



# 2021 ESG REPORT





# Contents

A Message from our CEO . . . . .	3
An Introduction to TopBuild . . . . .	6
Environmental . . . . .	14
Social . . . . .	18
Governance . . . . .	27



---

[BACK TO CONTENTS](#)

**A MESSAGE FROM OUR CEO**

AN INTRODUCTION TO TOPBUILD

ENVIRONMENTAL

SOCIAL

GOVERNANCE

---



Robert Buck, President and CEO



# A Message from our CEO

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As a leading installer and distributor of energy-saving insulation products and accessories to the construction industry in North America, TopBuild takes pride in delivering a positive and lasting impact on the communities we serve.

Every day our professionally-trained installation and distribution teams optimize and support the thermal qualities of homes, buildings, and industrial sites. We help to lower energy costs and reduce greenhouse gas emissions (GHG) in built environments, all while improving comfort, indoor air quality, and health outcomes in the spaces where people live, work and play.

While the energy-friendly qualities of insulation products are at the core of our business, our ongoing environmental, social, and governance (ESG) priorities are part of our DNA. They are reinforced through our standard business operation practices in over 400 branch locations across the United States and Canada.

**Guided by our core values, we are dedicated to:**

- Ensuring the safety and wellbeing of our employees
- Operating in an environmentally sustainable manner
- Fostering a company culture that is diverse and inclusive
- Developing and training talent and leadership from within the company
- Pursuing advancements in energy and operational efficiencies through product, application, and process innovation
- Supporting the communities in which we operate
- Creating a foundation of strong corporate governance and proven leadership

## STRIVING FOR ZERO-INCIDENTS

Our joint frontline  
and management  
focus means we are  
never satisfied



With these values in mind, I am proud to present the fourth edition of our ESG Report outlining our commitments, achievements, and performance.

### ESG PERFORMANCE BEGINS WITH OUR PEOPLE

Our most important advantage is our people who honor our safety-first culture. With more than 13,000 employees in the United States and Canada, we consider the health, safety, and wellbeing of every employee our top priority.

Striving for zero-incidents, our safety-first culture means that employee safety is at the heart of everything we do and drives many of the investments we make. Towards this end we provide:

- Safety and wellness training programs
- Dedicated safety & environmental team leads
- Equipment and material upgrades
- Advanced safety management system providing incident investigation & root cause analysis
- Personal protective equipment (PPE) renewal and upgrade program
- Our “See Something, Say Something” Program encourages our employees to always do the right thing even when no one is looking

Employee wellbeing extends to equity, diversity, and inclusion, creating a workplace where team members are valued, respected, and have opportunities for advancement. One example is the recent promotion of a 17-year-tenured employee who participated in our Manager-in-Training (MIT) Program designed to give career path opportunities to internal employees with leadership potential. Jeff Krestancic has worked in several leadership roles and has recently been appointed to the position of Vice President of Operations overseeing TruTeam operations throughout the United States.

We continue to focus on expanding the diverse makeup of new hires, management, and leadership positions, including our Board of Directors. We recognize that a diverse team helps us to better serve our customers and stakeholders.



BACK TO CONTENTS

**A MESSAGE FROM OUR CEO**

AN INTRODUCTION TO TOPBUILD

ENVIRONMENTAL

SOCIAL

GOVERNANCE

## STRONG GOVERNANCE

Our Board of Directors provides oversight of our ESG strategy and approach. At the management level, our ESG Management Committee develops our ESG strategy to further strengthen our ESG process, minimize our environmental impact, and maximize our operational efficiencies.

In 2022 and beyond, we remain dedicated to delivering the energy efficiency benefits of insulation to our customers through best-in-class installation and distribution services. I invite you to learn more about our core business and how our everyday values and practices help to deliver ESG-positive benefits to our employees, customers, and stakeholders.

Thank you,



**Robert Buck**

*President and Chief Executive Officer*

**“We value our customers, and our daily goal is to create sustainable business growth in a safe environment.”**

– Robert Buck



[BACK TO CONTENTS](#)

[A MESSAGE FROM OUR CEO](#)

**[AN INTRODUCTION TO TOPBUILD](#)**

[ENVIRONMENTAL](#)

[SOCIAL](#)

[GOVERNANCE](#)

We pride ourselves in delivering energy-efficient solutions while reducing environmental impact in the residential, commercial, and industrial markets we serve.



