SUSTAINABILITY REPORT

2022

BME

Together We Build

Trusted Partners – Close Proximity – Leading Scale – Sustainably Committed

CONTENTS

BME SUSTAINABILITY HIGHLIGHTS 2022

GROWING RESPONSIBLY

Ambition to reduce our environmental footprint and that of the world around us as we scale.

TOTAL CARBON EMISSIONS

74.3 kiloton

in 2022,
with the ambition to reduce
with 45% by 2030 vs 2021 baseline

scope 1
36.5 kiloton

scope 2
8.8 kiloton

scope 3
29.0 kiloton

Carbon emissions: The amount of greenhouse gases (primarily carbon dioxide) emitted by an individual, organization, product, or service, expressed as the equivalent amount of carbon dioxide emissions over a specified period.

ENABLING A SUSTAINABLE VALUE CHAIN

Ambition to create a more sustainable value chain from suppliers to end-users which will ultimately drive the transition towards a more sustainable building sector.

WORKING WITH SUSTAINABLE SUPPLIERS

57%
supplier spend signed renewed SCoC in 2022, with the ambition to increase to >90% in 2030

24%
supplier spend rated by EcoVadis in 2022, with the ambition to increase to >50% regularly rated by 2030

WORKING WITH SUSTAINABLE PRODUCTS

>90%
supplier spend in timber-based products is FSC/PEFC in 2022

28%
supplier spend in Tiles is Cradle-to-Cradle certified in 2022
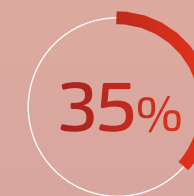
35%
supplier spend in Drylining & Insulation has lower footprint (LCA) in 2021

Ambition: 50% of spend in BME product portfolio from Sustainable products by 2030

SECURING A GREAT, FLEXIBLE AND SAFE PLACE TO WORK

Ambition to become an industry leader in terms of employee engagement and have zero accidents. We ensure a healthy, diverse and inclusive work environment.

19%
gender diversity in 2022, with the ambition to increase to 30% in 2030

0.72
frequency ratio of accidents in 2022, with the ambition to reduce by 50% by 2030 vs 2021 baseline

7.6
employee engagement score in 2021, with the ambition to increase to >8 by 2030

* Employee engagement measured every two years.

LETTER FROM THE CEO

I am pleased to present our first Sustainability Report for BME Group. Since the inception of our Group at the end of 2019, we have worked hard to set a challenging ambition for our environmental, social and governance ('ESG') performance for the mid-term and long-term. This enables us to start reporting on ESG and monitor the progress on the hard commitments as defined in our ESG roadmap, and our achievements so far.

As one of the largest and fastest growing distributors of building products in Europe, we have the obligation to take a leading role on all ESG related topics. In our daily operations we are continuously aiming to be the preferred partner for our customers and suppliers, and we strongly feel that our ambition on ESG will support us in achieving this goal.

The process to establish a clear strategy has shown us that it is the combination of all elements which will ultimately drive a sustainable improvement across the sector and lead to a greater success for our company. Not only our shareholders wish to understand our performance and progress with regards to ESG, it is actually all other key stakeholders (particularly, our customers, suppliers and employees) who are more and more interested and aware of the importance of playing an active role and getting this right.

To get this right, we take our role in the value chain as a distributor very seriously. Our approach is to primarily help our customers and secondarily, the end-users of our products to make more conscious decisions, with the aim to improve the sustainability of buildings and the building process. Simultaneously we steer on collaboration with suppliers who share the same values as we do, to create a "flywheel effect" to accelerate sustainable change together.

In the first three years of our existence, we have experienced quite some unusual turbulence in the world. Starting with an acceleration in the visible impact of climate change, COVID in 2020 and the war in Ukraine. All these events have impacted our business quite severely. We have seen disrupted supply chains, a strong inflation of our cost base and with that also an increasingly important push on energy efficiency. The EU Green Deal for instance is surely strongly supporting the reduction of the use of energy in buildings which is very relevant for us.

Across our markets, we observe more major trends which relate to our purpose and impact and which are in line with our Value Creation Model ('VCM'). Just to name a few: there is a significant backlog in renovation driven by energy efficiency improvements, a structural housing shortage in most markets and further consolidation of our market. We see an increasing demand for more sustainable building solutions either in the way we construct buildings and/or the materials which go into the buildings. As a consequence, our suppliers and customers are working hard in finding innovative solutions to contribute to this. Our role as a distributor is to ensure that we are able to offer a broad range of sustainable products to our customers. At the same time, we provide important services to our customers, giving them insight on the sustainability aspects of all our products and training them on how to install these products.

We are working hard to reduce emissions from our own operations where we have set an ambitious target to reach a 100% reduction in 2045. The focus for 2022 was on developing a roadmap of tangible improvement initiatives across our Operating Companies and we also aimed to create visibility on the impact of these initiatives, to gain confidence that BME is on the right path and trajectory to achieve its set targets. We expect to reap the first benefits of these Group-wide initiatives in 2023.

Our people are very important to us and are a key pillar within our ESG strategy. It is clearly in our DNA to have a strong Health & Safety culture, underpinned by our BME Health and Safety Compass Program. I am proud that we continue to make significant progress to raise the awareness and reduce our injuries across the Group. With more than 14.000 people across the Group now, it is critical that we focus our efforts to attracting, motivating and retaining our talented employee base. Therefore, our engagement scores are giving us a strong sense of whether we are moving into the right direction. On diversity and inclusion, I am proud that we have made significant steps forward by welcoming many colleagues with different nationalities within the Group, and have set targets on gender diversity for our Leadership Team. Of course, there is a lot more to achieve here and we realize that this is a journey which particularly in our sector is going to be challenging.

This first Sustainability Report shows our ESG promises and the results achieved by 2022. It is important for me to see that ESG is not just a report but that all elements of our ESG strategy become an integral part in the way we run our business and the way we work together within our organization.

I would like to thank all customers, suppliers, shareholders and BME employees for their strong commitment and passion in making us a better company.

Remco Teulings,
CEO BME

ABOUT BME

BME* is a leading and fast-growing business-to-business distributor for building products across Europe. Our customers – mainly small to medium sized contractors and installers – are primarily active in the new-build residential and renovation end-markets. We differentiate ourselves from our competitors through a history of growing trusted, well-known local brands whilst fostering local entrepreneurship.

Building a dense local branch network across eight countries and more than 920 locations (incl. offices) with close customer proximity has resulted in long-lasting and personal relationships with over 18,000 suppliers and more than 275,000 direct customers.

Our success is built on the deep knowledge, professionalism, and the "can-do" attitude of our more than 14,000 employees. They all deliver what our clients need, wherever and whenever they need it, every single day.

With sustainability at the heart of what we do and how we operate, we offer value-added products and services to our customers. These range from a one-stop-shop solution, multi-channel offering, sustainable products and services, to the use of our own modern distribution centres which secure effective and efficient delivery.

* BME refers to BME Group B.V. also called "the Group" or "the company" in this report.

12 BUILDING IN A CHANGING WORLD

14 KEY MARKET TRENDS

16 BECOMING A LEADING DRIVER OF SUSTAINABILITY

18 OUR VALUE CREATION MODEL

20 THE WAY WE DO BUSINESS

22 TOGETHER WE BUILD

23 OUR VALUES

24 OUR STAKEHOLDERS

BME AT A GLANCE 2022

THE NETHERLANDS
- BMN Bouwmaterialen
- Raab Karcher
- Galvano, Tegelgroep Nederland
- BME Bouwmaten*

GERMANY
- BAUKING
- SHK (Paulsen, Bergman & Franz, Detering)
- Hagebaumarkt*

SWITZERLAND
- BMS (Richner, Gétaz, Baubedarf, Reguscireco, Miauton)

FRANCE
- BME France (Raboni, Busca)

AUSTRIA
- Quester

SPAIN
- BME Spain (Isolana, La Especialista)

BELGIUM
- BMB Bouwmaterialen
- STG (Sax, Schrauwen, Lambrechts, Induscabel)

PORTUGAL
- Maxmat

*Franchisee

€5.5B
Revenue

20%
Revenue growth
2022 vs 2021

€452M
adjusted EBITDA

19%
adjusted EBITDA
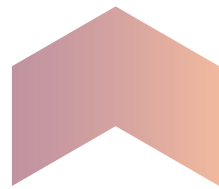growth 2022 vs 2021

>14,000
Employees
(total headcount)

>920
Locations
(incl. offices)

BUILDING IN A CHANGING WORLD

We live in a dynamic era, with economic, environmental and geopolitical developments affecting our everyday lives. Coming into people's homes, BME operates in the heart of society. We strive to continuously transform our business in response to these changes and be a leading driver of sustainability in our sector.

The markets we serve are directly influenced by several major trends. The megatrend towards a climate neutral economy is omnipresent. At the same time, there is a structural backlog in renovation of older buildings, an increasing shortage of (affordable) housing, and rising energy prices which are further pushing the demand for energy efficiency. This creates an industry-wide urgency for more planet-friendly products, solutions, and circular building practices.

There are also more regulations and public scrutiny on social topics such as diversity & inclusion and human rights in supply chains. On the other hand, the implementation of carbon tax on specific building products such as imported steel and cement is high on the regulatory environmental agenda. All these factors are increasingly putting pressure on our sector to advance on these important themes.

THERE IS A STRUCTURAL NEED FOR A TRANSITION TO A CLIMATE NEUTRAL ECONOMY AND BUILDING MORE SUSTAINABLY

DRIVEN BY OUR INTRINSIC MOTIVATION TO DO THE RIGHT THING BME STRIVES TO BE A LEADING DRIVER OF SUSTAINABILITY IN OUR SECTOR

BUILDING IN A CHANGING WORLD: KEY MARKET TRENDS

TRANSITION TO A CLIMATE NEUTRAL ECONOMY

ABOUT THIS TREND

The building sector is critically important to reducing Greenhouse Gas ('GHG')* emissions, and sustainability is expected to be at the forefront of the industry's agenda going forward. Key trends include: (i) significant regulatory focus, (ii) consumer focus on sustainability and (iii) cost savings from energy reduction targets.

As a result of this focus on sustainability, demand for energy-efficient renovation and sustainable buildings is expected to grow significantly.

HOW DOES BME RESPOND?

BME has the goal to accelerate sustainability and responsible business practices in its sector and across its value chain by 1) focusing on reduction of its environmental footprint by striving to eliminate carbon emissions and waste in our controlled operations, and 2) enabling a more sustainable value chain from suppliers to end-users, by sharing our know-how on sustainable building products and solutions, and circular building practices.

AGEING HOUSING STOCK & BACKLOG IN RENOVATION

ABOUT THIS TREND

The European building stock is one of the oldest with some 75% of the residential housing built before 1990 and being energy inefficient. Therefore, the European Commission believes that the current renovation rates will at least need to double to meet EU climate and energy objectives of becoming climate-neutral by 2050.

HOW DOES BME RESPOND?

Thanks to its scale and position in key European markets, and large assortment of products, BME is well-positioned to respond to the expected rising demand for building products for new constructions and (energy efficient) renovations.

HOUSING SHORTAGE AND POPULATION GROWTH

ABOUT THIS TREND

Additionally, the European housing market faces structural housing supply constraints due to population growth, shortage of land for housing development, stricter building regulations, increasingly regulated renting and subletting markets, and shrinking size of households (e.g. decline in average family size and increase in single-person housing demand).

CONSOLIDATION OF THE MARKET

ABOUT THIS TREND

Historically, the building products distribution market has been highly fragmented with the top five players holding a share of only between 15% and 20% of the relevant market, followed by a fragmented long tail of small and local distributors.

HOW DOES BME RESPOND?

Due to the nature of our sector, scale is perceived as a key differentiating factor. As one of the large profitable players in the market, BME continues to execute the strategy to lead the consolidation to the market. Given BME's strong market positions in several countries, BME has scale that allows to build deeper relationships with suppliers and customers, and to attract and/or retain skilled personnel. All this enables to drive sustainable profitable growth by sharing know-how and best practices internally, have a more efficient usage of assets, and increase investments in initiatives to improve the sustainability of operations and product portfolio.

GLOBAL SUPPLY CHAIN CONTINUITY

ABOUT THIS TREND

Developments in the last two years (such as the war in Ukraine and the Covid-pandemic) have shown that supply chain continuity is of importance for our industry. Failing to deliver building products to key customers, can result in revenue loss, brand damage and loss of market share for BME.

HOW DOES BME RESPOND?

BME holds a leading market position and as such has built important relationships with a diversified global network of over 18,000 suppliers, and many other leading manufacturers of building products. This allows BME to source and deliver what clients need, wherever and whenever they need it, in a responsible way as they source nearby and increase the efficiency of international sourcing.

PUSH FOR LABOR MARKET BALANCE

ABOUT THIS TREND

A global workforce shortage and remote working make employees reconsider their priorities. Failing to succeed in attracting, developing and retaining diverse and talented people and leaders with the required capabilities, may jeopardize BME's ability to execute its strategy and achieve financial and ESG targets.

HOW DOES BME RESPOND?

BME has developed a people strategy and employee journey to ensure that they put the right people in the right position at the right time to deliver what it takes to achieve and accelerate our plans. BME creates a great, flexible and safe place to work, builds an inclusive workplace with a workforce which is a fair representation of the markets in which they operate, and invests in people to further develop them.

---

* The European Environment Agency considers six greenhouse gases as defined in the Kyoto Protocol: carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

BECOMING A LEADING DRIVER OF SUSTAINABILITY

BME strives to become a leading driver of sustainability in the building sector by further aligning our business strategy and operations to the major trends that are influencing our key markets. We integrate strong Environmental, Social and Governance ('ESG') priorities in our strategic pillars and in our enablers. Ultimately, we expect this to result in long term value creation* for our stakeholders based on three focus areas:

1. GROWING RESPONSIBLY

We accelerate responsible business practices in our sector and across our value chain thanks to our increasing scale which allows us to grow profitably. This puts us in a position to drive sustainability in our own company as well as in the world around us. Internally, we focus on reduction of our environmental footprint by eliminating carbon emissions and waste in our controlled operations. Externally, we influence other key stakeholders (customers, suppliers and competitors) to focus on improving the sustainability of their businesses by leading by example, and acting in a responsible and ethical manner.

WE CONTRIBUTE TO MORE AFFORDABLE, COMFORTABLE, AND SUSTAINABLE HOUSING THANKS TO OUR INNOVATIVE BUILDING PRACTICES AND SUSTAINABLE PRODUCTS

* Visualization of our value creation is shown on page 18-19

2. ENABLING A SUSTAINABLE VALUE CHAIN

We contribute to more affordable, comfortable, and sustainable housing by sharing our deep knowledge on innovative building practices and the use of sustainable products, inspiring others to do the same. This leads to the creation of a more sustainable value chain from suppliers to end-users which will ultimately drive the transition towards a more sustainable building sector. We achieve this by:

- Working with suppliers who share the same values to adopt and uphold sustainable norms and practices in our value chain;
- Supporting suppliers by creating transparency on the environmental footprint and impact of building products, enabling them to improve the sustainability of their products;
- Supporting customers to build in more sustainable ways, by (1) offering a relevant and broad range of sustainable products, (2) advising customers on how to build in a more sustainable way, with a lower environmental footprint.

3. SECURING A GREAT, FLEXIBLE AND SAFE PLACE TO WORK

We create an inspiring and safe place to work and aim for a positive employee journey for our more than 14,000 employees. With the ambition to become an industry leader in terms of employee engagement and have zero work accidents, we ensure a healthy, diverse and inclusive work environment. Employees can develop themselves and work with passion, delivering the best experience for our customers and suppliers every day.
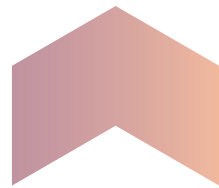
On the next page you will find our Value Creation Model, aligning these focus areas with the global Sustainable Development Goals ('SDGs'). The second chapter of this report will take you through our strategy and approach to ESG, and the results we have achieved so far.

VALUE CREATION MODEL

OUR ASSETS

OUR PEOPLE

- 14,000+ employees
- Our well-trained and experienced staff, providing expert advice

OUR PRESENCE

- Long history with strong brands and local entrepreneurship
- Serving customers nearby through a network of 920+ locations
- Long-lasting, personal relationships with 18,000+ suppliers and 275,000+ customers

OUR SERVICES

- One-stop-shop
- Sustainable products & services
- Private label offering
- Omnichannel digital capabilities
- Modern distribution centers secure optimized delivery

OUR FINANCIAL POSITION

- Solid financial basis
- Diversified portfolio across eight countries
- Well invested assets

TOGETHER WE BUILD

OUR STRATEGY

We strive to offer added value and innovative solutions to our customers, whilst delivering our proposition in a more consistent, more sustainable and superior way, compared to our competitors.

EMPLOYEES

LEGISLATORS

CUSTOMERS

TOGETHER, WE DELIVER THE BEST EXPERIENCE FOR OUR CUSTOMERS, OUR SUPPLIERS & OUR PEOPLE

INVESTORS

SUPPLIERS

COMMUNITIES

OUR VALUES

DARE

CARE

DO IT

BE REAL

WIN TOGETHER

THE VALUE WE CREATE

GROWING RESPONSIBLY

We drive sustainability in our company as well as in the world around us thanks to our increasing scale. Internally, we focus on reduction of our environmental footprint by eliminating carbon emissions and waste in our controlled operations. Externally, we influence other key stakeholders to focus on improving the sustainability of their businesses by leading by example and acting in a responsible and ethical manner.

ENABLING A SUSTAINABLE VALUE CHAIN

We enable the creation of a more sustainable value chain from suppliers to end-users which will ultimately drive the transition towards a more sustainable building sector by:

- Working with suppliers who share the same values to adopt and uphold sustainable norms and practices in our value chain;
- Supporting suppliers by creating transparency on the environmental footprint and impact of building products, enabling them to improve the sustainability of their products;
- Supporting customers to build in more sustainable ways, by (1) offering a relevant and broad range of sustainable products, (2) advising customers on how to build in a more sustainable way, with a lower environmental footprint.

SECURING A GREAT, FLEXIBLE AND SAFE PLACE TO WORK

We create an inspiring and safe place to work for our more than 14,000 employees. With the ambition to become an industry leader in terms of employee engagement and have zero accidents, we ensure a healthy and diverse and inclusive work environment. Where employees can develop themselves and work with passion.

THE IMPACT WE MAKE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

Accelerated sustainable and responsible business practices in our sector and value chain

11 SUSTAINABLE CITIES AND COMMUNITIES

More affordable, comfortable and sustainable housing realized by our innovative building practices and products, while mitigating climate change

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

An inspiring and safe place to work and a great employee journey to all our people, everyday

| MEGA TRENDS | TRANSITION TO A CLIMATE NEUTRAL ECONOMY | DEMAND FOR MORE SUSTAINABLE BUILDING SOLUTIONS AND ENERGY EFFICIENCY | INCREASING AND ONGOING HOUSING SHORTAGE | BACKLOG IN RENOVATION | CONSOLIDATION OF THE MARKET | LABOR MARKET BALANCE |

THE WAY WE DO BUSINESS

As a European distributor of significant size, BME is a vital intermediary in the fragmented building products distribution market, providing over 18,000 suppliers with efficient access to our large and diverse customer base of >275,000 customers.

SPECIALIST KNOWLEDGE

In addition to our strong customer relationships, our specialist knowledge is one of the pillars of our success. We empower our people to make decisions to deliver the best outcome in the long run, together with our suppliers and our customers.

BENEFITS OF SCALE

As one of the largest distribution companies for building products in Europe, we combine scale, geographic reach and density across our distribution network in the countries/regions, with scope, breadth and depth of our product and service offering. We hold leading national and regional market positions, including number one positions in the Netherlands, in Northern Germany, Flanders (Belgium) and Switzerland, and number two positions in Austria, Portugal, Île-de-France (France) and Spain. Our scale enables us to create additional value through aggregating procurement spend, attracting talent and functional expertise, as well as making strategic investments in digitization enhancing efficiency and effectiveness across our operations.

