

INDUS  
HOLDING AG



# NON-FINANCIAL REPORT 2022



# Non-financial Report

## Sustainability at INDUS

**INDUS stands for our promise to be a dependable and long-term partner to our portfolio companies. We believe that long-term entrepreneurial success is only achievable by reconciling economically, socially and ecologically sustainable activities.**

INDUS Holding AG (also known hereafter as INDUS) specializes in acquiring SMEs and accompanying them in their long-term development, without a specific exit perspective. Our investment focus is on companies with successful and established business models, which are often owner-managed at the time of the acquisition. INDUS acquires majority shareholdings in SMEs in the manufacturing sector of the German-speaking countries. INDUS is represented through sub-subsidiaries, branches, portfolio companies, and representative offices in 30 countries on five continents around the world. The registered offices of INDUS are in Bergisch Gladbach, Germany. The Group portfolio is characterized by a high degree of portfolio diversification, because the companies operate in diverse business and technological fields, selling markets, and business cycles. The managers of the portfolio companies engage in strategic sparring with the members of the Board of Management of INDUS Holding AG. As the majority shareholder and financial holding company INDUS also supports its portfolio companies by providing them with capital to develop their business. Since the INDUS business model does not require an exit, INDUS ensures that in the event of conflicting objectives, long-term entrepreneurial success will always be the overarching objective above any short-term profits that might be made. INDUS' business model can be summarized by the phrase "buy, hold & develop."

INDUS and the portfolio companies do not define entrepreneurial success exclusively on a financial basis. As regionally important companies, INDUS and the portfolio companies are aware of how important the local environment is. For the INDUS Group, sustainability means a long-term balance between economic, social, and environmental objectives.

The sustainability strategy has therefore become an independent strategic initiative, "Striving for Sustainability," within the PARKOUR strategy program, for which the Board of Management is directly responsible. As an independent strategy component, the legal and content-related topics from the ESG field are part of the strategic sparring

between the Board of Management and the portfolio companies' managing directors. The Board of Management of INDUS is responsible for all the central management systems. They include the compliance management system, the organizational responsibility for all decentralized system and process elements, and organizational responsibility for all relevant sustainability aspects, such as respect for human rights. A component has therefore been integrated into the compensation system for the Board of Management as part of the short-term incentive (STI) for progress in sustainability aspects. In terms of the sustainability strategy the years ahead will focus particularly on implementing the greenhouse gas reduction targets defined in the Climate Protection Act.

Current legal and regulatory developments are monitored, used to analyze the sustainability strategy and serve as a basis for updating the strategy when it needs to be changed. The EU Regulation 2020/852 ("Taxonomy Regulation") and the Delegated Acts (EU) 2021/2139 ("Climate Taxonomy") and (EU) 2021/2178 (Disclosure Obligations Pursuant to Section 8 (4) of the Taxonomy Regulation) were applied fully for the first time in the 2022 financial year for disclosure of taxonomy-aligned sales, operating expenses and capital expenditure.

From January 1, 2023, INDUS Holding AG is also subject to the German Act on Due Diligence in the Supply Chain, which aims to improve the international human rights situation and obligates companies to create transparency in and take responsibility for their supply chains.

The tightening of legal regulations reflects the increased public awareness of the importance of ESG factors. Added to this is the reality of continuing global warming and the increased danger of failing to reach the targets set in the international climate agreement. Due to the trend in global warming, INDUS considers significant weather events such as heat waves and severe storms likely to occur. The companies of the INDUS Group are covered in this respect by relevant insurance policies against natural disasters and business interruptions.

Protecting our environment and within this particular aspect of sustainability, reducing greenhouse gas emissions and the associated necessity of drastically increasing energy efficiency, is relevant in all industrial sectors. Following this development, energy prices and environmental standards will continue to rise over the long term. The physical impacts of climate change are increasingly putting pressure on international supply chains. The corresponding increases in energy and commodity prices represent a risk for the performance of the individual companies and the Group. Depending on the market situation of the portfolio company, these increases cannot always be passed on to customers promptly and fully. This development was exacerbated in the 2022 financial year by the energy crisis resulting from the Ukraine war.

INDUS expects investment in sustainable and energy-efficient production processes to increase, in order to counter this development over the long term. INDUS believes this will result in promising opportunities, particularly for companies in the Engineering and Metals Technology segments in the medium term.

With regard to an impact on production conditions, the product portfolio, and the Group's performance as a result of global warming, INDUS does not expect the current situation to get worse in the forecast period. This is also due to the INDUS Group's high level of diversification in terms of locations, selling markets, and fields of business. The climate risk analyses also do not indicate any material threats. The portfolio companies' products will nevertheless adapt to new requirements and leverage innovation to gain or maintain the best market positions. The holding company supports the portfolio companies financially, encourages an early dialog with the portfolio companies' customer base and initiates working groups with participants from several portfolio companies to promote the exchange of knowledge and offer a platform for discussing relevant technological and societal trends, as well as methodical support for the development of innovative new ideas.

As a listed financial investment company, INDUS Holding AG also maintains a continuous dialog on sustainability aspects with internal and external stakeholders, such as institutional providers of capital, commercial banks and other capital market participants, in order to be able to respond adequately to the complex challenges. INDUS issued an ESG-linked promissory note loan for EUR 60 million on the basis of its existing ISS ESG prime status rating of C+ for the first time in September 2020. Two more ESG-linked promissory note loans have been issued on the same basis in the meantime with EUR 56 million in November 2021 and EUR 37 million in November 2022.

The ISS ESG rating was maintained at prime status (C+) in financial year 2022.

## INDUS Action Areas

The sustainability strategy was established as an independent strategic initiative, "Striving for Sustainability," within the PARKOUR strategy in financial year 2021. The strategy was examined and correspondingly supplemented during an update of the materiality analysis in 2022.

The Ten Principles of the United Nations Global Compact (UN GC) again form the basis of the company's sustainability strategy. INDUS has pooled these into five principles and used them to put together six action areas. The five **principles** are:

- (a) Continuous and preventive efforts to protect the environment
- (b) Fair working conditions characterized by mutual respect
- (c) Living up to our social responsibility in our own sphere of influence
- (d) Protecting and respecting human rights in our own sphere of influence
- (e) Dedication to honest and legal business practices

The sustainability strategy's action areas derived for INDUS follow the principles accordingly and are supplemented by a sixth **action area**, which clarifies INDUS Holding AG's particular role as a long-term oriented partner to the portfolio companies:

- (i) Protecting the environment
- (ii) Fair work
- (iii) Social justice
- (iv) Human rights
- (v) Honest business
- (vi) Shareholder support

The conceptual connection between the principles of the UNGC, INDUS’ derived principles, and the sustainability strategy’s action areas is explained in the figure below:

**CONNECTION BETWEEN INDUS’ PRINCIPLES AND THE SUSTAINABILITY STRATEGY’S ACTION AREAS**

INDUS’ self-image and anchoring in the Code	UNGC	Action areas					
(i) Continuous and preventive efforts to protect the environment	7-9	Protection of the environment	Fair work	Social justice	Human rights	Honest business	Shareholder support
(ii) Fair working conditions characterized by mutual respect	3-6						
(iii) Living up to our social responsibility in our own sphere of influence	3, 6-8						
(iv) Protecting and respecting human rights in our own sphere of influence	1+2						
(v) Dedication to honest and legal business practices	10						

Action areas (i)–(v) cover the requirements for the **aspects** of “environmental issues” (i), “employee issues” (ii), “social issues” (iii), “respecting human rights” (iv), and “combating corruption and bribery” (v) in accordance with Section 289c (2) of the German Commercial Code (HGB).

**“Materiality” in the INDUS Group**

The materiality analysis completed in financial year 2017 was updated and developed in 2022. Activities focused on sustainability aspects that can significantly affect the company’s performance, its results and the position of the INDUS Group (outside-in) or which are significantly affected by the business activities and relationships of the INDUS Group (inside-out). The identification and definition of the material sustainability aspects in the form of a **materiality analysis** is carried out **methodically** by the combination of the outside-in and inside-out analysis of action areas (i) to (v) at segment and portfolio company level by the Board of Management (top-down) and the portfolio companies’ managing directors (bottom-up). Comprehensive interviews with external stakeholders, covered in more detail in the following chapter, were added to the internal views. The approximative bottom-up analysis takes place via the regular strategy process using the analysis of opportunities from the individual sustainability strategies and based on the risk analysis in the INDUS Group’s integrated risk management system.

A key component of the strategic sparring between the Board of Management and the managing directors is working out the importance of the general **economic value drivers of ESG initiatives** for the respective portfolio company and the analysis of resulting opportunities and risks. In line with the portfolio companies’ operational independence, it is the portfolio companies’ responsibility to prioritize efficient and effective sustainability initiatives in the context of an

individual sustainability strategy geared to INDUS’ targets. INDUS’ targets for the whole INDUS Group’s emissions result from the Group-wide materiality analysis (top-down) and are individually defined in concrete terms and backed up with measures by the portfolio companies (bottom-up). For reporting in the non-financial report, the focus is on opportunities and risks that result from sustainability aspects (outside-in) and are necessary for understanding INDUS Holding AG’s business performance, results of operations, and situation, in addition to risks relating to these sustainability aspects caused by INDUS’ operating activities and business relations (inside-out).

**Stakeholder Dialog**

The foundation for successful progress in the sustainability areas and thus long-term corporate success is understanding the stakeholders and their interests. INDUS participated in the Carbon Disclosure Project for the first time in 2010 and has reported on sustainability issues since. External stakeholders have consistently been involved in this since 2017. The selection of stakeholders is regularly reviewed and the scope expanded as necessary. A structured process is always followed to select the material stakeholders. Potentially relevant groups are identified by INDUS’ Sustainability department taking into consideration the value chain and feedback from other departments. The stakeholders are then prioritized based on their influence on the INDUS Group and the INDUS Group’s influence on the respective stakeholders. The proposal is subsequently agreed with the INDUS Board of Management. Sustainability issues have now reached the public consciousness throughout all levels of society and as perception varies greatly, the group of stakeholders was greatly expanded and diversified in 2022 in comparison with the stakeholders included in previous years.

The structural review of stakeholders' needs resulted in the identification of seven relevant internal and external groups in 2022.

#### EXTERNAL:

- Business partners: This group includes investors, suppliers, service providers, owners of potential acquisitions, portfolio companies. All of the subgroups named contribute to INDUS' financial security, enable development and acquisitions, and keep operating activities going.
- Portfolio companies' customers: A good relationship with customers creates the basis for long-term cooperation based on trust that secures the existence of both parties and enables joint progress.
- Employees: Both Indus Holding AG's employees and the portfolio companies' employees are vital elements of INDUS. Close communication between the workforce and the members of the Board of Management as equals is essential to a productive working atmosphere and healthy interactions.
- Municipalities: Municipalities are one of the foundation stones that our portfolio companies build their existence on. They provide commercial spaces and are responsible for public infrastructure and creating an attractive environment in which (potential) employees want to live. Close communication here is particularly important as it affects the design of the living spaces for people.
- General public: The general public is represented by analysts who are particularly well versed in the nexus between sustainability and financing. They rate companies based on their sustainability key figures and are an important media when it comes to disseminating information to the general public such as summaries, key figures, and awards.