# An Introduction to TopBuild

## THE BUSINESS OF SAVING ENERGY

As a leading insulation provider in the United States and Canada, we are in the business of helping our customers and their end-users achieve the full energy-saving benefits that insulation has to offer. Insulation is a critical component to the overall thermal efficiency of a building.

### The Benefits of Building Insulation:

- Improved thermal efficiency
- Reduced GHG emissions
- Better interior comfort and health
- Lower energy usage and costs
- Extended life of major mechanical systems in buildings
- Reduced carbon intensity from heating and cooling

While insulation is our core business across residential, commercial, and industrial markets, we also install and distribute a small range of related products that contribute to improved conditions in living spaces and buildings, and better health outcomes in the built environment.

## OUR APPROACH TO SUSTAINABILITY

Insulation products are inherently ESG-positive materials but sit passively waiting for their potential to be activated. Materials must be promptly and safely transported to job sites where they are accurately measured and installed. That's where we come in.



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[BACK TO CONTENTS](#)

[A MESSAGE FROM OUR CEO](#)

**[AN INTRODUCTION TO TOPBUILD](#)**

[ENVIRONMENTAL](#)

[SOCIAL](#)

[GOVERNANCE](#)

---

**81%**  
of our revenues come  
from insulation and  
related products

We bring the promise of  
insulation to life by delivering:

- Improved thermal efficiency
- Reduced energy usage
- Lower HVAC carbon intensity
- Longer life mechanical systems



Through the local and national reach of our installation business, building science expertise in our TopBuild Homes Services brand, and the delivery and fabrication of quality insulation products and training by our specialty distribution business, we bring the promise of insulation to life.

We unlock the full potential of insulation to improve energy efficiency, reduce carbon footprint, and contribute to interior comfort and health in the facilities we impact.

#### **INSULATION AT SCALE: LOW ENVIRONMENTAL IMPACT, HIGH RETURN**

Every day, our professionally-trained teams are on more than 16,000 job sites helping builders, contractors, developers, and end customers implement specialized applications, realizing the potential impact of insulation from the delivery to job sites to installation in homes and businesses.

Maintaining a low environmental impact while deploying energy-saving insulation takes talent, resources, and careful planning. Through our broad reach, expertise, and thoughtful execution, we are uniquely positioned to serve our customers from small to large scale projects across the United States and Canada.

The benefits we deliver to our customers in energy efficiency are perennial and outweigh the impact of our operations. As an organization dedicated to continuous improvement, we remain focused on and will continue to seek and implement improvements in the efficiency of our operations.





A typical pound of fiberglass insulation saves 12 times as much energy in its first year in place as the energy used to produce it — then continues to conserve energy year after year.<sup>1</sup>



[BACK TO CONTENTS](#)

[A MESSAGE FROM OUR CEO](#)

[AN INTRODUCTION TO TOPBUILD](#)

[ENVIRONMENTAL](#)

[SOCIAL](#)

[GOVERNANCE](#)

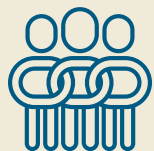
## OUR CULTURE PROMOTES:



Entrepreneurship



Local Empowerment



Operational Excellence

## OUR CORE VALUES

**OUR VISION** To achieve sustainable, profitable growth through the installation and distribution of insulation and related products throughout the United States and Canada.

**OUR MISSION** To lead our sector while driving operational efficiency and excellence, exceeding customer expectations, operating according to our values, and promoting safety and ethics.

**OUR LEADERSHIP PRINCIPLES** To improve the communities that we serve, modeling the behaviors we expect from our supplier partners and embracing our role as a custodian of our planet.

### SAFETY

We put the *safety* of our *people* first.

### INTEGRITY

We deliver results with *integrity*, *respect*, and *accountability*.

### FOCUS

We are *customer-focused*, grounded in strong relationships.

### INNOVATION

We are *continuously improving* and encourage idea sharing.

