Basis of sustainability reporting

Introduction

SHI International Corp. (“SHI”, “Company”) publishes annual Sustainability and Action Reports on a voluntary basis, encompassing Environmental, Social, and Governance (ESG) indicators. Reliable ESG data is important to inform our strategy, measure progress and meet customer expectations and regulatory requirements.

This document outlines the approach to SHI’s annual sustainability reporting, as well as providing definitions and methodologies for key quantitative indicators related to our material topics.

Scope of reporting

Reporting period

The reporting period is a calendar year starting on January 1 and ending on December 31.

Organizational boundaries

SHI uses the organizational control approach when defining organizational boundaries of sustainability reporting. When it comes to reporting energy and environmental data for buildings, we include buildings where SHI is an owner and tenant.

Divestments or site closures are removed from scope from the date of divestment or notification of ceasing routine operations. Site closures are not retrospectively removed from the data. Acquisitions, as aligned with the reporting boundary, will come into scope the following year, after review and update of the controlled real estate database.

Alignment with standards

For industry-specific disclosures, we use the Sustainability Accounting Standards Board (SASB) Standard for the Software and IT Services industry.

For greenhouse gas (GHG) emissions, our approach is based on the GHG Protocol, including the Product Lifecycle Accounting and Reporting Standards for product-related Scope 3 emissions categories.

Performance indicators

Energy consumption

1. **Total energy consumption (MWh)**
    - Definition: Total energy consumed across all SHI operations, measured in megawatt hours.
    - Methodology: Calculated using utility billing data for owner-occupied buildings and estimated data modeling for leased spaces.

2. **Total renewable energy consumption (MWh)**

   - Definition: Total renewable energy consumed across SHI operations, measured in megawatt hours.
   - Methodology: Derived from metering data for on-site renewable energy generation installations and utility billing data where renewable energy is purchased from external providers; does not include energy consumed and matched with renewable energy certificates (RECs).

GHG emissions

3. **Total Scope 1 GHG emissions (metric tonnes CO2e)**

   - Definition: Direct emissions from owned or controlled sources, expressed in metric tonnes of CO2 equivalent.
   - Methodology: Quantified using utility billing data for owner-occupied buildings and industry benchmarks for leased spaces depending on occupancy (number of employees and office space). Fugitive emissions are excluded as not material.

4. **Total Scope 2 GHG emissions (metric tonnes CO2e)**

   - Definition: Indirect emissions from the generation of purchased electricity, heating, and cooling.
   - Methodology: Includes both location-based and market-based emissions calculations. Calculated using utility billing data for owner-occupied buildings and estimated data modeling for leased spaces, as well as relevant emissions factors.

5. **Total Scope 3 GHG emissions (metric tonnes CO2e)**

   Category 1: Purchased goods and services

   - Definition: Emissions from the manufacturing and provision of goods and services purchased for internal use and resale.
   - Methodology:
     - Goods and services for internal use: Spend-based approach using annual overheads expenses data and NAICS emissions factors per type of economic activity.
     - Good and services for resale: Activity-based approach using annual hardware sales data and product carbon footprint data (LCA – manufacturing phase) provided by manufacturers, collected and consolidated by Rejoose, a third-party provider managing a database of product carbon footprints (PCFs) for IT hardware products. Cloud and software services are excluded.

   Category 2. Capital goods

   - Definition: Emissions from the manufacturing of long-term assets used by the company.
   - Methodology: Spend-based approach using annual overheads expenses data and NAICS emissions factors per type of economic activity.

   Category 3. Fuel- and energy-related activities not included in Scope 1 or 2

   - Definition: Emissions related to the production of fuels and energy purchased and consumed by the company.
   - Methodology: Quantified using utility billing data for owner-occupied buildings and industry benchmarks for leased spaces depending on occupancy, as well as IAE LCA emissions factors for energy.

Category 4. Upstream transportation and distribution

- Definition: Emissions from the transportation and distribution of products purchased by the company in vehicles not owned or controlled by the company.
- Methodology: The emissions from transportation and distribution are calculated for three scenarios and include well-to-tank emissions factors:
  - Shipping to/from SHI warehouses:
    - Uses an activity-based approach with logistics reports detailing shipping data and DEFRA emissions factors.
    - Includes well-to-tank emissions.
  - Drop shipping:
    - Uses an activity-based approach with logistics reports detailing shipping data and DEFRA emissions factors.
    - Includes well-to-tank emissions.
  - Shipping by distributors:
    - Uses a hybrid approach combining activity-based and spend-based methods.
    - Inputs include logistics reports from key distribution partners, spend reports, and DEFRA emissions factors.
    - Considers emissions from storage based on distributor spend and their carbon intensity ratios.

