

# 02

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## Non-financial Report

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# Non-financial Report

## Sustainability at INDUS

**INDUS' long-term approach and our related promise that we will be a reliable partner for our portfolio companies in the long term means that the achievement of entrepreneurial success through economically, socially, and environmentally sustainable activities is part of the INDUS Group's identity.**

INDUS Holding AG (hereinafter also "INDUS") is among the leading specialists in the acquisition and long-term support of SMEs. Through our long-term approach without an exit strategy, our investment focus is on SMEs with successful and established business models, which are frequently still owner-managed at the time of the acquisition. INDUS only acquires majority shareholdings in SMEs in the manufacturing sector of the German-speaking countries. This differentiates INDUS from turnaround investors and buy-and-sell investors, who limit their economic involvement to short periods. INDUS is represented through sub-subsidiaries, branches, portfolio companies, and representative offices in 32 countries on five continents around the world. INDUS' registered office is in Bergisch Gladbach, Germany, from where the holding company is managed by the four members of its Board of Management. 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. As a majority shareholder and financial holding company, INDUS supports its portfolio companies by providing capital for business development and as a strategic sparring partner for the portfolio companies' managing directors. In this collaboration based on a spirit of trust, INDUS accordingly 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 with the phrase "buy, hold & develop."

INDUS and the portfolio companies do not define entrepreneurial success exclusively on a financial basis. As a significant regional employer, INDUS and the portfolio companies are aware of the particular importance of the local environment, especially because of the frequently long local history of the portfolio companies. The companies' local bonds can also be seen in the fact that employees are not infrequently already the second generation of their family to work at the company and live in its direct vicinity. Understanding that environmental protection does not end at the property boundaries is thus part of INDUS' DNA. For the INDUS Group, **SUSTAINABILITY** means the compatibility of economic, social, and environmental aspects.

Since the 2017 financial year, INDUS Holding AG has reported on its general business model in accordance with the CSR Directive Implementation Act (CSR-RUG) in the annual report's management report as well as providing dedicated information on the relevant thematic sustainability aspects (ESG: environment, social, governance) in the non-financial report. The sustainability strategy is embedded in the strategy program as a separate component and is in the Board of Management's direct area of responsibility due to its strategic significance. As an

This report is geared to the recommendations of the German Sustainability Code. The full application of national and international frameworks on sustainability reporting has been deliberately avoided. This is due to INDUS Holding AG's business model and the fact that these frameworks do not provide meaningful guidance for it either in terms of content or form. They thus do not address the sustainability aspects relevant for understanding INDUS' business performance in an appropriate way.

The first INDUS sustainability magazine will be published in the summer of 2021

independent strategy component, the legal and content-related topics from the ESG field are a point of strategic sparring between the Board of Management and the portfolio companies' managing directors. A bonus has therefore been integrated into INDUS Holding AG's compensation system for the Board of Management as part of the short-term incentive (STI) as a financial incentive for progress in sustainability aspects. The Board of Management donates this bonus to selected, local charitable organizations if the targets set are achieved.

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. INDUS is currently particularly monitoring the development of EU Regulation 2020/852 ("Taxonomy Regulation") and the Due Diligence Act ("Supply Chain Act") so as to be able to introduce appropriate measures in the future if adaptations are needed, once there is legal certainty.

The tightening of legal requirements reflects not only the increased public awareness of the significance of ESG aspects but also the reality of the progression of global warming and the increased danger of failure to meet the objectives of international agreements. 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. 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. This is also due to the INDUS Group's high level of diversification in terms of locations, selling markets, and fields of business.

Nevertheless, INDUS strives to make early and forward-looking adaptations to the product portfolio and existing processes in the portfolio companies in order to be able to continue to take advantageous market positions. The holding company financially supports the INDUS Group with this and encourages early dialogue with the portfolio companies' customer base.

As a listed financial holding company, INDUS Holding AG also holds continuous dialogue on sustainability aspects with institutional investors, commercial banks, and other participants in the capital market in order to make use of information on emerging trends when updating the **SUSTAINABILITY STRATEGY**. The topic of sustainability's increased significance on the capital market can also be seen in the fast-growing demand for green forms of investment, such as ESG-linked promissory note loans. INDUS supports this development: It issued a EUR 60 million ESG-linked promissory note loan on the basis of the existing ISS ESG rating with Prime status (C+) for the first time in September 2020 and is thus implementing the INDUS Group's efforts in the area of sustainable financing.



Read the article on sustainable financing at INDUS in our 2021 magazine, p. 18 et seq.

## INDUS' Action Areas

In the 2020 financial year, the sustainability strategy was continued as an independent component of the PARKOUR strategy program in order to bring new knowledge and approaches to the Group and incorporate new legal and regulatory requirements. As a result, new strategic focuses and programs were established and these were operationalized jointly with the portfolio companies as strategic goals.

The Ten Principles of the United Nations Global Compact (UN GC) form the basis of the fundamental principles of the strategic focus. INDUS has combined these into five principles and transferred them into a total of 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) Protection of and respect for human rights in our own sphere of influence
- (e) Commitment 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' particular role as a long-term oriented investor and partner:

- (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 UN GC, 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	UN GC	Action areas					
(i) Continuous and preventive efforts to protect the environment	7-9	Protecting 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) Protection of and respect for human rights in our own sphere of influence	1+2						
(v) Commitment 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

Another important part of developing the new focuses and programs has been the revision of the understanding of the term “materiality analysis” in the context of the sustainability strategy. In the 2016 financial year, a materiality analysis to identify potentially relevant sustainability aspects for INDUS was made in a strategy workshop together with INDUS Holding AG’s Board of Management. These aspects were subjected to regular assessments in the following years up to and including 2019. To this end, the significance of the aspects for internal and external stakeholders was compared. The importance of all aspects for both stakeholder groups increased over time so that no significant difference between the aspects remained in the end.

Living up to legal and regulatory content requirements and our own aims requires a portfolio-company-specific focus of activities on sustainability aspects that may significantly impact the INDUS Group’s business performance, results of operations and situation (outside-in) or that are significantly influenced by the INDUS Group’s operating activities and business relations (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-and 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). The bottom-up analysis takes place via the regular strategy process using the analysis of opportunities from the individual sustainability strategy and based on the risk analysis in the INDUS Group’s integrated risk management system. The basis for the top-down materiality analysis remains the proven results of the Board of Management’s workshop from 2016, which, according to the assessment of whether the results are up to date and complete, are unchanged compared to the previous year.