### UNITY

We are united as one *team*, valuing *diversity*.

### COMMUNITY

We *make a difference* in the communities we serve.

### EMPOWERMENT

We are *empowered* to be our best, individually and as a team.

[BACK TO CONTENTS](#)

[A MESSAGE FROM OUR CEO](#)

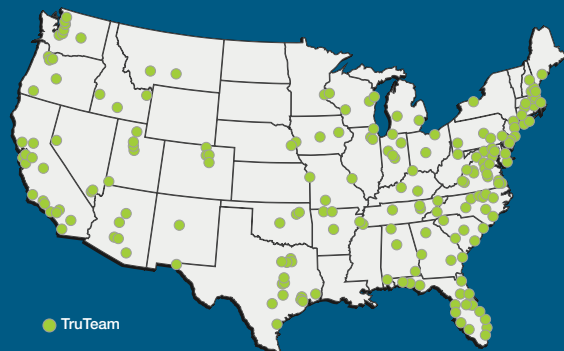
[AN INTRODUCTION TO TOPBUILD](#)

[ENVIRONMENTAL](#)

[SOCIAL](#)

[GOVERNANCE](#)

## National Resources, Local Relationships



### LOCAL EXPERTISE, MULTI-NATIONAL RESOURCES

With over 13,000 employees operating through more than 400 branch locations, we have the reach and local expertise to support our customers – from small, single-site requests to larger regional and national requirements. Our partnerships help us achieve economies of scale offering local customers access to a broad range of resources that help with energy efficiency.

We recognize that one size does not fit all needs. We work with our suppliers and customers to ensure that we deliver an appropriate and effective thermal solution for each project.

Our branches are experts in local climate zones and building code requirements, helping to ensure that our installation, fabrication, and distribution services are focused on specific customer and project needs.

### OUR BUSINESS SEGMENTS

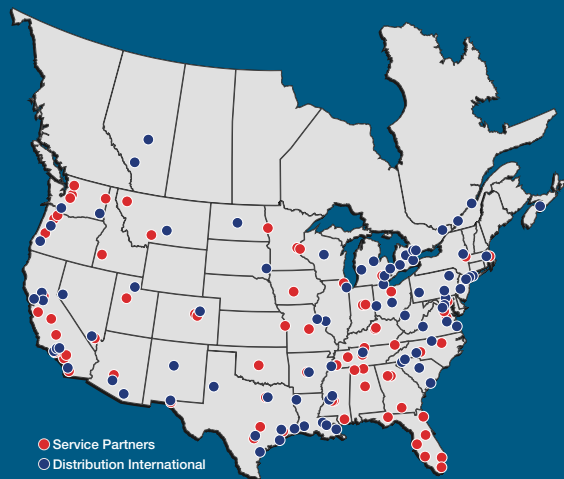
To illustrate our operational footprint, we install, distribute, or fabricate construction grade materials to over 16,000 residential, commercial, and industrial jobsites every day safely and efficiently:

#### Installation:

- **TruTeam®** is our national network of leading local installation contractors. In 235 branch locations across the United States, our team of nearly 8,000 professionally trained installers deploys high efficiency insulation solutions safely and accurately to residential, commercial, and industrial job sites every day.
- **TopBuild Home Services (TBHS)** our Building Science and Energy Testing division, works closely with TruTeam to help builders and contractors understand energy codes, set energy consumption targets for new builds, and construct comfortable, energy efficient homes. TBHS also offers training and installation support to our TruTeam branches, helping to expand their knowledge of insulation products and how these products improve energy efficiency outcomes.



## Multi-National Resources, Local Relationships



### Specialty Distribution:

- **Service Partners®**, with over 75 United States branch locations, offers commercial and residential contractors a broad range of in-demand insulation products and service options, like flexible job-site delivery and specialized insulation application training. At Service Partners, we help ensure that the energy efficient benefits of insulation are realized in the built environments served by our customers.
- **Distribution International (DI)** is a leading specialty fabricator and distributor of mechanical insulation serving the commercial and industrial end markets in the United States and Canada. DI's products are used for thermal, acoustic and firestopping applications in the Commercial, Industrial, Marine, OEM and HVAC markets. With more than 100 branch locations, DI is known for delivering superior product availability and exceptional service to customers.