SUSTAINABILITY FOCUS

Sustainability is an increasingly important area of focus for us. We aim to grow the stake of sustainable products in our portfolio. Additionally, we offer advice and training on making more sustainable choices, as well as waste collection services (e.g. collecting the post-installation waste from customer building sites for recycling purposes). In doing so, we motivate our suppliers to increase their focus on innovation of sustainable products, and our customers to work in a more sustainable manner.
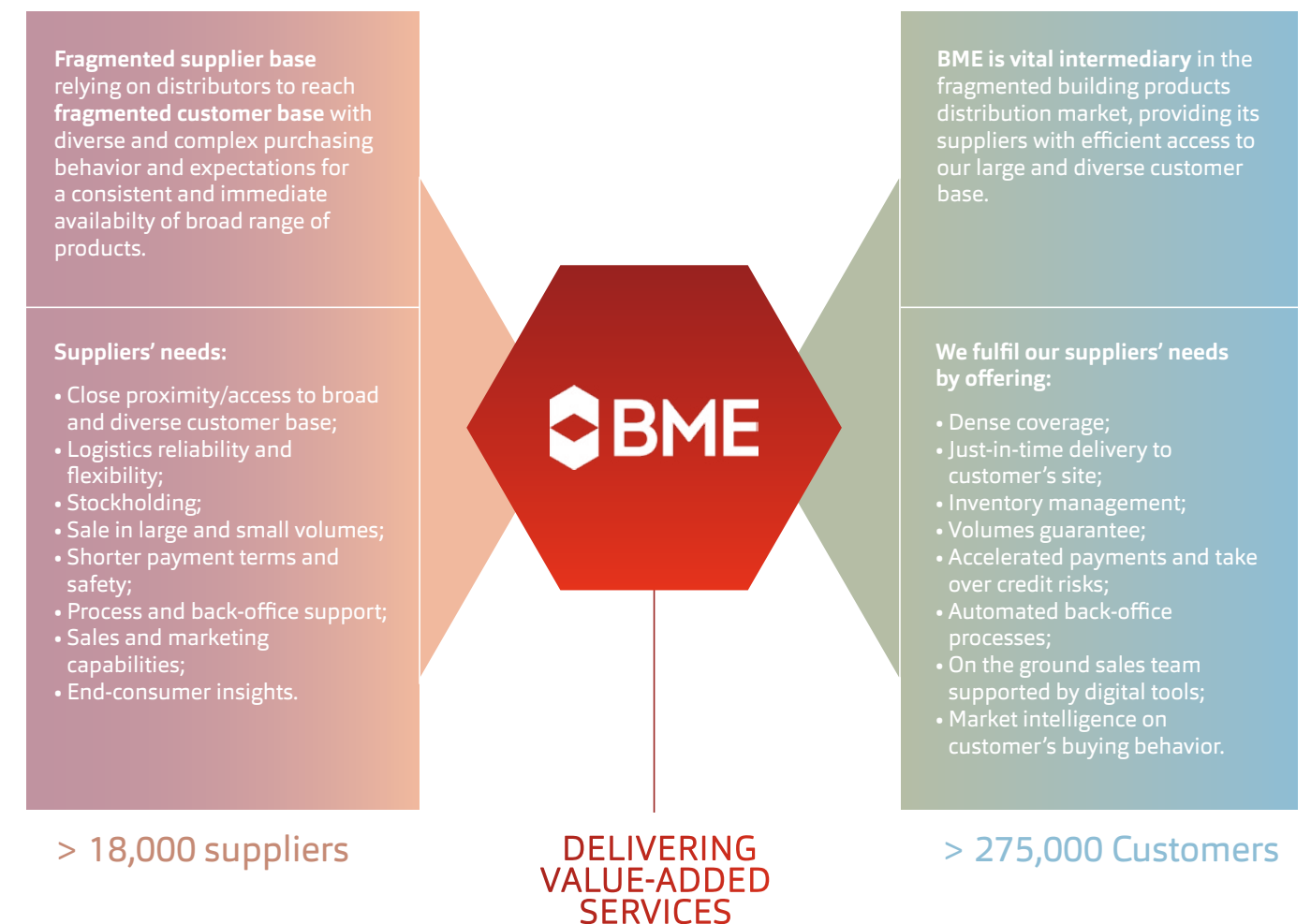
SUSTAINABILITY IS AN INCREASING AREA OF OUR STRATEGIC FOCUS

PRESENCE AND INFRASTRUCTURE

Our scale, reach, capabilities and track record have enabled us to develop strong relationships with suppliers who rely on BME for the cost-efficient distribution of their products to a significant and diverse customer base. In addition, our suppliers benefit from our sales force, our local brand reputation and network of branches with local market intelligence. These value-added services are supported by our digital infrastructure, which encompasses smart tools relating to footprint optimization (to ensure right level of proximity to customers), procurement and pricing (to secure fair pricing and conditions), inventory management (to ensure right level of availability of products) as well as transportation management (to ensure swift and correct deliveries).

EXTENSIVE NETWORK

Our operations include an extensive distribution network of more than 700 branches and pick-up locations and 80 Cash and Carry stores. These provide our customers with the ability to directly collect products as well as have them delivered in as little as three hours' notice from over 40 (regional/national) distribution centres. Additionally, we have more than 100 showrooms featuring an inspirational shopping area and offering access to sales representatives, who provide advice, technical support and other value-added services to our customers.

Fragmented supplier base relying on distributors to reach **fragmented customer base** with diverse and complex purchasing behavior and expectations for a consistent and immediate availability of broad range of products.

Suppliers' needs:
- Close proximity/access to broad and diverse customer base;
- Logistics reliability and flexibility;
- Stockholding;
- Sale in large and small volumes;
- Shorter payment terms and safety;
- Process and back-office support;
- Sales and marketing capabilities;
- End-consumer insights.

BME is vital intermediary in the fragmented building products distribution market, providing its suppliers with efficient access to our large and diverse customer base.

We fulfil our suppliers' needs by offering:
- Dense coverage;
- Just-in-time delivery to customer's site;
- Inventory management;
- Volumes guarantee;
- Accelerated payments and take over credit risks;
- Automated back-office processes;
- On the ground sales team supported by digital tools;
- Market intelligence on customer's buying behavior.

> 18,000 suppliers

DELIVERING VALUE-ADDED SERVICES

> 275,000 Customers

TOGETHER WE BUILD

Our strategic framework – Together We Build – and its six pillars are the basis of our strong track record and enables our continuous responsible growth.

COMMERCIAL EXCELLENCE

Commercial Excellence initiatives aim to design and deliver commercial best practices that maximize revenue growth and enhance our competitive advantage. These initiatives are mainly relating to Pricing, Sales Force Effectiveness, Category Expansion, Sustainable Products, Private Label development, and e-commerce.

PROCUREMENT

Procurement initiatives aim to optimize cost-effective sourcing of product and non-product related spend across our Operating Companies by leveraging the scale of our Group. The initiatives are mainly linked to driving for Supplier Concentration and Assortment Harmonization. Furthermore, our procurement teams are leading the building of our sustainable value chain thanks to their close relationship with our suppliers.

SUPPLY CHAIN

Supply Chain initiatives enable effective and efficient transportation and warehousing, optimizing inventory levels and developing service-delivery-centric solutions. These initiatives mainly relate to the optimization of our (central) warehousing, transportation/fleet, inventory, and reduction of carbon emissions from our operations.

FORMAT, FOOTPRINT, AND REAL ESTATE

Format, Footprint and Real Estate initiatives focus on optimizing our existing branch network, opening of new greenfield branches, innovating on formats adapted to changing customer needs and lastly, on optimizing and making our real estate portfolio more sustainable.

ORGANIZATIONAL EFFICIENCY

Organizational Efficiency initiatives aim to streamline the organization and its processes while increasing the capabilities of our Operating Companies to deliver products and services more efficiently. These initiatives mainly relate to optimizing our back-office processes, often supported by digitization.

FOCUSED GROWTH

Focused Growth is the result of our Together We Build plan. It is the link to our ambition to accelerate growth by making targeted acquisitions to complement and strengthen our existing market position and businesses across our current geographies or expand selectively to attractive new geographies.

STRATEGIC ENABLERS

Our Together We Build strategic framework is underpinned by the following enablers:

- **Finance** supports our Operating Companies and Functional pillars in delivering our strategic goals with market standard reporting, management information & forecasting and support on tax, treasury, legal and internal audit, whilst maintaining compliance.
- **People** initiatives aim to build a high performing organization while delivering the best experience for our customers, suppliers and our own people. Together we develop and attract the best-in-class employees to accelerate and drive up performance.
- **Digitization and IT** initiatives leverage the development of state of the art technology to improve our customer, supplier and employee experience and to operate more efficiently. Whether by modernising our ERP systems, by offering our customers an omnichannel experience with an eCommerce platform or digital showroom or through a Track&Trace solution for delivered goods.
- **ESG** focused themes guide us in our ambition to become the leading driver of sustainability in our sector. We fundamentally care about the environment in which we work and live and we have selected several areas where we can create the biggest impact. These include carbon emissions and waste reduction; sustainable products; diversity and inclusion; health and safety; employee engagement; value chain responsibility and organizational integrity.

OUR VALUES

Our shared values give us direction and shared ways of working in everything we do.

DARE

We consciously challenge the way things are. We approach work with an open mind. We actively look for (business) opportunities and take calculated risk. We drive change with a positive approach.

CARE

We respect and take care of people. We notice and act on signals given by colleagues, the organization, our communities and the environment; we build lasting relationships and keep each other safe.

DO IT

We drive towards top (business) performance with high integrity. We act now, push ourselves to beat goals and over-achieve. We look beyond the obvious. We love what we do and show our engagement.

BE REAL

We do what we commit to. We are honest and forthright. We take our fair share of the workload. We take responsibility for our own mistakes. We maintain a reputation of authenticity, fairness and reliability.

WIN TOGETHER

We engage with others to create partnerships. We do not "give in" but compromise appropriately for results. We trust and build on each other's talents. We embrace diversity and champion inclusive communication.

OUR STAKEHOLDERS
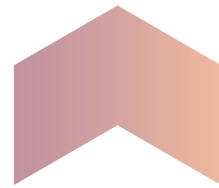
Our stakeholders play an important role in the way we work. We work together with them to create value, and we deliver value for them through our Together We Build strategic plan.

As an intermediary in the building products distribution market across Europe, we have a broad group of stakeholders including over 18,000 suppliers, over 275,000 direct customers, and more than 14,000 employees, who are the heart of our company.

We also always keep in mind the interests of the end-consumers who live in the houses built or renovated with our products and the communities in which they are situated.
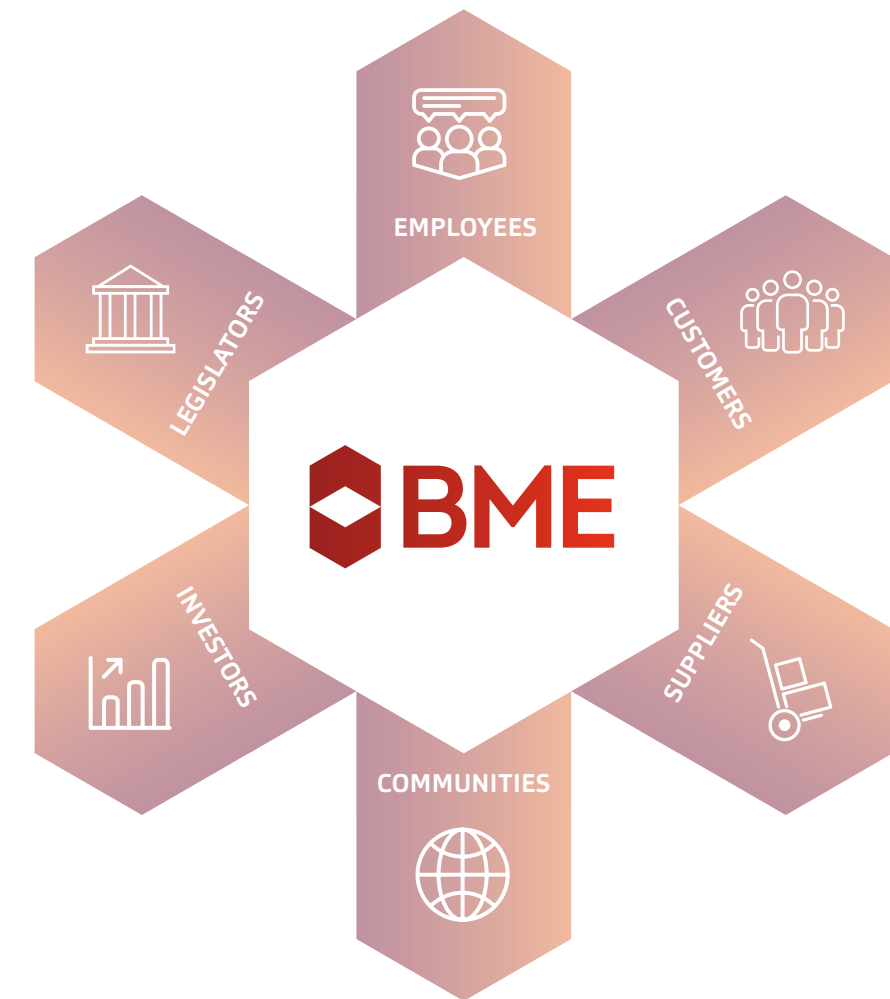
EMPLOYEES

Our people are at the heart of what we do. They are an internal driver to improve our ESG performance and actively create value in our sector.

As an employer, we create value for our employees by securing a great, flexible and safe place to work by focussing on the following themes: Employee engagement, Diversity & Inclusion, Health & Safety, Well-being, and Ethics & Compliance.

CUSTOMERS

We always put our customers first. Our dense local branch network enables us to provide close proximity, best service, and access to an increasing portfolio of sustainable products. This creates value and opportunities for our direct customers such as contractors and installers, and enables our indirect customers (e.g. property developers, architects, contractors and real estate investors) to build more sustainably.

SUPPLIERS

BME has strong and lasting partnerships with over 18,000 suppliers. Many of these suppliers have already adopted strong ESG policies, and have reporting standards in place. We expect that all of our suppliers uphold our Supplier Code of Conduct and in turn we uphold high norms and ethical behavior in our value chain. This creates an open dialogue, allowing us all to accelerate sustainable change across the building sector.

INVESTORS

We create value together with and for our shareholders and lenders in terms of financial growth and make sure that we disclose ESG related information.

LEGISLATORS

European legislation increasingly demands disclosure of non-financial values, and we ensure we are compliant with important relevant regulations such as the CSRD, CSDD and the EU Taxonomy, among others, when they come into effect.

COMMUNITIES

Through leveraging our scale and role in the value chain, we can have a substantial impact on communities by enabling people to build in a more sustainable and affordable way.

CASE STUDY

DELIVERING ADDED-VALUE
TO OUR CUSTOMERS, EVERY DAY

OUR CUSTOMERS AND THEIR NEEDS

BME has a fragmented market with more than 275,000 small and medium-sized customers ('SMEs'), mainly contractors and installers active in the residential and renovation end-markets.

Traditionally, they need:

- a one-stop-shop with consistent and immediate availability of products;
- just-in-time delivery;
- close proximity to collect products;
- competitive price;
- attractive payment terms.

Additionally, new more complex expectations are arising, such as:

- technical advice and expertise;
- sustainable building solutions and services and advice;
- omni-channel experience.

BME'S ADDED-VALUE OFFER OF PRODUCTS AND SERVICES

BME meets its customers' needs by offering:

- a broad and deep range of over 1 million products, including sustainable solutions and services;
- a high-density network including local branches for collection, as well as delivery on time and location as specified by the customer;
- cost-efficient sourcing and volumes thanks to our centralized procurement.

Our offer is continuously enhanced by:

- Short-term credit facilities for customers;
- In-house technical experts;
- Sustainability focused products, carbon efficient delivery, and waste management services;
- Digital showroom, customer portal and quotation app.

TOGETHER WE BUILD SUSTAINABLY

Owning one of the largest building products distribution platforms in Europe puts BME in a unique position to leverage its scale and drive more sustainable and responsible business practices across its entire value chain.

With the ultimate ambition to become a leading driver of sustainability in the building sector, we created our ESG Roadmap based on three areas of focus:

• Growing responsibly
• Enabling a sustainable value chain
• Securing a great and safe place to work

To define our ESG vision and prioritized themes, we conducted an extensive value chain analysis to assess where we could make the biggest impact, benchmarking ourselves within the sector. We also carried out stakeholder interviews with BME employees, customers, suppliers, and investors (see more information in Appendix). Finally, we aligned our strategies and ambitions to the Global Sustainable Development Goals ('SDGs') and the European Union Sustainability Agenda (e.g. EU Green Deal).

In our ESG roadmap (see page 30), we outline our ambitions on the most important topics, the targets we have set, and how we plan to achieve them.

OUR PERFORMANCE IN 2022

ESG ROADMAP — 30

GROWING RESPONSIBLY — 32

ENABLING A SUSTAINABLE VALUE CHAIN — 44

SECURING A GREAT AND SAFE PLACE TO WORK — 52

BME ESG ROADMAP

ACCELERATED SUSTAINABLE AND RESPONSIBLE BUSINESS PRACTICES IN OUR SECTOR AND VALUE CHAIN
(SDG 12 Responsible Consumption and Production; SDG 13 Climate Action)

MORE AFFORDABLE, COMFORTABLE AND SUSTAINABLE HOUSING REALIZED BY OUR INNOVATIVE BUILDING PRACTICES AND PRODUCTS, WHILE MITIGATING CLIMATE CHANGE
(SDG 11 Sustainable Cities and Communities)

AN INSPIRING AND SAFE PLACE TO WORK AND A GREAT EMPLOYEE JOURNEY TO ALL OUR PEOPLE, EVERYDAY
(SDG 5 Gender Equality; SDG 8 Decent Work and Economic Growth)

	CARBON EMISSIONS	INTEGRITY		SUSTAINABLE PRODUCTS	EMPLOYEE ENGAGEMENT	DIVERSITY & INCLUSION	HEALTH & SAFETY
2025 SHORT-TERM TARGETS	› **25%** Reduction in emissions in controlled operations vs 2021	› **90%** of employees are periodically trained in CoBC; › **75%** of all employees report being familiar with the whistleblower procedures and feeling free to report	› **75%** of supplier spend signed SCoC and › **50%** periodically audited by Ecovadis, or equivalent	**25%** of spend from sustainable products	› **7.5** Employee Engagement score	**20%** of leadership[1] is diverse[2]	**40%** Reduction in frequency ratio of accidents vs 2021
A SELECTION OF OUR INITIATIVES TO ACHIEVE THOSE	• Energy consumption reduction initiatives in real estate, and switch to renewable electricity and bio-fuel • Fleet renewal and transport efficiency improvement	• Roll-out organization wide, and supplier-wide programs, communications and trainings (e.g. e-learnings on CoBC, collaboration with EcoVadis on SCoC compliance) • Monitor and continuously improve the efficiency and effectiveness of programs		• Create transparency on environmental impact and footprint of our portfolio • Optimize portfolio and increase the number of sustainable products, in line with our definition • Provide sustainable product and building advice and benchmarking	• Install strong performance management and talent review processes • Offer personal development programs • Provide at- and above labor conditions	• Deliver training on unconscious bias to all people managers • Roll out Group-wide "targeted recruitment" • Work and lead through our Values	• Set up a Group-wide H&S framework • Launch targeted H&S interactions to educate and train employees • Build a culture that promotes H&S
2030 MEDIUM-TERM TARGETS	**45%** Reduction in emissions in controlled operations vs 2021	› **90%** of employees are periodically trained in CoBC; › **85%** of all employees report being familiar with the whistleblower procedures and feeling free to report	› **90%** of supplier spend signed SCoC and › **50%** periodically audited by Ecovadis, or equivalent	**50%** of spend from sustainable products	› **8** Employee engagement score	**30%** of leadership[1] is diverse[2]	**50%** Reduction in frequency ratio of accidents vs 2021
2045 LONG-TERM AMBITIONS	**FULL** Reduction in emissions in controlled operations vs 2021	**ALL** All employees adhere to CoBC, know how to report issues and feel encouraged to act responsibly	**ZERO** Zero tolerance policy towards SCoC violations	**INDUSTRY LEADER IN OFFERING AND SELLING SUSTAINABLE PRODUCTS & SERVICES**	**EMPLOYER OF CHOICE** BME is the employer of choice in its sector	**FAIR REPRESENTATION** BME Leadership team and applicant pools are a fair reflection of diversity in local communities	**ZERO** Zero accidents

1. Leadership refers to Extended Executive Management Team and their local Management /Leadership Teams
2. Diverse in terms of gender

GROWING RESPONSIBLY

BME aims to be a catalyst for a more sustainable building sector and accelerate sustainable and responsible business practices in the value chain by actively advising and motivating its stakeholders to build in a more responsible and environmentally friendly way. This can only be done when we lead by example by focusing on:

- **Growing continuously**
  Our increasing size and profitable growth help us to drive sustainability within our company and across the sector.

- **Reducing carbon emissions and waste in our controlled operations**
  Initiatives to reduce our environmental footprint to support our long-term net zero ambition in our controlled operations.

- **Acting in a responsible and ethical manner**
  Rolling out our Code of Business Conduct helps us establish a culture of zero tolerance towards violations of our values and principles.
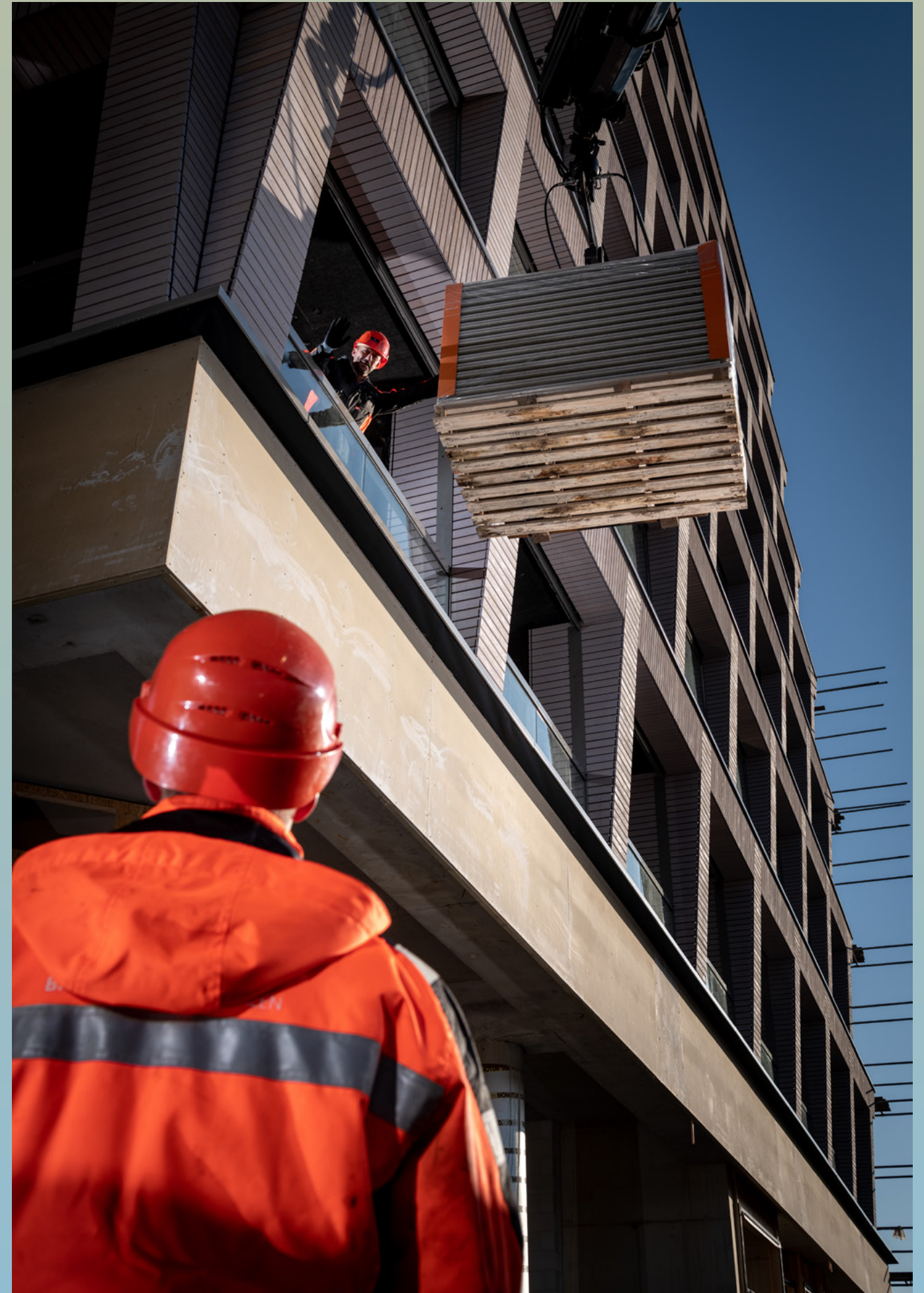
GROWING CONTINUOUSLY

Since 2019, BME has been refining its strategy to unlock value from strategic initiatives and by accelerating its M&A activities, establishing itself as the natural consolidator in its markets. We have completed 23 acquisitions in the last three years. Additionally, our revenues increased from € 3.8 billion* in 2019 to € 5.5 billion in 2022, and 20% revenue growth between 2021-2022. While adjusted EBITDA growth was 19% between 2021 and 2022, totaling € 452 million (compared to € 258 million* in 2019).