#### INTERNAL:

- Board of Management: The INDUS Holding AG Board of Management is a significant stakeholder as it bears responsibility for the development of the company and therefore also the company's actions affecting the environment and the livelihoods of the employees.
- Managing directors of the portfolio companies: They are responsible for the portfolio companies' operations and for the link to INDUS Holding AG, municipalities and other local economic and social parties.

INDUS Holding AG and the portfolio companies maintain a regular dialog with stakeholders, for instance, analysts and investors with the IR/PR department via video conference, emails and phone calls, or the portfolio companies with their direct discussions and calls with customers and municipalities. The action areas and key topics identified internally in the 2016 financial year were compared with the views of select portfolio companies during an informative exchange. In the 2017 financial year, the stakeholder dialogs with institutional capital investors and family businesses were intensified via structured stakeholder interviews regarding views and perceptions of the sustainability strategy. Structured interviews were also conducted in 2019 in partnership with the Technical University of Dortmund's Chair for International Accounting Regulations. Dialog was again maintained in the 2022 financial year, following a standardized guideline, with the largest group of stakeholders to date. The discussions served to identify the material sustainability topics in the opinion of our main stakeholders, to reflect our internal assessments externally, and to check their completeness. The interests, expectations and demands of the stakeholders are also continually analyzed and this is then included in the materiality analysis. Simultaneously, the discussions provide new ideas and important suggestions for the INDUS Group. The views and assumptions of the managing directors of the portfolio companies were gathered in a written survey and taken into account in the final assessment. The material topics of the previous years were generally confirmed. Due to the geopolitical and climate developments in 2022, agreement with existing material topics, such as increasing energy efficiency and reducing greenhouse gas emission along the entire value chain, increased. The material topics are described in more detail below, and supplemented with the measures, targets and progress so far.

### Findings of the INDUS Group Materiality Analysis

By identifying the material topics, INDUS has created a foundation for the INDUS Group's sustainability activities and the focal points of the sustainability strategy. Where specific targets, measures, and management approaches have been defined for the material sustainability topics, the details can be found in the corresponding chapter on the action areas.

Regular materiality analyses help to identify and prioritize the most important sustainability topics for the company. The results of this year’s materiality analysis in the six fields

of action and taking into consideration the views of internal and external stakeholders are presented below in a compressed format.

Action areas	Name
	Improving energy efficiency
	Greenhouse gas emissions along the entire value chain
	Renewable energy (use and technological developments)
	Responsible handling and prevention of waste
Protecting the environment	Circular economy
	Employee health and safety
	Basic and advanced training
	Fair pay and employment contracts
Fair work	Work-life balance
	Social commitment in the region and beyond
	Good neighborhoods
Social justice	Protection of human rights along the value chain
Human rights	Diversity and equal opportunities
Combating corruption and bribery/ honest business	Compliance management
	Transparent communication
Shareholder support	Portfolio optimization through acquisition activities
	Methodological and financial support to achieve targets (e.g. development bank, training, etc.)

The INDUS portfolio’s high level of diversification and the operational independence of the portfolio companies means that we develop projects that accordingly contribute to the value drivers of the ESG initiatives. In order to honor the independence of the portfolio companies, INDUS only issues **Group-wide quantitative targets for such ESG aspects in the form of key performance indicators (KPIs) that are identified in the materiality analysis as relevant and material** for the Group. Other key performance indicators are determined centrally, but primarily serve to track the Group’s development and are **not equipped with a concrete quantified target (PI: performance indicator)**. The PARKOUR strategy contains significant sales growth to more than EUR 2 billion by 2025. Ongoing changes in the scope of consolidation due to acquisitions should therefore be expected in the next few years. INDUS therefore generally uses **intensity targets** per million euros of gross added value (GAV) or, in relation to the size of the workforce, per full-time equivalent (FTE) for the ESG KPIs. **The 2018 financial year is used as the base year for the target definitions.**

The **results of the materiality analysis** for the individual action areas are presented briefly below.

**(i) Protecting the environment**

Five material topics can be distinguished in this action area: increasing energy efficiency, greenhouse gas emissions along the entire value chain, renewable energy (use and technological development), responsible conduct, and waste prevention and circular economies.

INDUS focuses particularly on **minimizing direct GHG emissions (Scope 1+2)**. There are basically two levers for the INDUS Group to reduce its GHG emissions (Scope 1+2): first, by using **low-emission sources of energy**, and second, by increasing **energy efficiency**, which is also vital from an economic perspective. When it comes to renewable energy, it is important that we increase the amounts procured. Beyond this, INDUS can also contribute to reducing greenhouse gas emissions along the value chain by developing renewable energy technology. INDUS records the greenhouse gas emissions in Scopes 1–3, focuses on reducing greenhouse gas emissions in Scope 1+2, and seeks to reduce energy use.

Due to this focal point, the efficiency increases, entrepreneurial vision, and optimized investment decisions value drivers are relevant in the (i) “protecting the environment” action area and used among the portfolio companies to identify opportunities.

Waste generated in the INDUS Group’s operations are almost 90% and therefore largely non-hazardous. All waste is disposed of correctly in accordance with the applicable legal requirements. Nevertheless, INDUS strives to keep the recycling rate for all waste as high as possible, minimize the waste volume in relation to the Group’s gross added value, and use local water resources sparingly. The INDUS Group portfolio companies are working on contributing toward a circular economy by ensuring the recyclability and the use of recycled materials in their products. Corresponding investment plans are eligible for support from the sustainability development bank. A current example is the adiabatic cooling system at VULKAN INOX. At the heart of production are two high-performance induction melting furnaces that primarily melt down recycling scrap. A water circuit serves to remove the process heat, which was previously routed via a cooling system with open water trickling. The now-closed cooling system prevents evaporation losses and reduces fresh water consumption by at least 80%. WIRUS manufactures parts of windows from recycled material as standard and all elements are recyclable.

## **(ii) Fair work**

The following material topics were identified: employee health and safety, basic and advanced training, fair pay and employment contracts, and health work-life balance.

This action area is of particular importance with regard to the efficiency increases and entrepreneurial vision value drivers. INDUS particularly emphasizes mutual respect, fairness, team spirit, professionalism, and openness. These values are therefore an integral part of the INDUS Code of Conduct, which covers all the action areas of the sustainability strategy.

Preventing all accidents at work and particularly fatal accidents at work has top priority. Safeguarding the health and safety of all involved is particularly important for properly functioning economic activities and good relationships between the employer and employees. This not only applies to physical health but also mental health and solid resilience in all people. INDUS is aware of the importance of health and safety, which is why it is pursued as a material topic with corresponding measures and targets.

INDUS intends to continue training new staff in order to counter the existing labor shortage. Simultaneously, personnel development contributes to employee satisfaction, keeps employees up to date with current technology, and, in addition to displaying appreciation for staff, also keeps the company economically competitive. INDUS acknowledges the importance of rewarding performance with fair pay and fair employment contracts. INDUS aims to promote the resilience referred to above with a health work-life balance and a respectful attitude between people.

## **(iii) Social justice**

The material topics for us in this action area are: social commitment in the region and beyond and good neighborhoods.

The integration of the portfolio companies in their local areas means they are an important part of the local social structure. Positive perception in the immediate vicinity is thus a significant value-driver and aids both the recruitment and the retention of employees. Avoiding damaging the environment through production, and thus the absence of legitimate complaints, is crucial for this action area. Furthermore, the INDUS Group’s holding companies and INDUS financially support social institutions at local and national level and collaborate with social institutions such as workshops for the disabled. The employees of INDUS Group companies often live in the direct surroundings of the company locations, and this is why INDUS pays special attention to maintaining good relations with the local communities.

## **(iv) Human rights**

The INDUS Group believes that protecting human rights along the value chain, along with diversity and equal opportunity, are the most relevant topics in this action area.

Respect for human rights is a material aspect of the Code of Conduct for the entire INDUS Group. The INDUS Group’s portfolio companies have their main sites in the German-speaking region and benefit from the standards in place within the value chain to protect employee rights and human rights. Respect for human rights is seen not as a “value-driver” but as a basic requirement for our own economic activities and as a matter of course. The individual portfolio companies are responsible for compliance with human rights in their own company and in their supply chain. Overall responsibility for compliance with human rights in the INDUS Group lies with the Board of Management. One development step was the whistleblowing hotline, which is now firmly established across the Group. Preparations for ensuring a smooth implementation of the due diligence obligations resulting from the German Act on Due Diligence in the Supply Chains are currently underway in the Group in order to ensure compliance with all necessary standards in 2023 and to be able to prepare the first report in 2024.

### (v) Honest business

Compliance management and transparent communication are the material topics identified here.

Respecting the current laws and regulatory framework is at the heart of all the INDUS Group's business activities. It is thus important to avoid misconduct and resulting fines and non-monetary penalties. Global markets are increasingly being tapped as part of further internationalization. Generally, different regulatory requirements apply in these markets. This means following more legislative procedures, regulation updates and ensuring complete compliance with regulations for certain companies in the INDUS Group. Gaps in knowledge are tackled through communication within the Group and the support of local experts in order to avoid unintentional misconduct as far as possible. It is important to INDUS that successful compliance with requirements, but also any violations, are communicated fully and transparently, in order to be perceived as an honest, fair, and open company.

### (vi) Shareholder support

In its function as a financial holding company, INDUS is responsible for economic consolidation and supports the portfolio companies with capital and advice within the means available in the development of their business. INDUS regularly compares the portfolio companies' success with its expectations.

The material topics for us in this action area are: **optimizing the portfolio through acquisition activities** and providing methodological and financial support to achieve targets (e.g. development bank, training, etc.).

**Strategic sparring** with the portfolio companies is part of day-to-day work for INDUS. In this action area, the focus is therefore on the holding company's support activities, which serve as enablers for implementing ESG initiatives and projects in the portfolio companies. The INDUS Code of Conduct, which serves as a basis for the portfolio-company-specific codes and can be expanded by the portfolio companies as required, is a point of reference for corresponding ESG initiatives. The portfolio companies also receive **methodological and financial support** to achieve their targets. INDUS has established a development bank for this purpose and offers special training. Another significant component of the holding company's activities is portfolio enhancement by means of acquisition activities. In the initial screening of possible acquisition targets, the target's business activities are audited for compatibility with INDUS Holding AG's Code of Conduct, occupational health and safety, and the estimated GHG emissions. All of the activities mentioned and material topics described in the action areas are also intended to ensure a reliable partnership between INDUS Holding AG and its portfolio companies. INDUS Holding AG's aim is not to buy and sell companies, but rather the long-term support and development of the portfolio companies.

### Calculation of Greenhouse Gas Emissions and Scope of Consolidation in Sustainability Reporting

Greenhouse gas emissions (GHG-e) are calculated on the basis of the collection of the relevant activity data from all the portfolio companies in the scope of consolidation via the existing financial data reporting system at INDUS, which has been expanded for the purpose of specifically gathering activity data.