Our most recent [Annual Report](#) on Form 10-K provides additional information about our business and business segments.

---

[BACK TO CONTENTS](#)

[A MESSAGE FROM OUR CEO](#)

**[AN INTRODUCTION TO TOPBUILD](#)**

[ENVIRONMENTAL](#)

[SOCIAL](#)

[GOVERNANCE](#)

---

**At TopBuild we get excited about helping customers find the right insulation solutions to address their daily challenges.**



## OUR STAKEHOLDERS

Understanding the perspectives and priorities of our company stakeholders is important as we continue to develop our ESG approach. Our key stakeholders include our customers, employees, investors, suppliers, and the communities in which we work and recruit.

### Ongoing employee engagement

We engage with our employees regularly through training, voice of employee surveys, manager discussions, diversity and inclusion listening opportunities, and mentoring programs.

### Daily interaction with customers & suppliers

Through direct contact in the field, on job sites, or in the office, we learn what customers are looking for in energy efficiency and thermal management solutions. This feedback loop informs how we work with suppliers to continually anticipate and address customer needs.

### Investor calls and events

We use these engagements to gain insights to questions, trends, and investor interests in our industry. In 2021, we gathered valuable input by attending key industry conferences and hosting individual investor meetings with over 175 institutions, and conducted a perception study in which we solicited investor feedback on numerous topics, including their views on ESG matters.

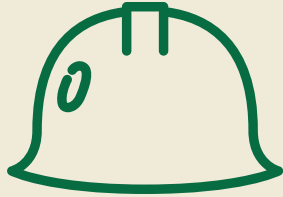
### Engagement in community service

We engage regularly with communities through charitable activities, our employees, and the many acts of service that we perform and support at the local and national level.

This ESG report is a reflection of our desire to share our progress transparently. We plan to continue to align our progress against reporting frameworks such as GRI, SASB, and TCFD, further illustrating our commitment to understanding and managing climate-related risks and opportunities.



## TopBuild ESG Priorities



### HEALTH AND SAFETY

Implement policies, practices, and training to ensure the safety and wellbeing of our people



### CLIMATE AND ENERGY

Maximize the operational efficiency of our customers' and our facilities, reducing climate impact



### ENVIRONMENTAL COMPLIANCE

Implement policies and systems to ensure compliance



### HUMAN CAPITAL

Promote diversity and inclusion efforts, hiring and retention, and talent development



### ESG OVERSIGHT

Deliver Board leadership and management of ESG performance, risk, and disclosures



### SUPPLIER ENGAGEMENT

Collaborate with major suppliers to bring innovative energy-efficient solutions to our customers

# Environmental


## CLIMATE AND ENERGY

Insulation materials are environmentally friendly products and highly effective at improving energy efficiency in homes, workplaces, and industrial environments.

### Costly Impact of Poor Insulation

- Up to 90% of existing homes may be under-insulated.<sup>2</sup>
- Existing residential buildings currently account for up to 20% of greenhouse gas emissions in the US<sup>3</sup>
- Heating and cooling accounts for 50-70% of total energy use, poor insulation results in sizable household loss in both energy and costs<sup>4</sup>
- Commercial building owners save approximately \$2,100 a year per building in their cooling and heating costs through proper insulation<sup>5</sup>

We deliver the benefits of insulation by installing directly, or helping contractors to install, materials that improve the thermal performance of new homes and commercial and industrial facilities. We also provide insulation solutions to existing buildings, helping our customers significantly reduce energy use, minimize greenhouse gas emissions, and save money.



Insufficient insulation  
can result in  
energy leakage

## SUSTAINABLE SOURCING

- Fiberglass insulation is manufactured from up to 60% recycled glass<sup>10</sup>
- Mineral wool contains 75% post-industrial recycled content<sup>11</sup>
- Cellulose insulation is made from recycled paper products, with recycled material content of up to 85%<sup>12</sup>



### Benefits of Insulation

- Sealing air leaks in the attic, crawlspace, and floor can cut air leakage by 45%<sup>6</sup>
- Wall insulation can reduce energy loss by two-thirds<sup>7</sup>
- Addition of proper insulation to the average existing home can achieve up to 20% savings in whole-house energy use<sup>8</sup>
- In industrial applications, adding 2" insulation to a 4" bare pipe operating at 350°F reduces fuel usage by 95%, yielding CO2 emissions reductions of 2,309 pounds per foot annually<sup>9</sup>

### OUR SUSTAINABLE BUSINESS OPERATIONS

For us, sustainability is business as usual.