Our scale enables us to operate more efficiently, cost-effectively, and sustainably. This translates into increased investment opportunities in solutions that improve customer service and reduce carbon emissions. For example, we continuously increase the density of our branch network, improve the format of branches and our warehousing capacity and invest in making these more energy efficient. Also, the more we grow, the more we can invest to build a responsible supply chain together with our suppliers, increase the use of more sustainable products and practices across our sector and offer more people a great, flexible and safe place to work.

Lastly, we use every opportunity to share and scale best practices across BME Group and Operating Companies, and offer our employees an ethical, diverse and inclusive work environment, thus safekeeping their well-being and engagement.

THE MORE WE GROW, THE MORE WE CAN INVEST TO BUILD A RESPONSIBLE SUPPLY CHAIN TOGETHER WITH OUR SUPPLIERS

BME Revenue in €M from 2019-2022

Year	Revenue
2022	€ 5,465
2021	€ 4,550
2020	€ 3,887
2019*	€ 3,761

BME adjusted EBITDA in €M from 2019 - 2022

Year	EBITDA
2022	€ 452
2021	€ 381
2020	€ 284
2019*	€ 258
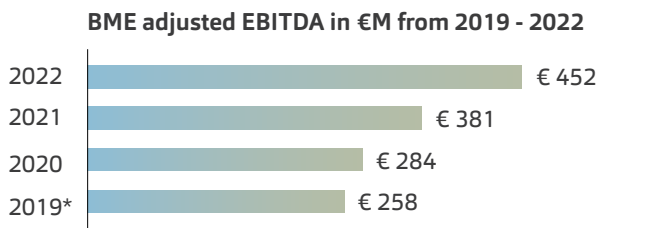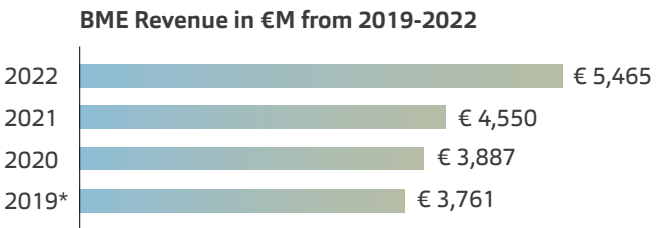
Timeline acquisitions

2020		2021		2022	
Acquisition	Country	Acquisition	Country	Acquisition	Country
Detering	Germany	Mahler	Germany	Heinrich Fliesenmarkt	Germany
Amiens branch	France	BMV	Spain	Induscabel	Belgium
		BMDNL	Netherlands	Mager	France
		Planas-dis Girona	Spain	Nelemans	Netherlands
		Maxmat	Portugal	UMHS	France
		Silix	France	Villar MC	Spain
		De Jong & Roos	Netherlands	Rollwitzer	Germany
		Cronrath	Germany	Home carrelage	France
		Yesyforma	Spain	GBI Jacob Bakker	Netherlands
		BMB Aartselaar	Belgium	Bouwpunt van der Gucht	Belgium
				BVP	France

* Please note: BME was carved out in November 2019. 2019 numbers are unaudited.

REDUCING CARBON EMISSIONS AND WASTE IN OUR CONTROLLED OPERATIONS

As a leading B2B distributor of building products with more than 920 locations (incl. offices) across eight countries in Europe, and a large fleet of owned and leased vehicles, we have a responsibility to run our operations in an efficient and sustainable manner. We have set ourselves ambitious goals to reduce the impact of our own operations, as listed out per scope below, and we aim for a 25% reduction of carbon emissions in 2025, 45% reduction in 2030 and 100% reduction in 2045 versus a baseline performance in 2021.

CARBON EMISSIONS AMBITION
Reduction vs 2021 baseline

25% 2025

45% 2030
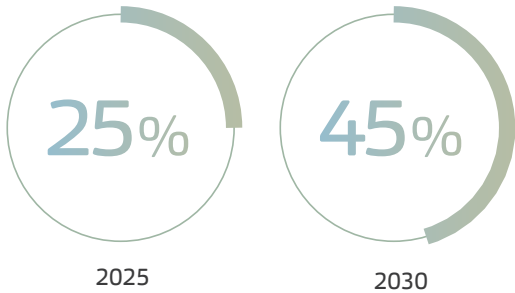
In 2021 we developed an overall ESG strategy, with carbon emission reduction as a key component of BME's improvement roadmap. In that year the focus was on understanding our baseline performance, the key drivers of our footprint and identification of potential improvement areas. Consequently, we set up the

guardrails to measure progress on carbon footprint and to get the necessary insight into where we can improve, at what pace and how we can monitor progress against set targets.

The focus for 2022 was on developing a roadmap of tangible improvement initiatives across our Operating Companies with initial visibility on the impact of these initiatives, to gain confidence that BME is on the right trajectory to achieve its set targets. We expect the majority of the benefits of these Group-wide initiatives to pay off from 2023 onwards. Specifically, from 2021 to 2022 BME Group's carbon emissions decreased from 76.2 kilotons CO₂ to 74.3 kilotons CO₂, a decrease of 2.5%. In the same period, our carbon intensity (kg CO₂ per €K revenue) reduced from 18.6 to 17.0. These exclude carbon emissions from acquisitions completed in 2021 and 2022. There were multiple effects at the core of our carbon emissions increase. Firstly, COVID lockdown measures and travel bans in 2021 suppressed our carbon emissions in that year, through limited to no business travel. In 2022, operations and business travel normalized. Carbon emissions from employee commute remained relatively flat from 2021 to 2022. The majority of our locations remained open during lockdown measures. Any increase in commuting due to lockdown lifts was offset by a minor decrease in headcount in our organizations (excl. acquired businesses in 2021-2022). In addition, since COVID, BME customers are

Carbon emissions by scope (kilotons CO₂)	2021	2022
Scope 1 owned and leased freight logistics (vans / trucks / forklifts); owned and leased buildings; volatile substances	37.8 kilotons	36.5 kilotons
Scope 2 purchased electricity consumption in BME's owned or controlled equipment/operations	9.5 kilotons	8.8 kilotons
Scope 3 emissions in the value chain: business travel, employee commuting, and outsourced logistics	28.9 kilotons	29.0 kilotons

* Greenhouse gas emissions are reported in line with the GHG Protocol. BME Group's carbon emissions are calculated for our operations - for a detailed perspective in scope see the Appendix.

BME CO₂ EMISSIONS DECREASED (-2.5%) WITH EFFICIENCIES OFFSETTING INCREASE FROM COVID & GREENFIELDS
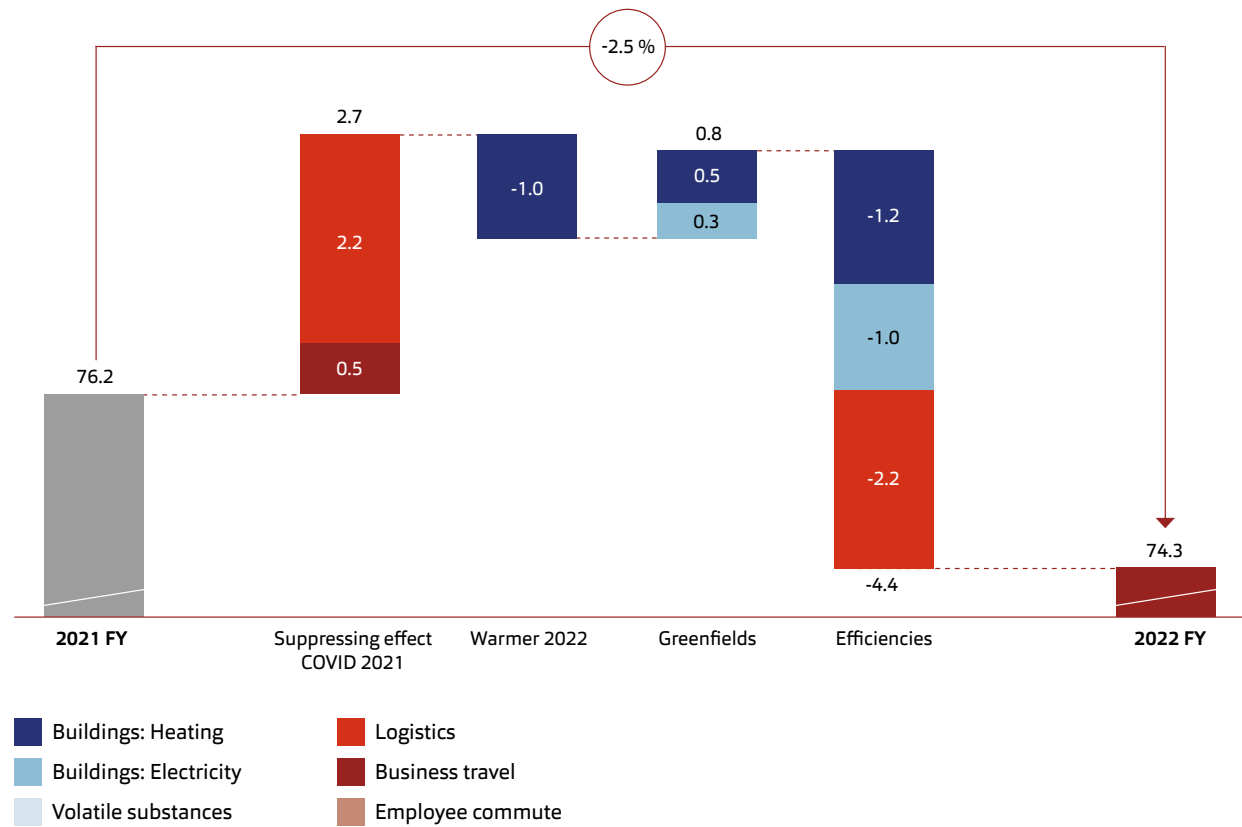
increasingly requesting products to be delivered instead of picking these up. This effect persisted in 2022 (delivered volumes +8.8% vs 2021). Normalization of COVID impacts in 2021 accounted for an increase in 2.7 kilotons CO₂ in 2022. Secondly, 2022 was warmer* than 2021 in all our countries, reducing the need for active heating in our locations. As a result, carbon emissions due to gas consumption reduced by 1.0 kilotons in 2022. Thirdly, on our path to continuous growth and being closer to our customers to serve them better, BME Group is rapidly expanding its branch network. In 2022, BME added 73 greenfield locations. The estimated impact on CO₂ emissions from gas consumption and electricity was 0.8 kiloton. Lastly, initial efficiency initiatives to reduce BME Group's carbon emissions are paying off, reducing carbon emission by 4.4 kilotons in 2022. For instance, transport efficiency initiatives have reduced our fuel consumption in 2022. Targeted initiatives on the reduction of gas and electricity consumption have also started to pay off in 2022. In STG, for instance, the merger of Distribution Centres ('DCs') have substantially reduced our carbon footprint. BME Group has also actively managed its gas consumption, optimizing the temperature in our locations – for instance in Bauking and BMN.

Beyond organic growth through greenfields, BME Group also expanded through acquisitions. We aim to include the impact from acquisitions on its carbon footprint as soon as data is available, and no later than 12 months. Acquisitions completed in 2021, such as BMV, Maxmat, BMDNL, and Mahler increased the carbon footprint of BME Group by 14.4 kilotons in CO₂. The total BME Group carbon emissions in 2022, including acquisitions completed in 2021, was 88.7 kilotons CO₂. Carbon emissions from acquisitions completed in 2022 are not not included yet.

FULL REDUCTION IN CARBON EMISSIONS IN CONTROLLED OPERATIONS VS 2021

* Impact of warmer 2022 vs 2021 has been estimated using the approach of 'degree days' whereby the number of days and the amount of degrees the temperature is below a specific threshold are compared from one year to the next.

ACHIEVING OUR CARBON AMBITIONS

Our goal is to minimize our environmental impact in a feasible and constructive manner because we believe we have a great responsibility for the generations to come. We also see the business benefits and risks such as potential costs from carbon taxes, non-compliance, and damage to our reputation. To achieve this, we follow a three step process:

STEP 1
CREATE TRANSPARENCY

We track our carbon footprint per Operating Company, and per driver to map the sources of our emissions. We monitor this on a quarterly basis to see how our performance is developing. We also invest in digital tools to support us in this process.

STEP 2
LAUNCH TARGETED INITIATIVES

Based on our performance, we gain an in-depth understanding of the drivers behind this, allowing us to implement targeted initiatives. We believe a balanced approach between central BME-wide and local Operating Company initiatives is the key to success in this undertaking.

For example, we are running Group-wide projects across all our Operating Companies to:

- reduce energy consumption by switching to LED lighting, installing smart meters, optimizing temperature in all our locations, and implementing a group-wide energy tracking tool;
- reduce carbon emissions from our electricity consumption by switching to renewable energy and investing in solar panels on our owned buildings;
- reduce fuel consumption by increasing transport efficiency through the implementation of a group-wide logistics efficiency tool. This includes regular fuel consumption monitoring and route, and transport optimization;
- reduce carbon emissions from our logistics by switching to electric forklift trucks, piloting the use of biodiesel and electric vehicles (heavy good trucks).

As a result, currently 26% of the electricity consumed in our Operating Companies comes from renewable sources, and 55% of our locations have been converted to LED-lighting*. We expect to see the effect and results of the rest of these measures in the years to come.

These Group-wide initiatives are further supported by local efforts and pilots that vary from innovative smart energy management tools to initiatives to reduce single-use plastics and/or paper in work spaces; offering deliveries with E-bikes in the Antwerp area (BMB), and in the Amsterdam area (BMN) and energy reduction competitions among employees in Spain.

We are also working together with our HR teams towards updating our Group-wide travel policies to support and stimulate more environmentally friendly means of transportation. Initiatives include increasingly switching to electric company leased vehicles, reducing the number of short-haul flights, and stimulating the use of public transport and bikes.

STEP 3
CONTINUOUS IMPROVEMENT

Through a continuous feedback loop through regularly scheduled conversations and performance reviews on ESG topics with our Operating Companies Management Teams and ESG Champions across the organization, we create an ongoing improvement process with incremental initiatives. We engage in a dialogue with our employees, discuss new ideas as well as best practices, and make sure we share and implement these across the board.

* Please note: some rental buildings and newly acquired business are not yet reflected in these figures.

REDUCING OUR WASTE FOOTPRINT

Waste is one of the biggest challenges in the construction sector and can be divided into three main categories: waste from the manufacturing process of building products, waste from the distribution process, waste as part of the building process.

BME, as a distributor of building products, can only play a relatively limited role regarding reducing waste in the overall value chain, and our current waste management is being handled mainly locally by our Operating Companies. Some of the good practices that you can already see across our operations are the following:

- **Waste from the manufacturing process of building products**
  Our sphere of influence is relatively limited. However, we have started to work together with our key suppliers to influence their decision-making regarding the packaging of their products to encourage them to use more planet-friendly alternatives where possible.

- **Waste from the distribution process**
  This type of waste is in our direct sphere of influence. It is therefore a focus area for us to reduce this significantly, mainly the use of purchased plastic packaging. We have launched a Group-wide

initiative to reduce and replace all purchased oil-based plastic packaging materials with recycled and/or biodegradable ones. We achieve this by ordering centrally per Operating Company to ensure compliance. The scope includes all plastic bags and plastic wrapping.

- **Waste as part of the building process**
  This type of waste primarily comprises post-installation waste of building products and waste coming from renovation/destruction of buildings. While the last type of waste is not within our direct sphere of influence, we do play a role in post-installation waste collection. For example: BME France has waste deposit points for their customers located in several of its largest branches. BMN in the Netherlands has initiated a collaboration with one of our suppliers – Velux – and collects old roof windows which are then separated into different material streams for reuse.

Going forward we will be rolling out a Group-wide approach towards managing waste reduction initiatives and collecting data centrally. We will also in future report on a set of Key Performance Indicators (KPIs) linked to waste management, to monitor the progress of this important issue over time.

REDUCING **CARBON EMISSIONS** IN OUR DISTRIBUTION NETWORK AND CENTERS

While we start carbon reporting as of 2021 – BME and its Operating Companies were already working on improving the environmental performance before that date. These initiatives include improvements and updates of our distribution network and centers, various local emission reduction efforts, and implementation of electric forklifts, among others.

1. PILOTING BIOFUEL & HYDROGEN TRUCKS

Our large fleet of trucks and outsourced logistics are our number one carbon emissions source. For that reason, transport management optimization and switching to less harmful fuel types has been high on our agenda. For example, BMN Netherlands has piloted the first trucks running on HVO-100, a 100% hydrotreated vegetable oil biofuel. This type of fuel is suitable for almost all diesel engines while retaining the manufacturer's warranty. It also offers 10% less consumption, 89% CO_2 reduction compared to regular diesel, 34% less particles matter, and 37% less nitrogen. In 2023, we will have our first deliveries using hydrogen trucks as well, and these are expected to become one of the most sustainable transportation alternatives in the market.

2. IMPROVING THE SUSTAINABILITY AND ENERGY EFFICIENCY OF OUR BUILDINGS

With a network of over 920 locations in eight countries across Europe – our real estate is the second largest source of carbon footprint. We have been tackling that together with our Operating Companies.

Our Spanish business – BME Spain – has been significantly reducing its carbon footprint in recent years. From 2019 to 2020, BME Spain reduced its carbon emissions from buildings by ~70% by switching to renewable energy. This was followed by a LED lighting replacement initiative in 2020 and 2021, supported by a competition across all branches to reduce electricity usage. The latter led to a further reduction of >20%.

Additionally, one of our Belgian businesses - STG - has been working on integrating three Distribution Centers into one thus creating significant efficiencies in transportation, and energy consumption. For example, they invested into more sustainable heating (via heat pumps) and a high level of insulation, setting a great example for the rest of our businesses, and avoiding ca. 150,000 kg CO_2.

Lastly, BME Bouwmaten – one of our Dutch businesses – used the GPR Building tool to improve the sustainability of one of its core locations in Schiedam. They focused on five main themes: energy, environment, health, usability and future value. This led to improvements such as installing a new recycled bituminous roof and 2.600sqm of solar panels, upgrading to water-saving fittings and LED-lighting, collecting rain water for cleaning purposes, and many others.

3. SWITCHING TO ELECTRIC FORKLIFTS

Electric-powered forklifts significantly reduce the carbon footprint during operations, in comparison to the traditionally-fueled ones, as they are considered to cause "zero emissions" during their usage. They cause no exhaust fumes or toxic gases which is also healthier for the driver and the workers in the immediate surroundings, and they do not use volatile substances. Since 2020, BME has had an exclusive contract with Linde Group focused on delivering Electrical Forklift Trucks to all our Operating Companies. This means that every old forklift that needs to be replaced and every new forklift that is being bought, is an electric one. This has led to significantly improving the number of electric forklifts across our operations, with some of our operations exclusively having electric forklift trucks already (such as Raboni – part of BME France and STG in Belgium).

ACTING RESPONSIBLY AND ETHICALLY

BME strongly cares about doing business in an ethical and responsible way. Our ethical business practices are reflected in our Code of Business Conduct ('CoBC') which was last updated in 2020, to reflect the new corporate structure of our organization. The CoBC addresses the issues outlined in the <u>UNGC Principles</u> and <u>OECD</u> Guidelines, and the way we expect our employees to behave. This aims to meet our standards including doing business ethically, respect for human rights, health & safety, and environmental stewardship. We expect all employees to share our commitment to these practices.

AMBITION FOR % EMPLOYEES
TRAINED IN CoBC
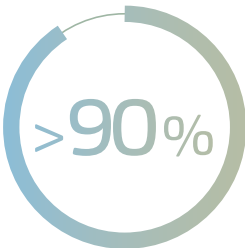
>90%

Our goal is that every year over 90% of all BME employees with access to digital training complete the CoBC training and attest that they understand it and will abide by its terms.