For the accounting of the INDUS Group's greenhouse gas footprint, INDUS uses the financial control approach in accordance with the **Greenhouse Gas (GHG) Protocol Standards**. According to these, 100% of the emissions of all the companies in the scope of consolidation in which INDUS or a direct portfolio company of INDUS holds at least 50% are included in the INDUS Group's GHG footprint. This is the case for all the INDUS Group's portfolio companies in the scope of consolidation. All companies with relevant GHG emissions are taken into account in the scope of consolidation. These include the significant production facilities and larger office and sales units. Data is not collected for units with very low emissions, especially local sales offices. The HELD Group, HEIBER + SCHRÖDER and FLACO joined in 2022. SMA has not been part of the INDUS Group's scope of consolidation since October 2022. By applying the criteria for greenhouse gas emissions, the other action areas are also qualitatively covered in the INDUS Group. Overall, the scope of consolidation in the non-financial reporting conse-



quently largely corresponds to the financial scope of consolidation less various units with very low emissions. SMA's figures are included in the sustainability data, primarily consumption, until June 30. For all disclosures pursuant to the EU Taxonomy, the scope of consolidation is (necessarily) the same as for the financial reporting.

In addition to CO<sub>2</sub>, nitrous oxide (N<sub>2</sub>O), methane (CH<sub>4</sub>) and partly fluorinated hydrocarbons (HFCs) were also included in the calculation of greenhouse gas emissions. Perfluorocarbons (PFCs) and sulfur hexafluoride (SF<sub>6</sub>) are not individually recorded because they are not relevant in the INDUS portfolio companies' production processes. The greenhouse gases are translated into CO<sub>2</sub> equivalents (CO<sub>2</sub>eq) and exclusively used in this form for the discussion of greenhouse gas emissions. Greenhouse gas emissions are stated in accordance with both the market-based and the location-based calculation methodology.

Emissions are categorized into Scope 1 (direct emissions from mobile and stationary combustion), Scope 2 (emissions that arise from the generation of purchased electricity) and Scope 3 (indirect emissions – for example, as a result of business trips and purchased goods and services) in line with the GHG Protocol Standards. The emissions in Scope 1 and Scope 2 are calculated with corresponding emission factors on the basis of the activity data collected. Due to the diversity of the INDUS Group and its frequently assumed position in the middle of the value chain, a similar procedure for the emissions in Scope 3 would be disproportionate, meaning that mainly financial data such as sales, purchased services or costs of materials, and other items are used for the purpose-oriented calculation of these emissions. This financial data is offset against sales-based emission factors, which have been calculated on the basis of the information in the sustainability reports from companies that have in each case been selected to be representative of various industrial segments of customers and suppliers, such as metal products, plastic & synthetic resins, or iron & steel. The value chain in Scope 3 is taken into account both upstream and downstream in accordance with all 15 categories of the GHG Protocol Standards. A detailed description of the procedure and calculation method for each GHG category can be found on the INDUS website. [Visit \[www.indus.de/app/uploads/sites/2/2023/03/INDUS-Documentation-of-the-Scope-3-Methodology.pdf\]\(https://www.indus.de/app/uploads/sites/2/2023/03/INDUS-Documentation-of-the-Scope-3-Methodology.pdf\)](https://www.indus.de/app/uploads/sites/2/2023/03/INDUS-Documentation-of-the-Scope-3-Methodology.pdf)

## Targets and Time Horizon of the ESG KPIs

INDUS differentiates between short-term targets with a target year of 2025, medium-term targets (2030), and long-term targets (2045) with regard to the time horizon. The long-term target was modified in view of stricter climate legislation in Germany, with the aim now to make the entire INDUS Group climate-neutral by 2045. INDUS monitors the performance indicators (PIs) but does not currently have concrete targets for them. Data relating to headcount is always expressed in full-time equivalents (FTEs) based on the last day of the financial year and also includes external personnel.

The reduction targets for greenhouse gas emissions always refer to greenhouse gases according to the market-based calculation because the INDUS Group's expenses – for example, in the form of purchasing green electricity – are accurately represented in this way. The reduction targets are also net targets. The purchase of carbon certificates must always be seen as a possible additional measure and does not replace the sustainability initiatives in the Group. The greenhouse gas emissions offset by emissions certificates are reported separately in the tables of key figures at the end of the non-financial report. The 2018 financial year is used as the base year for the reduction targets. The basis of the emission reduction targets is the sector target for the "industry" sector of the German Climate Change Act.

The KPIs including the short-, medium-, and long-term targets are listed in the table below:

### INDUS HOLDING AG'S SUSTAINABILITY TARGETS

Action areas	Name	KPI	Unit	2018 (base year)	Target year		
					2025	2030	2045
Protecting the environment	GHG emissions (Scope 1+2)*	PE01-GHG	t CO <sub>2</sub> eq/million EUR GAV	113	73 (-35%)	56 (-50%)	0 (-100%)
	Percentage of sales accounted for by portfolio companies in line with the target	PE02-SustS	%	-	100	100	100
	Percentage of investments accounted for by portfolio companies in line with the target	PE03-SustS	%	-	100	100	100
Fair work	Work accidents	FW01-WA	per 100 FTE	3.3			continuously <3.0
	Fatal work accidents	FW02-FWA	Number	0			continuously 0
Social justice	Legitimate local complaints	SJ01-LC	Number	0			continuously 0
Human rights	Employees with Code of Conduct	HR01-CoC	% of FTE	100			continuously 100
	Monetary value of significant fines	HB01-Fin	IN EUR '000	0			continuously 0
	Total number of non-monetary penalties	HB02-NmP	Number	0			continuously 0
Honest business	Payments to political parties	HB03-Pol	% of GAV	0			continuously 0

\* To clarify the starting point and the target progress regarding the greenhouse gas reduction target (PE01-GHG), the gross emission intensity for the 2018 base year is stated (before taking account of emission offsetting, see INDUS Holding AG's 2019 non-financial report). The other information on emission intensity in the PE01-GHG KPI refers to net emission intensity.

To calculate the proportion of sales and the proportion of investments (PE02-SustS and PE03-SustI) represented by the portfolio companies that follow the emission path of the INDUS Group's target, it is necessary to annually determine the degree of target attainment by the individual portfolio companies with regard to the INDUS Group's emission reduction target (PE01-GHG). The INDUS Group's objectives are deemed to have been met on an annual basis if the

corresponding portfolio company either (a) has an emission intensity lower than a linear emission reduction path according to the INDUS target for 2025 prescribes or (b) it has been possible to reduce the portfolio company's emission intensity in the financial year by at least 3% per financial year based on the 2018 base year. The following table illustrates the two criteria:

### REQUIREMENTS FOR THE PORTFOLIO COMPANIES MEETING THE EMISSIONS TARGET

	Unit	Target year								
		2018	2019	2020	2021	2022	2023	2024	2025	
either	Emissions intensity	t CO <sub>2</sub> eq/million EUR GAV	<113	<107	<102	<96	<90	<85	<79	<73
or	Reduction in emissions intensity compared with base year 2018	%		>3	>6	>9	>12	>15	>18	>21

The progress in the sustainability initiatives necessary for understanding the business performance and results of operations and for understanding the position of the INDUS Group and the progress with regard to the sustainability goals are reported below. This is done separately for the aspects "environmental issues" (i), "employee issues" (ii), "social issues" (iii), "respect for human rights" (iv) and "combating corruption and bribery" (v) in accordance with Section 289c (2) HGB (German Commercial Code), including the relevant

KPIs and PIs. INDUS additionally reports on the action area (vi) "shareholder support." The target achievement is compared with the short-term targets in the 2025 target year.

The Non-financial Report of the INDUS Group and the KPIs reported for the financial year from January 1 to December 31, 2022, were subject to a limited assurance audit pursuant to IASE 3000 (rev.) by external auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft.

## Action Areas in the 2022 Financial Year

All action areas are listed below, (i)–(vi), and the targets, measures, and results in financial year 2022 provided, with an overview of the key figures.

### Environmental issues | Protecting the environment

#### GOALS

In order to protect and preserve the environment, the INDUS Group is working at an increased pace to reduce its greenhouse gas footprint. As an intermediate target, emission intensity is to be reduced by 35% by 2025 compared to the 2018 base year. In accordance with the German Federal Climate Protection Act (KSG), the Group aims to have no GHG emissions by 2045.

A key value-driver here is the resource efficiency of the production units of the INDUS Group. The INDUS Group aims to maintain and generate competitive advantages in the long term through sustainable products and production processes. The target for the percentage of companies following the INDUS reduction target path is therefore 100%.

In order to push forward with increasing energy efficiency and the use/technological development of renewable energies, the INDUS Group is considering defining appropriate KPIs or enhancing existing KPIs and defining interim targets/targets. However, as there are a number of disruptive factors influencing the energy markets in 2022, it is currently not possible to define a realistic target.

#### MEASURES

Since electricity purchased by the INDUS Group accounts for a large share of emissions, most of the measures planned and taken were to economize on electricity and reduce emissions from electricity consumption. Some portfolio companies have already made the decision to switch to green electricity when it comes to their electricity supply. Other companies in the INDUS Group are currently reviewing these measures and considering a partial switch to hybrid and electric vehicles for their fleets. Photovoltaic systems make a key contribution to reducing the GHG-e of the portfolio companies. Some portfolio companies already have solar panels installed on their buildings and others are reviewing or planning their installation. Some lighting has already been switched to LED and more will follow. An important element in identifying further measures to reduce energy consumption is the regular performance of energy audits in accordance with DIN EN 16247-1.

INDUS is constantly in dialog with the portfolio companies both to provide support in the case of projects to increase resource efficiency under the “Operational Excellence” strategy focus and when it comes to updating the individual sustainability strategies. In order to advance this discussion, sustainability contacts were named in all portfolio companies. Additionally, INDUS has been subsidizing portfolio company projects that could significantly reduce GHG-e or save resources with up to EUR 10 million per year through the sustainability development bank since 2022.

Market opportunities are analyzed and market developments forecast including relevant future trends, which could include “green tech” as defined by INDUS, when examining potential acquisition targets. Ensuring compliance with statutory and regulatory environmental requirements is also a relevant component of the due diligence process. For acquisition targets whose business and production processes are expected to have a greenhouse gas emission intensity greater than the INDUS average, the aspects of the “protecting the environment” action area are audited separately.