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).

## Value Drivers of ESG Initiatives

Four value drivers of ESG initiatives that are of particular significance for the INDUS Group are addressed in particular in the strategic sparring. For all four value drivers, INDUS offers methodological or financial support to the portfolio companies:

### 1. SALES OPPORTUNITIES

An increase in sales can be achieved through new “green” products. A differentiating feature could, for example, be the use of renewable raw materials in the current product range or also the use of a new technology that minimizes resource consumption during the product’s service life. INDUS expects this value-driver to further increase in importance in connection with a progressive increase in public awareness and thus generate additional sales via relevant differentiating features and also expects it to be able to compensate for the reduction in existing sales. The activities of the PARKOUR strategy program’s “driving innovation” strategic initiative support the portfolio companies.

### 2. EFFICIENCY INCREASES

Careful use of staff and resources can increase the organization’s efficiency and thus generate a positive cost-saving effect or offset cost increases. This can help to improve the operating margin or can also be passed on to the customer as a price adjustment, as a result of which additional unit sales can be achieved. INDUS supports increases in efficiency in production in the PARKOUR strategy program’s “improving performance” strategic initiative. INDUS also supports the portfolio companies with efficiency-increasing investments and in the innovation process. On the personnel side, the promotion of employee training improves staff performance and also increases loyalty to the Group. The Group’s clear commitment to sustainability in connection with the appropriate implementation of sustainability initiatives additionally increases many employees’ personal attachment to the INDUS Group.

### 3. ENTREPRENEURIAL VISION

Our precautionary and careful approach to the environment and employees drastically reduces the risk that regulatory changes will result in a negative impact for which the Group is not prepared. Compliance with high environmental and employee safety standards consequently also serves to limit potential future additional burdens as a result of legal and regulatory changes. The INDUS Code of Conduct, which the portfolio companies take from the holding company, is central to this.

### 4. OPTIMIZED INVESTMENT DECISIONS

Taking environmental aspects into account in investment decisions makes it possible to better assess the costs over the total life of an investment. One example of this is the forecast of the expected price rise in fossil fuels in mobile combustion or the possible further significant increase in the price of electricity. In order to support the portfolio companies, INDUS has developed the concept of the sustainability development bank, which will start operation from the 2022 financial year. INDUS will use it to subsidize the portfolio companies’ investments with effect on net income with up to 80% of the total amount of the investment. The key criterion for the decision is whether greenhouse gas emissions (GHG-e) will be effectively reduced as a result of the subsidized investment.

In addition, INDUS factors in possible sustainability risks when assessing potential acquisition targets. Significant sustainability risks or important negative sustainability criteria are potential criteria for exclusion.

## ESG KPIs and Materiality Analysis of the INDUS Group's Action Areas

The INDUS portfolio's high level of diversification and the operational independence of the portfolio companies means that the portfolio companies independently 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, but primarily serve to track the Group's development and are **not equipped with a concrete quantified target (PI: performance indicator)**. The PARKOUR strategy program includes significant growth by 2025. Ongoing changes in the scope of consolidation should thus 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 traceability of the degree of achievement of the ESG targets can thus be maintained in the event of changes in the scope of consolidation. **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 below:

### (i) Protecting the Environment

Within this action area, six specific environmental targets can fundamentally be differentiated from each other. The six environmental targets are "climate protection", "adaptation to climate change", "circular economy", "avoidance of pollution", "protection of biodiversity", and "water protection".

INDUS follows the pollution, biodiversity, and water protection environmental targets within the framework of the applicable national standards. INDUS thus aims to maintain high existing standards with regard to these environmental targets and comply with regulatory requirements. The waste the INDUS Group's operating business produces is in general not particularly toxic and can be disposed of in a manner typical for the industry. Nevertheless, INDUS wants to keep the recycling rate for all waste as high as possible (**PI: PE09-Rec**), minimize the waste volume in relation to the Group's gross added value (**PI: PE10-Was**), and use local water resources sparingly (**PI: PE11-WW**). INDUS sees these ESG aspects – which are of subordinate importance for the INDUS Group – as possible sources of the **(2) efficiency increases** value-driver.

In order to assess the importance of the "adaptation to climate change" and "circular economy" environmental targets for the INDUS Group, it is helpful to consider the production output of the INDUS Group's portfolio companies. The INDUS Group's portfolio companies mostly occupy a place in the middle of the value chain and sell corresponding intermediate products for further processing. The high proportion of intermediate products produced is also exemplified in the figure on page 29 in the comparison of the Scope 1+2 emissions (2019) with the emissions from the use of the INDUS Group's products (4.2% of Scope 3 emissions) in Scope 3 (2019) and with the emissions of greenhouse gases shown from the production of purchased precursors (71.7%) and the further processing of intermediate products (12.6%). As SME suppliers of intermediate products, the INDUS Group's portfolio companies do not generally have the opportunity to significantly influence the upstream or



downstream value chain with regard to the design of precursors or end products concerning the “adaptation to climate change” and “circular economy” environmental targets. INDUS’ focus is therefore primarily on minimizing direct greenhouse gas emissions (Scope 1+2), which the “climate protection” environmental target explicitly targets.

This reduction is therefore of the highest relevance for the INDUS Group in the (i) “protecting the environment” action area. Fundamentally, the INDUS Group has two possible levers for reducing greenhouse gas emissions: first, using low emission energy sources, particularly taking account of the distribution of greenhouse gas emissions in Scope 1+2, approximately 72% of which originate from the purchase of electricity; and second, increasing **energy efficiency**, which is also extremely important from an economic point of view. INDUS therefore records the greenhouse gas emissions in Scopes 1-3, focuses on reducing greenhouse gas emissions in Scope 1+2 (**KPI: PE01-GHG**) and seeks to reduce energy use (**PI: PE04-E**). For information purposes, INDUS also states the greenhouse gas emissions separately, broken down into Scope 1 (**PI: PE05-S1**), Scope 2 (**PI: PE06-S2**) and Scope 3 (**PI: PE07-S3**) emissions and total emissions (**PI: PE08-Tot**), in each case based on per million euros of gross added value and in each case additionally broken down into holding company emissions and Group emissions.

