warming potential and used exclusively in this form to discuss GHG emissions. GHG emissions are reported using both the market-based and the location-based calculation method.

The categorization of emissions into scope 1 (direct emissions from mobile and stationary combustion), scope 2 (emissions from the generation of purchased energy) and scope 3 emissions (indirect emissions, e.g. from business travel and purchased goods and services) is based on the Greenhouse Gas (GHG) Protocol Standard. Scope 1 and scope 2 emissions are calculated on the basis of the collected activity data and corresponding emission factors. Due to the heterogeneity of INDUS Group and its position usually in the middle of the value chain, taking an analogous approach for scope 3 emissions would be disproportionate. Financial data such as revenue, purchased services or material expenses and other items are therefore largely used for the purposeful calculation of these emissions. These financial data are multiplied by revenue-based emission factors that were determined on the basis of information taken from current sustainability reports of companies selected as being representative of different industry segments of customers and suppliers such as “metal products”, “plastics and synthetic resins” or “iron and steel”.

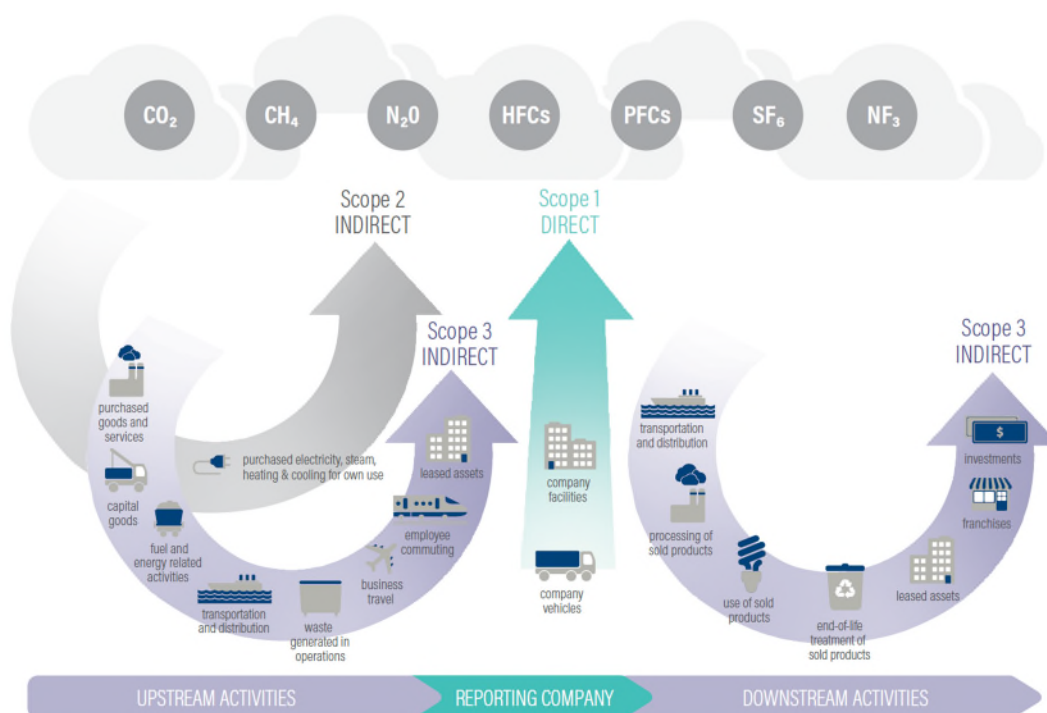


Fig. 2: Overview of relevant greenhouse gases and the categories according to the GHG Protocol

DEFINITION OF SCOPE 3 CATEGORIES AND RECORDING OF GHG EMISSIONS

The value chain in scope 3 is considered both upstream and downstream according to all applicable 15 categories of the GHG Protocol Standard. Only those categories for which there are no activities in the value chain due to the nature and focus of the business activities of the INDUS portfolio companies are not taken into account.

These include the scope 3 categories 13 (downstream leased assets), 14 (franchises) and 15 (investments).

As category 8 (upstream leased assets) essentially includes only the vehicle fleet and the associated emissions are recorded in scope 1 emissions, this category is not considered, either.