The compensation system for INDUS Holding AG’s Board of Management includes a premium for achieving defined ESG targets (particularly related to the reduction of GHG) as part of the short-term incentive (STI). The aim is, in addition to the intrinsic motivation, to increase the speed with which GHG emissions reduction targets are implemented

## THE 2022 FINANCIAL YEAR

The development of the key figures for the “protecting the environment” action area in the 2022 financial year is summarized in the table below:

### KEY FIGURES FROM THE “PROTECTING THE ENVIRONMENT” ACTION AREA

Key figure	Unit	2018 (base year)	2021	2022	2025 (target year)		
<b>GHG emissions (Scope 1+2)*</b>	<b>PE01-GHG</b>	<b>t CO<sub>2</sub>eq/million EUR GAV</b>	<b>113</b>	<b>94 (-17%)</b>	<b>76 (-19%)</b>	<b>73 (-35%)</b>	<b>KPI<sup>1</sup></b>
GHG emissions (Scope 1+2) (gross)		t CO <sub>2</sub> eq/million EUR GAV	113	96	80		
GHG emissions (Scope 1+2)		t CO <sub>2</sub> eq	79,586	66,623	48,636		
of which INDUS holding company		t CO <sub>2</sub> eq	161	125	98		
<b>Percentage of sales accounted for by portfolio companies in line with the target</b>	<b>PE02-SustS</b>	<b>%</b>	<b>55.6</b>	<b>69.7</b>	<b>91.8</b>	<b>100</b>	<b>KPI<sup>1</sup></b>
<b>Percentage of investments accounted for by portfolio companies in line with the target</b>	<b>PE03-SustS</b>	<b>%</b>	<b>40.1</b>	<b>58.6</b>	<b>71.9</b>	<b>100</b>	<b>KPI<sup>1</sup></b>
Energy intensity	PE04-E	MWh/million EUR GAV	323	295	321	reduce	PI <sup>2</sup>
from renewable energy sources		%	1.1	4.9	9.8		
from renewable energy sources		MWh	2,461	10,031	19,056		
GHG emissions (Scope 1)	PE05-S1	t CO <sub>2</sub> eq/million EUR GAV	30	27	30	reduce	PI <sup>2</sup>
GHG emissions (Scope 1)		t CO <sub>2</sub> eq	21,323	19,077	18,326		
of which INDUS holding company		t CO <sub>2</sub> eq	161	125	98		
GHG emissions (Scope 2, market-based)	PE06-S2	t CO <sub>2</sub> eq/million EUR GAV	83	68	50	reduce	PI <sup>2</sup>
GHG emissions (Scope 2, market-based)		t CO <sub>2</sub> eq	58,264	47,547	30,310		
of which INDUS holding company		t CO <sub>2</sub> eq	0	0	0		
GHG emissions (Scope 2, location-based)		t CO <sub>2</sub> eq/million EUR GAV	85	77	83		
GHG emissions (Scope 2, location-based)		t CO <sub>2</sub> eq	59,711	53,500	50,660		
of which INDUS holding company		t CO <sub>2</sub> eq	51	60	64		
GHG emissions (Scope 3)	PE07-S3	t CO <sub>2</sub> eq/million EUR GAV	1,647	1,665	2,985		PI <sup>2</sup>
GHG emissions (Scope 3)		t CO <sub>2</sub> eq	1,162,786	1,160,249	1,819,516		
of which INDUS holding company		t CO <sub>2</sub> eq	609	345	456		
GHG emissions (Scope 1-3)	PE08-Tot	t CO <sub>2</sub> eq/million EUR GAV	1,758	1,760	3,065		PI <sup>2</sup>
GHG emissions (Scope 1-3)		t CO <sub>2</sub> eq	1,242,372	1,226,872	1,868,153		
of which INDUS holding company		t CO <sub>2</sub> eq	770	469	553		
Emission offsetting		t CO <sub>2</sub> eq	703	2,178	2,801		
Recycling ratio	PE09-Rec	%	58.9	63.7	67.9	increase	PI <sup>2</sup>
Waste intensity	PE10-Was	t/million EUR GAV	22.7	20.4	22.5	reduce	PI <sup>2</sup>
Total water withdrawal intensity	PE11-WW	m <sup>3</sup> /million EUR GAV	937	984	1,179	reduce	PI <sup>2</sup>

\* To clarify the starting point and the target progress regarding the greenhouse gas reduction target (PE01-GHG), the gross emission intensity for the 2018 base year is stated (before taking account of emission offsetting). The other information on emission intensity in the PE01-GHG KPI refers to net emission intensity. All other information on greenhouse gas emissions in the table refers to gross emissions.

<sup>1</sup> KPI: Quantitative key performance indicator.

<sup>2</sup> PI: Performance indicator without quantitative target.

Gross value added decreased by 13% in 2022. We were able to decrease Scope 1 and 2 emissions by much more (-27%). Emissions intensity (PE01-GHG) therefore developed positively, coming to 76 t CO<sub>2</sub>eq/million EUR GAV, 33% under the base figure from 2018. Energy intensity increased by 9%. The absolute energy demand fell by 5%. This was not enough, however, to compensate the higher fall in gross value added (PE04-E). The divestment of SMA also had a considerable effect: as an energy-intensive, high-emissions company, it accounted for 9% of the Group's absolute Scope 1 and 2 emissions the previous year; without SMA the emissions intensity in 2021 (Scope 1+2 t CO<sub>2</sub>eq/million euros gross value added) would have been 9% lower. Energy intensity would also have been 6% lower in 2021 without SMA. Unlike the previous year, where Wiesauplast was not taken into consideration with its sustainability data for the whole of 2021, SMA's consumption figures are included until the middle of the year.

The share of sales and investments accounted for by portfolio companies in line with the target (PE02-SustS and PE02-SustI) rose significantly (by 32% and 23% respectively). One reason for this is the new portfolio companies who are already in the target range with their emissions intensity. The energy demand from the use of sold products from ten portfolio companies was taken into account in the Scope 3 emissions for the first time. Previously the figures were only calculated for two companies. The expansion of the scope is responsible for the increase in Scope 3 emissions by around a third. Otherwise, Scope 3 emissions are largely calculated on the basis of purchased raw materials, consumables, and supplies. These goods for resale increased by 20%. The figure for absolute Scope 3 emissions rose by 54%, primarily due to these two effects. Scope 3 emissions in relation to gross added value (PE07-S3) rose by 79% due to this double impact (falling gross value added and higher Scope 3 emissions). More emissions were again offset in the financial year (compensation follows Gold Standard), with INDUS setting a new record of 2,801 tons CO<sub>2</sub>eq. Some portfolio companies compensate their Scope 1 and 2 emissions, others only those of their vehicle fleet. INDUS Holding AG also offsets all its Scope 3 emissions. Waste intensity (PE10-Was) rose due to the fall in gross value added (absolute amount of waste decreased by 3.4%). The recycling ratio (PE09-Rec) climbed by a good 4 percentage points. This equates to a relative increase of 7%. Total water withdrawal intensity (PE11-WW) increased by 20%, whereby water withdrawal in absolute terms climbed by 5%. This increase is primarily due to business-related fluctuation in HAUFF KG's water consumption.

## Employee issues | Fair work

### GOALS

The INDUS Group wants to remain an attractive employer, whose companies are seen as important parts of the local social structure. In addition to fair pay, protecting the workforce's health is a top priority for INDUS. The aim is to completely prevent work accidents (excluding accidents while commuting), particularly fatal accidents. Due to the majority of the INDUS Group's production-intensive gross added value, work accidents cannot generally be completely excluded, which is why the objective is for fewer than three accidents to occur per 100 FTEs. Both our own employees and temporary staff are taken into account here. In order to combat the general labor shortages, basic and advanced training of employees is one of INDUS' strategic targets and is pursued at portfolio-company level. INDUS records the number of companies with occupational health management as a performance indicator. By raising awareness for this topic, INDUS is exerting its influence on the companies to further promote the wellbeing of employees.

### MEASURES

The protection of the workforce is individually handled by the portfolio companies' managing directors. Particular importance is attached to safe production conditions – for example, through the timely replacement of machinery and plant in consultation with INDUS Holding AG's Board of Management. In addition, INDUS provides methodological support as part of the strategic focus on "Operational Excellence" in order to optimize processes, for example, according to lean principles. INDUS also organizes lean management employee training in some cases. Continuing education plans are determined individually in dialog between managers and employees. Monitoring annual expenditure for development measures in EUR/FTE and the number of trainees and employees that study alongside their work are important elements in the continual development of employees.

Initiatives to ensure the well-being of employees are expressly welcomed – for example, in the form of training company health and safety officers, occupational health management, organizing first-aid training, or individual arrangements for mobile working and flexible hours, which includes regulations on working from home.

As part of the due diligence process, when making new acquisitions, INDUS checks whether the workforce is treated in accordance with the law and attaches importance to high labor standards, which are seen as a significant value-driver for the turnover generated.

**THE 2022 FINANCIAL YEAR**

The table below shows the development of the key figures for the “fair work” action area in the 2022 financial year:

**KEY FIGURES FROM THE “FAIR WORK” ACTION AREA**

Key figure		Unit	2018 (base year)	2021	2022	2025 (target year)	
Work accidents	FW01-WA	per 100 FTE	3.3	2.3	2.6	<3.0	KPI <sup>1</sup>
Fatal work accidents	FW02-FWA	Number	0	0	0	0	KPI <sup>1</sup>
Development expenditure	FW03-CPD	EUR/FTE	257	196	266		PI <sup>2</sup>
Trainees	FW04-Tr	Number	429	354	346		PI <sup>2</sup>
Dual study	FW05-DuSt	Number	82	63	75		PI <sup>2</sup>
Proportion of permanent contracts	FW06-Perm	% of total FTE	96.1	96.2	95.9		PI <sup>2</sup>

<sup>1</sup> KPI: Quantitative key performance indicator.

<sup>2</sup> PI: Performance indicator without quantitative target.

The number of work accidents per 100 FTE (FW01-WA) rose slightly, but with 2.6 accidents per 100 FTE was below the target of fewer than 3 accidents per 100 FTE. The portfolio companies work on reducing the figure individually, with the aim of having no accidents. Awareness for occupational safety also rose with the pandemic-related occupational safety measures. Development expenditure increased again, coming in virtually on a par with pre-coronavirus levels. The number of trainees (FW04-Tr) is stagnating, while the number of dual-studies students (FW05-DuSt) rose by 19%. The number of permanent employees declined marginally by 0.3%, remaining at the high level of approx. 96% (FW06-Perm).

**Social issues | Social justice****GOALS**

Because the INDUS Group’s companies are anchored in the local social structure, avoiding adversely affecting the immediate environment has top priority. INDUS measures this based on the number of legitimate local complaints (e.g., due to noise disturbance) and endeavors to avoid these completely. From INDUS’ point of view, this contributes to the positive perception of the companies, can have the effect of attracting potential employees, and thus creates long-term value for the Group. The same applies to collaborations and donations in a local or national context. We’re particularly interested in enabling company employees to submit their ideas for suitable projects through the operating suggestions process.

**MEASURES**

The portfolio companies optimize their own production conditions and take account of individual local conditions in line with the requirements of the INDUS Code of Conduct. Similarly to the approach in the “fair work” action area, INDUS can support the optimization of production by modernizing the plant or corresponding process optimizations as part of the “Operational Excellence” strategic initiative.

Because adverse impacts on the local environment may point to future problem areas that could result in a value-reducing effect, in the due diligence process for acquisition targets we consider it important to take account of the acquisition targets' local conditions during plant inspections and site visits

in the presence of at least one member of INDUS Holding AG's Board of Management.

#### THE 2022 FINANCIAL YEAR

The development of the key figures for the "Social Justice" action area in the 2022 financial year is summarized in the table below:

#### KEY FIGURES FROM THE "SOCIAL JUSTICE" ACTION AREA

Key figure	Unit	2018 (base year)		2021	2022	2025 (target year)	
Legitimate local complaints	SJ01-LC	Number	0	0	1	0	KPI <sup>1</sup>
Donations to local social institutions	SJ02-LDon	EUR	280,916	274,880	239,256		PI <sup>2</sup>
Donations to other social institutions	SJ03-NIDon	MILLION	201,087	261,867	128,900		PI <sup>2</sup>
Collaboration with social institutions	SJ04-Coll	% of the INDUS Group	31	27	23		PI <sup>2</sup>
Operating suggestions process	SJ05-CIP	% of the INDUS Group	63	76	76		PI <sup>2</sup>

<sup>1</sup> KPI: Quantitative key performance indicator.