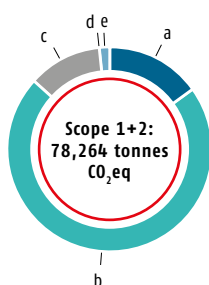
INDUS additionally reports the proportion of sales (**KPI: PE02-SustS**) and investments (excluding acquisitions) (**KPI: PE03-SustI**) of the INDUS Group, which is accounted for by the portfolio companies that follow the INDUS Group’s emission reduction target path. How these key performance indicators are determined is explained in detail in the section on the determination of the targets for the ESG KPIs.

**In summary**, it can be concluded that the focus in the (i) “protecting the environment” action area is the “climate protection” environmental target in the form of the reduction of greenhouse gas emissions in Scope 1+2 (**KPI: PE01-GHG**). That is why in particular the **(2) efficiency increases**, **(3) entrepreneurial vision**, and **(4) optimized investment decisions value drivers are relevant in the (i) “protecting the environment” action area** and used among the portfolio companies to identify opportunities.

#### EMISSION SOURCES OF THE SCOPE 1+2 EMISSIONS OF THE INDUS GROUP IN THE FINANCIAL YEAR 2019

(in %)

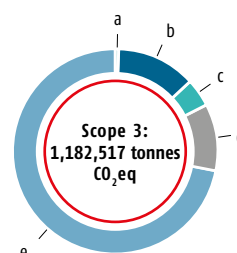
- a Stationary combustion (Scope 1) – 15.0
- b Electricity (Scope 2) – 71.9
- c Mobile combustion (Scope 1) – 11.6
- d Fugitive emissions (Scope 1) – <0.1
- e District heating (Scope 2) – 1.5



#### CATEGORIZATION AND BREAKDOWN OF THE GREENHOUSE GAS EMISSIONS OF THE VALUE CHAIN (SCOPE 3) OF THE INDUS GROUP IN 2019

(in %)

- a Business travel – 0.7
- b Further processing of production output at customers – 12.6
- c Use of INDUS products by end customers – 4.2
- d Other – 10.7
- e Production of purchased primary products – 71.7



**(ii) Fair Work**

This action area is of particular importance with regard to the **(2) efficiency increases and (3) entrepreneurial vision** value drivers. For INDUS, exemplary conduct toward employees is the essential basis of all value creation. INDUS particularly emphasizes mutual respect, fairness, team spirit, professionalism, and openness. These values are therefore an integral part of the INDUS Code of Conduct. The code covers all the sustainability strategy's action areas and, as a voluntary commitment, goes considerably beyond legal requirements.

Preventing all accidents at work (**KPI: FW01-WA**) and particularly fatal accidents at work (**KPI: FW02-FWA**) has top priority. As the foundation for organic growth, attracting and keeping qualified staff remains important; in addition we support our employees through professional development and continuing training (**PI: FW03-CPD**) and the provision of training positions (**PI: FW04-Tr**) and places for students on dual study courses (**PI: FW05-DuSt**). The INDUS Group portfolio companies also focus on recruiting their own permanent workforce for the purposes of targeted organic growth (**PI: FW06-Perm**).

**(iii) Social Justice**

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 (**KPI: SJ01-LC**). Furthermore, the INDUS Group's holding companies and INDUS financially support social institutions at local (**PI: SJ02-LDon**) and national (**PI: SJ03-NIDon**) level and collaborate with social institutions such as workshops for the disabled (**PI: SJ04-Coll**). Because the employees of the companies in the INDUS Group frequently live in the immediate vicinity of the business's sites, INDUS also ensures that routines and systems that allow employees to contribute improvement suggestions are implemented – for example, within a continuous improvement process (CIP) – (**PI: SJ05-CIP**). The intention is that suggestions that relate in particular to the social environment of the companies will also be submitted in this process – for example, sponsoring sports teams or the organization of an open day.

**(iv) Human Rights**

Respect for **human rights** is the core 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 high 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. There are good contacts with suppliers and customers upstream and downstream in the value chain, as a result of which a relationship of trust has grown over the years. Nevertheless, the INDUS portfolio companies independently pay attention to compliance with human rights in the value chain via relevant news in the media – the option of adjusting the value chain can be considered where necessary. On principle, none of the INDUS portfolio companies primarily operate in the defense industry or the corresponding value chain.

Within its own immediate area of responsibility, the INDUS Group ensures the complete penetration of the Code of Conduct and the respect for human rights enshrined in it in the Group (**KPI: HR01-CoC**). The INDUS Code of Conduct dictates exemplary conduct toward employees in general and, specifically, also in terms of remuneration, flexibility, freedom of association, and equal rights. INDUS provides information on the age structure of

the INDUS Group’s workforce (**PI: HR02-AS**), on the proportion of women in the total workforce (**PI: HR03-FR**), and on the proportion of women in management positions (**PI: HR04-FM**) for information purposes.

#### (v) Honest Business

In this action area, the key ESG value-driver is **(3) entrepreneurial vision**, and the key ESG risks are thus loss of reputation and penalties arising from misconduct in business activities. 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 (**KPI: HB01-Fin**) and non-monetary penalties (**KPI: HB02-NmP**). INDUS also separately states expenses for lawsuits and action due to anti-competitive behavior and violations of antitrust laws and monopoly legislation (**PI: HB04-Comp**). Payments must not be made to political parties pursuant to the Code of Conduct (**KPI: HB03-Pol**). Global markets are increasingly being tapped as part of the “internationalization” strategic initiative in the PARKOUR strategy program. 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. INDUS records the proportion of revenue in countries with increased risk of corruption (**PI: HB05-CPI**) for information purposes using a very strict threshold of 60 points in Transparency International’s Corruption Perception Index to define the relevant countries. Below this level, the country is deemed to be a country with an increased risk of corruption. Detailed information on tax issues can be found in the management report and the consolidated financial statements in the annual report.