AMBITION FOR % EMPLOYEES
FEEL FREE/ENCOURAGED TO MAKE A REPORT 2025

>75%   >85%
2025   2030
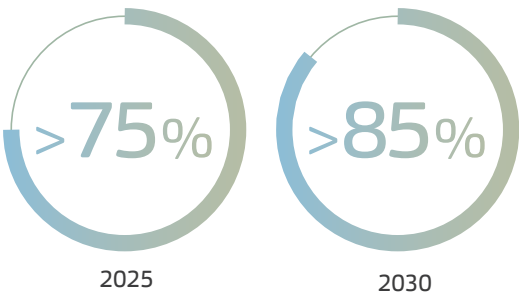
Our ambition is that by 2025 over 75%, and on the long-term over 85%, of all employees report being familiar with the whistleblower procedures and feeling free to report.

SAFEGUARDING OUR VALUES AND PRINCIPLES

The BME Code of Business Conduct communicates the standards and expectations of ethical behavior for our company and its employees for our interactions with customers, suppliers, and other stakeholders. Our Whistleblower Policy calls on everyone to alert the organization in case of (suspected) issues. Our Code of Business Conduct and policies, including the Whistleblower Policy, are available in all local languages to make sure everyone has a clear understanding of what is expected of them.

Furthermore, all stakeholders covered by our Code Of Business Conduct must comply with all relevant and applicable laws relating to human rights, health, safety, and the environment, as well as anti-bribery, corruption and antitrust (including the UK Bribery Act, US Foreign Corrupt Practices Act and High-Risk Areas and section 1502 of the Dodd-Frank Act, if applicable). They must also adhere to good ethical practices and:

1. Support and respect the protection of human rights within their areas of influence;
2. Respect freedom of association and the effective recognition of the right to collective bargaining by employees;
3. Prohibit all forms of forced, compulsory and child labor;
4. Support the principles of equal opportunity in respect of the recruitment and selection of employees;
5. Comply, as a minimum, with all applicable health & safety legislation and continually improve stewardship towards best industry practice;
6. Comply, as a minimum, with all applicable environmental legislation and support a proactive approach to environmental challenges;
7. Comply with all relevant anti-bribery, anticorruption, and antitrust legislation.

BME's Management Board actively promotes this ethical behavior and practices and is committed to providing a respectful working environment that creates a culture focused on long-term value creation across our business and affiliated enterprises.

BUILDING RESPONSIBLE MINDSETS

To ensure that the BME Code of Business Conduct is top of mind with employees, we provide regular training sessions covering a variety of topics such as human and labor rights, environment, anti-corruption, bribery and data security. Our goal is that every year over 90% of all BME employees with access to digital training complete the CoBC training and attest that they understand it and will abide by its terms. This target group consists of about 63% of all BME employees. Furthermore, we want all other employees to receive adequate communication, relevant for their roles in the organization. For these, as of 2023, we organize tailored communication streams and live training sessions including poster campaigns, local flyers, and local awareness messages.

In 2022, 87% of employees in our e-learning target group completed the CoBC e-learning.

37%

14,000
BME
employees

63%

87%
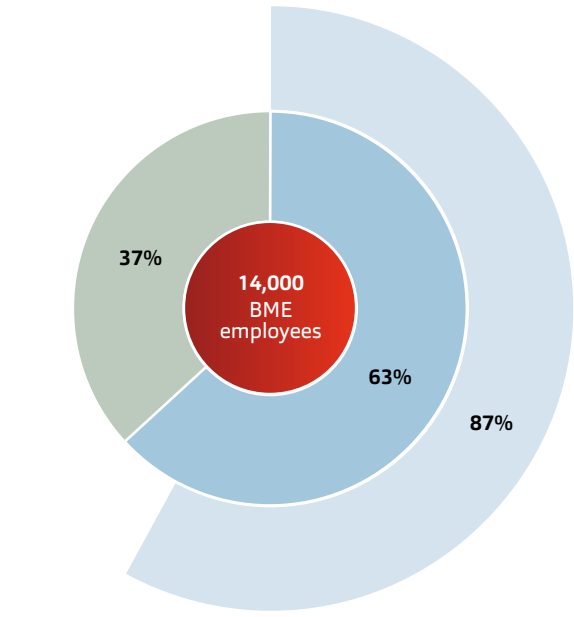
■ BME employees with access to digital training and in scope for CoBC training and target

■ from BME employees with access to digital training completed the CoBC training in 2022

■ all other employees to receive adequate communication, relevant for their roles in the organization

OUR ULTIMATE AMBITION IS FOR ALL EMPLOYEES TO ADHERE TO COBC AND FEEL ENCOURAGED TO ACT RESPONSIBLY

To achieve our ultimate ambition of establishing a culture of integrity, and safeguard our integrity and organizational values, we encourage everyone to report any (suspected) infringement by following our Whistleblower procedure. This is supported by a 24/7 "BME Speak Up Hotline" as well as an online anonymous reporting tool, which are available to all employees. The intake of these calls is handled by a specialized third party, all in local language. Reports are managed in an incident management system, which is accessible for BME Group Legal & Compliance personnel only. The BME Ethics & Compliance team coordinates the handling of the reports, safeguarding confidentiality.

As we want to ensure that there are no obstacles for employees to reporting violations of the BME Code of Business Conduct and to further encourage open and honest communications, in 2023 we will start to track the awareness of employees of the whistleblower procedures and if they feel encouraged/free to make a report if necessary. Our ambition is that over 75% of all employees report being familiar with the whistleblower procedures and feeling free to report.

ENABLING A SUSTAINABLE VALUE CHAIN

BME aims to go beyond its own operations and take a leading role in driving sustainable transition in its sector by creating collaboration between all parties in the industry. Ultimately, we believe that this will contribute to more affordable, comfortable and sustainable housing, while mitigating climate change. In this role, we pursue the following three areas of focus:

- Working with suppliers who share the same values to adopt and uphold sustainable norms and practices in our value chain;

- Supporting suppliers by creating transparency on the environmental footprint and impact of building products, enabling them to improve the sustainability of their products;

- Supporting customers to build in more sustainable ways, by (1) offering a relevant and broad range of sustainable products, (2) advising customers on how to build in a more sustainable way, with a lower environmental footprint.

BME AIMS TO TAKE A LEADING ROLE IN IMPROVING THE SUSTAINABILITY OF THE VALUE CHAIN

HOW BME ACHIEVES THIS
BME creates transparency which products in its portfolio have a demonstrable positive impact on the sustainability of a building and (1) motivates customers to purchase these products and (2) adjust its product portfolio to broaden the products and categories with a positive impact.

HOW BME ACHIEVES THIS
BME has a Supplier Code of Conduct in place that steers towards compliance with norms and regulations. BME periodically audits suppliers through EcoVadis Sustainability assessments and prepares well-structured recommendations and improvement plans together with our suppliers, when necessary.

ecovadis

HOW BME ACHIEVES THIS
BME creates transparency which products have a lower environmental footprint than other products in the application area and (1) motivates customers to purchase these products and (2) adjust its product portfolio to broaden the products and categories with a lower footprint.

FSC PEFC

POSITIVE ENVIRONMENTAL IMPACT OF PRODUCTS

RESPONSIBLE SUPPLY CHAIN

BME

REDUCED ENVIRONMENTAL FOOTPRINT OF PRODUCTS

SUSTAINABLE OPERATIONS

BME aims to be a leading driver of sustainability in its sector by helping customers build more sustainably with products with a limited environmental footprint and positive environmental impact, provided by suppliers who actively contribute towards a more responsible supply chain. We also want to lead by example and run our operations in an efficient and sustainable manner by focussing on reduction of our environmental footprint in our controlled operations and acting in a responsible and ethical manner.

WORKING WITH SUPPLIERS WHO SHARE THE SAME VALUES

We maintain long-standing relationships with leading manufacturers of building products and collaborate with a global network of over 18,000 suppliers. While many of these suppliers have adopted strong ESG policies themselves, we expect all of our suppliers to uphold the principles laid down in our Supplier Code of Conduct ('SCoC'). The latter addresses issues captured in the UNGC Principles and OECD Guidelines and steers towards compliance with topics such as human and labor rights, environment, anti-corruption and bribery. Creating an open dialogue around these topics and issues allows us all to improve together. And by steering on collaboration with suppliers who share the same values, we together create a "flywheel effect" to accelerate sustainable change and promote high norms and ethical behavior throughout the whole value chain.

AMBITION FOR SUPPLIER SPEND WHICH HAS SIGNED OUR SCOC

>75%
2025

>90%
2030
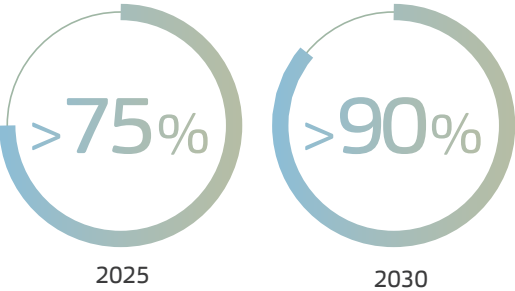
AMBITION FOR SUPPLIER SPEND TO BE PERIODICALLY RATED BY ECOVADIS

>50%
2025-2030
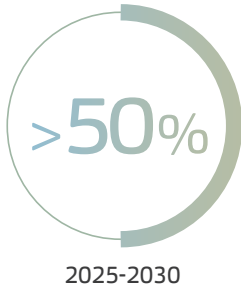
In 2021, we updated our BME SCoC and started its implementation across the whole organization and supplier base. As of end of 2022, suppliers covering 57% of our spend have confirmed to uphold the principles

laid down in it. Our goal is to have these confirmations for 75% of supplier spend by 2025. The SCoC is also automatically included in new or renewed contracts. Our Group SVP Operations, and employees who are engaged in procurement, take responsibility for the program roll out and monitoring.

In 2022, BME also launched a partnership with EcoVadis – a worldwide leading provider of sustainability ratings, specialized in supply chain sustainability assessments – to periodically rate our suppliers. Through our collaboration with EcoVadis, we establish a regular independent review process of compliance with our ESG standards expectations. Our goal is to cover 50% of our spend with suppliers that are annually audited and rated by EcoVadis by the year 2025. Additionally, we request all our Far East suppliers to undergo a BSCI audit by an accredited third-party, and share their (valid) monitoring results. Currently, 92 of our suppliers, covering 24% of our total spend, have been rated by EcoVadis and have a valid scorecard. The benefit of working together with a renowned partner such as EcoVadis is not only that they help us have a realistic view, planning and prioritization – they also:

- provide us with ESG assessment methodology aligned with international standards;
- identify strengths and improvement areas in our supplier base;
- prepare well-structured recommendations and improvement plans together with our suppliers;
- track progress on implementation and corrective actions, and discuss these during the annual negotiations process with suppliers.

OUR ULTIMATE AMBITION IS A ZERO TOLERANCE POLICY TOWARDS SCoC VIOLATIONS

WORKING WITH SUPPLIERS AND CUSTOMERS TO JOINTLY IMPROVE THE SUSTAINABILITY OF BUILDINGS

BME wants to take a leading role in improving the sustainability of buildings. As a B2B distributor of building products, we connect a wide variety of manufacturers with a wide variety of customers, mostly small to medium sized contractors. Consequently, we are uniquely positioned to support both sides in facilitating a more sustainable building process and more sustainable buildings.

AMBITION FOR SPEND FROM SUSTAINABLE PRODUCTS IN COMPLETE BME'S PRODUCT PORTFOLIO

>25%
2025

>50%
2030
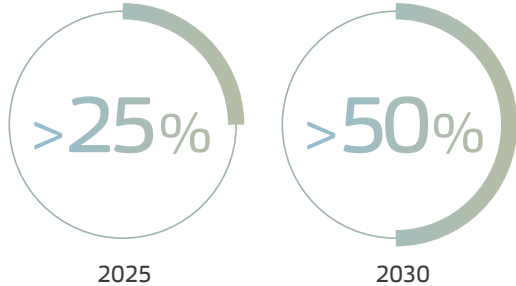
Buildings are the single largest energy consumer in Europe, representing 40% of total energy consumption and 36% of overall GHG emissions. In part this is because 75% of the building stock across Europe was built before 1990 and is energy inefficient. Despite this, on average, less than 1% of these buildings are renovated each year. Therefore, the EU has set ambitious goals for renovating European building stock and is expected to invest € 72 billion of public funding for building renovation, access to low emission mobility and income support. The goal is to renovate ca. 35 million building units by 2030 with SMEs expected to benefit from boosted renovation market as they contribute >70% of the value added in the EU's building sector. These efforts will also support the European Commission's objective to reduce Greenhouse Gas ('GHG') emissions to at least 55% below 1990 levels by 2030 and to become carbon neutral by 2050.

Source: Company Information, Eurostat, EU Green Deal statistics based on Roland Berger Market Report

As a first important step, we aim to create transparency on what sustainable building products are, as this will help contractors, but also architects and project developers make more conscious decisions on which products they build with. These can range from products with a lower environmental footprint, such as FSC, PEFC or Cradle-to-Cradle certified products, to products which improve the sustainability of the buildings and therefore have a net positive impact on the environment, such as insulation and heat pumps. At the same time, that transparency can drive manufacturers to make their building products more sustainable, especially when they are benchmarked. We expect this will create an incentive and a competitive dynamic to continuously improve.

We have identified the following pathways to create transparency and enable more conscious decisions:

- **Using Life-Cycle Analysis of building products to assess the environmental footprint**
  The first lens through which BME defines building products as sustainable is by looking at their environmental footprint during the entire lifecycle (from production to end of life). For this, BME relies on Life-Cycle Analyses ('LCA'). An LCA provides scores on a comprehensive set of environmental footprint indicators, such as use of renewable energy, total use of energy, hazardous waste disposed, toxicity, use of fresh water, global warming potential, etc. The scores for the separate indicators can be summarized into a single environmental footprint score which, in essence, expresses the environmental footprint of a building product. This approach is based on the European norm EN 15804 and the Life Cycle Analyses are performed by independent, certified testing & inspection companies. As such, this approach is independent and objective.

BME uses environmental footprint score to compare building products in the same application area in its portfolio and determine which is the most sustainable alternative. More specifically, we rank products in the same category in our portfolio from low to high with an environmental footprint score.

The 50% building products with the lowest environmental footprint score are labeled as having a more sustainable footprint.

- **Using sector-wide accepted eco-labels to define environmental footprint**
  For specific product categories, the use of LCAs is uncommon, uneconomical, or too complex to administer. For these categories, BME relies on eco-labels. We maintain a restrictive list of eco-labels that testify to the sustainable nature in which products were produced and obtained. The criteria for this restrictive list are:

  – the eco-label makes a claim on the building product-level (i.e., not the building or building process level);
  – the eco-label is a clear and objective indication that the environmental footprint of the building product/material is less taxing than similar products – with reliable processes and substantiation in place to validate this claim;
  – the eco-label takes a multi-dimensional approach to defining environmental footprint (e.g., it does not only look at energy efficiency);
  – the eco-label is accepted sector-wide and accepted across the countries where BME is present.

By using both the LCA and Eco-label approach, we can create transparency on the sustainable footprint of our building products.

As a first step in categorizing our product portfolio into sustainable products, we decided to focus on a single product category: Drylining & Insulation. The use of LCAs is generally well established in this product category, enabling us to map a substantial part of our product portfolio to available LCAs. BME gathered 2,300 LCAs from a public LCA database (Nationale Milieu Database) and mapped it to Drylining & Insulation products in our portfolio. We subsequently ranked products with an LCA from 1-10 in terms of environmental footprint score (10 = highest costs vs alternative products in the same category) and categorized products with scores 1-5 as 'More sustainable footprint'. As a second step, we decided to focus on a limited set of eco-labels: FSC/PEFC certifications and Cradle-to-Cradle certification. Both testify to the sustainable nature in which products were obtained and produced. We have mapped these eco-labels to the relevant products in our portfolio.

Initial results show that within our Drylining & Insulation product category, which makes up 8% of product-related spend, 35% of our 2021 product-related spend is from sustainable products. These products have a

lower environmental footprint compared to alternative products in the same product category (as determined through lifecycle analyses). In addition, in 2022 we decided to only source wood with FSC/PEFC labels (or local market equivalents). Currently, >90% of spend in timber-based products is certified FSC/PEFC. In Tiles, 28% of our spend is from products with certified Cradle-to-Cradle. In the coming year, BME will work to expand its LCA and eco-label approach to other product categories, increasing the coverage of our portfolio that we can categorize as sustainable.

Beyond the environmental footprint of building products, BME also aims to assess the environmental impact of the building products in our portfolio. Building products may have specific, positive contributions to the environment when applied, used or installed in a building. Examples of positive impacts are reduction of energy consumption of the building (e.g. through insulation, smart thermostats, products for building 'air-tight'), limiting emissions from the building (e.g. by installing heat pumps), generating renewable energy (e.g. PV-panels), saving water (e.g. water-saving faucets). Going forward, BME will categorize building products in its product portfolio that have a demonstrable positive environmental impact during the lifecycle of the product as sustainable.

SPEND FROM SUSTAINABLE PRODUCTS
WITHIN DRYLINING & INSULATION
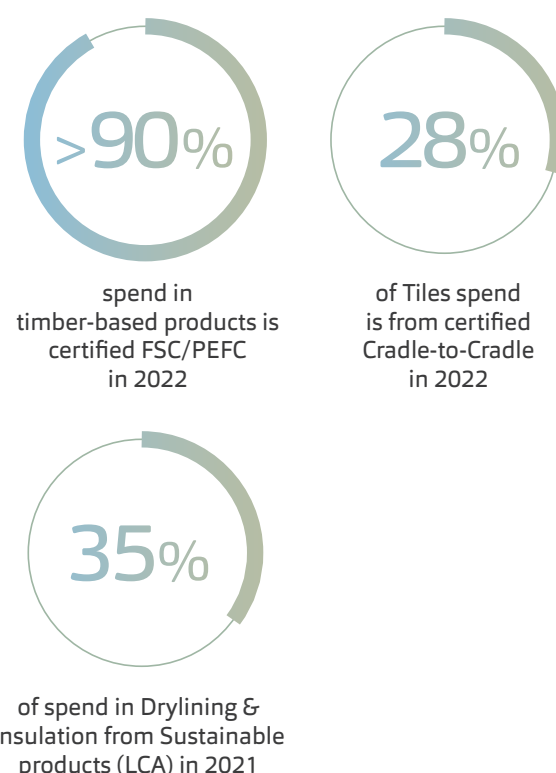
>90%
spend in timber-based products is certified FSC/PEFC in 2022

28%
of Tiles spend is from certified Cradle-to-Cradle in 2022

35%
of spend in Drylining & Insulation from Sustainable products (LCA) in 2021

Supporting suppliers by creating transparency on the environmental footprint of building products, enabling them to improve the sustainability of their products
Once we have created transparency on the environmental footprint of building products in our portfolio, we can work with suppliers to create relevant (anonymous) benchmarks. This enables suppliers to gain insight into the environmental footprint of their building products vs category standards. These insights can drive further improvements to the underlying drivers of the environmental footprint, such as: use of renewable energy and total use of energy, global warming potential, etc.

Supporting customers to build in more sustainable ways
At the same time, we can support customers to build in more sustainable ways. Firstly, we can actively adjust our product portfolio and gradually shift to a more relevant and broader range of sustainable building products. For instance, we now only source wood that has a FSC or PEFC label. Creating transparency on the environmental footprint and impact of building products will enable us to more actively steer towards a broad and relevant portfolio of sustainable products. Secondly, BME can support customers to build in a more sustainable way by creating transparency on the footprint and impact of products, thus helping them choose more consciously. This starts with clearly branding products as sustainable in our branches, in product brochures and online. A step further is providing sustainable building services, training our customers and giving project-based advice on how to build in sustainable way. For example, our Greenworks Academy in the Netherlands has been providing

information about the sustainable material and production properties of construction and installation products. These are based on the Life Cycle Analysis of the product, specific quality marks and contribution to environmental benefits such as the energy transition. They also offer customers training in the field of regulations, trends and developments. Themes are circular and biobased solutions, energy-neutral renovation, prefab and smart logistics solutions. In 2022, 1,500 customers used the Academy services and 350 people participated in trainings and workshops.

We will continue to expand our current approach to sustainable products to other product categories. At the same time, we will share best practices across our organization, making sure we can draw inspiration from sustainable building services that our local businesses set up and create BME-wide programs.

OUR ULTIMATE
AMBITION IS TO BE
INDUSTRY LEADER
IN OFFERING AND
SELLING SUSTAINABLE
PRODUCTS
& SERVICES

CASE STUDY

HOW TO **OVERCOME** THE EUROPEAN **BUILDING STOCK CRISIS** BY BUILDING MORE SUSTAINABLY

During a typical building lifecycle 76% of emissions come from operations and the remaining 24% from the processing of raw materials for construction of new builds. Given that 80% of the predicted building stock for 2050 exists today, the built environment will need to decarbonize not only embodied emissions but also, more importantly, the operational emissions from the existing building stock.

There are several possible decarbonization pathways across building products, design, and technology that collectively could help mitigate a significant portion of overall emissions. Some of these pathways, such as switching to renewable sources of energy for heating systems, have significant potential for reducing emissions. Others, such as reducing waste and improving circularity in the building process, are likely to mitigate a smaller proportion of emissions.

Thanks to our scale and position in key European markets, and large assortment of products, BME is well-positioned to respond to the expected rising demand for building products for new constructions and energy efficient renovations.

By increasing our portfolio of sustainable products, solutions (including modular and prefab), BME wants to proactively and significantly contribute to reducing the emissions from buildings. For example, our German business – SHK – has already specialized in offering modern heating and hot water systems that combine comfort and style with energy efficiency and environmental sustainability. Their brand EnergiesparWelten boosts over 1.600sqm of showroom area where customers can find the latest products and receive personalized advice and planning support. Whereas our colleagues at BAUKING in Germany have set up a "planning office" (Planungsbüro) where they offer conception, planning and preparation of construction documents and structural engineering proofs of building projects. The office includes accredited experts for sustainable building and refurbishment, energy efficiency, and certification according to the DGNB system.