<sup>2</sup> PI: Performance indicator without quantitative target.

There was one legitimate local complaint in the 2022 financial year (SJ01-LC). Defects were discovered in ventilation equipment in a painting booth during a TÜV inspection. A fine in excess of EUR 300 was submitted to the HornGroup in July 2022, and the new painting facility was approved by TÜV in September 2022.

### Respect for human rights | Human rights

#### GOALS

Orientation to and compliance with principles that are set out in the INDUS Code of Conduct are of key importance for INDUS. The Code of Conduct provides, for example, that no business relations may be maintained with customers or suppliers that are publicly known to be in breach of fundamental principles of the INDUS Code of Conduct. One significant point of the INDUS Code of Conduct is the diversity of the workforce – INDUS is convinced that a diverse workforce can promote creativity and productivity and thus make an important contribution to corporate success. There are no targets relating to the age structure of the workforce or the proportion of women in the workforce and in management positions, as the development of diversity is a long-term process at portfolio company level and is therefore managed there, too. INDUS expressly rejects all forms of discrimination. Staff are recruited, promoted, trained, and developed on the basis of job-related criteria. INDUS stands for respectful and open contact with other people, irrespective of their gender, social or marital status, age, skin color and origin, possible disabilities, religion, or sexual orientation, and strongly condemns any form of discrimination. Legally and ethically impeccable behavior toward fellow humans

and the environment are considered a fundamental principle. INDUS strives for full penetration of the principles of the Code of Conduct among the workforce and accordingly makes sure that the Code is made available to all employees in all the companies.

#### MEASURES

The Code of Conduct is given to the local managing directors for implementation in their company immediately after each acquisition made or when a new site is opened. The Code of Conduct was revised to reflect the new requirements resulting from the German Act on Due Diligence in the Supply Chain. The portfolio companies make use of publicly available information on customers and suppliers to assess business relationships. The absolute majority of INDUS customers and suppliers are also domiciled in regions in which INDUS assumes compliance with standards of human rights due to the current provisions of law. Breaches of the INDUS Code of Conduct are reported to INDUS Holding AG's Board of Management as part of compliance reporting. In such cases, the Board of Management monitors the countermeasures introduced by the managing directors of the company concerned. Compliance topics and current developments are discussed preemptively at the annual entrepreneurs' conference (Unternehmertagung) with the managing directors of all the companies. Breaches against human rights standards can also be reported anonymously Group-wide through the whistleblowing hotline.

In the due diligence process for potential new acquisitions, INDUS audits whether the target complies with legal and regulatory requirements both at a national and an international level. In questionable cases, INDUS always discusses legal aspects with experts in advance.

## THE 2022 FINANCIAL YEAR

The table below summarizes the development of the key figures for the “Human Rights” action area:

### KEY FIGURES FROM THE “HUMAN RIGHTS” ACTION AREA

Key figure	Unit	2018 (base year)	2021	2022	2025 (target year)		
Employees with Code of Conduct	HR01-CoC	% of FTE	100	100	100	100	KPI <sup>1</sup>
Age structure of the workforce <sup>3</sup>	HR02-AS	% of FTE aged <20 / 20-29 / 30-39 / 40-49 / 50-59 / ≥60	2 / 18 / 23 / 24 / 26 / 7	2 / 15 / 24 / 24 / 26 / 9	2 / 15 / 24 / 24 / 26 / 9		PI <sup>2</sup>
Proportion of women in the workforce	HR03-FR	% of FTE	30.3	29.5	27.3		PI <sup>2</sup>
Proportion of women in management positions <sup>4</sup>	HR04-FM	% of FTE in management positions	15.4	20.1 <sup>5</sup>	18.5		PI <sup>2</sup>

<sup>1</sup> KPI: Quantitative key performance indicator.

<sup>2</sup> PI: Performance indicator without quantitative target.

<sup>3</sup> Percentages are rounded to whole numbers, so slight deviations from 100% are possible.

<sup>4</sup> Group-wide KPI/definition; does not relate to the requirements of Section 76 (4) German Stock Corporation Act (AktG).

<sup>5</sup> Previous year's figures adjusted.

All the INDUS Group's employees had the Code of Conduct available to them. The goal of HR01-CoC was fully met. Despite the greatest efforts, the proportion of women in the workforce (HR03-FR) decreased by 7% and 8% (HR04-FM).

## Combating Corruption and Bribery | Honest Business

### GOALS

For INDUS, it is clear that all of the INDUS Group's business activities must be carried out in compliance with current laws, as stipulated in the INDUS Code of Conduct. Accordingly, the aim is to avoid any fines and any non-monetary penalties that result from breaches of regulations or laws in the field of the environment, financial statement accounting, discrimination, or corruption. In addition, INDUS does not influence legislative procedures and rejects the idea of payments to political parties, so aims to completely avoid any such payments.

The companies of the INDUS Group largely operate in European markets with high business standards regarding monopoly and antitrust regulations. The INDUS Group's goal is to avoid unfair business practices in order to exclude resulting lawsuits and actions. INDUS records corresponding reports on processes as part of compliance routines and states the resulting expenditures for lawsuits and actions due to anticompetitive conduct or breaches of antitrust or monopoly rules separately from fines. To assess the development of key figures as part of ongoing internationalization and against the background of general globalization tenden-

cies, INDUS also provides information on the proportion of turnovers in countries with increased risk of corruption – the threshold for defining these countries has been set at a corruption perceptions index (CPI), according to Transparency International Deutschland e.V., of below 60.

### MEASURES

Compliance with legal and regulatory requirements is fundamentally a business process that falls within the scope of each INDUS Group portfolio company. The companies of the INDUS Group independently ensure compliance with the INDUS Code of Conduct. INDUS ensures compliance with appropriate business standards and records any breaches in its compliance reporting. The Board of Management of INDUS Holding AG is responsible overall for ensuring that the Group's economic activities are in accordance with legal requirements. In the event of breaches, it confers with the managing directors of the portfolio companies regarding the introduction of countermeasures. To ensure awareness of the relevant requirements regarding compliance aspects, this topic is regularly part of the annual entrepreneurs' conference (Unternehmertagung) and part of the continuing strategic sparring process. INDUS supports the design of compliance management systems at the portfolio companies – for example, through training courses.



The compliance requirements are also audited in the due diligence process for new acquisitions with the involvement of the Board of Management.

Internal and external parties can now report information (anonymously on request) on unlawful conduct and breaches of the rules of the INDUS Code of Conduct to the INDUS compliance organization for further investigation through the whistleblower system ([visit www.indus.de/en/](https://www.indus.de/en/)

[about-indus/corporate-governance](#)). This information can particularly relate to all the aspects discussed here.

#### THE 2022 FINANCIAL YEAR

The table below shows the development of the key figures for the “Honest Business” action area in the 2022 financial year:

#### KEY FIGURES FROM THE “HONEST BUSINESS” ACTION AREA

Key figure	Unit	2018 (base year)	2021	2022	2025 (target year)	
Monetary value of significant fines	HB01-Fin IN EUR '000	0	0	0	0	KPI <sup>1</sup>
Total number of non-monetary penalties	HB02-NmP Number	0	0	0	0	KPI <sup>1</sup>
Payments to political parties	HB03-Pol % of GAV	0.00	0.00	0.00	0	KPI <sup>1</sup>
Legal costs due to competition violations	HB04-Comp IN EUR '000	1.38	0	0		PI <sup>2</sup>
Sales in countries with increased risk of corruption	HB05-CPI % of total sales	17.6	19.7	15.5		PI <sup>2</sup>

<sup>1</sup> KPI: Quantitative key performance indicator.

<sup>2</sup> PI: Performance indicator without quantitative target.

No significant fines were imposed on the INDUS Group in the 2022 financial year (HB01-Fin), nor were any non-monetary penalties incurred (HB02-NmP). No payments were made to political parties (HB03-Pol). No legal costs due to competition violations were payable (HB04-Comp). The share of countries with a high risk of corruption (CPI <60) has fallen by more than 4 percentage points, which equates to a relative decrease of 21%. This effect cannot be explained at the level of individual countries. It has more to do with the fact that sales in countries without a high risk of corruption has increased more: the INDUS Group generated the largest increases in sales in Germany and the USA.

## Shareholder support

### GOALS

INDUS attaches value to deriving portfolio-company-specific sustainability goals in the INDUS Group, particularly with regard to the Group target of the short-term reduction of the greenhouse gas emissions by 35% by 2025. The focus is on direct portfolio companies, which include their subsidiaries and other company sites as well as the head office in their strategy. INDUS is convinced that the portfolio companies can maintain and generate competitive advantages in the long-term through sustainable products and production processes. INDUS accordingly tracks the implementation of the operationalization of the Group sustainability strategy at individual portfolio company level.

For the implementation of effective measures in the context of the topic of ESG, INDUS also provides financial development funds through the sustainability development bank and the innovation development bank. The innovation development bank’s aims in terms of ESG typically include product developments in the field of green tech and designing more resource-efficient production processes. A funding pot will be available to the portfolio companies via the sustainability development bank. The funding pot can be used for investments that help to significantly reduce the greenhouse gas emissions of individual portfolio companies. The investments funded will be continuously screened for eligibility as a capex plan within the meaning of the EU Taxonomy Regulation. For both funding pots, the sums of annual funding granted are monitored and are reported in the sustainability reporting.

### MEASURES

As a strategic sparring partner, INDUS Holding AG provides its portfolio companies with various support options. This form of shareholder support enables the portfolio companies to tackle and implement, additional projects and measures, including in the context of achieving the individual sustainability goals. When defining the individual portfolio companies’ sustainability goals, INDUS Holding AG’s Board of Management supports the local managing directors with identification and possible measures and also with the assessment of these measures’ potential – both from an economic and from a sustainability perspective. The assessment of our own consumption in CO<sub>2</sub>e was made transparent in 2022, which enabled the portfolio companies to plan the reduction of their own Scope 1 and 2 emissions. The

sustainability development bank also assesses and subsidizes resource saving projects. As part of the annual entrepreneurs' conference (Unternehmertagung), information relating to sustainability, such as potential developments regarding reporting obligations and stakeholders' information demands, the advantages of determining our own Scope 3 emissions, and potential approaches as well as measures for reducing emissions, is regularly discussed. There are also specialists available for the portfolio companies if they have specific questions.

In its work with the portfolio companies, INDUS aims to build partnerships based on trust. INDUS Holding AG offers a broad range of support, but it does not interfere in the portfolio companies' daily business activities. The management approach is decentral, targets are compared during

the annual budgeting process. In addition to supporting the portfolio companies, INDUS is primarily active in the acquisition of new companies. The acquisition targets observed in the due diligence process are compared in terms of compatibility with the sustainability strategy's action areas. In particular, future trends from the ESG topic area are included in the forecast of financial performance for the acquisition target and the business areas in which the acquisition target operates. This is frequently the case with performance in terms of the future trend of green tech.