We are in the business of saving energy and sustainable practices have always been embedded in our standard business operations. Our safety, environmental, and operations teams manage our daily performance with a keen focus on driving efficiencies in all facets of the business from employee safety and wellness to procurement, waste minimization, and fleet management.

#### Contributing factors to our Low Environmental Impact:

- **Sustainable sourcing** – We use insulation that is often made of recycled, re-used, and long-lasting materials
- **Distribution & installation** – We distribute and install products sourced from third-party manufacturers
- **Waste minimization** – We minimize waste by optimizing, recycling, and re-using materials at branch locations that fabricate and install
- **Fleet management** – We operate our fleet efficiently, with our vehicles stationary 85% of each workday



BACK TO CONTENTS

A MESSAGE FROM OUR CEO

AN INTRODUCTION TO TOPBUILD

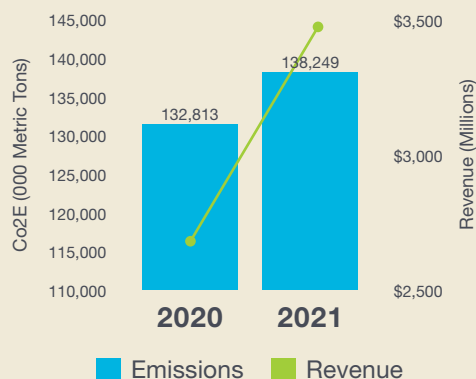
**ENVIRONMENTAL**

SOCIAL

GOVERNANCE

Scope 1 direct emissions increased at lower rate (4.1%) than revenue (28.3%).

TopBuild's Scope 1 Emissions\* & Revenue Performance



\*Excludes refrigerants and heating gas

## Environmental Compliance

Our Environmental Compliance team spearheads programs including waste management, permitting, and annual compliance reporting. The team also assists in training our operations staff on best practices to drive alignment and accountability across all functions in the area of waste minimization and elimination. Our national resources offer added value to our local branches giving them access to our enterprise-level hazardous waste disposal program.

## Direct Emissions

In 2021, we began quantifying our direct GHG emissions to better understand our impact on the environment. Our direct emissions profile is comprised of emissions from fuel combustion and hydrofluorocarbons (HFCs), which comprise a portion of the blowing agents used as a propellant for spray foam insulation. Emissions from fuel combustion are primarily generated by the vehicles we use to take our installation crews and material to and from job sites, which remain stationary for most of the day. A secondary source of fuel combustion is from delivery vehicles used in our specialty distribution business.

## Centralized Fleet Management

Our fleet includes over 6,400 vehicles including commercial light & heavy-duty vans and trucks at our install operations, semi-tractor trailers at our distribution branches, and passenger vehicles at all locations. Approximately 90% of our vehicles serve our installation business to transport crews, equipment, and materials to local job sites where they remain stationary. Through our centralized fleet management system, we confirmed that 90% of our fleet remains stationary for 85% of the day.



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[BACK TO CONTENTS](#)

[A MESSAGE FROM OUR CEO](#)

[AN INTRODUCTION TO TOPBUILD](#)

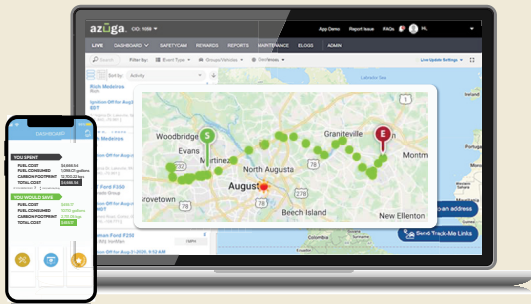
**[ENVIRONMENTAL](#)**

[SOCIAL](#)

[GOVERNANCE](#)

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Simple technology helps field, fleet and safety teams monitor and correct driver behavior while optimizing routes to reduce emissions.