#### (vi) Shareholder Support

For INDUS, being available as a strategic sparring partner for the INDUS Group’s portfolio companies is part of everyday business. 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. INDUS accordingly tracks the penetration of the code in the Group (**KPI: HR01-CoC**). Because the holding company’s greenhouse gas emissions are very low compared to the INDUS Group’s production units, INDUS places emphasis on the individual formulation of emission reduction targets in the INDUS Group’s portfolio companies (**PI: SS01-ET**), which are explicitly discussed between managing directors and the Board of Management in the strategy process. INDUS provides methodological and financial support to support target achievement. In order to promote innovation projects in the field of green tech (energy and environmental technology and technologies and products with an improved energy-efficient use profile), via which **(1) sales opportunities** are to be realized, INDUS provides development funds via the innovation development bank and the annual project volume of green tech innovation projects in the development bank (**PI: SS02-InnD**). The sustainability development bank will provide support in relation to the **(4) optimized investment decisions** value-driver and provide an incentive to take greater account of sustainability criteria when making investment decisions. From the start of subsidization in the 2022 financial year, the annual subsidy volume will then also be monitored for the first time (**PI: SS03-SustF**). Another significant component of the holding company’s activities is portfolio optimization through **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. The acquisition process is only pursued if they are compatible. The exclusion criteria that may lead to early termination of the acquisition process include, for example, a less than exemplary approach to occupational health and safety regulations. Also, particularly in cases in which exceptionally high energy use is required to generate the target’s profits, in addition to the

**standard examination of relevant environmental aspects and environmental risks** in the **due diligence process (DD)**, there will be a dedicated assessment of greenhouse gas emissions, which will serve as the basis for forecasting future financial burdens that may arise in the course of the attainment of INDUS' sustainability goals.

## 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 greenhouse gas emissions held by the INDUS Group for the entire financial year are taken into account in this 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. 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 consequently largely corresponds to the financial scope of consolidation less various units with very low emissions. The gross added value of the "sustainability" scope of consolidation and the financial data for calculating the Scope 3 emissions are calculated on the basis of the unconsolidated statement of income under IFRS of the individual companies in the scope of consolidation. In addition, new acquisitions and business disposals in the current financial year are not taken into account in the scope of consolidation in non-financial reporting. In comparison to the 2019 financial year, in the 2020 financial year Dessauer Schaltschrank- und Gehäusetechnik GmbH and MESUTRONIC Gerätebau GmbH were therefore taken into account for sustainability data collection for the first time. The sale of Kieback GmbH & Co. KG to the managing directors and the sale of a sub-subsiary to a strategic investor meant that these companies were removed from the scope of consolidation in sustainability reporting. In addition, the operating activities at a site in Brazil and a site in Germany were discontinued, as a result of which the companies became units with very low emissions and were therefore removed from the scope of consolidation.

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 emitted in material quantities in the INDUS Group's 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 set off against 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 current 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. This procedure was carried out for the first time in the 2020 financial year. The plan is to update emission factors annually. For comparability with the Scope 3 emissions from the base year of 2018 and the previous year 2019, the corresponding Scope 3 emissions of previous years were recalculated with the current emission factors, and they are reported in this updated form in the associated performance indicators. For the coming financial years, the revenue-based emission factors are to be continuously updated so that the improvements in the greenhouse gas emissions of the INDUS Group's value chain are accurately represented in the INDUS Group's Scope 3 emissions. 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.

## Targets and Time Horizon of the ESG KPIs

By changing the accounting approach to include the portfolio companies' emissions in Scope 1 and Scope 2 and on the basis of the materiality analysis, the targets for the ESG KPIs were made tougher in the 2020 financial year. INDUS differentiates short-term targets with a target year of 2025 from medium-term targets (2030) and long-term targets (2040) with regard to the time horizon. 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 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. Moreover, the reduction targets are net targets. The purchase of emission offsetting 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. For the period from 2020 to 2030, the act provides for an almost linear reduction in annual greenhouse gas emissions from 186 million metric tonnes of CO<sub>2</sub>eq (2020) to 140 million metric tonnes of CO<sub>2</sub>eq (2030). In 2018, the figure was 195 million metric tonnes of CO<sub>2</sub>eq. In percentage terms, this is equivalent to an annual reduction from 2018 of approximately 2.8% (based on the emission total of the “industry” sector in 2018). INDUS sees the emission reductions provided for there as an absolute minimum target for its own efforts and has therefore decided to set ambitious short- and medium-term targets that go beyond the requirements of the 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 area	Name	KPI	Unit	2018 (base year)	Target year		
					2025	2030	2040
	<b>GHG-e (Scope 1+2)*</b>	<b>PE01-GHG</b>	tonnes CO <sub>2</sub> eq/ million EUR GAV	113	73 (-35%)	56 (-50%)	17 (-85%)
	<b>Percentage of sales accounted for by portfolio companies in line with the target</b>	<b>PE02-SustS</b>	%	-	100	100	100
<b>Protecting the environment</b>	<b>Percentage of investments accounted for by portfolio companies in line with the target</b>	<b>PE03-SustI</b>	%	-	100	100	100
	<b>Work accidents</b>	<b>FW01-WA</b>	Number/100 FTEs	3.3			ongoing <3.0
<b>Fair work</b>	<b>Fatal work accidents</b>	<b>FW02-FWA</b>	Number	0			ongoing 0
<b>Social justice</b>	<b>Legitimate local complaints</b>	<b>SJ01-LC</b>	Number	0			ongoing 0
<b>Human rights</b>	<b>Employees with Code of Conduct</b>	<b>HR01-CoC</b>	in % of FTE	100			ongoing 100
	<b>Monetary value of significant fines</b>	<b>HB01-Fin</b>	EUR '000	0			ongoing 0
	<b>Total number of non-monetary penalties</b>	<b>HB02-NmP</b>	Number	0			ongoing 0
<b>Honest business</b>	<b>Payments to political parties</b>	<b>HB03-Pol</b>	% of GAV	0			ongoing 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 percentage reduction of 3% is derived from the German Climate Change Act's target (2.8%). The following table illustrates the two criteria:

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

			Target year							
		Unit	2018	2019	2020	2021	2022	2023	2024	2025
either	Emission intensity	tonnes CO <sub>2</sub> eq/ million EUR GAV	<113	<107	<102	<96	<90	<85	<79	<73
or	Reduction of emission intensity compared to the base year of 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 INDUS Group's non-financial report and the reported key performance indicators (KPIs) were **REVIEWED** by the external auditors Ebner Stolz.



