

Sustainability Report 2021

Powersports Distribution Group



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This sustainability report refers to the financial year 2021 (January 1st to December 31st).

1. A word from the management

Powersports Distribution Group (PDG) has the ambition to become a strong European and even global player in the distribution of motorcycle parts and accessories. As a leader, PDG takes full responsibility towards sustainability as we believe that sustainability is ‘the new normal’ and a key aspect to realizing our full ambition. Therefore, PDG is committed to pro-actively work on 4 defined sustainability themes:

- Reduction of energy use
- Focus on employee well being
- Reduction of transport emissions
- Sustainable performance in the supply chain

These themes represent our circle of influence, our position in the value chain as well as our proposition to all stakeholders involved. All are embedded in our day-to-day business as well as our future plans and are supported by our values and philosophy to be ‘powerful as a group and pro-active as an entrepreneur’.

The journey starts with this first sustainability report that sets the pace towards the future and improvements that PDG envisages where ‘sustainability is here to stay’.

Tom Beyers

CEO

Mark Brok

CFO

2. PDG – the company

2.1. Who are we?

Established as a group in late 2017 but building on decades of track record in the business, we have become one of Europe’s fastest-growing motorcycle parts distributors. We are at work to cover the continent and offer a strong value proposition to wholesalers, brands, dealers, and riders.

We build on the bond between motorcyclists and dealers. Therefore, we invest in a strong local presence and work with existing firms to grow their business. To us, this also means respecting their achievements and honouring their legacy. After all, it is the history of each operating company that has landed us the opportunity to reinforce our network.

We are an international business, within the private sector, with offices and operations in the Netherlands, Belgium, and the UK. We offer more than 500 brands and have more than 5 million references.

2.2. Our history

It is not about how long you have been in business; it is about how much you have achieved doing business. This is the motto that we live by every day. As a result, we can look back on a brief but very eventful history.

The PDG journey was initiated with the acquisition of Hoco Parts and Motoria in 2017. In July 2018 DC Afam was added to the group, followed by CMS in October 2019 while Hoco Parts acquired Rino Trading in the same month. In November 2019 PDG acquired Bradbury Bros and Rob Hunter, creating Bradbury Hunter, which in June 2020 was integrated as Hoco Parts UK. PDG acquired Neo Distribution in November 2020, followed by our acquisition of Motorcycle Storehouse in March 2021 and our latest acquisition of B&C Express Ltd in November 2021.

The table below shows the net turnover in last years.

| | 2018 | 2019 | 2020 |
|-----------------------------|------|------|------|
| Reported net turnover (€ m) | 30 | 44 | 70 |

Table 1: Financial statistics PDG

2.3. Our people

PDG is run by people, with a true passion for building a thriving business by continuously reinforcing our core and expanding our boundaries. Combined, their spirit is a strong force, able to harness change for success and accelerate growth.

The group exists of industry-leading operational companies, each with their own expertise, niche products and position within the value chain.

2.4. Our values and philosophy

The PDG values are entrepreneurship, passion, and participation. We empower people to act as if the company is theirs. We make a difference by being energetic, engaged and committed. We are team players with an open mind, looking for the common good.

We encourage bottom-up initiative and top-down involvement. Driven by people close to the market, our groups centre task is to assure sharing of knowledge and best practices is achieved.

We have an analytical and fact-based approach. Our strong management team have backgrounds across different disciplines e.g.: sourcing, sales, and logistics.

We want to earn the right to grow, we are focused on operational performance and continuous improvement, and we have an open culture in which mutual respect is embedded. As a company, we take our social responsibility by publishing our ambitions, initiatives, and goals towards a more sustainable future. We know that we as a society are currently in a transition and we would like to do, whatever is in our sphere of influence, to contribute to a safer, healthier and greener world in the future.

3. Our view on the future of the industry

At PDG we are convinced that riding a motorcycle will always be a joy for enthusiasts, hobbyists, and thrill-seekers. At the same time, we believe that disruptive trends are changing the future of the industry. Sustainability is the catalyst of these trends and will shape the competitive landscape, moving the needle towards a better world of tomorrow.

These trends also influence our strategy and have accelerated our direct responsibility towards the future. Understanding and analysing these trends is key to business resilience and assessing these trends will create a healthy business in the long term.

3.1. Covid-19

It is impossible to write this sustainability report without mentioning the Covid-19 pandemic. Despite major despair, loss, and grief due to the victims of the disease and the social measures taken during the pandemic, we see Covid-19 as a disruptor changing the future of the industry. The pandemic has made us realize hybrid working is part of the future and that we should never forget the health, safety and (mental) well-being of our employees.

3.2. Electrification

The Paris agreement, National climate targets and the European Green Deal pave the way toward decreasing the world's carbon footprint to net-zero. The electrification of motorcycles is powered by research in battery technology, fuelled by increasing customer demand and a guiding regulatory landscape. Industry leaders are designing and producing durable electric motorcycles (eMC), which are competing with internal combustion engine (ICE) motorcycles. Eventually, these motorcycles will become more competitive in terms of price, when battery ranges increase, and battery technology prices decrease.

3.3. Circularity

Transitioning to a circular economy does not only amount to adjustments aimed at reducing the negative impacts of the linear economy. Rather, it represents a systemic shift that builds long-term resilience, generates business and economic opportunities, and provides environmental and societal benefits. Circularity drives recycling initiatives in every value chain to minimize waste, reduce raw material consumption and improve product lifetime.

3.4. Supply chain transparency

Supply chain transparency requires companies to know not only everything within their operations but also what is happening upstream in the supply chain and to communicate this both internally and externally. Companies can suffer great reputational damage if incidents regarding incompliance upstream are detected. Additionally, we, as a company have ethical value standards which we find very important when doing business with our partners and suppliers.