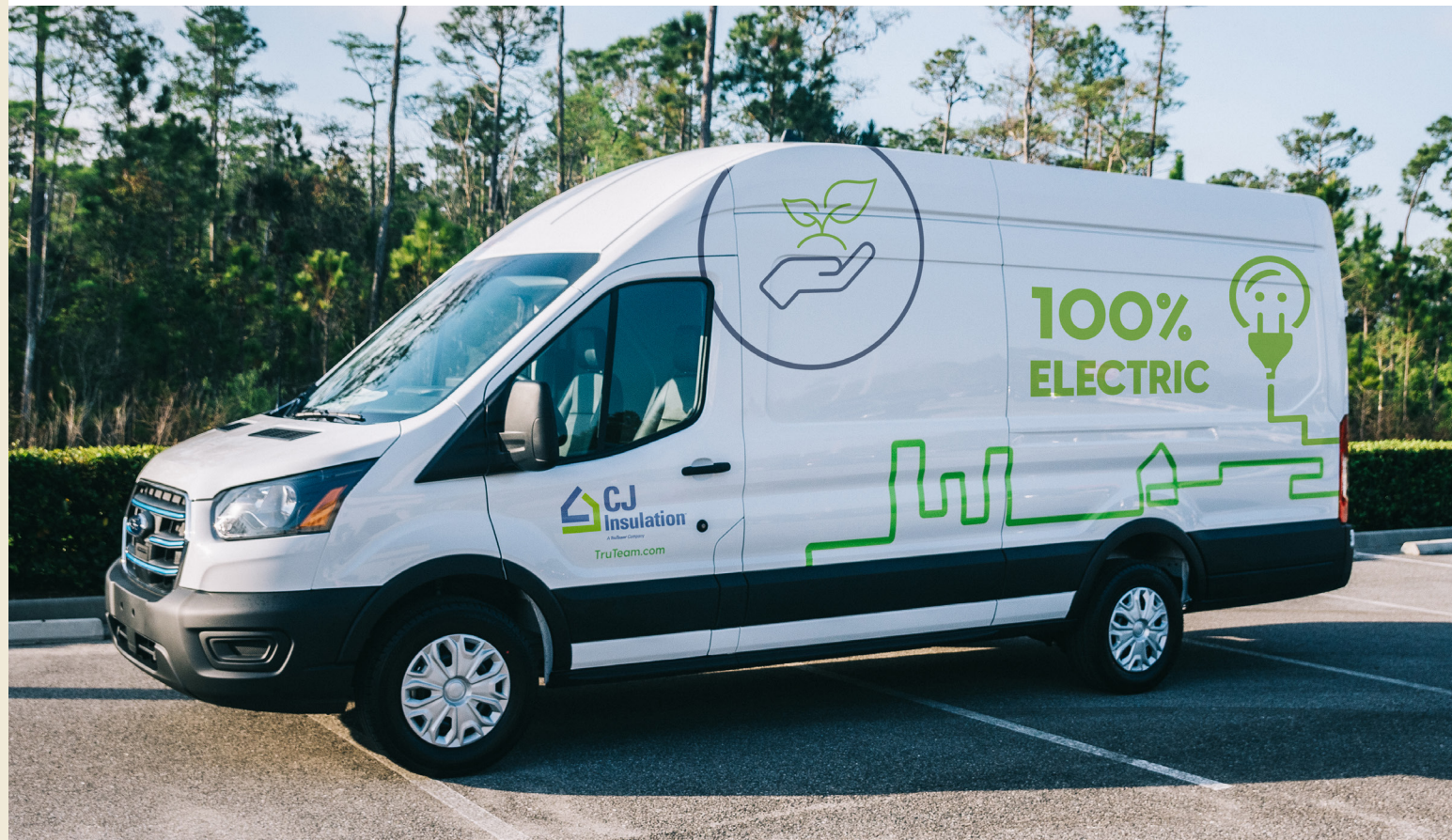


## **Fleet Compliance**

We monitor vehicle performance with a GPS telematics system that records driver behaviors in real-time. All drivers are trained and monitored on use of optimal routing, compliance with Federal Motor Carrier Safety Administration and Department of Transportation regulations, and important safety factors focused on vehicle condition and driver safety.