[Source: Company Information, Eurostat, EU Green Deal statistics based on Roland Berger Market Report, McKinsey]

WHAT DOES IT TAKE TO IMPROVE THE ENERGY EFFICIENCY OF A HOUSE?

PRIMARY PRODUCTS DRIVING ENERGY REDUCTION

Ventilation
Roof Insulation
Solar Panels
Wall Insulation
Smart Thermostat
HR(++) Glass
Underfloor Heating
Combi Boiler / Heat Pump
Floor Insulation
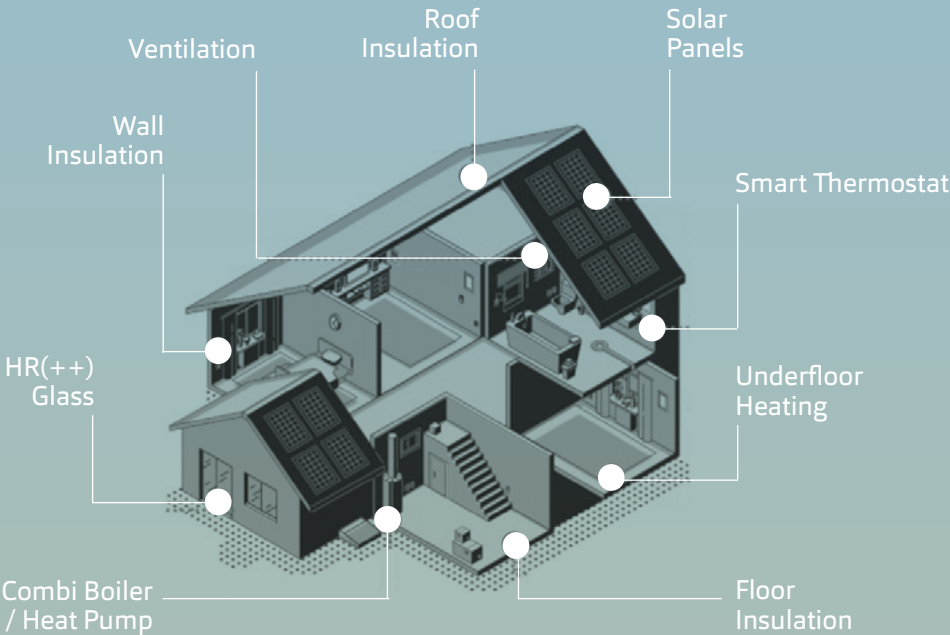
NECESSARY SECONDARY PRODUCTS TO COMPLEMENT ENERGY RENOVATION

Doors and Windows

Timber & Woodbased Panels

Plaster & Mortars

Facade & Roofing

Water Management Solutions

Wall Covering (incl. Tiles)

Interior Walls / Drylining
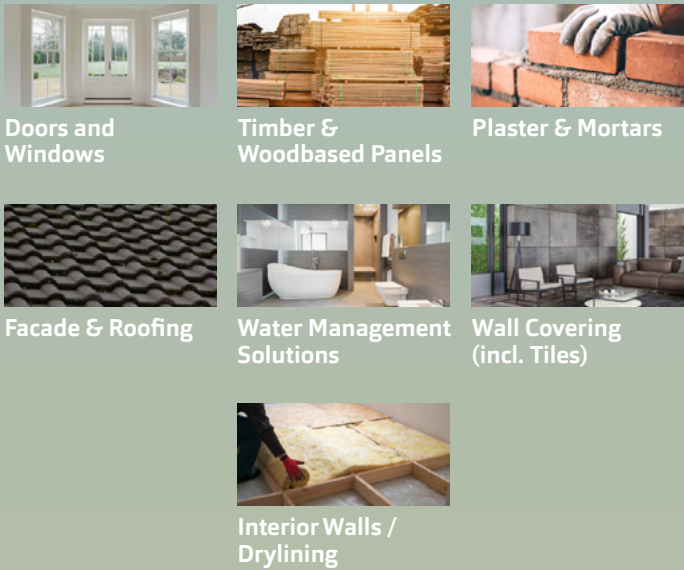
SECURING A GREAT, FLEXIBLE AND SAFE PLACE TO WORK

Our people are at the heart of what we do. They act as an internal driver to improve our ESG performance, and become a leading driver of sustainability in our sector. At the same time, we create value for our more than 14,000 employees by securing an inspiring and safe place to work and aim for a positive employee journey by focusing on the following three themes:

- Becoming an industry leader in terms of employee engagement;
- Fostering a diverse and inclusive workplace;
- Having a healthy and safe work environment with zero work-related accidents.

We work on these every day, so that they can develop themselves, and work with passion in a healthy, safe, and truly inclusive environment.

BECOMING AN INDUSTRY LEADER IN TERMS OF EMPLOYEE ENGAGEMENT

Our people are the key driver behind the success of BME and our goal to become a leading driver of sustainability in our sector. We have developed our people strategy and employee journey to ensure that we put the right people in the right position at the right time to deliver what it takes to achieve and accelerate our plans. Our people strategy is based on our core values "Dare", "Care", "Do it", "Be real" and "Win together". These values give people guidance on what we stand for and the way we work. By rolling out targeted cultural transformation programs such as "Q Next" at Quester, one of our Operating Companies in Austria, we aim to promote life at work in line with these values, and boost employee engagement, increase retention and promote team work.

BME EMPLOYEE ENGAGEMENT AMBITION

>7.5
2025

>8
2030
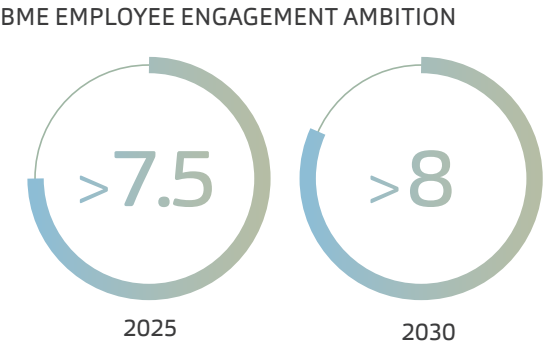
Our people strategy has several important elements including a focused employee journey, a leadership development program and an engagement survey. Through this focused strategy, we aim to become a leader in the market in terms of high employee engagement and want to be recognized for being the 'employer of choice' in our sector.

OUR EMPLOYEE JOURNEY

We established an employee journey consisting of four key steps:

- **Attract:** We create an engaging and personal recruitment experience, with a warm and personal welcome, and in-depth and broad onboarding.
- **Grow & Develop:** We provide learning opportunities across functions and across businesses, build broad teams with complementary skill sets, and foster leadership that grows and empowers people.
- **Perform:** We are a performance driven organization with feedforward and coaching and challenging yet realistic goal setting.
- **Reward:** We offer extraordinary rewards and incentives based on performance and ensure market competitive compensation.

LEADERSHIP DEVELOPMENT

We have developed a Leadership Development Program to create commitment in developing a high-performance organization with an initial focus on our top leaders across the organization. The aim is to make them High Performing Leaders – as the quality and dedication of our leadership is vital to the success and health of our business and employees. We have run the program at each of the Management Teams at the Operating Companies and at Group level. We are taking deep dives where appropriate to address local needs as each organization is at a different stage in their leadership journey. The program will be further cascaded down in the organization during 2023 and 2024.

OUR ULTIMATE AMBITION IS TO BECOME THE EMPLOYER OF CHOICE IN OUR SECTOR

ENGAGING OUR PEOPLE ACROSS THE BOARD

Our businesses across Europe have been using a number of ways to connect and engage the local employees:

- STG Belgium has been working on bringing the leadership closer to the rest of the employees by creating regular dialogue and sponsorships such as lunches and bi-weekly meetings with the broader Leadership Team that offers opportunity for more personal interaction.
- Volunteering for a good cause has been drawing together the people at BME Spain where everyone is encouraged to participate in corporate charitable actions organized within the company with the objective of improving the quality and comfort of housing for the most vulnerable groups in the local communities.
- Lastly, launching new internal communication tools across the entire organization keeps all employees connected and up-to-date.

ENGAGEMENT SURVEY

To measure the success of our people programs, we run a biennial BME-wide Engagement Survey since 2019. The engagement survey is complemented by follow up pulse surveys. This gives us detailed insights and ensures we can take a bottom-up approach to tackle issues and improve going forward. It is an impactful way to work with direct input from our employees. The average BME engagement score in 2021 was 7.6 – a slight improvement from 7.5 in 2019, and above the sector average. Our goal is to maintain this score on the short to mid-term and increase to >8 by 2030.

BME EMPLOYEE ENGAGEMENT SCORE	
2019	7.5
2021	7.6

# FOSTERING A DIVERSE AND INCLUSIVE WORKPLACE

In a sector that is not very diverse by nature, regulations and targets for diversity may pose a challenge for the future. As we believe a diverse workforce will improve staff well-being, welfare and engagement, operational performance, customer satisfaction and reputation, we strive to strike the right balance and have set ambitious goals for ourselves.

BME LEADERSHIP DIVERSITY AMBITION

20%   30%

2025   2030
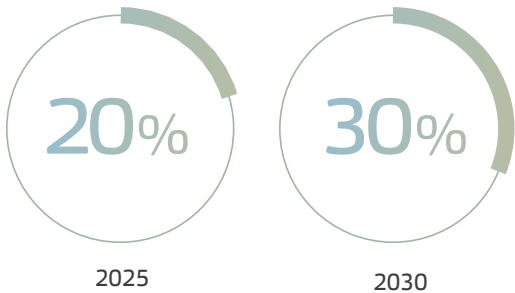
We aim to create an inclusive work environment and build a workforce that is a fair representation of the markets in which we operate. Starting from the top, we commit to improve the Leadership Team diversity. We define "Leadership" as Extended Executive Management Team and their local Management/Leadership Teams. We define "diverse" as diverse in terms of gender. We have a concrete target of 20% diversity by 2025 and 30% by 2030. In 2022, we had ca. 19% diverse representatives in terms of gender. In the future, we will track more diversity parameters.

2022 BME LEADERSHIP DIVERSITY BY GENDER

19%

81%

■ Female   ■ Male
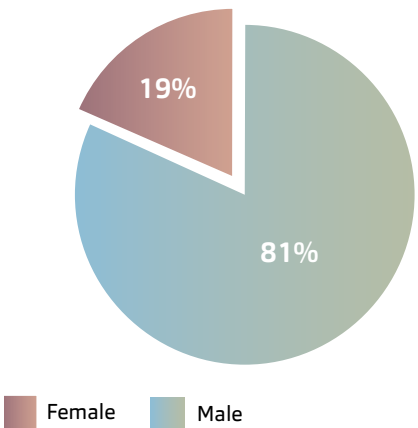
To achieve our diversity goals we will make sure that each applicant pool for a Leadership vacancy has at least one shortlisted diverse candidate. We will also continue to track the composition of our workforce through all layers of the organization and make sure we take actions to proactively keep a balance. For example, going forward we will expect that there are more than 50% of diverse candidates in an applicant pool for a vacancy for all other (non-management) positions.

On Supervisory Board level, we are in line with the Dutch statutory gender diversity rules, which require either one-third female or one-third male representative. Currently, we have two female and four male members.

We also invest in building a more diverse workforce by taking action to inspire and attract different types of talent. We have launched targeted recruitment across BME, and have continuous performance tracking and concrete internal targets for the balance. We improved our recruitment profiles to make them more attractive and modern, expanding the profile of new employees. We also developed an "untapped talent" initiative in collaboration with Blackstone Career Pathways Program.

OUR ULTIMATE AMBITION IS THAT LEADERSHIP TEAMS AND APPLICANT POOLS ARE A FAIR REFLECTION OF DIVERSITY IN LOCAL COMMUNITIES

PROVIDING OPPORTUNITIES FOR PEOPLE WITH DISTANCE TO THE LABOR MARKET

Our Group-wide effort to create a more diverse and inclusive workplace is being enhanced by tailor-made internal programs, and partnerships with local organizations, initiated by our Operating Companies across Europe.

For example, BME Spain partners with "Fundación Impulsa" to encourage inclusion, and promote more academic, professional and personal opportunities for motivated young people in socio-economic difficulty, who are unable to access vocational training.

Another great initiative comes from BME Bouwmaten in the Netherlands. They have developed the Bouwmaatje's program which provides daytime activities for people with a distance to the labor market. Currently, they have four branches included in the program, and some of the temporary placement even resulted in permanent employment.

We have structures in place to safeguard all employees, so they feel comfortable and confident to be themselves. Across BME, we have appointed internal and external "confidant" people who are there to listen, support and guide, should there be any concerns raised by employees. They support employees seeking help and provide guidance in situations that may occur in the workplace. This type of initiative helps to make our employees feel included, making sure we maintain and improve a great, flexible and safe place to work for everyone. Our regular HR surveys also include questions around this topic and result in an inclusion score.

The average BME inclusion score in 2022 was 7.3 and our goal is to increase the score to 7.5 in 2025 and to 8 by 2030.

INCLUSION SCORE AMBITION

>7.5   >8

2025   2030
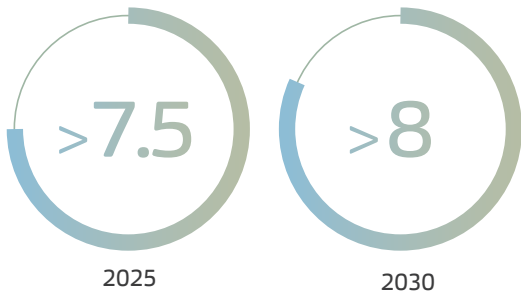
We encourage a culture of acceptance, feedback, and continuous learning and improvement. Leaders have the power to drive change and consciously improve diversity by making Diversity & Inclusion an integral part of the talent experience and our value proposition to employees. We have created an action plan for leadership commitment and accountability to be rolled out across the entire organization and adjusted per Operating Company based on their level of maturity in the coming years. As a start, we will host "Unconscious Bias" training sessions for all People Managers.

2022 INCLUSION SCORE RESULT

7.3

HAVING A HEALTHY AND SAFE WORK ENVIRONMENT

We create a healthy and safe work environment supported by BME's 'Health and Safety Compass Program' which addresses the work-related health, safety and well-being of our employees. Supported by the pay-off "Think first, behave safe", we have a set of guidelines in our day-to-day business to minimize the risk of accidents, ill-health and related injuries.

The "Health and Safety Compass Program" approach is not about top-down instructions, it's rather a joint effort to keep all of us healthy and safe when working at our locations and when we are underway for work. Therefore, we encourage all employees to carefully observe and speak up to colleagues when needed, raise any concerns about safety and make suggestions to improve our safety environment and performance. To stimulate safe behavior, we have developed several supporting materials and practical tools to guide everyone to a healthy and safe work environment.

FREQUENCY RATIO OF ACCIDENTS REDUCTION AMBITION

>40%
2025

>50%
2030
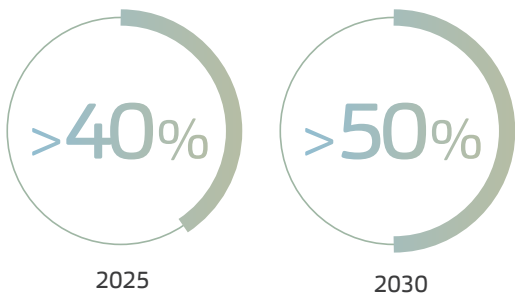
Additionally, we have the goal of reducing the frequency ratio of accidents by 40% in 2025 and by 50% in 2030 vs 2021 baseline, and have a long-term ambition of zero accidents. In 2022, we already observed good improvement across all Health and Safety KPIs versus our 2021 baseline, including the frequency ratio of accidents – which dropped from 1 to 0.72.

FREQUENCY RATIO OF ACCIDENTS	
2021	1.00
2022	0.72

THINK FIRST BEHAVE SAFE
BME HEALTH & SAFETY COMPASS

BME'S HEALTH & SAFETY COMPASS

Our Health & Safety Compass program has five focus areas:

- **Employee safety:** All our colleagues are informed, educated, and trained in our safety guidelines, as part of their induction program as well as annually during employment.
- **Cleanliness and tidiness:** All working areas must be clean and organized in order to be more efficient, reduce stress for colleagues, deliver higher quality of work and reduce the risk of injuries and accidents.
- **Site safety:** All contractors, customers, visitors, and suppliers visiting our locations need to comply to our Health & Safety Guidelines. It is our duty to ensure they are well informed, educated and/or trained.
- **Workplace safety:** It is essential that within all work areas and/or workstations relevant guidelines are available and, when necessary, clearly visible.
- **Health:** We are committed to provide all employees with a healthy and comfortable work environment by identifying and correcting ergonomic risk factors. It is also by following simple rules on ergonomic work behavior.

This gives us confidence that the following steps we have been taking, are giving positive result:

- Building the right culture around Health & Safety ('H&S') by launching the Safety Culture Ladder.
- Implementing a Group H&S Steerco (chaired by Group CEO), H&S Taskforce, and Operating Company Steerco's to manage the roll-out of our program and make sure that we progress towards our ambitions.
- Continuous training across the Group – from the Group Executive Management Team and Operating

Company Management Teams, through all new hires and our existing employees.
- Our Health & Safety Taskforce makes sure that our Health & Safety management system requirements have been adopted across all operations.

Since September 2022, we also share a monthly safety alert in all local languages. These safety alerts combine all alerts we receive from Operating Companies on topics formulated in our roadmaps. With these alerts, we steer on certain risk areas and increase the risk awareness, and celebrate successes within the Group to stimulate others to make positive changes.

In addition to our Group-wide approach, we recognize the adoption of several best practices at our operating companies, which can be further scaled and shared with other Operating Companies:

- Accident follow up – BAUKING in Germany has a strict procedure in place to make sure follow up is done on every accident by Management Team members. This highlights the importance to Branch managers and shows the commitment and involvement of the leadership team.
- Integration of Health & Safety in daily structures – Maxmat in Portugal introduced Safety Boards on sites with the objective to engage the employees in Health & Safety topics on daily basis.
- A Driver debrief at BMB in Belgium – At BMB Belgium a two-way dialogue with drivers was initiated with the aim of further engaging the drivers as the Ambassadors of BME Operating Companies towards our customers. The goal is to improve well-being of our drivers through increased structured and open dialogue, improve efficiency (e.g. eco driving, reduce lost time, controlled working hours) and improve health and safety conditions to contribute to the zero accidents target. We will run the exercise across other Operating Companies going forward.

WELL-BEING AMBITION

>7.5
2025

>8
2030
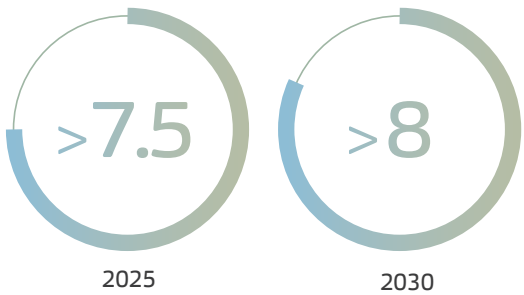
SAFETY CULTURE LADDER

The Safety Culture Ladder is an assessment method to measure safety awareness and consciously acting safely (culture and behavior) in companies. The emphasis is on the safety culture of the organization.

The Safety Culture Ladder recognizes five steps. The ladder steps indicate the level of development in which a company operates in the field of safety awareness.

With the web tool, companies can perform a self-evaluation as part of a certification process. The self-evaluation can also be performed separately from a certification process. For example, as a baseline measurement or to get acquainted with the aspects of the Safety Culture Ladder in a low-threshold way.

We piloted our Safety Culture Ladder in our Swiss business – BMS, with the goal to roll this out across all operations as a follow up.

We have also set goals on our performance with respect to well-being and get scores from our staff through our annual HR surveys. We have set the goal to reach an average score of 7.5 across the Group by 2025 and 8 by 2030. In 2022, we were already close to our 2025 ambition as the average Group-wide score was 7.4, and are further supporting this ambition by installing targeted actions in place. Among others, these include initiating programs on health and well-being and awareness days on the topic across branches; installing health counselors, providing the necessary work-related equipment and make sure managers have genuine interest in the well-being of their employees (e.g. by making this part of our Leadership Programs).

WELL-BEING SCORE	
2021	6.8
2022	7.4

GOVERNANCE

Managing our business responsibly begins with a robust governance framework. Our company is governed by a two-headed Management Board and supervised by a six-headed Supervisory Board.

We have established an organizational structure that ensures accountability, external supervision and fosters integrity. We strive to be seen as honest and trustworthy by all our stakeholders.

Transparent reporting is key to demonstrating progress towards our environmental and social goals and facilitates alignment with globally accepted ESG reporting standards and frameworks.

BME complies with local and international laws and regulations. Our robust governance framework and compliance policies ensure compliant daily operations and offerings to customers, employees, suppliers, and the markets we operate in.

All employees are expected to comply with our Code of Business Conduct and are given regular training sessions covering a variety of topics such as human and labor rights, environment, anti-corruption, bribery, and data security. We also have defined our minimum expectations for our business partners in our BMG Group Supplier Code of Conduct.

In this chapter we will further discuss our corporate governance, ESG-governance, and risk management.

MANAGEMENT AND CORPORATE GOVERNANCE

This section summarizes information concerning the Management Board, the Supervisory Board and the Company's corporate governance. It is based on relevant provisions of Dutch law as in effect on the date of this report, the Articles of Association, the Management Board Rules and the Supervisory Board Rules.

MANAGEMENT STRUCTURE

The Company has a two-tier board structure consisting of the Management Board and the Supervisory Board. The provisions of Dutch law that are commonly referred to as the "large company regime" (structuurregime), do not apply to the Company, as the Company is exempted from this regime pursuant to the international holding exemption (internationale holding vrijstelling). This exemption applies to the Company as the activities of the Company are limited to the management and financing of Group Companies and the majority of the employees of the Group work outside the Netherlands.