#### THE 2022 FINANCIAL YEAR

The table below shows the development of the key figures for the "Shareholder Support" action area in the 2022 financial year:

#### KEY FIGURES FROM THE "SHAREHOLDER SUPPORT" ACTION AREA

Key figure	Unit	2018 (base year)	2021	2022	2025 (target year)
Companies with stated emission reduction goals	SS01-ET % of the INDUS Group	Recorded from 2020	86	84	PI <sup>1</sup>
Innovation development bank's green tech innovation projects	SS02-InnD Funding in EUR '000	460	802	677	PI <sup>1</sup>
Funding from the sustainability development bank	SS03-SustF Funding granted in EUR '000	Starting in 2022		2,106	PI <sup>1</sup>

<sup>1</sup> PI: Performance indicator without quantitative target.

As part of the budget process and strategic sparring, 84% INDUS Holding AG's portfolio companies adopted emission reduction goals formulated up to the target year 2025 (SS01-ET). The slight decrease in comparison with the previous year is explained by the new portfolio companies who first have to show the status quo before realistic emission reduction targets can be set. The sustainability development bank was introduced in 2022 and approved funding of EUR 2.1 million for the portfolio companies. This relates to projects with an investment volume of EUR 5.4 million, which equates to an average subsidy ratio of 39%.

# Overview of Key Figures

Action areas	Key figure	Unit	2018	2021	2022	2025	
Protecting the environment	GHG emissions (Scope 1+2)*	PE01-GHG t CO <sub>2</sub> eq/million EUR GAV	113	94 (-17%)	76 (-19%)	73 (-35%)	KPI <sup>1</sup>
	GHG emissions (Scope 1+2) (gross)	t CO <sub>2</sub> eq/million EUR GAV	113	96	80		
	GHG emissions (Scope 1+2)	t CO <sub>2</sub> eq	79,586	66,623	48,636		
	of which INDUS holding company	t CO <sub>2</sub> eq	161	125	98		
	Percentage of sales accounted for by portfolio companies in line with the target	PE02-SustS %	55.6	69.7	91.8	100	KPI <sup>1</sup>
	Percentage of investments accounted for by portfolio companies in line with the target	PE03-SustS %	40.1	58.6	71.9	100	KPI <sup>1</sup>
	Energy intensity	PE04-E MWh/million EUR GAV	323	295	321	reduce	PI <sup>2</sup>
	from renewable energy sources	%	1.1	4.9	9.8		
	from renewable energy sources	MWh	2,461	10,031	19,056		
	GHG emissions (Scope 1)	PE05-S1 t CO <sub>2</sub> eq/million EUR GAV	30	27	30	reduce	PI <sup>2</sup>
	GHG emissions (Scope 1)	t CO <sub>2</sub> eq	21,323	19,077	18,326		
	of which INDUS holding company	t CO <sub>2</sub> eq	161	125	98		
	GHG emissions (Scope 2, market-based)	PE06-S2 t CO <sub>2</sub> eq/million EUR GAV	83	68	50	reduce	PI <sup>2</sup>
	GHG emissions (Scope 2, market-based)	t CO <sub>2</sub> eq	58,264	47,547	30,310		
	of which INDUS holding company	t CO <sub>2</sub> eq	0	0	0		
	GHG emissions (Scope 2, location-based)	t CO <sub>2</sub> eq/million EUR GAV	85	77	83		
	GHG emissions (Scope 2, location-based)	t CO <sub>2</sub> eq	59,711	53,500	50,660		
	of which INDUS holding company	t CO <sub>2</sub> eq	51	60	64		
	GHG emissions (Scope 3)	PE07-S3 t CO <sub>2</sub> eq/million EUR GAV	1,647	1,665	2,985		PI <sup>2</sup>
	GHG emissions (Scope 3)	t CO <sub>2</sub> eq	1,162,786	1,160,249	1,819,516		
	of which INDUS holding company	t CO <sub>2</sub> eq	609	345	456		
	GHG emissions (Scope 1-3)	PE08-Tot t CO <sub>2</sub> eq/million EUR GAV	1,758	1,760	3,065		PI <sup>2</sup>
	GHG emissions (Scope 1-3)	t CO <sub>2</sub> eq	1,242,372	1,226,872	1,868,153		
of which INDUS holding company	t CO <sub>2</sub> eq	770	469	553			
Emission offsetting	t CO <sub>2</sub> eq	703	2,178	2,801			
Recycling ratio	PE09-Rec %	58.9	63.7	67.9	increase	PI <sup>2</sup>	
Waste intensity	PE10-Was t/million EUR GAV	22.7	20.4	22.5	reduce	PI <sup>2</sup>	
Total water withdrawal intensity	PE11-WW m <sup>3</sup> /million EUR GAV	937	984	1,179	reduce	PI <sup>2</sup>	

Action areas	Key figure	Unit	2018	2021	2022	2025		
Fair work	Work accidents	FW01-WA	per 100 FTE	3.3	2.3	2.6	<3.0	KPI <sup>1</sup>
	Fatal work accidents	FW02-FWA	Number	0	0	0	0	KPI <sup>1</sup>
	Development expenditure	FW03-CPD	EUR/FTE	257	196	266		PI <sup>2</sup>
	Trainees	FW04-Tr	Number	429	354	346		PI <sup>2</sup>
	Dual study	FW05-DuSt	Number	82	63	75		PI <sup>2</sup>
	Proportion of permanent contracts	FW06-Perm	% of total FTE	96.1	96.2	95.9		PI <sup>2</sup>
Social justice	Legitimate local complaints	SJ01-LC	Number	0	0	1	0	KPI <sup>1</sup>
	Donations to local social institutions	SJ02-LDon	MILLION	280,916	274,880	239,256		PI <sup>2</sup>
	Donations to other social institutions	SJ03-NIDon	MILLION	201,087	261,867	128,900		PI <sup>2</sup>
	Collaboration with social institutions	SJ04-Coll	% of the INDUS Group	31	27	23		PI <sup>2</sup>
	Operating suggestions process	SJ05-CIP	% of the INDUS Group	63	76	76		PI <sup>2</sup>
Human rights	Employees supplied with Code of Conduct	HR01-CoC	% of FTE	100	100	100	100	KPI <sup>1</sup>
	Age structure of the workforce <sup>3</sup>	HR02-AS	% of FTE aged <20 / 20-29 / 30-39 / 40-49 / 50-59 / ≥60	2 / 18 / 23 / 24 / 26 / 7	2 / 15 / 24 / 24 / 26 / 9	2 / 15 / 24 / 24 / 26 / 9		PI <sup>2</sup>
	Proportion of women in the workforce	HR03-FR	% of FTE	30.3	29.5	27.3		PI <sup>2</sup>
	Proportion of women in management positions <sup>4</sup>	HR04-FM	% of FTE in management positions	15.4	20.1 <sup>5</sup>	18.5		PI <sup>2</sup>
Honest business	Monetary value of significant fines	HB01-Fin	IN EUR '000	0	0	0	0	KPI <sup>1</sup>
	Total number of non-monetary penalties	HB02-NmP	Number	0	0	0	0	KPI <sup>1</sup>
	Payments to political parties	HB03-Pol	% of GAV	0.00	0.00	0.00	0	KPI <sup>1</sup>
	Legal costs due to competition violations	HB04-Comp	IN EUR '000	1.38	0	0		PI <sup>2</sup>
	Sales in countries with increased risk of corruption	HB05-CPI	% of total sales	17.6	19.7	15.5		PI <sup>2</sup>
Shareholder support	Companies with stated emission reduction goals	SS01-ET	% of the INDUS Group	Recorded from 2020	86	84		PI <sup>2</sup>
	Innovation development bank's green tech innovation projects	SS02-InnD	Funding in EUR '000	460	802	677		PI <sup>2</sup>
	Funding from the sustainability development bank	SS03-SustF	Funding granted in EUR '000	Starting in 2022		2,106		PI <sup>2</sup>

\* To clarify the starting point and the target progress regarding the greenhouse gas reduction target (PE01-GHG), the gross emission intensity for the 2018 base year is stated (before taking account of emission offsetting). The other information on emission intensity in the PE01-GHG KPI refers to net emission intensity. All other information on greenhouse gas emissions in the table refers to gross emissions.

<sup>1</sup> KPI: Quantitative key performance indicator.

<sup>2</sup> PI: Performance indicator without quantitative target

<sup>3</sup> Percentages are rounded to whole numbers, so slight deviations from 100% are possible.

<sup>4</sup> Group-wide KPI/definition; does not relate to the requirements of section 76 (4) German Stock Corporation Act (AktG)

<sup>5</sup> Previous year's figures adjusted.

# INDUS' Contribution to the Sustainable Development Goals (SDGs)

The Sustainable Development Goals (SDGs) are global targets for achieving sustainable development, and set globally applicable benchmarks for priorities and targets until 2030. They cover a broad spectrum of sustainability issues that range from poverty, health and climate change to environmental damage. A total of 17 SDGs were defined along with 169 sub-targets. The SDGs are aimed primarily at governments; however, the success of their implementation will depend on the actions and cooperation between everyone, including businesses. INDUS, too, wants to contribute to the successful implementation of the SDGs with its sustainability strategy. With the sustainability targets set internally and measures in the defined material topics, INDUS supports the implementation of a total of 15 of the 17 Sustainable Development Goals.

## THE 15 SUSTAINABLE DEVELOPMENT GOALS SUPPORTED BY INDUS



In order to establish the connection between the SDGs and the action areas identified by INDUS as material, the latter were observed along the value chain and compared with the SDGs and the associated sub-targets. We also considered how the SDGs relate to one another. The assessment was supplemented by viewing publicly available literature such

as “Linking the SDGs and GRI Standards,” Global Reporting Initiative, 2020.

The map created in this fashion was then submitted to the INDUS Board of Management, who in turn approved it.

The individual action areas identified as material by INDUS with the associated material topics and measures contribute in the following way to attaining the SDGs:

Action areas	Material topic	SDG	SDG Icons
Protecting the environment	Improving energy efficiency	7 Affordable and clean energy 8 Decent work and economic growth 12 Responsible consumption and production 13 Climate action	
	Greenhouse gas emissions along the entire value chain	8 Decent work and economic growth 12 Responsible consumption and production 13 Climate action	
	Renewable energy (use and technological developments)	7 Affordable and clean energy 8 Decent work and economic growth 9 Industry, innovation and infrastructure 12 Responsible consumption and production 13 Climate action	
	Responsible handling and prevention of waste	8 Decent work and economic growth 12 Responsible consumption and production 14 Life below water	
	Circular economy	8 Decent work and economic growth 12 Responsible consumption and production 14 Life below water	
	Employee health and safety	3 Good health and well-being	
	Basic and advanced training	4 Quality education 5 Gender equality 13 Climate action	
	Fair pay and employment contracts	1 No poverty 5 Gender equality 10 Reduced inequalities	
	Work-life balance	3 Good health and well-being 5 Gender equality	
	Social justice	Social commitment in the region and beyond	1 No poverty 5 Gender equality 6 Clean water and sanitation 16 Peace, justice and strong institutions 17 Partnerships for the goals
Good neighborhoods		11 Sustainable cities and communities	
Protection of human rights along the value chain		1 No poverty 3 Good health and well-being 6 Clean water and sanitation 8 Decent work and economic growth 16 Peace, justice and strong institutions	
Human rights	Diversity and equal opportunities	5 Gender equality 10 Reduced inequalities	
Combating corruption and bribery/honest business	Compliance management	16 Peace, justice and strong institutions	
	Transparent communication	n.a.	
Shareholder support	Portfolio optimization through acquisition activities	n.a.	
	Methodological and financial support to achieve targets (e.g. development bank, training, etc.)	9 Industry, innovation and infrastructure	

# Classification of the Economic Activities of INDUS According to the EU Taxonomy Regulation

## General Introduction to the Taxonomy

The Green Deal, presented by the European Commission in 2019, aims to transform the economy sustainably. The EU Taxonomy is an important classification tool that defines ecologically sustainable activities.

