



INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

FISCAL YEAR

2023

[INDUS]

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REPORT IN ACCORDANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE*

The internal control system (ICS) of INDUS is a systematic set of rules, procedures, and responsibilities implemented by the management team that targets the proper performance of the company's business activities and controlling risks in the business processes. To ensure this comprehensive task is performed properly, we operate the following integrated management systems.

- INDUS Corporate Governance System
- Risk Management System (RMS)
- Compliance Management System (CMS)
- Sustainability Management System
- Accounting System

The design of these systems includes uniformly specified system and process elements that ensure that the systems are correct and functional. In the framework of the system design and on the basis of a risk analysis, roles and responsibilities are defined, guidelines and rules are communicated, and internal training sessions and programs are implemented. Among other aspects, ongoing operation includes proper provision of resources (e.g. whistleblower/complaints system). The efficacy of the systems is monitored by means of controls that are integrated into the system, self-assessments, and external checks (e.g. reviews of IT security in the framework of risk management). Progress is overseen through monitoring processes. The managing directors of the portfolio companies confirm once a year that the specifications in the compliance management system are complied with, in particular the INDUS Code of Conduct and the associated policy statement on observing human rights. Independent of processes, Internal Audit reviews compliance with rules, procedures, and responsibilities and with effect from January 1, 2023 was reorganized and markedly expanded in connection with the amended management structure. For the current year, Internal Audit's audit plan comprises 72 audits, wherein one audit corresponds to the audit of an audit area at a company. The audit plan is updated on a rolling basis. Audit findings are entered into the planning for the subsequent year. This guarantees dynamic risk orientation. Progress of agreed measures is also monitored here in order to remedy vulnerabilities by means of follow-up deadlines.

All portfolio companies are part of our ICS. The scope of activities to be carried out by each unit differs, and depends on factors including the materiality of the unit for the consolidated financial statements and the specific risks that are associated with the unit. The management team of each unit is required, in their area of responsibility and based on the specifications that are mandatory Group-wide, to implement an appropriate and effective ICS and RMS.

The Audit Committee is systematically included in the monitoring of the ICS and RMS. In particular it monitors accounting and the accounting process as well as the suitability and effectiveness of the ICS, the RMS, and the internal audit system. As per the recommendations of the Ger-

* not a subject of the audit

man Corporate Governance Code 2022, the Board of Management has engaged with the suitability and efficacy of the risk management system and internal control system, and not found any material objections.

REPORTING PURSUANT TO SECTIONS 289 (4), 315 (4) HGB

The scope and form of INDUS Holding AG's accounting-related internal control system (aICS) are at the discretion of and the responsibility of the Board of Management. The Supervisory Board monitors the accounting process and the effectiveness of the aICS. The viability and effectiveness of the aICS at the portfolio companies is also assessed by Internal Audit and auditors of Group companies' financial statements. The viability and effectiveness of the ICS for INDUS Holding AG itself are assessed by the Board of Management.

The accounting-related ICS is a set of principles, procedures, and measures aimed at ensuring proper accounting, which undergoes continuous optimization. The aICS is structured in such a way that the consolidated financial statements of INDUS Holding AG are prepared in lawful accordance with International Financial Reporting Standards (IFRS) as applicable in the European Union (EU), and with the commercial code provisions as per Section 315e (1) of the German Commercial Code (HGB), which must additionally be observed. The annual financial statements are prepared in accordance with the German Commercial Code (HGB). Regardless of its structuring, however, the aICS cannot provide absolute assurance of the avoidance or identification of accounting errors.

The consolidated accounting (hereinafter abbreviated as "accounting") and management report drafting processes are managed by the responsible employees in the consolidated accounting and management control departments of INDUS Holding AG. Changes in the law, accounting standards, and other official acts are assessed for their relevance to and impact on the accounting process. Any resultant changes in the accounting processes are incorporated into centrally available procedural instructions and systems used for accounting purposes. The Group's current accounting policy is communicated to all employees of INDUS Holding AG and the portfolio companies who are involved in the accounting process. These elements, together with the financial statements calendar that is applicable Group-wide and the data collection maps relating to regular reporting that are uniform across the Group, constitute the basis of the financial statement preparation process.

The portfolio companies prepare their financial statements for consolidation purposes ("reporting packages") in accordance with the provisions of the Group's consolidated accounting guidelines. Reporting and consolidation processes are carried out at all portfolio companies by means of a standardized IT system, which is made available by INDUS Holding AG via a centralized procedure. This process for uniform, proper Group accounting is supported by procedural instructions and standardized consolidated accounting. For the assessment of pension obligations, assessment of real estate or the determination of segment-specific capital costs, external service providers are additionally commissioned in some cases.

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To avoid risks in the accounting process, the aICS involves preventative and investigative internal control procedures. These include, in particular, automated and manual reconciliation, separation of responsibilities, and dual review. These controls and instruments are continually optimized whenever weaknesses are identified to eliminate potential risks.

The management control and consolidated accounting departments of INDUS Holding AG ensure, through the appropriate processes, that the provisions of the consolidated accounting guidelines are complied with. Employees involved in the accounting process receive regular training. The portfolio companies are supported by central contact individuals throughout the entire accounting process.

The Board of Management of INDUS Holding AG and the managing directors of the portfolio companies are responsible for compliance with the pertinent guidelines and accounting procedures. They also ensure that their accounting processes and systems run properly and on time.