The audit review opinion on the non-financial report can be found on page 191 et seqq.

# Action Areas in the 2020 Financial Year

## 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 so as to not emit any more greenhouse gases (on a net basis) by 2050 at the latest. As an intermediate target, emission intensity is to be reduced by 35% by 2025 compared to the 2018 base year.

A key value-driver here is the resource efficiency of the production units of the INDUS Group. The INDUS Group will be able to generate competitive advantages in the long term through sustainable products and production processes. The aim is thus for all INDUS Group companies to reduce their emission intensity effectively so that the portfolio companies' corresponding shares of the Group's total sales and investment volume can be categorized as sustainable. The objective for these shares is 100%.

As part of the resource efficiency objective, INDUS also observes the energy intensity, waste intensity, recycling ratio, and total water withdrawal intensity.

### MEASURES

With the updating of the sustainability strategy in the 2020 financial year, the focus in the "protecting the environment" action area was on deriving emission reduction targets for the INDUS Group and discussion of the measures introduced and planned between INDUS Holding AG's Board of Management and the portfolio companies' managing directors. In accordance with the high proportion of emissions from purchasing electricity in the INDUS Group (2019: 71.9% of Scope 1+2 emissions), mainly electricity saving measures were derived and introduced – for example, reviewing the cost effectiveness of installing photovoltaic systems. In addition, some portfolio companies are switching to purchasing green energy and other portfolio companies are reviewing these measures and the partial conversion of the fleet to hybrid and electric vehicles.

INDUS is constantly in dialogue 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 addition, INDUS developed the concept of the sustainability development bank in the 2020 financial year. This will provide development funds of up to EUR 10 million per year from the 2022 financial year to financially support the portfolio companies with suitable projects that are expected to significantly reduce greenhouse gas emissions.

When checking possible new acquisitions, market opportunities are analyzed and market developments are forecast, taking account of relevant future trends, which may also include green tech. In the due diligence process, which is always supervised by at least one member of INDUS Holding's Board of Management, the relevant work also includes ensuring compliance with legal and regulatory environmental requirements. For targets whose business and production processes are expected to have a greenhouse gas emission intensity significantly greater than that of INDUS Holding AG's portfolio companies, the aspects of the "protecting the environment" action area are audited separately.



The holding company takes out relevant insurance policies for natural disasters and business interruptions plus liability and product liability insurance policies for all the companies of the INDUS Group.

## THE 2020 FINANCIAL YEAR

The development of the key figures for the “protecting the environment” action area in the 2020 financial year is summarized in the table below:

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

Key figure	Unit	2018 (base year)	2019	2020	2025 (target year)		
<b>GHG-e (Scope 1+2)*</b>	<b>PE01-GHG</b>	<b>tonnes CO<sub>2</sub>eq/ million EUR GAV</b>	<b>113</b>	<b>108 (-5%)</b>	<b>102 (-10%)</b>	<b>73 (-35%)</b>	<b>KPI<sup>1</sup></b>
GHG-e (Scope 1+2) (gross)		tonnes CO <sub>2</sub> eq/ million EUR GAV	113	109	104		
GHG-e (Scope 1+2)		tonnes CO <sub>2</sub> eq	79,586	78,264	65,910		
of which INDUS Holding		tonnes CO <sub>2</sub> eq	161	164	128		
<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>83.4</b>	<b>83.3</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-SustI</b>	<b>%</b>	<b>40.1</b>	<b>74.5</b>	<b>77.8</b>	<b>100</b>	<b>KPI<sup>1</sup></b>
Energy intensity	PE04-E	MWh/million EUR GAV	323	312	331	reduction	PI <sup>2</sup>
from renewable energy sources		%	1.1	1.2	3.0		
from renewable energy sources		MWh	2,461	2,734	6,382		
GHG-e (Scope 1)	PE05-S1	tonnes CO <sub>2</sub> eq/ million EUR GAV	30	29	30	reduction	PI <sup>2</sup>
GHG-e (Scope 1)		tonnes CO <sub>2</sub> eq	21,323	20,843	19,209		
of which INDUS Holding		tonnes CO <sub>2</sub> eq	161	164	128		
GHG-e (Scope 2, market-based)	PE06-S2	tonnes CO <sub>2</sub> eq/ million EUR GAV	83	80	73	reduction	PI <sup>2</sup>
GHG-e (Scope 2, market-based)		tonnes CO <sub>2</sub> eq	58,264	57,421	46,701		
of which INDUS Holding		tonnes CO <sub>2</sub> eq	0	0	0		
GHG-e (Scope 2, location-based)		tonnes CO <sub>2</sub> eq/ million EUR GAV	85	82	82		
GHG-e (Scope 2, location-based)		tonnes CO <sub>2</sub> eq	59,711	58,977	52,293		
of which INDUS Holding		tonnes CO <sub>2</sub> eq	51	67	58		
GHG-e (Scope 3) <sup>3</sup>	PE07-S3	tonnes CO <sub>2</sub> eq/ million EUR GAV	1,647	1,646	1,615		PI <sup>2</sup>
GHG-e (Scope 3) <sup>3</sup>		tonnes CO <sub>2</sub> eq	1,162,786	1,182,517	1,028,308		
of which INDUS Holding		tonnes CO <sub>2</sub> eq	609	1256	361		
GHG-e (Scope 1-3) <sup>3</sup>	PE08-Tot	tonnes CO <sub>2</sub> eq/ million EUR GAV	1,758	1,752	1,719		PI <sup>2</sup>
GHG-e (Scope 1-3) <sup>3</sup>		tonnes CO <sub>2</sub> eq	1,242,372	1,260,781	1,094,218		
of which INDUS Holding		tonnes CO <sub>2</sub> eq	770	1,420	489		
Emission offsetting		tonnes CO <sub>2</sub> eq	703	1,769	1,179		
Recycling ratio	PE09-Rec	%	58.9	62.2	65.3	increase	PI <sup>2</sup>
Waste intensity	PE10-Was	in t/EUR million EUR GAV	22.7	24.9	22.0	reduction	PI <sup>2</sup>
Total water withdrawal intensity	PE11-WWW	m <sup>3</sup> /million EUR GAV	937	842	1,078	reduction	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: Quantified performance indicator subject to review by the auditor.