4. Sustainability achievements, targets and KPIs

Sustainability concerns a variety of topics, that is why we incorporate the three broad categories or areas (Environmental, Social and Governance) which are of interest for corporate responsible stakeholders. We need to incorporate sustainability values, risk evaluation and strategy within the Group to adopt a more sustainable operation.

We have assessed the key material themes from a sustainability perspective to set a baseline concerning 2021, in which we measured our carbon footprint¹ and the status of our employee well-being and governance and have suggested defined initiatives to integrate within the Group, which demonstrate our commitment regarding these topics to our social responsibility as a growing company.

As a Group, we want to practice what we preach and set targets on measurable KPIs, which we will monitor closely and will disclose publicly. These targets and KPIs are carefully selected alongside our sustainability framework in close collaboration with professional advisers.

4.1. Carbon footprint - Scope 1 & 2

We measured and will monitor our Scope 1 & 2 carbon footprint¹ annually and have set the following reduction targets with respect to our 2021 baseline:

| 2021 | 2022 | 2023 | 2024 |
|---------------|-------|-------|-------|
| Baseline 100% | -4.2% | -4.2% | -4.2% |

We will realize this by, amongst other initiatives, preventing and reducing our gas and electricity consumption (e.g. smart sensors and LED lighting), generating renewable energy on-site (e.g. solar panels), procuring GOs² and off-setting remaining footprint through renowned off-setting standards and projects. The reduction targets for Scope 1 & 2 are aligned with the Science-Based Targets initiative (annual reduction of 4.2%).

4.2. Performance management reviews

We care for our employees and that is why we will monitor the percentage of employees³ covered with a performance review. A performance review consists of a formal conversation about targets, personal development, employee well-being, actual performance, and appraisal. We will integrate employee performance reviews to improve our internal talent development, such that we not only grow as a company but also individually.

| 2021 | 2022 | 2023 | 2024 |
|------|------|------|------|
| 30% | 50% | 75% | 100% |

¹ These are PDG's direct and indirect emissions, calculated according to the Greenhouse Gas Protocol (GHG Protocol). This baseline includes the total emissions due to our electricity and gas consumption within the offices and warehouses.

² Guarantee of Origin (GOs)

³ Employees are all employees on the payroll per January 1st of the respective year

4.3. Net Promoter Score

As PDG aims to be the preferred employer in the industry, we will measure our employees' satisfaction by performing regular (anonymous) NPS surveys across the organization with various questions regarding their satisfaction with their current role, leadership and development and overall attractiveness of PDG as an employer. We will start with a baseline study in 2022 and with then set targets to further improve the score over the following years.

| 2021 | 2022 | 2023 | 2024 |
|------|-----------------------------------|---|------|
| n/a | Initiate baseline and set targets | Targets based on baseline assessment ⁴ | |

4.4. Annual supplier reviews

We take our responsibility upstream. We will implement sustainability supplier reviews to set sustainability requirements up in the value chain. A supplier review entails desk research and, where applicable, supplier interviews based on sustainability criteria (e.g. social compliance). We will use a renowned standard for this, namely BSCI. The selected suppliers are the most strategic important ones given their size and relevance for PDG as well as suppliers that are based in countries with potential exposure to labour and environmental conditions. Beneath the number of supplier reviews are presented, which will be carried out in the specified year:

| 2021 | 2022 | 2023 | 2024 |
|------|------|------|------|
| n/a | 2 | 2 | 3 |

⁴ PDG will finalize the targets on the Net Promoter Score in 2022

5. Reporting & initiatives

5.1. Transparency and reporting

As a group, we strongly believe in the importance of being transparent about our sustainability initiatives. This sustainability report will provide transparency to our stakeholders and will be updated and published annually. It will explain the progress we made and suggest new initiatives or projects, which will contribute to the sustainability of the company. From 2022 onwards, progress on Scope 3 emission will be included as well in the annual sustainability report.

5.2. Sustainability initiatives

We have set out several initiatives regarding the material sustainability themes to improve our sustainability performance within the company.

In order to integrate these sustainability initiatives and policies in the future, we aim to appoint several sustainable project managers, who will be the main responsible persons to integrate our ambitions in a project-based manner, create realisable execution plans and meet our sustainability targets.

Our buildings (e.g. warehouses and offices) need to reduce their energy consumption and need to be compliant to the “Wet Milieubeheer⁵”. We will carry out energy audits for all locations and integrate the recommended reduction initiatives which are within our sphere of influence⁶.

We will engage with our outsourced logistics partners in order to measure a baseline for the carbon footprint within the transport of products. With that information, we will investigate the possibility of reducing emissions regarding logistics.

⁵ This is the most important Dutch environmental law.

⁶ As we rent all of our locations, this has to be discussed in close collaboration with the property owners.

6. Governance and policies

As a group we will progress on comprehensively integrating and implementing the following policies throughout our organization:

- Employee Code of Conduct
- Anti-bribery and corruption policy
- Whistleblowing policy
- Procurement policy (including sustainability criteria)
- HR policy
- Supplier Code of Conduct
- Privacy and data security policy
- Business travel policy
- Antitrust policy

7. About this report

The PDG sustainability report covers the financial year of 2021 (01.01.2021-31.12.2021). The data included represents the following companies: Powersports Distribution Group, Hoco Parts, DC Afam and CMS.

Baseline and targets are excluding Motovest Beheer BV. This company will be added in 2022.

This sustainability report highlights our view on sustainability and is the base for an action plan with initiatives for improvements.

The report is created in collaboration with the international consulting firm MJ Hudson, commissioned and approved by the management of PDG.