The scope 3 categories applied and the calculation method used are shown below:

SCOPE 3 CATEGORIES	RELEVANCE	CALCULATION METHOD USED
Cat. 1: Purchased goods and services	Relevant – largest contribution to scope 3	<p>Data: LucaNet plus estimated breakdown by product groups</p> <p>Method: Spend-based approach via expenses for raw materials, consumables and supplies</p> <p>Emission factors: Derived for each product group based on a “representative” supplier and its NFI data. Current data basis 2020</p>
Cat. 2: Capital goods	Relevant	<p>Data: LucaNet plus estimated breakdown by product groups</p> <p>Method: Spend-based approach via expenses for capital goods</p> <p>Emission factors: Derived for each product group based on a “representative” supplier and its NFI data. Current data basis 2020</p>
Cat. 3: Fuel- and energy-related activities	Relevant	<p>Data: Scope 1 + 2 collection and calculation</p> <p>Method: Calculation using activity-related data and general EFs</p> <p>Emission factors: Defra scope 3 EFs for energy sources</p>
Cat. 4: Transportation and distribution (upstream)	Relevant	<p>Data: LucaNet with the exception that transport costs equal 2% of the purchase value</p> <p>Method: Spend-based approach via expenses for the procurement of Cat. 1 goods</p> <p>Emission factors: Derived for each product group based on a “representative” supplier and its NFI data. Current data basis 2020</p>

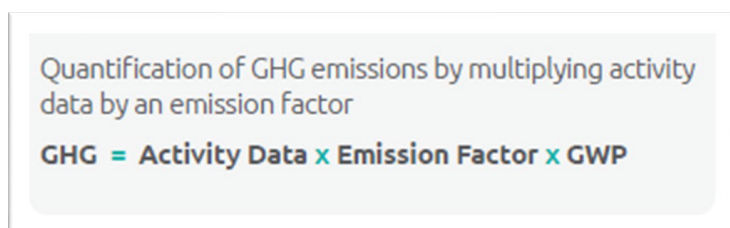
Cat. 5: Waste generated in operations	Relevant	<p>Data: LucaNet plus estimated breakdown by product groups</p> <p>Method: Spend-based approach via expenses for disposal</p> <p>Emission factors: Derived based on a “representative” supplier and its NFI data. Current data basis 2020</p>
Cat. 6: Business travel	Relevant	<p>Method: Spend-based approach via expenses for business trips</p> <p>Data source: Defra 2012</p>
Cat. 7: Employee commuting	Relevant	<p>Data: LucaNet employee numbers</p> <p>Method: Flat-rate calculation based on statistical standard values on the real number of employees, distribution of assumed distances and transport mixes</p> <p>Emission factors: Current Defra EFs for the respective mode of transport (automobile, rail, etc.)</p>
Cat. 8: Leased assets	Not applicable	Emissions are already included in scope 1 + 2 (financial control method)
Cat. 9: Transportation and distribution (downstream)	Relevant	<p>Data: LucaNet transport costs</p> <p>Method: Spend-based approach via expenses for transport services with assumption for the average transport mix</p> <p>Emission factors: Derived based on a “representative” supplier and its NFI data. Current data basis 2020</p>
Cat. 10: Processing of sold products	Relevant	<p>Data: LucaNet sales volumes for selected products</p> <p>Method: Spend-based approach via expenses for production and processing of products</p> <p>Emission factors: Derived based on “representative” processors and their NFI data. Current data basis 2020</p>
Cat. 11: Use of sold products	Relevant	<p>Data: Sales data plus retrieval of consumption values, estimated operating times and lifetime</p> <p>Method: Classical approach via recording of sold end product with energy consumption during use + specific energy consumption per use of product + lifetime</p> <p>Emission factors: Electricity consumption using the emission factor of the German electricity mix</p>
Cat. 12: End-of-life treatment of sold products	Relevant	<p>Method: Classical approach via recording of the number of sold end products + specific weight per product unit</p>

		Data source: Defra 2020 No change in calculation method – EFs for waste adjusted
Cat. 13: Leased assets	Not applicable	The INDUS portfolio companies do not lease any buildings, plants or vehicles to third parties
Cat. 14: Franchises	Not applicable	No franchise activities take place
Cat. 15: Investments	Not applicable	There are no data for the calculation of a footprint for the minority interests.

Table 1: Overview of the scope 3 categories applied and the underlying calculation methodology

SCOPE 3 – CALCULATION METHODOLOGY

Scope 3 emissions are calculated on the basis of activity data using the equation contained in the standard. The application of this equation for the individual categories is explained below.



Quantification of GHG emissions by multiplying activity data by an emission factor

$$\text{GHG} = \text{Activity Data} \times \text{Emission Factor} \times \text{GWP}$$

Fig. 3: Formula for the calculation of GHG emissions according to the GHG Protocol

COLLECTION OF ACTIVITY DATA

For certain categories, the activity data of INDUS Group's systems must be processed before their plausibility is checked and before they are multiplied by the corresponding emission factors to determine the GHG emissions of INDUS Group. Also, some assumptions are made and data gaps are filled.

For several emission factors, data are also processed if they are not taken directly from the source and some assumptions have to be made. The table below provides an overview of the activity data used for the individual categories.