<sup>2</sup> PI: Performance indicator without quantitative target. The performance indicator was not part of the review by the auditor.

<sup>3</sup> The greenhouse gas emissions in Scope 3 were recalculated in line with the information on calculating the greenhouse gas emissions for 2018 and 2019.

Despite decreases in sales and the unconsolidated gross added value (GAV) due to the pandemic, production was not completely stopped in the majority of INDUS Holding AG's production units, meaning that the base load required to cover the energy demand was continuously available. Because of the reduced production output, this resulted in increased energy intensity of 331 MWh/million EUR GAV (SU04-E). As a result of an increased proportion of energy purchased from renewable sources (3.0% of total purchased energy; +1.8% in comparison to the previous year), it was nevertheless possible to decrease gross and net emission intensity by 5% year-over-year to 104 and 102 metric tonnes of CO<sub>2</sub>eq/million EUR GAV (SU01-THG). The savings largely came from selected electricity tariffs with higher proportions of renewable energy sources in the energy mix, which is particularly reflected in the reduction of greenhouse gas emissions in Scope 2 (market-based) to 73 metric tonnes of CO<sub>2</sub>eq/million EUR GAV (SU06-S2). The proportion of the portfolio companies' sales and investments that were generated in line with INDUS' emission reduction target path is at a similar level to the previous years at 83.3% (PE02-SustS) and 77.8% (PE03-SustI).

In total, 1,179 metric tonnes of CO<sub>2</sub>eq were offset with emissions certificates, of which 378 metric tonnes of CO<sub>2</sub>eq relate to the Scope 1+2 emissions of the holding company and the Scope 3 emissions for the holding company that are due to business trips, investments made (excluding company acquisitions), indirect emissions from the upstream chain of energy procurement and indirect emissions from the downstream disposal of waste and wastewater. The remaining emissions certificates were largely used to offset the emissions of various portfolio companies' fleets.

## 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. INDUS also monitors the development and training expenditure incurred and the number of trainees and employees who are studying part-time. Like avoiding work accidents, INDUS sees the development of the workforce and the well-being of employees in general as a key value-driver and a basis of economic success.

### MEASURES

The protection of staff 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 "operational excellence" strategic initiative in order to optimize processes, for example, according to lean principles. INDUS also organizes corresponding employee training in some cases. Continuing education plans are determined individually in dialogue between managers and employees.

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

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 revenue generated.

## THE 2020 FINANCIAL YEAR

The table below shows the development of the key figures for the “fair work” action area in the 2020 financial year:

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

Key figure		Unit	2018 (base year)	2019	2020	2025 (target year)	
<b>Work accidents</b>	<b>FW01-WA</b>	<b>Number/100 FTEs</b>	<b>3.3</b>	<b>2.9</b>	<b>2.1</b>	<b>&lt;3.0</b>	<b>KPI<sup>1</sup></b>
<b>Fatal work accidents</b>	<b>FW02-FWA</b>	<b>Number</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>KPI<sup>1</sup></b>
Development expenditure	FW03-Tr	EUR/FTE	257	280	183		PI <sup>2</sup>
Trainees	FW04-Tr	Number	429	409	407		PI <sup>2</sup>
Dual study	FW05-DuSt	Number	82	76	75		PI <sup>2</sup>
Proportion of permanent contracts	FW06-Perm	% of total FTEs	96.1	97.2	97.2		PI <sup>2</sup>

<sup>1</sup> KPI: Quantified performance indicator subject to review by the auditor.

<sup>2</sup> PI: Performance indicator without quantitative target. The performance indicator was not part of the review by the auditor.

The number of work accidents per 100 FTEs was reduced significantly to 2.1 in 2020 (**FW01-WA**). It can be assumed that this is also connected to a higher temporary rate of short-time work due to the pandemic. However, INDUS also assumes that the rapid and local tightening of occupational health and safety measures due to the pandemic has raised awareness of occupational health and safety in general, as a result of which it has been possible to reduce work accidents.

Despite an economically difficult environment, it was possible to keep the number of trainees (**FW04-Tr**) and employees on dual study programs (**FW05-DuSt**) almost the same.

## 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. In particular, it should enable the companies’ employees to contribute suggestions for suitable projects through a structured 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 new acquisitions 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. INDUS believes that maintaining the integrity of our own conduct and business processes required in the INDUS Code of Conduct ensures that problems in the "social justice" action area are avoided.

The compensation system for INDUS Holding AG's Board of Management includes a premium for achieving defined ESG targets as part of the short-term incentive (STI). The Board of Management donates this premium to local charitable organizations if the targets set are reached.

#### THE 2020 FINANCIAL YEAR

The development of the key figures for the "Social Justice" action area in the 2020 financial year is summarized in the table below:

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

Key figure		Unit	2018 (base year)	2019	2020	2025 (target year)	
<b>Legitimate local complaints</b>	<b>SJ01-LC</b>	<b>Number</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>KPI<sup>1</sup></b>
Donations to local social institutions	SJ02-LDon	EUR	280,916	218,926	237,341		PI <sup>2</sup>
Donations to other social institutions	SJ03-NIDon	EUR	201,087	180,152	74,348		PI <sup>2</sup>
Collaboration with social institutions	SJ04-Coll	% of the INDUS Group	31	27	29		PI <sup>2</sup>
Operating suggestions process	SJ05-CIP	% of the INDUS Group	63	58	72		PI <sup>2</sup>

<sup>1</sup> KPI: Quantified performance indicator subject to review by the auditor.

<sup>2</sup> PI: Performance indicator without quantitative target. The performance indicator was not part of the review by the auditor.

In the 2020 financial year, it was possible to avoid any legitimate local complaints (SJ01-LC), meaning that this objective was fully met.

## 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 goes beyond the legal requirements as a voluntary commitment. The INDUS Code of Conduct can be found on INDUS Holding AG's website. 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. 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.

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. 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. Breaches of this fundamental principle are recorded via compliance reporting and systematically followed up. INDUS advocates a balance between working life and personal life in all its forms. There are no objectives regarding the workforce’s age structure or the proportion of female employees in the workforce or in management positions.