## **Fleet Refreshment Program**

We regularly replace older vehicles with newer, more efficient vehicles as part of our annual capital expenditure process. We also evaluate vehicles used in companies we acquire and schedule them for replacement in accordance with our fleet refreshment program. As part of this program, we evaluate new technology as it becomes commercially available. In 2021, we added several electric-powered commercial vans to our fleet and are studying how they may help to optimize our fuel consumption, reduce emissions, and improve fleet efficiency.



# Social

## 2021 EMPLOYEE ENGAGEMENT SURVEY

**10K**  
surveyed

**62%**  
response rate

“My manager makes me feel  
that my contributions and  
what I bring to the team are  
important and appreciated.”  
— TopBuild Employee

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### OUR PEOPLE: OUR MOST IMPORTANT INVESTMENT

The key to our success is our team of more than 13,000 talented employees. From installers, delivery drivers, and warehouse/fabrication leaders to energy testers, office staff, sales professionals, team managers, and executives, we value and respect each of our employees. We are committed to a workplace where safety, collaboration, equity, inclusion, and continuous development thrive.

We foster a culture of inclusivity, support, and innovation where every voice is welcomed and respected. We constantly improve on our strategies to attract, develop, reward, and retain our employees. This year, we adopted a formal Human Rights policy to further promote a workplace where employees know that their perspectives and contributions are heard and valued.

#### We Encourage Employee Feedback

As we continue to develop initiatives to create a positive work experience, employee engagement is a critical focal point. We conduct periodic employee surveys to gauge both engagement and employee perceptions about the company. In 2021, response rates to the survey were strong, indicating that most of our employees have high job satisfaction and view their work and our safety-first culture as integral to the success of TopBuild.



## 2021 IMPACT

**1,192**  
employees hired,  
trained, and retained  
under our  
Friends & Family Program



### We Recruit Friends & Family

To bolster recruitment efforts, we reenergized our Friends and Family Referral Program and leveraged our national brand to partner with organizations that engage talent from diverse backgrounds, including veterans, refugees, and trade students.