DETERMINATION OF THE EMISSION FACTORS

The following table provides an overview of the emission factors used:

CATEGORY	EMISSION FACTORS (CO ₂ E)	SOURCE
Cat. 1: Purchased goods and services	The following product groups are formed: <ul style="list-style-type: none"> • Metal products • Plastics and synthetic resins 	Spend-based EFs are determined from the NFI of the following companies: <ul style="list-style-type: none"> • Schaeffler • Covestro

	<ul style="list-style-type: none"> • Plastic products • Iron and steel • Other metals • Rubber products • Machinery and plant parts • Electrical devices • Construction / assembly • Glass • Textiles • Paints, lacquers • Stone, sand, clay, minerals • Wood products • Services / consultancy 	<ul style="list-style-type: none"> • Constantia Flexibles • Salzgitter • Hydro • Apollotyres • INDUS MuA • Siemens • Hochtief • NSG • Coats • AkzoNobel • Wolff-Mueller • StoraEnso • Accenture
Cat. 2: Capital goods	<p>The following product groups are formed:</p> <ul style="list-style-type: none"> • Machinery and plant parts • Land and buildings other • Factory and office equipment 	<p>Spend-based EFs are determined from the NFI of the following companies:</p> <ul style="list-style-type: none"> • INDUS MuA • Hochtief • IKEA
Cat. 3: Fuel- and energy-related activities	<p>Physical scope 3 emission factors (t CO₂ / kWh) are used for the different energy sources.</p>	<p>Sources: Defra https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020; T&D overseas (extraction etc) (2017), WTT UK&overseas electr. gen. (2020), WTT UK&overseas electr. (T&D) (2020)</p>
Cat. 4: Transportation and distribution (upstream)	<p>The following assumptions are made:</p> <ul style="list-style-type: none"> • 2% of costs of purchased raw materials, consumables and supplies are transport costs (upstream) • Average distribution for the different modes of transport is: (10% air, 5% water, 5% rail, 80% road) 	<p>Spend-based EFs are determined from the NFI of the following company:</p> <p>Schenker + Cargo + Air</p> <p>For the following modes of transport:</p> <ul style="list-style-type: none"> • Air • Water • Rail • Road
Cat. 5: Waste generated in operations	<p>Spend-based scope 3 emission factors are used for waste and wastewater.</p>	<p>Spend-based EFs are determined from the NFI of the following company:</p> <ul style="list-style-type: none"> • Veolia Annual Report + Sustainability Report <p>As well as spend-based EFs from Defra: https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020</p>
Cat. 6: Business travel	<p>Spend-based scope 3 emission factors are used for different modes of transport and an average</p>	<p>Spend-based EFs are determined from the NFI of the following company:</p>

	distribution is assumed for the different modes of transport: (automobile 14%, rail 12%, air 74%)	<ul style="list-style-type: none"> • Europcar • DB • iaigroup
Cat. 7: Employee commuting	<p>The following assumptions are made:</p> <ul style="list-style-type: none"> • Distribution of the modes of transport • Distribution of travel distances • Determination of an average EF per employee (in FTE) 	<p>Source: Defra</p> <p>https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020</p>
Cat. 9: Transportation and distribution (downstream)	<p>Spend-based EFs are determined and the following assumption is made:</p> <ul style="list-style-type: none"> • Average distribution for the different modes of transport is: (10% air, 8% water, 10% rail, 72% road) 	<p>Spend-based EFs are determined from the NFI of the following company:</p> <p>Schenker + Cargo + Air</p> <p>For the following modes of transport:</p> <ul style="list-style-type: none"> • Air • Water • Rail • Road
Cat. 10: Processing of sold products	<p>The following product groups are formed:</p> <ul style="list-style-type: none"> • Metal products • Machinery and plant parts • Construction / assembly • Motor vehicles • Wood products 	<p>Spend-based EFs are determined from the NFI of the following companies:</p> <ul style="list-style-type: none"> • Schaeffler • INDUS MuA • Hochtief • VW • StoraEnso
Cat. 11: Use of sold products	<p>Only portfolio companies that produce end products are considered. For them, the electricity consumption for product use is estimated.</p>	<p>Assumptions are made about the typical electricity consumption and lifetime of the products. The resulting emissions are calculated via the extrapolated electricity consumption (electricity mix).</p>
Cat. 12: End-of-life treatment of sold products	<p>The following types of waste are considered:</p> <ul style="list-style-type: none"> • Electr. equipment (WEEE mixed) • Packaging paper (paper & board mix) • Metal products (scrap metal) • Textiles (Other – Clothing) • Plastic products (Average plastics) • Wood products 	<p>Physical emission factors from the current Defra database are used.</p> <p>Source:</p> <p>https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020</p>

REFERENCES

- [1] "Corporate Value Chain" [online]. Available: https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporting-Standard_041613_2.pdf
- [2] "Scope 3 Guidance" [online]. Available: https://ghgprotocol.org/sites/default/files/standards/Scope3_Calculation_Guidance_o.pdf