MANAGEMENT BOARD

POWERS, RESPONSIBILITIES AND FUNCTIONING

The Management Board is responsible for the management of the Company's operations under the supervision by the Supervisory Board. The Management Board's responsibilities include, among other things, determining the Company's strategy, and day-to-day management of the Company's operations. The Management Board as a whole is authorized to represent the Company. In addition, the two Managing Directors, acting jointly, have the authority to represent the Company.

COMPOSITION, APPOINTMENT AND REMOVAL

The Articles of Association provide that the General Meeting determines the number of Managing Directors. As of the date of this report, the Management Board consists of two Managing Directors. Managing Directors are appointed by the General Meeting upon a proposal of the Supervisory Board. Pursuant to the Articles of Association, Managing Directors may be suspended or dismissed by the General Meeting, upon the proposal of the Supervisory Board. The Supervisory Board may at any time suspend a Managing Director. A suspension by the Supervisory Board may, at any time, be discontinued by either the Supervisory Board or the General Meeting.

MANAGING DIRECTORS

At the date of this report, the Management Board is composed of the following two Managing Directors:

Name	Date of birth	Position	Member as of	Term
Remco Johann Teulings	29 September 1970	CEO	31 October 2019	Not limited in time
Jan Petrus Paulus Bos	1 February 1965	CFO	22 May 2020	Not limited in time

The Company's registered address, Walaardt Sacréstraat 405, 1117 BM municipality of Haarlemmermeer (Schiphol), the Netherlands, serves as the business address for all Managing Directors.

CURRICULUM VITAE MANAGING DIRECTORS

Remco Johann Teulings

Remco Teulings joined the CRH group of companies in March 2017 as Managing Director Europe Distribution. After the acquisition by the Blackstone Group of the European distribution activities of CRH, he was appointed as Chief Executive Officer of BME Group in November 2019. Before joining the CRH group of companies, Mr. Teulings has been active in senior management positions in various countries, lastly as President Europe, Middle and East Africa at Tarkett, a French listed multinational corporation specialized in flooring, where he was a member of the global executive team. From 2007 until 2012, Mr. Teulings was the CEO / Managing Director Central Europe and Group Marketing Director at Knauf Insulation. Mr. Teulings holds a cum laude master's degree in Organization & Management / Sociology from the University of Amsterdam, the Netherlands, a bachelor's degree in Economics from the HEAO in 's-Hertogenbosch, the Netherlands and an executive MBA degree of the Asian Institute of Technology in Bangkok, Thailand.

Jan Petrus Paulus Bos

Jan Bos joined the BME Group as Chief Financial Officer in May 2020. Before joining the Group, Mr. Bos held various senior management positions at TNT N.V., a predecessor of PostNL N.V. which is a listed mail, parcel and e-commerce multinational corporation. At TNT N.V., Mr. Bos lastly acted as Director Finance & Administration at the mail division (TNT Post). After the express division of TNT N.V. was separated from TNT N.V. and the company was renamed PostNL N.V. in 2011, Mr. Bos was appointed as Chief Financial Officer which he stayed until 2018. In addition to his role at the Group, Mr. Bos is a director of Ekeby Art and Research B.V., Seaview Consultancy & Investments B.V., and Fresh Eyes Consultancy & Investments Partners B.V. He has been a member of the supervisory board of the Universitair Medisch Centrum Groningen (UMCG) until the end of 2021. Mr. Bos started his career as consultant and internal auditor at KPN. Mr. Bos holds master degrees in Tax Economics and in Business Economics and he has a post-graduate Certified Public Accountant's degree, all from the University of Groningen, the Netherlands.

EXECUTIVE MANAGEMENT TEAM AND ETHICS & COMPLIANCE COMMITTEE

The Management Board is supported by an Executive Management Team consisting of senior functional leaders and managing directors of the larger Operating Companies. The Executive Management Team has an advisory role to the Management Board and meets regularly to discuss and align on a number of management topics and initiatives. The Management Board is ultimately responsible for all decision-making. The Management Board is further supported by an Ethics & Compliance Committee consisting of the Group CFO, the Senior Vice President HR, the Group General Counsel, the Group Director Internal Audit, Control & Risk, as well as the Head of Ethics and Compliance. The Ethics & Compliance Committee meets regularly and assists and advises the Management Board in identifying and managing Ethics & Compliance risks by coordination between senior stakeholders.

SUPERVISORY BOARD

POWERS, RESPONSIBILITIES AND FUNCTIONING

The Supervisory Board supervises the conduct and policies of the Management Board and the general course of affairs of the Company and its business enterprise. The Supervisory Board also provides advice to the Management Board. In performing their duties, the Supervisory Directors are required to be guided by the interests of the Company and its associated business enterprise, taking into consideration the interests of the Group's stakeholders (which includes but is not limited to its customers, its suppliers, its employees and the Shareholders). The Supervisory Board will also observe the corporate social and environmental responsibility issues that are relevant to the Group.

GOVERNANCE – MANAGEMENT AND CORPORATE GOVERNANCE

Pursuant to the Articles of Association, the General Meeting appoints the Supervisory Directors and determines the remuneration of each Supervisory Director. Pursuant to the Articles of Association, the Supervisory Board shall appoint one of its Supervisory Directors as chairperson and one of the other Supervisory Directors as vice-chairperson. As of the date of this report, the Supervisory Board consists of six

Supervisory Directors. Supervisory Directors may be suspended or dismissed by the General Meeting.

SUPERVISORY DIRECTORS

BME's Supervisory Board is composed of the following six Supervisory Directors (see table below).

SUPERVISORY BOARD COMMITTEES

The Supervisory Board has an Audit Committee and a Remuneration and Selection and Appointment Committee. Both committees have a preparatory and/or advisory role to the Supervisory Board. Each committee has a charter on its role, responsibilities and functioning. The committees consist of Supervisory Directors who are appointed for such committees by the Supervisory Board. The committees report their actions, reviews, proposals and findings to the Supervisory Board. The Supervisory Board is ultimately responsible for all decision-making.

POTENTIAL CONFLICTS OF INTEREST

Each of Mr. Assant, Mr. Pinker, Mr. Bonanomi and Ms. Jamar has been nominated as member of the

Supervisory Board by the sole shareholder of the Company. Each of them is a representative of the Shareholder. The Supervisory Board does not expect that this will cause them to have a conflict with the duties they have towards the Company. The Company is not aware of any potential conflicts between the personal interests of other duties of Managing Directors and Supervisory Directors on the one hand and the interests of the Company on the other hand. There is no family relationship between any Managing Director and any Supervisory Director.

The Articles of Association include arrangements to ensure that the Supervisory Board will in each relevant situation handle and decide on any (potential) conflict of interest. A Supervisory Director shall not participate in the deliberation and decision-making process if he or she has a conflict of interest. During the last five years, none of the Managing Directors or the Supervisory Directors: (i) has been convicted of fraudulent offenses; (ii) has served as a director or officer of any entity subject to bankruptcy proceedings, receivership or liquidation; or (iii) has been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies), or disqualification by a court from acting as a member of the administrative, management or supervisory body of an issuer, or from acting in the management or conduct of the affairs of any issuer.

Name	Date of birth	Position	Member as of	Term
Jean-Jacques Lafont	4 August 1959	Chairperson	31 October 2019	Not limited in time
Lionel Yves Assant	22 May 1972	Member	31 October 2019	Not limited in time
Juergen Pinker	7 August 1976	Member	31 October 2019	Not limited in time
Natacha Jamar	25 June 1987	Member	31 October 2019	Not limited in time
Marianne Culver	1 December 1956	Member	15 November 2021	Not limited in time
Luca Bonanomi	28 February 1989	Member	31 October 2019	Not limited in time

ETHICS & COMPLIANCE

Ethics & Compliance laws, rules and standards have various sources and often embrace broader standards of integrity and ethical conduct. Within BME Group, we define Ethics & Compliance Risk as the exposure to legal penalties, lack of trust, financial loss, limited business opportunities or diminished reputation when we fail to act in accordance with laws and regulations and with our internal policies and procedures.

BME is strongly committed to maintaining the integrity and reputation of BME Group and the BME Group Companies for professional and ethical conduct everywhere we do business. The Management Board safeguards the integrity and reputation by ensuring that BME Group Companies adhere strictly to the applicable laws and regulations and standards in all the markets and jurisdictions in which BME Group (including the BME Group Companies) operates and adhere to the compliance policies and core values of BME Group. For this responsibility, they are advised and, where necessary, supported by the BME Group Ethics & Compliance function and the Ethics & Compliance Committee.

BME has defined its position regarding these applicable laws, regulations and standards in its BME Group Code of Business Conduct, which provides the foundation for BME and all of its employees for doing good business. BME also recognizes the importance of maintaining these standards throughout the supply chain. This is why we have defined our minimum expectations for our business partners in our BMG Group Supplier Code of Conduct.

ESG GOVERNANCE AND CONTROL OWNERSHIP

The ESG Governance structure consists out of the ESG Committee and taskforces for each separate theme: Environmental, Social and Governance & Compliance. See figure below for the illustration of the ESG Governance structure. All members of the ESG committee have expertise in the filed of responsibility they have been assigned to.

The ESG Committee is chaired by the CEO, and has the overall responsibility for the effective operationalization of BME's ESG policy, and has delegated responsibility to the ESG taskforces for overseeing its implementation.

The ESG committee:

- defines BME Group ESG Strategy, Ambition, Group-level roadmap, short and mid-term target setting and budget;
- reviews progress and data from across the business;
- filters and summarizes it for the Supervisory Board.

The ESG committee has regular quarterly meetings throughout the year and ad-hoc meetings and touchpoints when necessary.

The ESG taskforces and enablers are responsible for the operationalization of the ESG strategy and therefore have more regular meetings (e.g. once every four to six weeks) and ad-hoc touchpoints when necessary. The taskforces and enablers are also the first point of contact to all Group functions and Operating Companies on ESG themes and its reporting.

The local implementation of ESG policy is responsibility of the Operational Companies' Management Teams and Functional Leads. Submission of local ESG roadmaps (in line with Group-level roadmap and priorities) and initiatives make part of the overall strategic "Together We Build" (TWB) plans and discussed during the yearly budget process. Reporting on progress on ESG-related initiatives takes place on monthly basis as part of the "TWB" process. ESG data submission in line with relevant key Performance Indicators (KPIs) takes place on quarterly and/or yearly basis – depending on theme or KPI – based on the ESG reporting expectations as described in the internal ESG reporting manual. Ownership of ESG themes and data, and reporting process is detailed in the same manual.

ESG Committee
Chaired by: BME Group CEO
ESG Committee members: Group CFO, Group SVP HR, Group SVP Operations, Group SVP Transformation & Digital, Group Legal Counsel, MD Rest of Europe, Group Director ESG

ENVIRONMENTAL TASKFORCE	SOCIAL TASKFORCE	GOVERNANCE TASKFORCE
Co-Leads: Group SVP Operations	**Lead:** Group SVP HR	**Lead:** Group General Counsel
Taskforce members: representatives from Group & OpCo Supply Chain, Procurement, Commercial Excellence & other relevant functions	**Taskforce members:** representatives from Group & OpCo HR, H&S, General Management & other relevant functions	**Taskforce members:** representatives from Group & OpCo Internal Audit & Internal Control, Ethics & Compliance, Legal, Finance & other relevant functions

Enablers: Program management, reporting, communication and other relevant functions

RISK MANAGEMENT

The governance and underlying roles and responsibilities regarding identifying, assessing, responding, monitoring and reporting on risks is based on BME's Three Lines of Defense Model (figure below). This model captures the combination of functions within an organization that are performing risk management related activities in support of the 'in control position' of the organization and its risk landscape. The Three Lines Model helps to delegate and coordinate essential risk management duties and enhance communications.

BME's governance setup is organized and structured in such a way that it enables accountability ('Governing body'), risk management (Management - First and Second line) and independent assurance (Internal Audit -Third line). A full description of the overall roles and responsibilities of the BME's Three Lines Model is available in BME Group's Risk Policy (an internally available document).
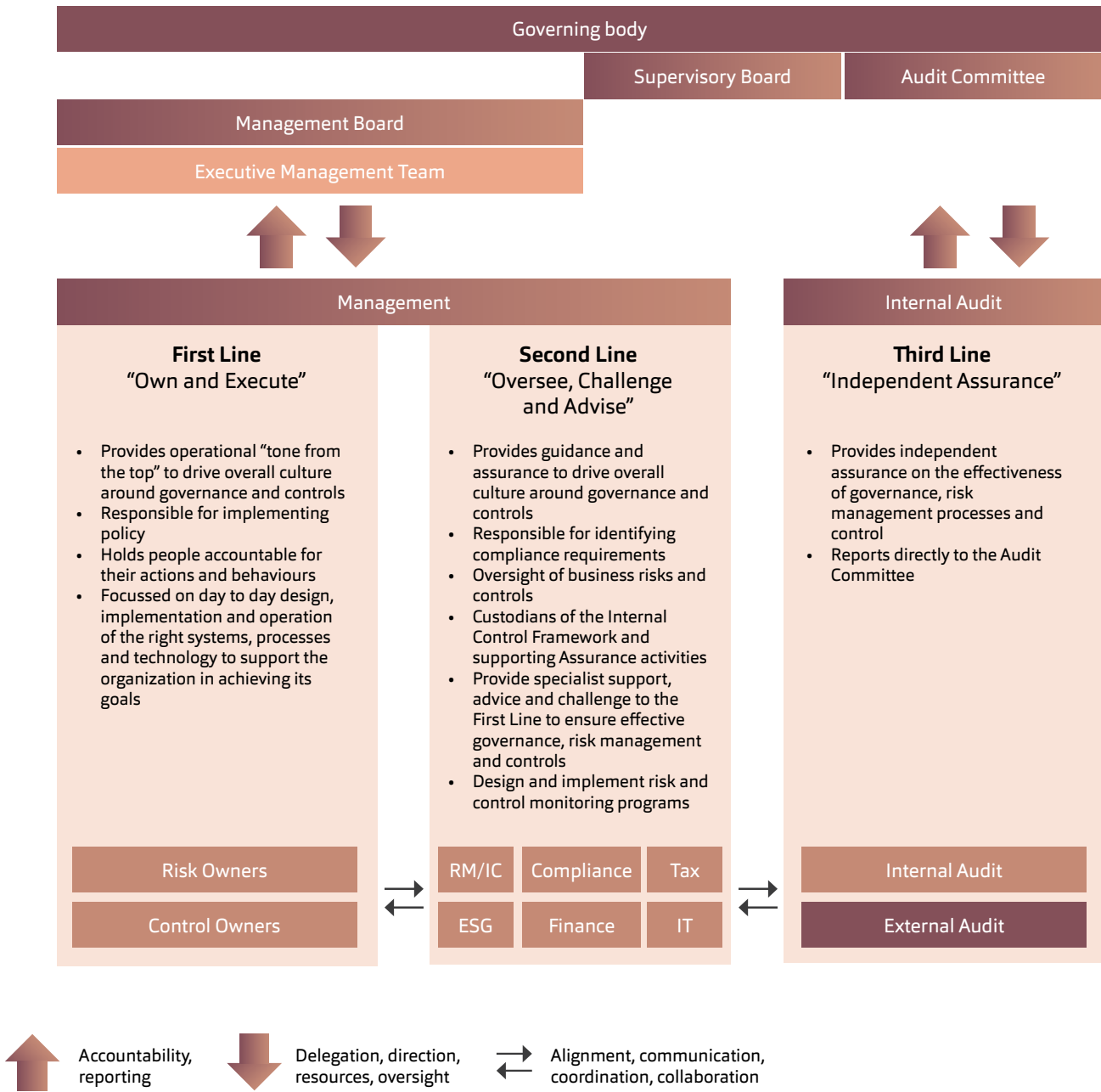
ERM ROLES AND RESPONSIBILITIES

In order for the Three Lines Model to function properly, responsibilities of the Three Lines are assigned to various officials e.g. Supervisory Board, Audit Committee, Management Board, Operating Company Management Teams, Internal Audit, etc.
ERM is driven by the Risk & Control function (Second Line), who is responsible for the design and coordination of the ERM process within BME. We distinguish two Second Line Risk & Control functions within BME, one on a centralized level and one on Operating Company level.

- The centralized Risk & Control function is performed by the Group Risk & Internal Control Function, within the Audit & Risk Department.
- The decentralized Risk & Control function is performed by the Risk Management and Internal Control (RM/IC) coordinator within each Operating Company, under the responsibility of Operating Company management.

ESG RISK MANAGEMENT

BME Group has looked into the ESG risks and opportunities in relation to its materials topics. The identified ESG risks include those related to climate change impacts mitigation and adaptation, environmental management practices and duty of care, working and safety condition, respect for human rights, anti-bribery and corruption practices, and compliance to relevant laws and regulations. These were discussed with the ESG Committee and linked to the existing ERM register – see table on the next page for more information. The Three Lines Principle – as explained above – is also applicable to these risks.

KEY RISKS & OPPORTUNITIES IN RELATION TO MATERIAL TOPICS (1/2)

Topic	Type of risk or opportunity	Description of risk or opportunity and how it may impact our business performance	BME's mitigating measures	Impact on BME	Likelihood
Carbon emissions	Physical risk	Climate change poses serious risk of increasing droughts, floods, and rising sea-levels, among others. On the long-term, this type of occurrences may affect some of BME's value chains, suppliers' production and locations, and lead to setbacks or cost increase of distribution.	BME aligns its environmental strategies and ambitions to the Global Sustainable Development Goals and the European Union Sustainability Agenda (e.g. Paris agreement / EU Green Deal) and has set in motion emission reduction initiatives in its controlled operations, including: • Procuring green energy • Renewing fleet, optimizing fleet management, and sourcing biofuel • Installing LED lighting • Operating Companies' specific local emission reduction measures	Major (4)	Unlikely (2)
	Transition risk	Organizations with ineffective or insufficient carbon emission reduction plans may experience increased costs related to anticipated carbon taxes, compliance risk, failure to meet stakeholder demands as well reputational damage.		Moderate (3)	Unlikely (4)
Waste in controlled operations & value chain	Transition risk	Waste is considered to be one of the biggest challenges in the construction sector as it has impact on climate change, air pollution, ecosystems and species. Ineffective or insufficient waste reduction within BME's sphere of influence may lead to fines in relation to non-compliance to increasingly tighter restrictions, rising taxes, failure to meet stakeholder demands as well reputational damage.	As a distributor of building products, BME can only play a relatively limited role regarding reducing waste in the overall value chain. Our current waste management is being handled mainly locally by our Operating Companies and is supported by Group-wide initiative to reduce and replace purchased plastic packaging, and some local post-installation waste collection pilots. Going forward we will be rolling out a Group-wide approach towards managing waste reduction initiatives.	Minor (2)	Possible (3)
Sustainable products	Opportunity	The building sector is critically important to reducing Greenhouse Gas (GHG) emissions, and sustainability is expected to be at the forefront of the industry's agenda going forward. As a result of this, focus on sustainability, demand for energy-efficient renovation and sustainable buildings is expected to grow significantly. BME sees an opportunity to become a market leader in this space which can impact its financial as well as environmental performance.	BME has the goal to accelerate sustainability and responsible business practices in its sector, and increasingly invests in initiatives to improve the sustainability of its operations (see afore mentioned carbon reduction initiatives) and grow its portfolio of sustainable products and services (e.g. by scaling and complementing its GreenWorks concept).	Major (4)	Likely (4)
	Transition risk	Sustainability is becoming a key consideration for consumer when making their purchase decisions. This shift can raise new expectations towards BME's sustainable performance as a company, and the sustainability of BME's product portfolio and services. This shift can also bring a potential risk of rising expenses levels required for building a sustainable product portfolio thus pricing ourselves out of the market and losing clientele to competition.		Moderate (3)	Unlikely (2)

Topic	Type of risk or opportunity	Description of risk or opportunity and how it may impact our business performance	Mitigating measure	Impact on BME	Likelihood
Equity, Diversity & Inclusion	Transition risk	The sector BME operates in poses challenges to building a diverse workforce. Not succeeding in striking the right balance may result in risks for staff well-being, welfare and engagement, operational performance, customer satisfaction and reputation, as well as potential future risks of non-compliance with regulations.	BME aims to create an inclusive work environment and build a workforce that is a fair representation of the markets in which the company operates. Starting from the top, BME has set diversity targets, and launched initiatives in place to achieve its goals, including: • Targeted recruitment • Recruitment process and profiles modernization • Unconscious bias trainings	Moderate (3)	Likely (4)
Health & Safety	Transition risk	Health and Safety risks can affect employees, contractors, customers, suppliers and other individuals. These can lead to property, casualty or other losses not covered by insurance policies, and have impact on BME's operational and financial performance, as well as BME's reputation.	BME has rolled out a Health and Safety program across its entire operations which gives a set of guidelines to minimize the risk of accidents and related injuries. The program includes regular communications and trainings, and the implementation of supporting tools and materials.	Major (4)	Possible (3)
Employee Engagement	Transition risk	Attracting, developing and retaining diverse and talented people and leaders with the required capabilities has significant impact on BME's ability to execute its strategy and achieve financial and ESG targets.	BME has developed a people strategy and employee journey to ensure that we put the right people in the right position. These are supported by targeted cultural transformation programs to promote life at work in line with BME's values, and boost employee engagement and increase retention. The success is measured via a bi-annual BME-wide Engagement Survey, complemented by two follow up pulse surveys, and correction plans in line with the outcomes.	Major (4)	Possible (3)
Organizational Integrity	Transition risk	Businesses shall adhere to good business and ethical practices, in line with relevant and applicable laws relating to human rights, health, safety, and the environment, as well as anti-bribery, corruption and antitrust. Otherwise, they may run into risks related to business continuity, trust and transparency.	The BME Code of Business Conduct communicates the standards and expectations of ethical behavior for employees, customers, suppliers, and other key stakeholders. BME expects all employees to share the same commitment to these practices and have an awareness and training program in place. Additionally, BME's Whistleblower Policy supports everyone to alert the organization if an issue occurs. These are available in all local languages to make sure everyone has a clear understanding of our policies.	Moderate (3)	Possible (3)
Responsible Value Chain	Transition risk	Stakeholder expectations as well as regulation (CSDD, CSRD, HRDD) are demanding increasing actions, policies and data around value chain integrity. Not being able to build mechanisms and procedures in line with these changing expectations, may increase the risk of inadvertently sourcing products or materials from areas or industries that are susceptible to unsustainable manufacturing practices which may pose risks for reputation, non-compliance, and business continuity.	On the other hand, BME's Supplier Code of Conduct ('SCoC') addresses issues captured in the UNGC Principles and OECD Guidelines and steers towards compliance with topics such as human and labor rights, environment, anti-corruption, bribery, and data security, among BME's suppliers base. BME expects its suppliers to review and sign the SCoC, as well as to participate in a self-assessment with EcoVadis to prove compliance.	Moderate (3)	Possible (3)

APPENDIX

1. ABOUT THIS REPORT

SCOPE AND APPROACH OF THE REPORT

This report is a voluntary sustainability report. It was published on 14 April 2023 with the aim to provide BME's stakeholders with a comprehensive overview of the sustainable development, governance and results of the overall organization. The report follows the GRI guidelines and best practices, and takes into consideration the requirements of the Corporate Sustainability Reporting Directive ('CSRD') and the European (draft) Sustainability Reporting Standards ('ESRS').