## 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 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 compliance with high standards of human rights can be assumed due to the current provisions of law. Breaches of the INDUS Code of Conduct are reported to INDUS Holding’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.

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. Breaches of aspects of the “human rights” action area are not typical in the future fields and growth industries defined by INDUS. In questionable cases, INDUS always discusses legal aspects with experts in advance. Moreover, INDUS does not acquire any companies that primarily generate sales in the defense industry.

## THE 2020 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)	2019	2020	2025 (target year)		
Employees supplied with Code of Conduct	HR01-CoC	in % of FTE	100	99.96	100	100	KPI <sup>1</sup>
Age structure of the workforce <sup>3</sup>	HR02-AS	% of the FTE aged <20/20–29/30–39/ 40–49/50–59/ ≥60	2/18/23/24/ 26/7	2/17/24/24/ 26/8	2/16/24/24/ 26/8		PI <sup>2</sup>
Proportion of women in the workforce	HR03-FR	in % of FTE	30.3	30.5	30.4		PI <sup>2</sup>
Proportion of women in management positions	HR04-FM	in % of FTE in management positions	15.4	16.5	20.3		PI <sup>2</sup>

<sup>1</sup> KPI: Quantified performance indicator subject to review by the auditor.

<sup>2</sup> PI: Performance indicator without quantitative target. The performance indicator was not part of the review by the auditor.

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

All the INDUS Group’s employees had the Code of Conduct available to them. The goal of **HR01-CoC** was fully met.

## 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 significant fines (> EUR 10,000) 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. Furthermore, INDUS does not influence legislative procedures or make any payments to political parties.

The companies of the INDUS Group largely operate in European or other 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 significant fines. To assess the development of key figures as part of ongoing internationalization and against the background of general globalization tendencies, INDUS also provides information on the proportion of revenues in countries with increased risk of corruption – the threshold for defining these countries has intentionally been set high.

### MEASURES

Compliance with legal and regulatory requirements is fundamentally a typical 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. In the event of breaches, INDUS Holding's Board of Management enters into dialogue 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. Further information on the holding company's compliance management system can be found in the Board of Management and the Supervisory Board's declaration on the German Corporate Governance Code, which can be found on INDUS Holding AG's website. 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.

In the course of 2020, INDUS Holding AG prepared the implementation of a Group-wide whistleblower system that will be rolled out across the whole INDUS Group at the start of 2021. Internal and external parties can 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. This information can particularly relate to all the aspects discussed here.

## THE 2020 FINANCIAL YEAR

The table below shows the development of the key figures for the “Honest Business” action area in the 2020 financial year:

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

Key figure		Unit	2018 (base year)	2019	2020	2025 (target year)	
Monetary value of significant fines	HB01-Fin	EUR '000	0	29.7	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	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	19.1	19.2		PI <sup>2</sup>

<sup>1</sup> KPI: Quantified performance indicator subject to review by the auditor.

<sup>2</sup> PI: Performance indicator without quantitative target. The performance indicator was not part of the review by the auditor.

No significant fines were imposed on the INDUS Group in the 2020 financial year (**HB01-Fin**), nor were any non-monetary penalties incurred (**HB02-NmP**). As in previous years, 0.00% of the gross added value was spent on payments to political parties (**HB03-Pol**). No legal costs due to competition violations were payable (**HB04-Comp**). The proportion of sales in countries with an increased risk of corruption (CPI > 60) remained at the same level as the previous year (**HB05-CPI**), although the threshold for selecting the countries is deliberately set very high.

## 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 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 from the 2022 financial year. The funding pot can be used for investments that help to significantly reduce greenhouse gas emissions. 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 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 manag-

ing directors with identification and possible measures and also with the assessment of these measures' potential – both from an economic and from a sustainability perspective. Information relating to the topic of sustainability is regularly discussed at the annual entrepreneurs' conference (Unternehmertagung).

In addition to supporting the portfolio companies, INDUS is primarily active in the acquisition of new companies. The 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 target and the business areas in which the target operates. This is frequently the case with performance in terms of the future trend of green tech.

#### THE 2020 FINANCIAL YEAR

The table below shows the development of the key figures for the "Shareholder Support" action area in the 2020 financial year:

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

Key figure		Unit	2018 (base year)	2019	2020	2025 (target year)
Companies with stated emission reduction goals	SS01-ET	% of the INDUS Group		Recorded from 2020	83	PI <sup>1</sup>
The innovation development bank's "green tech" innovation projects	SS02-InnD	Funding in EUR '000	460	645	502	PI <sup>1</sup>
Funding from the sustainability development bank	SS03-SustF	Subsidies in EUR '000		Start in 2022		PI <sup>1</sup>

<sup>1</sup> PI: Performance indicator without quantitative target. The performance indicator was not part of the review by the auditor.

As part of the budget process and strategic sparring, 83% of INDUS Holding AG's portfolio companies adopted emission reduction goals formulated up to the target year 2025 (SSO1-ET). The remaining companies already have emission intensities that are significantly below the INDUS average, have been added to the sustainability scope of consolidation in 2020, or are in positions where the derivation and assessment of suitable reduction paths is associated with a greater expenditure of time and is therefore to be completed in 2021.