The EU Taxonomy pursues six environmental targets:

- 1 Climate change mitigation
- 2 Climate change adaption
- 3 The sustainable use and protection of water and marine resources
- 4 Transition to a circular economy
- 5 Pollution prevention and control
- 6 The protection and restoration of biodiversity and ecosystems

Reporting obligations are so far restricted to the first two environmental targets. We currently only disclose our business activities in relation to environmental target 1, “Climate change mitigation,” because our contribution to climate change adaption is of minor significance in connection with the EU Taxonomy. We will therefore not be covering the other environmental targets in the following.

While there was only an obligation to report taxonomy-eligible economic activities in the 2021 financial year, taxonomy-aligned economic activities must also be reported on in the 2022 financial year. This goes beyond a comparison of the economic activities with the description of the economic activities in the Climate Act, which is sufficient to determine taxonomy eligibility. To determine taxonomy alignment, one must also assess whether the specific economic activity fulfills the criteria for making a significant contribution to one of the environmental targets, does no significant harm (DNSH) to any other environmental target, and fulfills minimum safeguards. If all aspects apply, then the activity is taxonomy aligned.

The publications from the EU to date contain uncertain legal terms and room for interpretation that should be treated conservatively.

The INDUS Group consists of 47 portfolio companies, in some cases with further sub-subsidiaries. The portfolio companies have their registered seats in Germany and Switzerland. Branches and sub-subsidiaries are primarily based in the German-speaking region. As of 2023, the Group is divided into three segments with 14 to 16 portfolio companies per segment: Engineering, Infrastructure, and Materials. The segments are each managed by one member of the Board of Management.

The majority of portfolio companies supply products for the middle of the value chain such as metal parts, materials for surface finishing, and tool and machinery parts that are largely not covered by the EU Taxonomy.

## Internal Organization of the Topic

To meet the reporting obligations of the EU Taxonomy, a working group was established in the holding company in the 2021 financial year. Together with the relevant departments and portfolio companies, the working group determines the taxonomy-eligible economic activities in the group of portfolio companies, checks for taxonomy alignment and the determines the associated turnover, capital expenditure, and operating expenses.

## Taxonomy-eligible economic activities

We were able to build on the findings of the 2021 financial year in the 2022 financial year.

The (main) activities of all portfolio companies were identified in the 2021 financial year and centrally listed, then screened by the working group with regard to taxonomy eligibility. All portfolio companies were also questioned regarding taxonomy-eligible economic activities whose

potential could be relevant for all portfolio companies – such as the installation and use of photovoltaic equipment. In addition, all research and development expenses were examined for taxonomy eligibility.

The screening from the 2021 financial year was again systematically reviewed this year and was expanded by individual economic activities for the 2022 financial year (see table).

#### TAXONOMY-ELIGIBLE ACTIVITIES CONSIDERED

Category	Category	ID	Economic activity	Activity	Portfolio company
Sales		1	3.5 Manufacture of energy-efficient building equipment	Manufacture of exterior doors with high insulation level	OBUK
		2	3.5 Manufacture of energy-efficient building equipment	Manufacture of windows and doors with high noise and insulation levels	WIRUS
		3	3.5 Manufacture of energy-efficient building equipment	Manufacture of heat pumps	REMKO
		4	3.5 Manufacture of energy-efficient building equipment	Manufacture of air-to-air air-conditioning devices	REMKO
		5	4.16 Installation and operation of electric heat pumps	Installation and maintenance of heat pumps	REMKO
	A) contributes directly to taxonomy turnover	6	3.5 Manufacture of energy-efficient building equipment	Manufacture of exterior doors with high insulation level	OBUK
		7	3.5 Manufacture of energy-efficient building equipment	Manufacture of windows and doors with high noise and insulation levels	WIRUS
		8	3.5 Manufacture of energy-efficient building equipment	Manufacture of heat pumps	REMKO
		9	6.5 Transport by motorbikes, passenger cars and light commercial vehicles	Lease of company cars	Total INDUS Group
		10	7.4 Installation, maintenance and repair of charging stations for e-vehicles in buildings	Installation of charging points	FS-BF & EVT HEITZ KG INDUS AG IPETRONIK Eichstätt OFA GmbH RAGUSE ROLKO Niederland bv SCHUSTER KG SIMON KG
CAPEX	C) taxonomy-relevant activities	11	7.6 Installation, maintenance and repair of renewable energy technologies	Installation, maintenance and repair of photovoltaic systems and associated technical equipment	BETEK ELTHERM FROHMASCO (OBUK) HAUFF MBN REMKO RÜBSAMEN SCHUSTER

Activities with Ids 1–8 are specific to portfolio companies or business models, while activities 9–11 could be relevant to all portfolio companies. All portfolio companies were questioned regarding these potentially generally relevant activities in the previous year. The taxonomy eligibility of new activities, resulting from the acquisition of new portfolio companies, for instance, was assessed. Based on new publications and findings from the application of the Taxonomy Regulation, for example through the EU Commission’s FAQs or the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany), existing activities were checked for taxonomy eligibility.

These new findings also led to photovoltaic equipment being recognized under 7.6 “Installation, maintenance and repair of renewable energy technology” rather than 4.1 “Energy generation through photovoltaic technology” unlike in the previous year. This categorization is more in line with the core activity as the main purpose is not the commercial generation of energy, but rather the leveling up of our own real estate portfolio with renewable energy technology. This is also reflected in the fact that the majority of the energy generated by PV equipment is not fed into the grid, but used by the company.



## Taxonomy-aligned activities

The next step involved assessing whether taxonomy-eligible activities were also taxonomy-aligned. Firstly, the criteria were collected in detail in a screening table. Then the holding company and the portfolio companies concerned checked whether these criteria were met.

The turnover-generating activities in the field of doors and windows are separated into taxonomy-eligible and potentially taxonomy-aligned based on technical screening criteria. All products are taxonomy-eligible because they match the description of activity 3.5 and generally have high insulating properties. The products that can be assigned to economic activity 4.16 all fulfill the technical criteria and are thus taxonomy-aligned. Other non-turnover-generating activities are only taxonomy-eligible, such as those that can be assigned to economic activity 7.6 “Installation, maintenance and repair of renewable energy technologies.” This is due to the fact that we do not manufacture the photovoltaic modules, only procure them and use them as a green product. It is therefore a non-turnover-generating activity, and we interpret our taxonomy-eligible economic activities as the acquisition of production. This leads to – according to widespread interpretation of the legal acts, including by the IDW – the performance of the taxonomy alignment review having to take place at the level of the supplier of the photovoltaic modules, particularly in terms of DNSH and minimum safeguard criteria. Corresponding inquiries of the suppliers have not resulted in sufficient proof. This is due to the fact that the direct suppliers are generally small to medium-sized installation businesses who are not able to supply proof of the taxonomy alignment of their products or have to request this information themselves as they are not directly affected. The amount of information available could improve in the coming years, however, so that it is possible that these could become taxonomy-aligned activities in the future. Nevertheless, these activities can only be categorized as taxonomy eligible for the 2022 financial year.

## Substantial contribution

The assessment activities and documentation was performed for every activity and each location and are presented here in a summarized format. Certain technical screening criteria must be fulfilled in order to meet the requirements for making a significant contribution to the environmental target 1 “Climate change mitigation.” At INDUS these relate to the heat transfer coefficient (manufacture of windows and doors), for example, the energy efficiency class (manufacture and installation of heat pumps) or the cooling medium threshold (installation of heat pumps). The technical screening criteria was communicated to the portfolio companies with business-model-specific taxonomy-eligible economic activities and the companies were then asked which of their products fulfills these requirements. These requirements are fully met by the manufacture of heat pumps and air-to-air air-conditioning devices, for instance. The threshold values are largely complied with in the manufacture of doors and windows. The results of this analysis forms the basis for the identification of turnover generated by taxonomy-aligned activities as well as the associated capital expenditure and operating expenses.

As INDUS’ most significant contribution is to the first environmental target according to the taxonomy eligibility screening, the other environmental targets are not considered any further and therefore duplication in the allocation is not an issue. Any mixing between turnover, capital expenditure and operating expenses can generally be disregarded because different accounts are being referred to in terms of accounting. The prevention of duplication is guaranteed within turnover, capital expenditure, and operating expenses due to the fact that the portfolio companies can only report the corresponding figures once through the consolidation software.

## DNSH

According to the Taxonomy, the significant contribution made by one economic activity to an environmental target must not have a negative impact on the other five environmental targets. A check must therefore be performed to ensure that no significant harm can be guaranteed using the “Do No Significant Harm” (DNSH) criteria. The criteria determined for this purpose are partly based on existing EU regulations and compliance with these is already a prerequisite for construction and operating permits. INDUS’ activities cause very little harm in general. This was the result of the comprehensive check against DNSH criteria. Fulfillment of the individual environmental targets is described in more detail in the following:

The **adaptation** of business activities to **climate change** is also of economic importance. This is reflected in the fact that the opportunities and risks associated with climate change play an ever-greater role in risk management and investment decisions.


The climate risk and vulnerability assessment required by the Taxonomy was performed at local level and in accordance with the recommendations of the “How to perform a robust climate risk and vulnerability assessment for EU taxonomy reporting?” guidelines, published by the German Environment Agency (final version dated November 9, 2022). The scenario analysis for the RCP scenarios 8.5, 4.5, 2.6 and the current risk was performed using the publicly available databank GERICS – climate outlooks for federal states from the middle of the century to the year 2065. As the GERICS definition of climate risks is not exactly the same as the Taxonomy’s, a corresponding allocation was necessary. GERICS also does not cover all 28 of the climate risks included in the Taxonomy. Due to the geographic location of the portfolio companies, some of these gaps could be dismissed. We were able to assess the remaining risks through other data, such as the WWF Risk Filter Suite.

The screening showed that the locations are only affected by few climate risks, and that these are not a threat for the performance of the economic activity and would not lead to significant economic losses should they occur. Specific adaptation measures were identified that would minimize the consequences of the risk if they were to occur.

Requirement criteria are in place with regard to **the sustainable use and protection of water and marine resources** for the manufacture of doors, windows and heat pumps, and the installation of heat pumps. These primarily relate to the legal and regulatory requirements, where compliance is a prerequisite for construction and operating permits, so that we can assume that they fulfill the criteria. All three of the affected portfolio companies did not have to perform an environmental impact assessment to receive the construction and operating permits. There are therefore no legal requirements and permits relating to water that could result from this assessment. Due to the activity profile of the companies, water consumption is low and they are not located in areas at acute risk of drought. The WWF Risk Filter Suite data bank also does not deem it high risk until 2050 taking into consideration the IPCC scenarios RCP 4.5 and 6.0. Nevertheless, the companies strive to use water conscientiously. At OBUK, for instance, the production water circuit is closed.