Scope and boundaries

In line with BME's financial reporting, this report covers BME's 2022 financial year unless otherwise stated.

The report has been prepared on Group level. The scope of consolidation is on the nine operating companies that were part of BME Group when it became an independent company in 2019: BMN, Bouwmaten, Bauking, SHK, STG, BMB, Quester, BMS, and BME France. These subsidiaries are organized in nine different operating companies across six countries in Europe, which operate under their own brands.

Acquisitions of companies that are under the Group's operational control are included in the scope as soon as data is available, and not later than 12 months after the completion of the acquisition. For some acquisitions, data for individual KPIs may be available sooner than for other ones within this period and will thus be included earlier. Divestments are removed from the data from the date of the divestment. New locations and asset deals are included and closed locations are removed upon opening and closing date, i.e. on an organic basis. For GHG accounting, BME Group's base year performance will be adjusted for M&A transaction and divestitures, if structural changes coming into scope result in an increase/decrease greater than 5%. M&A transaction and divestitures will be reported on

Acquisition	Closing date	Reporting status
Detering	July 20	Included on organic basis
Amiens branch	Dec. 20	Included on organic basis (asset deal)
Mahler	May 21	Included – reported on separately as M&A
BMV	June 21	Included – reported on separately as M&A
BMDNL	July 21	Included – reported on separately as M&A
Planas-dis Girona	Aug. 21	Included on organic basis (asset deal)
Maxmat	Sept. 21	Included – reported on separately as M&A
Silix	Sept. 21	Included on organic basis
De Jong & Roos	Sept. 21	Included – reported on separately as M&A
Cronrath	Sept. 21	Included on organic basis (asset deal)
Yesyforma	Oct. 21	Included on organic basis (asset deal)
Raboni Normandy (div.)	Oct. 21	Excluded from reporting (divestment)
BMB Aartselaar	Nov. 21	Not yet included
Heinrich Fliesenmarkt	Jan. 22	Not yet included
Induscabel	July 22	Not yet included
Mager	Apr. 22	Not yet included
Nelemans	June 22	Not yet included
UMHS	May 22	Included on organic basis (asset deal)
Villar MC	June 22	Not yet included
Rollwitzer	June 22	Not yet included
Home carrelage	Aug. 22	Not yet included
GBI Jacob Bakker	Sept. 22	Not yet included
Bouwpunt van der Gucht	Nov. 22	Not yet included

separately in the first 12 months after data is available for these acquisitions. BME Group has set itself an ambition to reduce the carbon footprint of its controlled operations by >25% in 2025 and 45% in 2030. These targets are set against a 2021 baseline of BME Group's organic performance. Each year, BME Group will evaluate the impact of acquisitions on its carbon footprint and its trajectory towards achieving to achieve a full reduction of emissions from controlled operations.

Specifically, for the acquisitions completed from 2021-2022 the scope is described in the table on page 74. The topics covered in the report have been determined through our materiality assessment. See page 82 for a description of this assessment and the resulting list of material topics.

Data quality and completeness

The report includes qualitative and quantitative data. Preferably, reported information is based on actual raw data. In some cases, estimates and assumptions or the extrapolation of data that covers less than the entire scope may be required. While we generally try to keep these instances to a minimum, we cannot guarantee 100% completeness and accuracy of our data.

Our ESG reporting manual requires internal checks and verifications of the data at different stages during the reporting process (see section on Data Collection Process). In addition, we require the collection of evidence for the respective data, which is systematically stored on our servers on a timely basis. An example of this is invoices from electricity providers, which provide evidence of our electricity consumption on which we base the calculation of Scope 2 carbon emissions. This retention of evidence allows the verifiability of data. In the future, we aim to have external assurance on our ESG data and statements.

DATA COLLECTION PROCESS

The data for the report is mainly collected through three different approaches.

- Data on energy consumption and most of the data on carbon emissions (except employee commuting) is collected from the Operating Companies on a quarterly basis. The Operating Companies receive a data input file (a pre-defined Excel template) in which they enter their data on energy consumption (electricity and heating), air conditioning units and forklift units in use, fuel consumption for owned and outsourced freight logistics as well as business travel behavior (cars, train and plane travel). Data is then consolidated into a BI and accounting software

that converts business data into standard units of measures for each activity and applies appropriate emission factors to calculate the Group carbon emissions. BME Group relies on emission factors from DEFRA and IEA, the later only for national grid factors for electricity consumption. Data on the diversity of management is also collected from the Operating Companies this way, but only for the end of the financial year. As of 2023, the latter will be collected and submitted on a monthly basis.

Our ESG Reporting Manual requires that after the data collectors have recorded the data in the respective file and stored the according evidence, the data is validated in different steps. The responsible ESG Champion or functional lead validates and signs off the data locally. The data input from the different Operating Companies is then entered into our data consolidation system, after which it is reviewed and signed-off by the local management. Group Accounting & Reporting then also reviews the data and consolidates it in the system. The Group ESG Director and the ESG taskforce leaders (see ESG Governance) review and sign off the data afterwards. Before the final reporting, the data needs to get the approval of the ESG Committee (see page 66).

- Some data, for instance data on frequency of accidents, progress on Code of Business Conduct trainings or the signing of Supplier Code of Conduct and the roll-out of the independent supplier audit program with EcoVadis, is collected by Group functions like HR, Legal or Procurement on a continuous basis. As of 2023, HR and Procurement leaders will track most ESG-related KPIs on a monthly basis through the already established local and Group systems and processes. Whereas the data on the Code of Business Conduct trainings is being tracked by a Group-managed online tool. The process of input into our data collection system and validation is the same as for the energy data (as described before).

- Finally, some data is collected via a yearly employee survey. This includes information on employee commuting, well-being, inclusive culture and engagement. Please note: the GHG emissions for employee commuting are based on a number of questions regarding the commuting behavior (e.g. number of days traveled to the work location, means of transport, number of kilometers, etc.), excluding the respondents that indicated to travel by lease car (leased by the company). Given the survey is usually not filled in by 100% of the employee base, the data is extrapolated to the total workforce based on headcount.

The survey is conducted by an external partner and is administered among all employees on payroll. The survey data is then being coordinated on Group level and processed on local level as every Operating Company has access to the platform. The survey includes identical set of questions, and is being translated in all local languages and sent out by email by our external partner to all employees in scope and who have an email address. Employees without an email address are being invited to take part in the survey by letter including a QR code with link to the platform. The letter is being sent out by the local HR teams. The measurement of employee engagement is taking place every two years, and is being complemented by Pulse surveys (including a shorter set of questions).

SCOPING AND CALCULATION METHODOLOGIES FOR KPIS

The KPIs used in this report have been calculated in the following way and for the following scopes.

Emissions Reduction

- CO₂e emissions (Scope 1, 2, 3)
  Greenhouse gas emissions are reported in line with the GHG Protocol.

  The organizational boundaries of BME's carbon accounting are set in line with the operational control approach. Hence, the scope includes all entities for which the Group has the control to introduce and implement its operating policies at the operation. We account for 100% of the respective entity's emissions.

  The emissions are categorized according to three different Scopes:
  – GHG Scope 1: direct emissions from sources that are owned or controlled by the company, such as the combustion of oil or gas in the company's boilers.
      At BME, these sources include the generation of energy (e.g. heating) for operations (except purchased electricity, biogas, biofuel and biomass), vehicle fuel use for owned and leased freight logistics, as well as refrigerant use in air conditioning systems, buildings, trucks and machines.
  – GHG Scope 2: indirect emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by the reporting company.
      At BME, this refers to the consumption of purchased electricity and district heating, biogas, biofuel and biomass.

– GHG Scope 3: indirect emissions that are a consequence of the company's activities but are not from sources owned or controlled by the company (value chain emissions).
    BME reports on Scope 3 emissions from outsourced logistics, business travel, from employee commuting.

Our data collection system reporting system applies appropriate emissions factors to calculate the Group's carbon emissions in kilograms of CO₂ equivalent (kg CO₂e) from the various sources mentioned above. To calculate Scope 2 emissions, we use the location-based approach which relies on national grid emission factors and applies it to electricity consumption. The national grid emission factors have been taken from the International Energy Agency (IEA).

- Share of renewable energy
  The share of renewable energy is calculated as the division of consumed energy from renewable sources by the Group's total energy consumption. Energy includes electricity, fuel and heating. In line with EU Legislation, electricity is considered to be renewable if it is sourced from solar, hydro, wind, geothermal or biomass sources. Sustainable alternatives for fuels include biomass, bio-diesel or hydrogen. In terms of heating, geothermal heating and district heating are considered as renewable. The respective consumption numbers for the three categories are converted to gigajoule (GJ) from their particular units to calculate the overall share if renewable energy.

Sustainable Products

- Sustainable products– % spend on sustainable products in Dry Lining & Insulation
  This KPI is calculated as the procurement spend on sustainable products in dry lining and insulation divided by the total procurement spend in that category. A sustainable product is defined as a building product with a lower environmental footprint during the lifecycle of that product, compared to other building products in the same category. Example drivers of the environmental footprint of a product during its lifecycle are material input, resources required to transport and manufacture the product, waste during and after use etc. The environmental footprint of a building product is quantified in the lifecycle analyses ('LCAs') of the building products and is expressed in terms of the environmental cost indicator of that product. This is in line with the European norm (EN 15804) to determine environmental performance of building products. To establish its baseline performance of sustainable

products in the Dry lining & Insulation category, BME has obtained 2,300 LCAs from the Dutch Milieudatabase. Building products for BME could obtain an LCA were ranked from score 1-10 based on their relative environmental cost indicator (1 = low environmental cost, 10 = high environmental cost). Building products with a score of 1-5 are categorized as a sustainable product.

- Sustainable products– % spend on products with an FSC/PEFC eco-label
  This KPI is calculated as the procurement spend on products with an FSC/PEFC label divided by the total product-related spend. FSC and PEFC are chain of custody certifications for wood products, documenting and improving responsible forest management in line with economical, ecological and social criteria. For full wooden and wooden panel products, BME only sources products with eco-label FSC/PEFC (or local market equivalent).

Equity, Diversity & Inclusion

- Diversity of leadership
  We define "Leadership" as Extended Executive Management Team and their local Management/ Leadership Teams. The diversity of leadership is considered in terms of gender. In the future, we aim to track more diversity parameters, i.e. age, educational background, and others.

- Inclusion score
  The Inclusion score is measured through the annual employee survey. Inclusion is represented by different survey questions and dimensions around how people feel treated and how diversity is perceived. The responses to each question can range from 1 (low) to 10 (high). The inclusion score is then calculated as the average score across these dimensions and across respondents.

Health & Safety

- Employee well-being score
  The employee well-being score is measured through the annual employee survey. Employee well-being is represented by different survey questions and dimensions around how well and able people feel to do their jobs. The responses to each question can range from 1 (low) to 10 (high). The employee engagement score is then calculated as the average score across these dimensions and across respondents.

- Frequency ratio of accidents
  The frequency ratio of accidents is measured as the number of accidents occurred across all BME sites per 100,000 working hours.

Employee engagement

- Employee engagement score
  The employee engagement score is measured through the biennial employee survey. Employee engagement is represented by different survey questions and dimensions around how people perceive their work, its contribution to the Operating Company's trajectory and the feedback they receive. The responses to each question can range from 1 (low) to 10 (high). The employee engagement score is then calculated as the average score across these dimensions and across respondents.

Integrity

- Code of Business Conduct – training completion
  This KPI is calculated as the number of employees that have completed the BME Code of Business Conduct training and confirmed their adherence divided by the total number of employees at year end (headcount).

- Supplier Code of Conduct – % procurement spend signatories
  This KPI is calculated as the spend on goods and services from suppliers that have signed BME's Supplier Code of Conduct divided by the total spend on suppliers (Cost Of Goods Sold/COGS). Please note: this percentage includes a small number of suppliers that have been exempted from signing the Supplier Code of Conduct in consultation and approval by BME Group Legal Department, and after providing sufficient proof on compliance with our expectations on ethical business practices and meet our standards including respect for human rights, health & safety and environmental stewardship.

- Supplier EcoVadis rating – % procurement spend signatories
  This KPI is calculated as the spend on goods and services from suppliers that have undergone an EcoVadis rating divided by the total number of suppliers that are required to have such a rating by BME standards. BME determines the requirement for an EcoVadis rating by a standardized process along criteria that – among other things – include the size of the supplier and its risk status.

CSRD REFERENCE TABLE

This report takes into consideration the requirements of the Corporate Sustainability Reporting Directive ('CSRD') and the European (draft) Sustainability Reporting Standards ('ESRS'). However, it is important to note that the table below serves the purpose of outlining our current approach to reporting and our intention to align with the new requirements in the future. This report does not claim to be already compliant with the CSRD or any other applicable sustainability reporting standards.

GENERAL DISCLOSURES

		Reporting area	Topic	Sub-topic	In report	Section/page
	ESRS 2 General Disclosures	Basis for preparation	General basis for preparation		Partially / In progress	p. 74-88
			Disclosures of specific circumstances	Time horizons	Yes	p. 30, p. 88
				Value chain estimation	Partially / In progress	
				Changes in preparation or presentation	Not applicable	
				Reporting errors in prior periods	Not applicable	
				Disclosures from local legislations or generally accepted pronouncements	Not applicable	
				Incorporation by reference	Not applicable	
		Governance	Role of administrative, management, supervisory bodies	Composition and diversity of bodies	Yes	p. 58, p. 62-70
				Roles and responsibilities of bodies	Yes	p. 62-70
				Availability of appropriate skills	No / In progress	
			Information provided and issues addressed by bodies		Yes	p. 62-70
			Sustainability-related performance in incentive schemes		No / In progress	
			Sustainability due diligence statement		No / In progress	
			Risk management and internal controls over sustainability reporting		Partially / In progress	p. 69
		Strategy	Market position, strategy, business model(s) and value chain	Market position and key elements of general strategy that relate to sustainability matters	Yes	p. 20-23
				Description of business model(s) and value chain	Yes	p. 18-19
			Interests/views of stakeholders		Yes	p. 26-27; p. 84-87
			Interaction of material impacts, risks and opportunities with strategy and business model(s)		Yes	p. 69-70, p. 83
		Impact, risk and opportunity management	Description of processes to identify and assess material impacts, risks and opportunities		Yes	p. 82
			Disclosure requirements covered		Yes	reference table

MATERIAL TOPICS

Nr	Material topic	ESRS			In report	Section/page
1	Carbon Emissions	ESRS 2 General disclosures	Policies to manage sustainability matter		Yes	p. 34-51
			Actions and resources in relation to sustainability matter		Yes	p. 34-51
			Metrics in relation to sustainability matter		Yes	p. 34-51
			Tracking effectiveness of policies and actions through targets		Yes	p. 34-51
		ESRS E1 Climate Change Strategy Impact, risk and opportunity management	Strategy	Transition plan for climate change	Partially / In progress	p. 36-42
				Material impacts, risks and opportunities and their interaction with strategy and business model(s)	Partially / In progress	p. 69
			Impact, risk and opportunity management	Description of the processes to identify and assess material climate-related impacts, risks and opportunities	Yes	p. 32-49
				Policies related to climate change mitigation and adaptation	Yes	p. 32-49
				Actions and resources in relation to climate change policies	Yes	p. 32-49
			Metrics and targets	Targets related to climate change mitigation and adaptation	Yes	p. 30-31
				Energy consumption and mix	Yes	p. 38
				Gross Scopes 1, 2, 3 and Total GHG emissions	Yes	p. 36
				GHG removals and GHG mitigation projects financed through carbon credits	Not applicable	
				Internal carbon pricing (if applicable)	Not applicable	
				Potential financial effects from material physical risks, material transition risks and climate-related opportunities	No / In progress	
2	Waste in Controlled Operations	ESRS 2 General disclosures	Policies to manage sustainability matter		Partially / In progress	p. 39
			Actions and resources in relation to sustainability matter		Partially / In progress	p. 39
			Metrics in relation to sustainability matter		No / In progress	
			Tracking effectiveness of policies and actions through targets		No / In progress	

Nr	Material topic	ESRS		In report	Section/page
3	Value Chain Waste	ESRS 2 General disclosures	Policies to manage sustainability matter	No / In progress	
			Actions and resources in relation to sustainability matter	No / In progress	
			Metrics in relation to sustainability matter	No / In progress	
			Tracking effectiveness of policies and actions through targets	No / In progress	
4	Sustainable Products	ESRS 2 General disclosures	Policies to manage sustainability matter	Yes	p. 47-49
			Actions and resources in relation to sustainability matter	Yes	p. 47-49
			Metrics in relation to sustainability matter	Yes	p. 47-49
			Tracking effectiveness of policies and actions through targets	Yes	p. 47-49
5	Diversity and Inclusion	ESRS 2 General disclosures	Policies to manage sustainability matter	Yes	p. 56-57
			Actions and resources in relation to sustainability matter	Yes	p. 56-57
			Metrics in relation to sustainability matter	Yes	p. 56-57
			Tracking effectiveness of policies and actions through targets	Yes	p. 56-57
		ESRS S1 Own workforce	Impact, risk and opportunity management — Policies related to own workforce	Partially / In progress	p. 56-57
			Metrics and targets — Diversity indicator	Partially / In progress	p. 56-57
6	Health & Safety	ESRS 2 General disclosures	Policies to manage sustainability matter	Yes	p. 58-59
			Actions and resources in relation to sustainability matter	Yes	p. 58-59
			Metrics in relation to sustainability matter	Yes	p. 58-59
			Tracking effectiveness of policies and actions through targets	Yes	p. 58-59
		ESRS S1 Own workforce	Metrics and targets — Health and safety indicators	Partially / In progress	p. 58-59

Nr	Material topic	ESRS		In report	Section/page
7	Employee Engagement	ESRS 2 General disclosures	Policies to manage sustainability matter	Yes	p. 54-55
			Actions and resources in relation to sustainability matter	Yes	p. 54-55
			Metrics in relation to sustainability matter	Yes	p. 54-55
			Tracking effectiveness of policies and actions through targets	Yes	p. 54-55
		ESRS S1 Own workforce	Impact, risk and opportunity management — Processes for engaging with own workers and workers' representatives about impacts	Yes	p. 54-55
8	Organizational Integrity	ESRS 2 General disclosures	Policies to manage sustainability matter	Yes	p. 42-43
			Actions and resources in relation to sustainability matter	Yes	p. 42-43
			Metrics in relation to sustainability matter	Yes	p. 42-43
			Tracking effectiveness of policies and actions through targets	Yes	p. 42-43
		ESRS G1 Business conduct	Impact, risk and opportunity management — Corporate culture and business conduct policies	Yes	p. 42-43
			Impact, risk and opportunity management — Prevention and detection of corruption or bribery	Yes	p. 42-43
9	Responsible Value Chain	ESRS 2 General disclosures	Policies to manage sustainability matter	Yes	p. 44-49
			Actions and resources in relation to sustainability matter	Yes	p. 44-49
			Metrics in relation to sustainability matter	Yes	p. 44-49
			Tracking effectiveness of policies and actions through targets	Yes	p. 44-49
		ESRS G1 Business conduct	Impact, risk and opportunity management — Management of relationships with suppliers	Yes	p. 44-49

2. MATERIALITY ASSESSMENT

In 2021, BME conducted a materiality assessment with relevant stakeholders to define its important specific ESG material topics. The insights gained were used to guide us in defining our ESG strategy, reporting and ongoing communication on the topic.

The materiality assessment included interviews and desktop research, as shown in the graphic below, and led to a number of topics as presented in the following table. We expect to have regular follow up assessments every couple of years in line with best practices.

