

# Sustainability Report 2022

## Powersports Distribution Group



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This sustainability report refers to the financial year 2022 (January 1<sup>st</sup> to December 31<sup>st</sup>).

## 1. A word from the management

Powersports Distribution Group (PDG) is on a mission to become a dominant force in the global distribution of motorcycle parts and accessories. At PDG we are fully dedicated to promoting sustainability because we strongly believe that sustainability is the future and a crucial element in achieving our ambitious goals. That's why PDG is determined to take a proactive stance on four sustainability priorities that are central to our vision:

- Reduction of energy use by measuring scope 1 and 2 GHG emissions
- Focus on employee wellbeing
- 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 proactive as an entrepreneur'.

We continue on our sustainability journey by publishing our second sustainability report that sets the pace towards the future and improvements that PDG envisages where 'sustainability is here to stay'.

Bryan Smaal

CEO & 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.

PDG is majority owned by Torqx Capital Partners in partnership with management and former owners.

### 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 the acquisition of B&C Express Ltd in November 2021. In 2022, we have successfully acquired the Hobbyist located in the Netherlands, bolstering our position in the motorcycle parts and accessories market in Europe and the United States.

This year we began, together with Hoco Parts Group, to purchase all assets of Direct Distribution in the UK. Direct Distribution is a well-known and established UK based wholesale distributor of motorcycle parts and accessories<sup>1</sup>.

The table below shows the net turnover in last years.

	2020	2021	2022
Reported net turnover (€ m)	44	70	124

*Table 1: Financial statistics PDG*

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<sup>1</sup> PDG news ([link](#))

### 2.3. Our people

PDG is run by our team composed of 240 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. We prioritize making our firm a great place to work. These issues are included in the Employees Code of Conduct.

### 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.

We are dedicated to embracing a more sustainable approach to have a bigger positive impact on society as well as continuing our mission to deliver top-shelf motorcycles to our clients.

### 3. The future of our 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. Carbon footprint management

Calculating carbon footprint is important especially in Europe as it enables climate goal alignment of the Paris agreement, policy development, carbon pricing mechanisms, reporting requirements compliance, and supports sustainability initiatives and corporate social responsibility. Additionally, upstream and downstream carbon footprint management is key as it allows for a comprehensive assessment of carbon emissions throughout the entire value chain, enabling identification of emission hotspots and implementation of effective reduction strategies.

#### 3.2. Disruptions in the supply chain

The supply chain crisis caused by the COVID-19 pandemic has led to disruptions in transportation, shortages of raw materials, and delays in delivery times. We mitigate these risks by increasing inventory levels, diversifying our supplier base, and investing in digital technologies. Collaboration with partners and suppliers to optimize supply chains and create contingency plans is also critical.

Following China's zero-Covid policy and its effect on the global supply chain, we have seen some of the consequences this can have on an operational and logistical level of our business. Some businesses are changing the way they operate in attempt to adapt to these supply chain disruptions. At PDG we work towards building strong relationships with our suppliers by evaluating risks and expanding our horizon for new suppliers ranging different geographical locations.

#### 3.3. 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.

Even though the vehicle electrification process is advancing at a faster pace, mainly thanks to its all-encompassing regulation, specific regulation directed at motorcycles solely, is growing at a slower pace. The future of electrification of motorbikes looks promising. With the increasing concern for the environment and the need for sustainable transportation, more and more people are turning to electric vehicles, including electric motorbikes.

### 3.4. 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.

### 3.5. 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 2022, in which we measured our carbon footprint<sup>2</sup> 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 have measured and will continue to monitor our Scope 1 & 2 carbon footprint<sup>1</sup> on an annual basis. We achieved this by implementing initiatives that reduce our gas and electricity consumption (e.g. smart sensors and LED lighting), generating on-site renewable energy (e.g. by acquiring solar panels), procuring GOs<sup>3</sup> and off-setting remaining footprint through renowned off-setting standards and projects. We aim for our Scope 1 & 2 to be in line with the Paris agreement reduction targets. PDG's commitment to reducing its environmental impact is the core to our strategy to become a more sustainable brand.

### 4.2. Performance management reviews

We care for our employees and that is why we will monitor the percentage of employees<sup>4</sup> 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.

### 4.3. Employee Net Promoter Score

As PDG aims to be the preferred employer in the industry, we will measure our employees' satisfaction by performing regular (anonymous) eNPS 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 started with a baseline study in 2022 and we will

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<sup>2</sup> PDG's direct and indirect emissions are calculated according to the Greenhouse Gas Protocol (GHG Protocol). This baseline includes the operational emissions due to our electricity and gas consumption within the offices and warehouses.

<sup>3</sup> Guarantee of Origin (GOs)

<sup>4</sup> Employees are all employees on the payroll per January 1st of the respective year



set targets to further improve the score over the following years.

#### 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:

## 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.

The Corporate Sustainability Reporting Directive (CSRD) is now directed at large listed companies to publish regular reports on their environmental and social impact activities. We expect this directive to transform in the next years, as it will become more ambitious and apply to our group as of 2026 in which we will have to report on FY25. PDG is expected to meet the criteria of the CSRD, as it fulfils two of the three requirements related to i) revenues and ii) FTEs. We aim to have a head start and prepare for this reporting framework in the following years to come.

### 5.2. Sustainability initiatives

#### PDG Group

For 2022, the holding company promoted better practices at the MCU warehouse, encompassing illumination, size considerations, and overall management in relation to health and safety. Additionally, we have launched a solar panel project for our office .

In order to integrate these sustainability initiatives and policies in the future, we aim to appoint sustainable project managers (including in our OpCo's), 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.