Category 5. Waste generated in operations

- Definition: Emissions from the disposal and treatment of waste generated in the company's operations.
- Methodology: For owner-occupied facilities, emissions data from waste management is directly collected from vendors. For leased offices, emissions are estimated by adjusting waste data based on facility headcount.

Category 6. Business travel

- Definition: Emissions from employee travel for business purposes in vehicles not owned or controlled by the company.
- Methodology: Calculated using primary travel distance data and DEFRA emissions factors for each mode of transport. Includes well-to-tank emissions.

Category 7. Employee commuting

- Definition: Emissions from the transportation of employees between their homes and the workplace.
- Methodology: Calculated using primary data on office attendance in the HQ, secondary data based on national averages, with emissions factors assigned according to the mode of transport (car and transit rail) and EPA guidelines. Well-to-tank emissions are calculated using DEFRA emissions factors.

Category 8: Upstream leased assets

Not applicable as SHI does not operate leased assets.

Category 9: Downstream transportation and distribution

Not applicable as there is no transportation or distribution of products after point of sale. SHI delivers allproducts to end customers either directly (by commissioning logistics providers) or indirectly via manufacturers or distributors.

Category 10: Processing of sold products

Not applicable as there is no processing of sold products.

Category 11: Use of sold products

- Definition: Emissions from the use of goods and services sold by the company.
- Methodology: Activity-based approach using annual hardware sales data and product carbon footprint data (LCA – use phase) provided by manufacturers, collected and consolidated by Rejoose. Cloud and software services are excluded.

Category 12: End-of-life treatment of sold products

- Definition: Emissions from the disposal of products sold by the company after they have been used.
- Methodology: Activity-based approach using annual hardware sales data and product carbon footprint data (LCA – end of life phase) provided by manufacturers, collected and consolidated by Rejoose. Cloud and software services are excluded.

Own workforce

6. **Total number of employees at end of year**
   - Definition: Total number of direct employees (contractors are not included) as of December 31.
   - Methodology: Data is stored in HR systems and retrieved for sustainability reporting.
7. **Lost time injury severity rate (number)**
   - Definition: Severity rate of injuries resulting in lost work time.
   - Methodology: Calculated as the total number of lost workdays due to injuries by direct employees per million hours worked. Data is stored in HR systems and retrieved for sustainability reporting.
8. **Lost time injury frequency rate (number)**
   - Definition: Frequency rate of injuries resulting in lost work time.
   - Methodology: Calculated as the total number of lost time injuries by direct employees per million hours worked. Data is stored in HR systems and retrieved for sustainability reporting.
9. **Number of days lost to work-related injuries, fatalities, and ill health (number)**
   - Definition: Total number of days lost due to work-related incidents by direct employees.
   - Methodology: Data is stored in HR systems and retrieved for sustainability reporting.

10. Number of work-related lost-time injuries (number)

- Definition: A lost-time injury is a work-related injury or illness among direct employees that results in a worker being unable to perform their regular job duties for at least one full workday or shift after the incident. For the purposes of this definition, "work-related" refers to incidents that occur on SHI premises or while executing work for SHI at other locations, but excludes incidents that occur while commuting to or from work, or while engaging in non-work-related activities outside of SHI premises.
- Methodology: Data is stored in HR systems and retrieved for sustainability reporting.

11. Number of fatalities as a result of work-related injuries and ill health (number)

- Definition: Total number of fatalities among direct employees due to work-related injuries and ill health.
- Methodology: Data is stored in HR systems and retrieved for sustainability reporting.

12. Number of hours worked (number)

- Definition: Total number of hours worked by direct employees.
- Methodology: Data is stored in HR systems and retrieved for sustainability reporting. The calculation is based on the total number of hours that employees are contractually expected to work each week, as specified in their employment agreements.

13. Percentage of women employed in the whole organization (%)

- Definition: Percentage of total workforce that are recognized as female.
- Methodology: As per U.S. Executive Order 14168, sex is determined at conception. Data is stored in HR systems and retrieved for sustainability reporting.

14. Percentage of women in senior leadership positions (%)

- Definition: Percentage of women among employees in senior management positions.
- Methodology: Employees in senior management positions are employees who directly report to SHI's CEO. As per U.S. Executive Order 14168, sex is determined at conception.

15. Average training per employee (hours per year)

- Definition: Average number of training hours provided per employee annually.
- Methodology: Data covers both mandatory and voluntary training by employees who were employed by the company during the reporting period. The training data is derived from the SHI Learning Management System and external training platforms, while the number of employees is derived from HR systems.

Ethics

16. Percentage of employees trained on anti-bribery and corruption (%)

- Definition: Percentage of workforce that received training on anti-bribery and corruption as of end of year.
- Methodology: Data covers mandatory training on anti-bribery and corruption by employes who were employed by the company at the end of the reporting period. The training data is derived from the SHI Learning Management System, while the number of employees is derived from HR systems.