THROUGH STAKEHOLDER INTERVIEWS, BME GROUP DEFINED ITS MATERIAL TOPICS AND ESG PRIORITIZED THEMES

10 Operating Companies interviews

Competitor / peer benchmark

5 Investor interviews

MATERIALITY ASSESSMENT AND TOPICS PRIORITIZATION

16 Suppliers interviews

15 Customer interviews

8 BME Group interviews
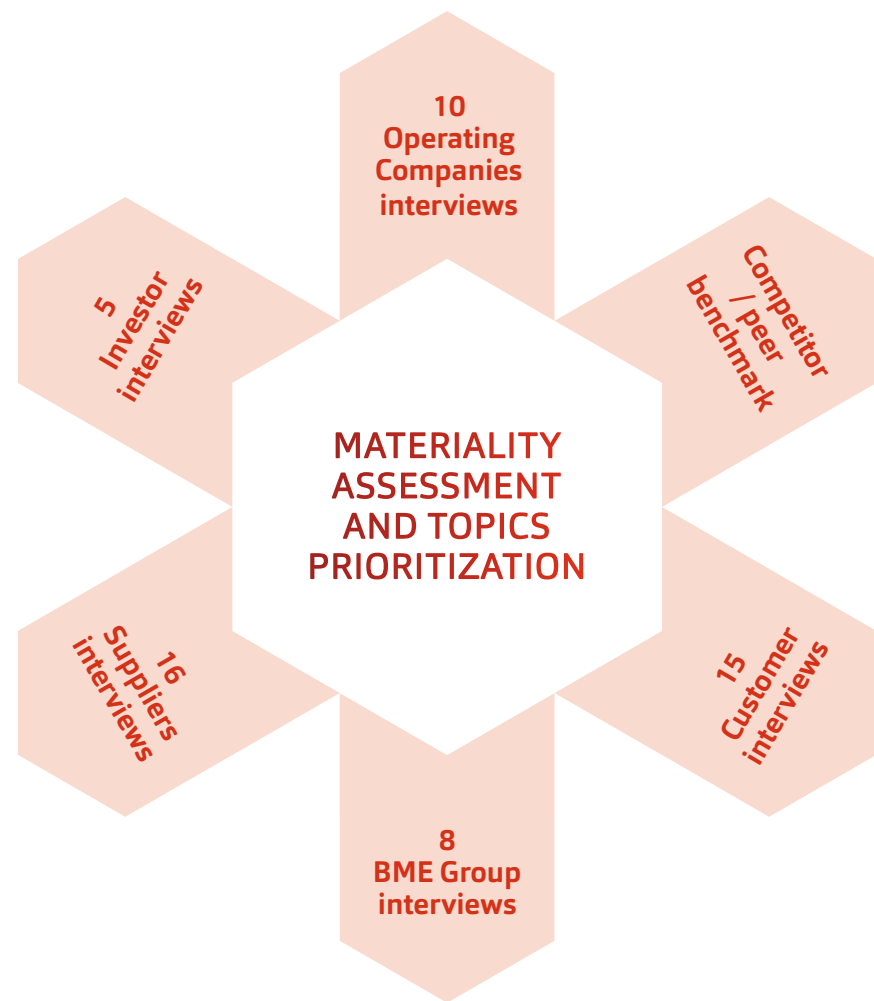
ESG	Material topic	Description of the topic
E	Carbon Emissions	The impact carbon emissions produced by BME's controlled operations and in its value chain have on climate change; and the potential impact on BME's business and operations if the company does not reduce its carbon emissions (i.e. costs related to carbon taxes, non-compliance, market risks and reputational risks).
E	Waste in Controlled Operations	The impact BME's waste and waste management efforts in its own operations have on the environment (e.g. plastic packaging used for wrapping products for transport, residual products from transport i.e. pallets), as well as potential impacts on BME if the company is not effectively managing this (e.g. non-compliance, rising costs, reputational risk).
E	Value Chain Waste	Waste resulting from building products in the value chain, such as post-manufacturing waste (mainly coming from supplier operations), post-installation waste (mainly coming from building process during contractor/installer operations), and post-use waste (mainly coming from demolishing and/or recycling during renovation process from contractors/installer operations). Despite this waste is not coming directly from BME's controlled operations, the company feels that it can play a role particularly in reducing the environmental impact of post-installation waste (e.g. improving opportunities of recycling and/or re-using it).
E	Sustainable Products	The impact BME has on the environment by offering alternative, more sustainable products that (1) allow its customers to build in a more sustainable way (i.e. with products that have a lower environmental footprint, such as FSC, PEFC or cradle-to-cradle certified products) and (2) improve the sustainability of the buildings (i.e. products with a net positive impact on the environment, such as insulation, heat pumps, etc.). At the same time, this topic includes the impact on BME in terms of growth and value creation in becoming a leading distributor of sustainable products in the sector.
S	Equity, Diversity and Inclusion	The impact of a diverse and inclusive environment on BME's staff well-being, welfare and engagement, operational performance and customer satisfaction and the positive impact a diverse workforce has on BME's business performance.
S	Health & Safety	The impact of BME's health & safety policy and program.
S	Employee Engagement	The impact BME has on employee engagement and well-being by providing good working conditions, development and training opportunities, as well as the impact on BME's business success and operational performance by fostering a high level of employee engagement.
G	Organizational integrity	The impact that BME's ethics and integrity have on business continuity, trust and transparency (e.g. anti-corruption, anti-fraud, conflict of interest, tax policies).
G	Value Chain Responsibility	The impact BME – as a large player in its value chain – can actively have on people and planet in increasing ethical behavior across the value chain.

3. STAKEHOLDER DIALOGUE

BME has a diverse set of stakeholders with specific interests and motivations whose input is key to determining the focus and attention of our organization's ESG efforts. We strive to stay in continuous dialog with them. These dialogs take place on different levels within our organization and are often a part of our daily business. This approach enables us to effectively identify and address their interests and concerns, and to develop and maintain a holistic approach towards our ESG strategy. To increase visibility and transparency around these interactions, we introduced the table below to provide insight into our stakeholder groups and how we interact with them.

STAKEHOLDER ENGAGEMENT

Stakeholder Group	What they expect?	How we engage?	Main topics in 2022	Our response
Customers	Traditionally, they need: • a one-stop-shop with consistent and immediate availability of products • just-in-time delivery • close proximity to collect • competitive price Additionally, new more complex expectations are arising, such as: • financing until customer payment • technical advice and expertise • sustainable building solutions and services • omni-channel experience	We always put our customers first, that is one of our promises. Our dense local branch network enables us to provide the best service for our customers while increasing the offer of sustainable products is an important part of our value creation strategy. This creates value and opportunities for our direct customers such as contractors and installers, and enables our indirect customers (e.g. property developers, architects, contractors and real estate investors) to build more sustainably.	ESG Material topics: • Sustainable products and services • Value chain waste/ Waste collection services Additional topics: • Proximity and just-in-time delivery • Value chain responsibility • Value-added services	BME continuously works on providing a broad and deep range of products (currently over 1M), including sustainable solutions and services. In 2022, we did 11 acquisitions which further improved the density of our network which enables our customers to directly collect products as well as have them delivered in as little as three hours' notice. Additionally, BME sales representatives provide advice, technical support and other value-added services to our customers (e.g. financing, back-office supports, digital showrooms, etc). This year, we also established a definition and baseline for sustainable products, and going forward we will work on a scalable solution for all our businesses in order to improve transparency around the topic, and facilitate the adoption of more sustainable building practices. Lastly, we will continue offering waste management/ collection services (in selected locations) to our customers, and reduce the amount of single-use/virgin plastics in our purchased packaging.
Employees	Developments in the last 2 years (such as the war in Ukraine and the Covid-pandemic) made people reconsider their priorities at work and brought up higher expectations from employees in terms of flexibility, well-being, diversity & inclusion, business integrity and sustainability, engagement and communication, as well as opportunities to grow and develop at the workplace.	As an employer, we create value for our employees by securing a great, flexible and safe place to work and engage regularly on their topics of interest in several ways: • Through our Employee Journey and Talent & Performance management processes • Through our surveys and follow-up with action plans • Through clear communication about our legal and ethical standards and expectations to employees and suppliers, and supplier-wide programs and trainings • Through our 'Health & Safety Compass' program • Through the roll out of our overall ESG vision and strategy across all functions and Operating Companies	ESG Material topics: • Employee engagement • Diversity & Inclusion • Health & Safety and well-being • Organizational integrity • Value chain responsibility Additional topics: • People strategy and leadership development • ESG/Sustainability (overall)	In 2022, we rolled out targeted cultural transformation and leadership development programs, which have proven to be a great success and will be further cascaded down in the organization during 2023 and 2024. We set ourselves clear ambitions and action plans on all main topics of interest (see column on left) and they have been implemented in the Group and Operating Companies' roadmaps. Furthermore, we continued the roll out of our Health Safety program and increased the number of trainings and interactions on it, including trainings and active involvement of the Management Teams.

Appendix – 3. Stakeholder dialogue

BME Group Sustainability Report 2022

Stakeholder Group	What they expect?	How we engage?	Main topics in 2022	Our response
Suppliers	Suppliers expect cost-efficient distribution of their products to our significant and diverse customer base, and benefit from BME's local brands reputation, network of branches and real local market intelligence. In addition, suppliers increasingly expect to collaborate with business partners with high standards in place in terms of ethical behavior and sustainability.	BME aims to collaborate with suppliers that uphold high norms and ethical behavior in their value chain, just like us. Through our Supplier Code of Conduct roll out and collaboration with EcoVadis, we strive to create an open dialogue about topics such as environmental performance and sustainability, social and labor conditions, and business ethics, among others. By doing that, we want to accelerate positive change in our sector, and enable the building of sustainable buildings through products with a positive impact on the environment and with a limited environmental footprint that come from suppliers that actively contribute towards a more sustainable supply chain.	ESG Material topics: • Value chain responsibility • Organizational integrity • Sustainable products and services Other topics: • People strategy and leadership development • ESG/Sustainability (overall)	In 2022, we accelerated the implementation of a Group-wide Supplier Code of Conduct ('SCoC') through which we identify and clearly communicate about our legal and ethical standards and expectations to employees and suppliers. This was supported by organization-wide, and supplier-wide programs and trainings (e.g. e-learnings). Additionally, BME initiated a partnership with EcoVadis – the world's leading provider of sustainability ratings, specialized in supply chain sustainability assessments. The goal of the program is for EcoVadis to periodically rate our suppliers and their alignment and compliance with our expectations as outlined in our Supplier Code of Conduct.
Investors	Our shareholders expect continuous responsible growth and demand disclosure of non-financial / ESG information and commitments, and the setting of ambitious sustainability targets.	We aim to be clear and consistent in communicating our financial and operational performance, strategy, objectives, and outlook, and transparent about environmental, social and corporate governance topics. We organize regular calls with lenders, meet with investors, analysts and rating agencies. Additionally, we provide relevant company information on our website including press releases and regular publications of our financial results and going forward a report on our ESG performance.	Overall reporting on ALL ESG material topics Other topics: • Corporate strategy / Together We Build • Stakeholder Value Creation	BME strives to become the leading driver of sustainability in the building sector by further aligning our business strategy and operations to the major trends that are influencing our key markets. To define our ESG vision and prioritized themes, we conducted an extensive value chain analysis, and a thorough benchmark of peers and competitors. We also carried out stakeholder interviews with BME employees, customers, suppliers, and investors (see more information in Appendix). Finally, we aligned our strategies and ambitions to the Global Sustainable Development Goals ('SDGs') and the European Union Sustainability Agenda (e.g. the EU Green Deal). The progress on our ESG strategy and initiatives will continue being regular part of our internal and external communications and interactions with the investor community.
Legislators	European legislation increasingly demands disclosure of non-financial values in relation to the EU Green Deal, and the CSRD, among others.	BME ensures compliance with relevant European and local regulations. Through our Supplier Code of Conduct roll out and collaboration with EcoVadis, we strive to create an open dialogue about topics such as environmental performance and sustainability, social and labor conditions, and business ethics, among others.	Overall reporting on ALL ESG material topics	In 2022, we accelerated the implementation of a Group-wide Code of Business Conduct and Supplier Code of Conduct ('SCoC') through which we identify and clearly communicate about our legal and ethical standards, in line with Global and European standards, and expectations to employees and suppliers. This was supported by organization-wide, and supplier-wide programs and trainings (e.g. e-learnings). We are also working on enhancing our ESG roadmap in line with the CSRD and the EU Taxonomy.
End-users and communities	The European building stock is one of the oldest with some 75% of the residential housing built before 1990 and being energy inefficient. It also faces structural housing supply constraints due to a population growth, shortage of land for housing development, stricter building regulations, increasingly regulated renting and subletting markets, and shrinking size of households As a result of this focus on sustainability, demand for energy-efficient renovation and sustainable buildings is expected to grow significantly among the end-users and communities.	As one of the largest distribution companies for building products in Europe, BME combines scale, geographic reach and density across our distribution network in the countries/regions, with scope, breadth and depth of our product and service offering. Our operations include an extensive distribution network of over 800 locations. This network comprises more than 600 branches, which provide our customers with the ability to directly collect products as well as have them delivered in as little as three hours' notice from over 40 (regional/national) distribution centers. Our branches and our almost 100 showrooms also typically feature a shopping area and offer access to BME sales representatives, who provide advice, technical support and other value-added services to our customers.	ESG Material topics: • Value chain responsibility • Organizational integrity • Sustainable products and services • Value Chain Waste Other topics: • Affordable, comfortable and sustainable housing • Responsible growth	BME has the goal to enable a more sustainable value chain from suppliers to end-users, by sharing know how on innovative building practices and use of sustainable building materials, and increasing the number of products with positive environmental impact, or lower environmental footprint. Our goal is to reach our customers, and end-users, through a number of a platforms and touch points (e.g. in-store, online, specialized showrooms with energy efficient products – e.g. EnergiesparWelten, or conception and planning services).

4. CONNECTIVITY TABLE

The following table shows an overview of how BME's ESG priorities link with the UN Sustainable Development Goals. Where applicable, we have set measurable, long-term targets and we visualize our performance compared to these targets.

	Theme	ESG pillar / Value we create	KPI	Baseline	2022 results	Targets 2025	Targets 2030	SDG
E	Carbon Emissions	Responsible growth	Enabling a sustainable value chain	2021: 76.2 kilotons CO_2	74.3 kilotons CO_2	>25% reduction	>45% reduction	
	Waste in Controlled Operations		tbd	tbd	not applicable	tbd	tbd	
	Sustainable Products	Enabling a sustainable value chain	% of spend from sustainable products	2021: >90% of spend in timber-related products from certified FSC/PFC wood 2021: 28% of spend in Tiles from certified Cradle-to-Cradle 2021: 35% of spend in Drylining & Insulation from Sustainable products	Same as baseline	>25% of spend from sustainable products in all product categories	>25% of spend from sustainable products in all product categories	
S	Equity, Diversity and Inclusion	Securing a great and safe place to work	Diversity of leadership	2022: 19% of gender diversity (female representation)	Same as baseline	20%	30%	
			Inclusion score	2022: 7.1	Same as baseline year	7.5	8	
	Health and Safety		Frequency ratio of accidents	2021: 1	0.72	0.5	0.4	
			Well-being score	2021: 6.8	7.4	7.5	8	
	emplpoyee engagement is first, then Diversity & Inclusion, and then Health & Safety		Employee engagement score	2021: 7.6	n/a	7.5	8	
G	Organizational Integrity	Responsible growth	Code of Business Conduct	2022: 87%	Same as baseline year	>90% of employees periodically trained in CoBC	>90% of employees periodically trained in CoBC	
			Code of Business Conduct Awareness	n/a	n/a	>75% of employees feel free/ encouraged to make report and are familiar with CoBC hotline	>85% of employees feel free/ encouraged to make report and are familiar with CoBC hotline	
	Responsible Value Chain	Enabling a sustainable value chain	Supplier Code of Conduct - spend signed	2022: 57%	Same as baseline year	>75% of supplier spend signed SCoC	>90% of supplier spend signed SCoC	
			EcoVadis rated suppliers	2022: 24% of our total spend, have been rated by EcoVadis and have a valid scorecard	Same as baseline year	>50% of supplier spend periodically audited by EcoVadis or equivalent	>50% of supplier spend periodically audited by EcoVadis or equivalent	

GLOSSARY

A

Accountability
The process of taking responsibility for the impact of an organization's actions and decisions on society, the environment, and its stakeholders.

B

BME'S Health & Safety Compass Program
A Group-wide program that addresses the work-related health, safety and well-being of our employees.

BSCI
The amfori Business Social Compliance Initiative (BSCI) is an industry-driven movement that aims to monitor and assess workplace standards across the global supply chain. The BSCI monitoring refers to social audits which are conducted by accredited experts at the premises of farms and factories and provide an overall score by which companies get a picture of which areas in that supplier's premises may need improvement. For ratings A and B: BSCI full audits are valid for 2 years. For ratings C, D and E: full audit is valid until the follow-up audit is conducted, which should happen within the next 12 months. If there is no follow-up audit within one year, then the full audit is expired and a new one is required.

C

Carbon footprint
The amount of greenhouse gases (primarily carbon dioxide) emitted by an individual, organization, product, or service, expressed as the equivalent amount of carbon dioxide emissions over a specified period (usually a year).

Climate change
The long-term changes in global weather patterns caused by human activity, primarily the emission of greenhouse gases such as carbon dioxide and methane.

Cradle-to-cradle
Cradle to Cradle Certified® is the leading multi-attribute standard used globally across industries by designers, brands and manufacturers for designing and making products that enable a healthy, equitable and sustainable future.

CSRD
Corporate Sustainability Reporting Directive is a proposed EU regulation that aims to standardize sustainability reporting requirements for large companies operating in the EU. It would replace the current Non-Financial Reporting Directive and expand the scope and requirements of sustainability reporting.

D

Decarbonization
The process of reducing or eliminating the use of fossil fuels and other sources of greenhouse gas emissions in order to mitigate climate change.

E

EcoVadis
A leading international ratings and assessment platform that provides information on the sustainability practices of organizations covering Environmental, Labor & Human Rights, Ethics and Sustainable Procurement impacts.

Environmental, social and governance ('ESG')
A framework that helps stakeholders understand an organization's risk and opportunity management related to environmental, social and governance pillar and how to measure a company's performance in terms of its environmental, social and governance practice.

ESG Taskforce
BME's ESG taskforces and enablers are responsible for the operationalization of BME's ESG strategy.

ESG Committee
The ESG Committee is chaired by the CEO, and has the overall responsibility for the effective operationalization of BME's ESG policy, and has delegated responsibility to the ESG taskforces for overseeing its implementation.

EU Green Deal
A set of policy initiatives aimed at transitioning the European Union to climate neutrality by 2050.

ESRS
The European Sustainability Reporting Standards (ESRS) set out the rules and requirements for companies to report on sustainability-related aspects under the Corporate Sustainable Reporting Directive (CSRD).

F

Forest certification
A process by which a forest is evaluated and certified as meeting certain environmental and social performance standards, such as FSC or PEFC.

Full-time equivalent ('FTE')
The equivalent of the number of employees working under a full-time contract.

G

Greenhouse Gas ('GHG') emissions
Groups of substances, such as carbon dioxide, methane, and nitrous oxide, released that contribute to global warming, usually measured in CO_2 equivalents.

GRI
The Global Reporting Initiative, an international organization that promotes sustainability reporting

and disclosure. They have developed widely recognized sustainability reporting standards.

H

Hydrotreated vegetable oil biofuel ('HVO')
Hydrotreated Vegetable Oil is a renewable diesel fuel made from vegetable oils or animal fats. It's a low-carbon alternative to conventional diesel with significantly lower greenhouse gas emissions over its life cycle. It can be used in existing diesel engines without requiring any modifications. HVO is a promising renewable fuel option for reducing transportation emissions.

I

J

K

Key performance indicator ('KPI')
A measurable value used to track progress towards an organization's objective or target

L

Life-Cycle Analysis ('LCA')
Methodology used to determine the environmental impacts of products and services along their full life cycle.

M

Materiality
The principle that an organization should focus its sustainability reporting on issues that are most important to its stakeholders and have the greatest impact on its business, as well as external impacts that a company has on people or nature.

N

O

OECD Guidelines
principles and standards addressed to multinational organizations for responsible business conduct.

P

PEFC
Programme for the Endorsement of Forest Certification is a global certification system for sustainable forest management. It provides independent verification that forests are managed sustainably and wood-based products are sourced from sustainably managed forests. The PEFC also provides chain-of-custody certification for wood-based products.

Paris Agreement
Legally-binding international treaty designed to combat climate change and keep global warming to no more than 1.5⁰C.

Q

R

Renewable energy
Energy derived from natural sources that are replenished over time, such as sunlight, wind, and water.

S

Scope 1 emissions
Direct GHG emissions generated by an organization's own operations, or from sources owned or controlled by the organization.

Scope 2 emissions
Indirect GHG emissions resulting from purchased electricity, steam, heat and cooling.

Scope 3 emissions
Indirect GHG emissions, not included in scope 2, that are released in the upstream and downstream value chain of the organization

Sustainable Development Goals ('SDGs')
17 objectives founded by the United Nations that aims to create peace and prosperity for people and the planet.

Sustainable products
BME's definition of sustainable products factors in both environmental footprint and impact of a product. Meaning:
the more positive the environmental impact of a building product during its lifecycle, the more sustainable that product is. Examples of positive impacts: reduces energy consumption, generates renewable energy, facilitates reduced use of fossil fuels etc.
The lower the environmental footprint of a building product during its lifecycle, the more sustainable that product is. Example drivers of footprint: material input, resources required to manufacture/transport, waste during and after use etc.

T

U

UNGC Principles
United Nations pact designed to encourage organizations to operate more sustainably and socially responsible, and report on their implementation.

V

Value creation model ('VCM')
Visualization of the way in which an organization creates value for its stakeholders.

W

X

Y

Z

CONTACT INFORMATION AND COLOPHON

Contact information

For any questions regarding this report, please contact us at:

BME | Building Materials Europe B.V.
Walaardt Sacréstraat 405
1117 BM Schiphol
The Netherlands

Telephone: +31 (0) 20 800 3400
Email: info@bme-group.com
Website: www.bme-group.com

Colophon

Design
Mattmo Creative, Amsterdam

Photography
BME | Building Materials Europe B.V.