We will engage with our outsourced logistics partners 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. Looking ahead to 2023, the company plans to consider the development of an overarching ESG strategy as a HoldCo and continue with employee reviews.

#### AFAM GROUP

In 2022, the Afam Group dedicated its efforts to a wide range of endeavours, with notable advancements in the realms of energy, people, and wellbeing. Notably, the approval was granted for the forthcoming installation of solar panels on the roofs of our warehouses, scheduled to commence in 2023.

Furthermore, a progressive change was implemented to eventually substitute all combustion engine vehicles with hybrid or fully electric alternatives, as indicated in the updated travel policy. In the case of business travel, employees travelling from 300km to 800km need to consider public transport and for travel exceeding 800km airborne travel is required but with an offset action.

In an effort to enhance sustainability, the packaging for our Sprocket and Chain kits was revamped, transitioning from a combination of recycled plastic and cardboard to a 100% recycled cardboard solution. The company is also complying with European legislation by reducing the proportion of batteries with separate sulphuric acid containers. The effect of this is that it has a positive impact as it reduces packaging and transport cost between 25%-30% over an eight-year period.

In terms of prioritizing the needs of the workforce, new flexible working spaces, which include designated quiet rooms, meeting rooms, and standing desks were installed in the office. Other general improvements were made such as the inclusion of a coffee machine as well as ergonomic desks were introduced to the workplace. Additionally, Afam has undertaken a commitment to conduct annual employee assessments, aimed at monitoring the overall well-being of our employees in the workplace.

#### Hoco Parts

Hoco Parts has started to investigate the implementation of solar panels which, due to the local structure of the grid, has been paused until further notice. This has been a big step towards the willingness to improve the electricity footprint of the company. Hoco Parts has also included nine EV charging stations in the offices to support the transition towards using electric cars, which has increased in the last year. Hoco Parts has also switched to a renewable energy provider which allows for all Scope 2 emissions to be avoided.

On a social level, Hoco Parts prioritizes the well-being of the employees and their families. It nurtures a family-friendly environment and regularly organizes and hosts family fairs. The employee reviews help the company monitor how the employees are doing in the workplace. Hoco Parts has been able to review two suppliers on ESG criteria which marks an improvement towards a more responsible procurement management.

#### CMS

In the pursuit of improved sustainability and reduced carbon footprint, CMS has prioritized the upgrade of office lighting systems from conventional to LED lighting, representing an initial stride towards environmental impact reduction.

Looking ahead to 2023, various initiatives have been initiated, including the optimization of shipping volume through a new shipping proposition, the utilization of reused pallets for shipping, the introduction of a process to convert old cartons into packaging filling, the adoption of recycled filling products for additional needs, the incorporation of existing packaging from inbound shipments, the optimization of shipping volume through the utilization of different sizes of shipping cartons, and the employment of individuals with disabilities from colleges to promote inclusivity and diversity. These endeavours collectively demonstrate CMS' commitment to sustainable practices and social responsibility.

## MCU

This year, our building is undergoing improvements to upgrade its energy label from G to A. Ecocert provided the analysis and certification. The roof insulation above the office has already been enhanced, with a new layer placed above the existing roof in a light colour to maintain a cooler interior during summer. In the coming months, various other housing improvements are planned, including cavity wall insulation where possible, the installation of HR++ Glass and new frames for heat resistance at the front of the office, the implementation of sensor-steered LED lighting in the office and warehouse, the addition of twenty solar panels, and the introduction of a new air conditioning unit. These initiatives collectively contribute to our efforts in creating an energy-efficient and environmentally conscious building.

## MCS

In 2022, MSC successfully implemented full employee surveys on a yearly basis as part of their social initiatives. Looking ahead to 2023, several environmental measures are in progress or planned. These include the forthcoming closure of a UK warehouse, resulting in reduced transportation distance, Scope 3 emissions, and lower transport costs.

MSC is transitioning from flight freight to ship freight for shipments originating from the United States. Additionally, the company is initiating a streamlined process of dropshipping directly to customers, eliminating the need for intermediate warehousing. To support this, an IT system update is scheduled to enable direct dropshipping to clients.

Furthermore, MSC is optimizing products sourced from China by implementing direct packaging for customers, effectively reducing packaging waste. In terms of social endeavours, MSC is commencing a management onboarding process. These combined efforts showcase MSC's commitment to environmental sustainability and enhancing their social practices.

## 6. Looking forward

Our commitment to sustainability is not just a mere aspiration, but rather a priority. We firmly believe that by taking responsibility for our impact on the environment and society, we can create long-term value for our stakeholders and contribute to a more sustainable future for all.

Looking ahead, at PDG we aim to continue our sustainability journey and create even more value through our commitment to ESG factors. We recognize that ESG issues are critical to the long-term success of our business and to the well-being of our stakeholders, including customers, employees, investors, and the wider community.

In terms of governance, we are committed to maintaining the highest standards of transparency and accountability in our operations. We will continue to uphold strong corporate governance practices, prioritize the safety and security of our stakeholders, and ensure compliance with all applicable laws and regulations.

In summary, at PDG, we are dedicated to working towards a sustainable future and creating long-term value through our commitment to ESG. We believe that by continuing our sustainability journey, we can drive innovation, strengthen our relationships with stakeholders, and contribute to a better world for all.

## About this report

The PDG sustainability report covers the financial year of 2022 (January 1<sup>st</sup> to December 31<sup>st</sup>). The data included represents the following companies: Powersports Distribution Group, Hoco Parts, Afam, CMS, MCU, and MCS.

MCU and MCS were added to the baseline 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 ESG & Sustainability, commissioned and approved by the management of PDG.