# Overview of Key Figures

Action area	Key figure	Unit	2018	2019	2020	2025		
Protecting the environment	<b>GHG-e (Scope 1+2)*</b>	<b>PE01-GHG</b>	<b>tonnes CO<sub>2</sub>eq/million EUR GAV</b>	<b>113</b>	<b>108 (-5%)</b>	<b>102 (-10%)</b>	<b>73 (-35%)</b>	<b>KPI<sup>1</sup></b>
	GHG-e (Scope 1+2) (gross)		tonnes CO <sub>2</sub> eq/million EUR GAV	113	109	104		
	GHG-e (Scope 1+2)		tonnes CO <sub>2</sub> eq	79,586	78,264	65,910		
	of which INDUS Holding		tonnes CO <sub>2</sub> eq	161	164	128		
	<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>83.4</b>	<b>83.3</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-SustI</b>	<b>%</b>	<b>40.1</b>	<b>74.5</b>	<b>77.8</b>	<b>100</b>	<b>KPI<sup>1</sup></b>
	Energy intensity	PE04-E	MWh/million EUR GAV	323	312	331	reduction	PI <sup>2</sup>
	from renewable energy sources		%	1.1	1.2	3.0		
	from renewable energy sources		MWh	2,461	2,734	6,382		
	GHG-e (Scope 1)	PE05-S1	tonnes CO <sub>2</sub> eq/million EUR GAV	30	29	30	reduction	PI <sup>2</sup>
	GHG-e (Scope 1)		tonnes CO <sub>2</sub> eq	21,323	20,843	19,209		
	of which INDUS Holding		tonnes CO <sub>2</sub> eq	161	164	128		
	GHG-e (Scope 2, market-based)	PE06-S2	tonnes CO <sub>2</sub> eq/million EUR GAV	83	80	73	reduction	PI <sup>2</sup>
	GHG-e (Scope 2, market-based)		tonnes CO <sub>2</sub> eq	58,264	57,421	46,701		
	of which INDUS Holding		tonnes CO <sub>2</sub> eq	0	0	0		
	GHG-e (Scope 2, location-based)		tonnes CO <sub>2</sub> eq/million EUR GAV	85	82	82		
	GHG-e (Scope 2, location-based)		tonnes CO <sub>2</sub> eq	59,711	58,977	52,293		
	of which INDUS Holding		tonnes CO <sub>2</sub> eq	51	67	58		
	GHG-e (Scope 3) <sup>3</sup>	PE07-S3	tonnes CO <sub>2</sub> eq/million EUR GAV	1,647	1,646	1,615		PI <sup>2</sup>
	GHG-e (Scope 3) <sup>3</sup>		tonnes CO <sub>2</sub> eq	1,162,786	1,182,517	1,028,308		
of which INDUS Holding		tonnes CO <sub>2</sub> eq	609	1256	361			
GHG-e (Scope 1-3) <sup>3</sup>	PE08-Tot	tonnes CO <sub>2</sub> eq/million EUR GAV	1,758	1,752	1,719		PI <sup>2</sup>	
GHG-e (Scope 1-3) <sup>3</sup>		tonnes CO <sub>2</sub> eq	1,242,372	1,260,781	1,094,219			
of which INDUS Holding		tonnes CO <sub>2</sub> eq	770	1,420	489			
Emission offsetting		tonnes CO <sub>2</sub> eq	703	1,769	1,179			
Recycling ratio	PE09-Rec	%	58.9	62.2	65.3	increase	PI <sup>2</sup>	
Waste intensity	PE10-Was	in t/EUR million EUR GAV	22.7	24.9	22.0	reduction	PI <sup>2</sup>	
Total water withdrawal intensity	PE11-WW	m <sup>3</sup> /million EUR GAV	937	842	1,078	reduction	PI <sup>2</sup>	
Fair work	<b>Work accidents</b>	<b>FW01-WA</b>	<b>Number/100 FTEs</b>	<b>3.3</b>	<b>2.9</b>	<b>2.1</b>	<b>&lt;3.0</b>	<b>KPI<sup>1</sup></b>
	<b>Fatal work accidents</b>	<b>FW02-FWA</b>	<b>Number</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>KPI<sup>1</sup></b>
	Development expenditure	FW03-Tr	EUR/FTE	257	280	183		PI <sup>2</sup>
	Trainees	FW04-Tr	Number	429	409	407		PI <sup>2</sup>
	Dual study	FW05-DuSt	Number	82	76	75		PI <sup>2</sup>
	Proportion of permanent contracts	FW06-Perm	% of total FTEs	96.1	97.2	97.2		PI <sup>2</sup>

Action area	Key figure	Unit	2018	2019	2020	2025		
Social justice	<b>Legitimate local complaints</b>	SJ01-LC	Number	0	1	0	0	KPI <sup>1</sup>
	Donations to local social institutions	SJ02-LDon	EUR	280,916	218,926	237,341		PI <sup>2</sup>
	Donations to other social institutions	SJ03-NIDon	EUR	201,087	180,152	74,348		PI <sup>2</sup>
	Collaborations with social institutions	SJ04-Coll	% of the INDUS Group	31	27	29		PI <sup>2</sup>
	Operating suggestions process	SJ05-CIP	% of the INDUS Group	63	58	72		PI <sup>2</sup>
Human rights	<b>Employees supplied with Code of Conduct</b>	HR01-CoC	in % of FTE	100	99.96	100	100	KPI <sup>1</sup>
	Age structure of the workforce <sup>6</sup>	HR02-AS	% of FTEs aged <20/ 20-29/30-39/40-49/ 50-59/≥60	2/18/23/24/ 26/7	2/17/24/24/ 26/8	2/16/24/24/ 26/8		PI <sup>2</sup>
	Proportion of women in the workforce	HR03-FR	in % of FTE	30.3	30.5	30.4		PI <sup>2</sup>
	Proportion of women in management positions	HR04-FM	% of FTEs in management positions	15.4	16.5	20.3		PI <sup>2</sup>
	<b>Monetary value of significant fines</b>	HB01-Fin	EUR '000	0	29.7	0	0	KPI <sup>1</sup>
Honest business	<b>Total number of non-monetary penalties</b>	HB02-NmP	Number	0	0	0	0	KPI <sup>1</sup>
	<b>Payments to political parties</b>	HB03-Pol	% of GAV	0.00	0.00	0.00	0	KPI <sup>1</sup>
	Legal costs due to competition violations	HB04-Comp	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	19.1	19.2		PI <sup>2</sup>
	<b>Shareholder support</b>	Companies with stated emission reduction goals	SS01-ET	% of the INDUS Group	Recorded from 2020	83		PI <sup>2</sup>
	The innovation development bank's green tech innovation projects	SS02-InnD	Funding in EUR '000	460	645	502		PI <sup>2</sup>
	Funding from the sustainability development bank	SS03-SustF	Subsidies in EUR '000		Start in 2022			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: Quantified performance indicator subject to review by the auditor.

<sup>2</sup> PI: Performance indicator without quantitative target. The performance indicator was not part of the review by the auditor.

<sup>3</sup> The greenhouse gas emissions in Scope 3 were recalculated in line with the information on calculating the greenhouse gas emissions for 2018 and 2019.

Percentages are rounded to whole numbers, so slight deviations from 100% are possible.