The geographic locations of the sites and the specific production processes were additionally screened for potential negative impacts on water quality and scarcity. No significant risk was identified.

There are requirements such as high shelf life, easy disassembly and high level of recyclability for the **transition to a circular economy**. As the specific feasibility for inclusion in a circular economy depends on the individual activity, the individual activities were assessed and screened according to criteria such as shelf life and recyclability. In general, it can be said that INDUS portfolio companies’ products and their components are designed in such a way that they have a long shelf life for economic reasons, stand out from the competition for this reason and are recyclable. The high level of recyclability enables the reuse of individual components at the end of a product’s useful life that are often still valuable as raw materials, such as glass, which is fed back into the recyclable materials loop following disassembly of the products. In order to support this process, WIRUS cooperates with special disposal companies that specialize in the recycling of windows.

Waste that is generated in the production process, too, is increasingly recycled internally and fed back into the production process. A specific example of this comes from the portfolio company OBUK (contribution to economic activity 3.5 “Manufacture of energy-efficient building equipment”): Its new rigid foam recycling mill means that 100% of the rigid foam waste generated during the production of insulation boards for door panels can be recycled. The recycled purenite is then returned to the supplier and is reused for new insulation materials.  See SUSTA[IN] #2, page 24

REMKO offers a five-year guarantee on the heat pumps that it manufactures, and maintenance and repair services and a replacement part service, including for older models. The heat pumps are designed in such a way that they can easily be disassembled so that worn parts can be replaced. Therefore and thanks to the durability of the devices, resources are saved that would otherwise be consumed by the constant procurement of new devices.

There are some specific requirements relating to the **prevention and reduction of pollution**. An A or B EU energy label is required for activities that come under 4.16 “Installation and operation of electric heat pumps.” Activities that fall under 3.5 “Manufacture of energy-efficient building equipment” may not lead to the manufacture, market entry or use of certain chemical materials, or in some cases only under certain circumstances. The chemical compounds listed in Annex I, Appendix C, Letters a) to e) of the Climate Act lead (in some cases only in case of failure to comply with certain requirements) to a categorical exclusion of classing an economic activity as taxonomy-aligned.

For the materials listed under Letters f) and g), the same rules apply basically, with the relevant exception, however, that their use is permitted if it is important for the company. The corresponding verification can be done at product level.

The majority of the critical materials listed in Annex I, Appendix C of the EU Taxonomy is subject to German law. Here, reference is made to the applicable law pursuant to the principle of legality. This means that as long as there are no contradictory indications, it is assumed that the portfolio companies comply with legal requirements. This relates to the use of certain hazardous substances in electrical engineering and electronics devices in accordance with the RoHS Guideline 2011/65/EU, for instance. Alignment with RoHS Guidelines is a mandatory prerequisite for CE certification, without which electronic devices cannot enter the EU market. This is how REMKO guarantees that the products brought to market are aligned, for example.

In cases where the EU Taxonomy requirements exceed the current legislation, the products' main materials were identified and tested for negative impacts in accordance with Appendix C. We also requested the safety data sheets from all portfolio companies, evaluated and checked taxonomy alignment for all chemicals used in 2022 in the manufacture of taxonomy-eligible products. This related to both chemicals used in glues for WIRUS windows, for example, and cleaning substances that are not part of the final products. Safety data sheets must be prepared for all chemicals and compounds deemed hazardous according to the official definition by the manufacturer and made available to customers. This in-depth examination did not result in any indications that potentially hazardous chemicals were used.

The investigation into the requirements relating to the prevention and reduction of pollution was performed to the best of our knowledge and understanding. We would like to point out, however, that interpretation is still uncertain when it comes to the requirements contained in Appendix C. In particular, there are no full lists of critical substances for the chemicals listed under Letters f) and g).

Compliance with existing regulations is also fundamental in the protection and **restoration of biodiversity and ecosystems**. The required environmental impact assessments and evaluations are, depending on the individual company's business model and geographic location, the foundation for receiving construction and operating permits and therefore already in place, if necessary. All three of the affected portfolio companies did not have to perform an environmental impact assessment to receive the construction and operating permits.

The Taxonomy also requires proximity checks to sensitive biodiverse locations, which, if it is found that there is a risk of negative impacts from the activities in these areas, may lead to the performance of an FFH impact assessment and a requirement to implement certain measures.

The assessment, based on several publicly available databases (such as protected areas in Germany pursuant to the German Federal Agency for Nature Conservation or overview of UNESCO biosphere reserves), found no proximity to the German locations. OBUK's Polish site is in a bird reserve pursuant to the Bird Protection Directive (Directive 2009/147/EG). An official assessment performed as part of the process for receiving a construction and operating permit has not led to an FFH impact assessment being required, as the activities of the OBUK subsidiary have no negative impact on the local flora and fauna.

## Minimum safeguards

Finally, compliance with minimum safeguards was assessed. While the assessments in the previous steps took place at the level of the activities, compliance with minimum safeguards is assessed at company level. The requirements were assessed at both holding company level and at the level of the portfolio companies concerned. Because the legal act referring to minimum safeguards is vague so far, we primarily based our assessments on "Final Report on Minimum Safeguards" published by the EU advisory body's Platform on Sustainable Finance (PSF) in October 2022.

As outlined in the report, there is a human rights due diligence process. In this context, INDUS has published a human rights protection declaration signed by the entire Board of Management and offers an accessible complaint mechanism for internal and external people through the "SpeakUp" whistleblower system. As required by the PSF report, there is an anti-corruption process, a process for compliance with tax regulations and the associated risks, and processes to guarantee fair competition are monitored.

There are also no legal judgments relating to breaches against human rights, corruption, taxes or competition law. We also maintain regular stakeholder dialog. This particularly includes never turning down stakeholder dialog requested by an OECD National Contact Point or ignoring allegations made by the Business and Human Rights Resource Centre.

## Accounting method

The same accounting policies as for the financial reporting were used to determine the non-financial KPI.

In comparison with total operating expenses, Taxonomy operating expenses are not relevant. We therefore do not report on operating expenses.

The individual KPIs result from the division of turnover/capital expenditure from taxonomy-aligned activities (= numerator) by the total figures (= denominator). This equates to the turnover KPI from the division of the sustainable net turnover – that is the turnover generated with taxonomy-aligned activities – by total net turnover. Operating expenses consist of expenditure for research and development, building, machinery and operating and business equipment maintenance, as well as maintenance, basic and advanced training, and leases in accordance with IFRS 16. These items are expense items in the statement of income on page 76 of the Annual Report, like total turnover. Capital expenditure consists of additions to intangible assets, right-of-use assets, lease/rentals and property, plant and equipment. These can be found on pages 99 and 100 of the Annual Report. The breakdown of the taxonomy-aligned turnover and capital expenditure are presented in the following tables.

### BREAKDOWN OF THE TURNOVER NUMERATOR FOR THE 2022 FY

(in EUR million)

Type	Amount
Taxonomy-aligned turnover (from economic activities 3.5 and 4.16)	114.12
<b>Total</b>	<b>114.12</b>

### BREAKDOWN OF THE CAPITAL EXPENDITURE NUMERATOR FOR THE 2022 FY

(in EUR million)

Type	Amount
Additions to property, plant and equipment (IAS 16), economic activity 3.5	0.41
Additions to intangible assets (IAS 38), economic activity 3.5	0.15
<b>Total</b>	<b>0.56</b>

## Values

Although sustainability is one of INDUS' fundamental principles, the areas where the taxonomy can be applied is limited because the majority of the portfolio companies produce interim products, while the Taxonomy focuses on end products. We therefore report the following KPIs (reports relating to turnover/capex/opex are in the notes on p. 28 et seq.):

### KEY FIGURES ON TAXONOMY ALIGNMENT IN THE 2022 FINANCIAL YEAR

(in EUR million / in %)

Type	Amount
<b>Turnover</b>	<b>1,804.11</b>
Of which taxonomy-aligned	114.12/6.3
<b>Capital expenditure</b>	<b>94.19</b>
Of which taxonomy-aligned	0.56/0.6

Both OBUK and WIRUS made investments in the 2022 financial year; however, these were not solely in taxonomy-aligned or -eligible products. The capital expenditure was allocated in accordance with the proportion of turnover of taxonomy-aligned products. REMKO's investments can be clearly assigned to the activity "Manufacture of heat pumps."

The Complementary Delegated Act is not applicable for INDUS and therefore no tables are shown.







# Independent Practitioner's Report

## on a Limited Assurance Engagement on Non-financial Reporting

To INDUS Holding AG, Bergisch Gladbach

We have performed a limited assurance engagement on the separate non-financial group report of INDUS Holding AG, Bergisch Gladbach, (hereinafter the "Company") for the period from 1 January to 31 December 2022 (hereinafter the "Separate Non-financial Group Report").

Not subject to our assurance engagement are the external sources of documentation or expert opinions mentioned in the Separate Non-financial Group Report.

## Responsibility of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Separate Non-financial Group Report in accordance with §§ (Articles) 315c in conjunction with 289c to 289e HGB („Handelsgesetzbuch“: „German Commercial Code“) and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18. June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the „EU Taxonomy Regulation“) and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder, as set out in section "Classification of INDUS' economic activities pursuant to the EU Taxonomy Regulation" of the Separate Non-financial Group Report.

This responsibility includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the Group that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of a Separate Non-financial Group Report that is free from material misstatement whether due to fraud or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "Classification of INDUS' economic activities pursuant to the EU Taxonomy Regulation" of the Separate Non-financial Group Report. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

## Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



## Responsibility of the Assurance Practitioner

Our responsibility is to express a conclusion with limited assurance on the Separate Non-financial Group Report based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company's Separate Non-financial Group Report, other than the external sources of documentation or expert opinions mentioned in the Separate Non-financial Group Report, is not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "Classification of INDUS' economic activities pursuant to the EU Taxonomy Regulation" of the Separate Non-financial Group Report.

In a limited assurance engagement the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgement of the assurance practitioner.

In the course of our assurance engagement, we have, amongst other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the Group's sustainability organisation and stakeholder engagement
- Inquiries of the executive directors and relevant employees involved in the preparation of the Separate Non-financial Group Report about the preparation process, about the internal control system relating to this process and about disclosures in the Separate Non-financial Group Report
- Identification of likely risks of material misstatement in the Separate Non-financial Group Report
- Analytical procedures on selected disclosures in the Separate Non-financial Group Report
- Reconciliation of selected disclosures with the corresponding data in the consolidated financial statements and group management report
- Evaluation of the presentation of the Separate Non-financial Group Report
- Evaluation of the process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Separate Non-financial Group Report

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

## Assurance Opinion

Based on the assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Separate Non-financial Group Report of the Company for the period from 1 January to 31 December 2022 is not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section “Classification of INDUS’ economic activities pursuant to the EU Taxonomy Regulation” of the Separate Non-financial Group Report. We do not express an assurance opinion on the external sources of documentation or expert opinions mentioned in the Separate Non-financial Group Report.

## Restriction of Use

We draw attention to the fact that the assurance engagement was conducted for the Company’s purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. Consequently, it may not be suitable for any other purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company. We do not accept any responsibility to third parties. Our assurance opinion is not modified in this respect.

Cologne, 16 March 2023

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

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Wirtschaftsprüfer  
[German public auditor]

Theres Schäfer  
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