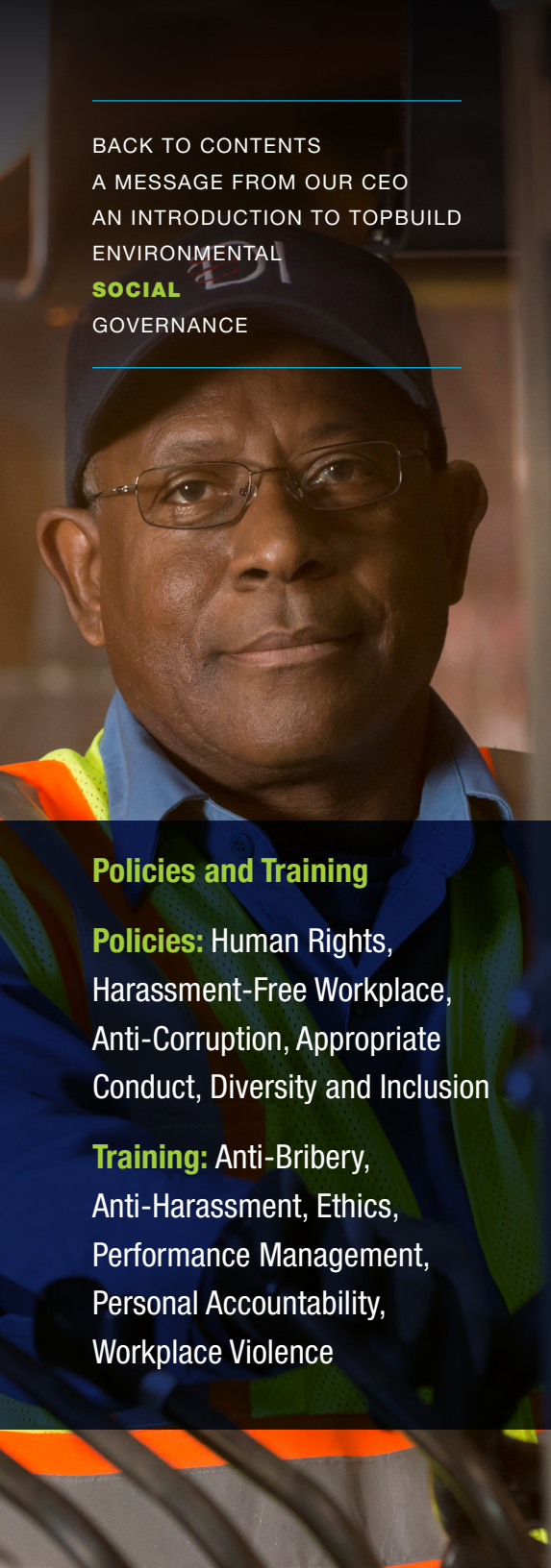
### We Develop Leaders

When it comes to internal development of talent, we believe we are at the forefront of our industry. We are proud of our comprehensive Manager-in-Training (MIT) Program which helps identify and train individuals with strong management potential. Participants are provided with the opportunity to learn all aspects of our business, and directly serve and support customers and suppliers. Upon completion of the program, graduates are promoted to branch leadership roles.



*"I joined TruTeam (formerly Masco Contractor Services) 17 years ago and became the first Manager-in-Training participant based in Northern California. Through the MIT Program, I spent 16 months learning every aspect of the business and performing daily branch functions. At the completion, I relocated to our headquarters in Daytona Beach, FL where I spent the next four years working on our industry-leading technology platform. This project allowed me to become intimate with our information systems as well as travel the country assisting with ongoing improvement initiatives and the deployment of new systems. I served as Branch Manager at one of our contracting businesses in Fort Myers, FL and became District Manager responsible for operations in South Florida. In 2017, I was promoted to Regional Leader and relocated to Colorado overseeing operations and working very closely with our acquisition branches in Denver. During the summer of 2021, I was promoted to VP of Operations working alongside the president of TruTeam. In addition to career opportunities, the MIT Program has given me real-world, on-the-job training with mentorship, senior leadership guidance, and support from all facets of our business."*

— Jeff Krestancic, VP of Operations, TruTeam



[BACK TO CONTENTS](#)

[A MESSAGE FROM OUR CEO](#)  
[AN INTRODUCTION TO TOPBUILD](#)  
[ENVIRONMENTAL](#)

**[SOCIAL](#)**  
[GOVERNANCE](#)

## **Policies and Training**

**Policies:** Human Rights,  
Harassment-Free Workplace,  
Anti-Corruption, Appropriate  
Conduct, Diversity and Inclusion

**Training:** Anti-Bribery,  
Anti-Harassment, Ethics,  
Performance Management,  
Personal Accountability,  
Workplace Violence

## **We Believe in Fair Compensation**

To ensure that our pay and compensation policies and benefits programs are equitable and competitive, we review market data and adjust pay rates and other related programs as appropriate.

### **Employee benefit programs enable employee health and wellness and meet diverse employee needs:**

- Flexible scheduling
- Hybrid workplaces
- Tuition reimbursement
- Wellness program
- Matching 401k contributions
- Multiple dental and medical plan options
- Paid time off
- Employee referral program

## **DIVERSITY & INCLUSION**

We are dedicated to creating a workplace that is diverse and inclusive in how we hire, develop, reward, promote, and engage employees. Our Diversity & Inclusion Council is a new initiative for employees to inform, educate, and celebrate diversity in the workplace. We are committed to eliminating prejudice and discrimination through education, promoting fair hiring and equitable people policies, and prohibiting discriminatory practices.

We provide training for employees at our sales, professional, and administrative levels. All managers receive training on our anti-harassment policy, employment practices, and unconscious bias in the workplace.

We have made investments in our talent organization, and they help oversee the onboarding initiatives and conduct surveys to measure performance. We continue to refresh our talent management programs and learning strategies to ensure that we are moving forward as a company and providing development opportunities to all of our employees.

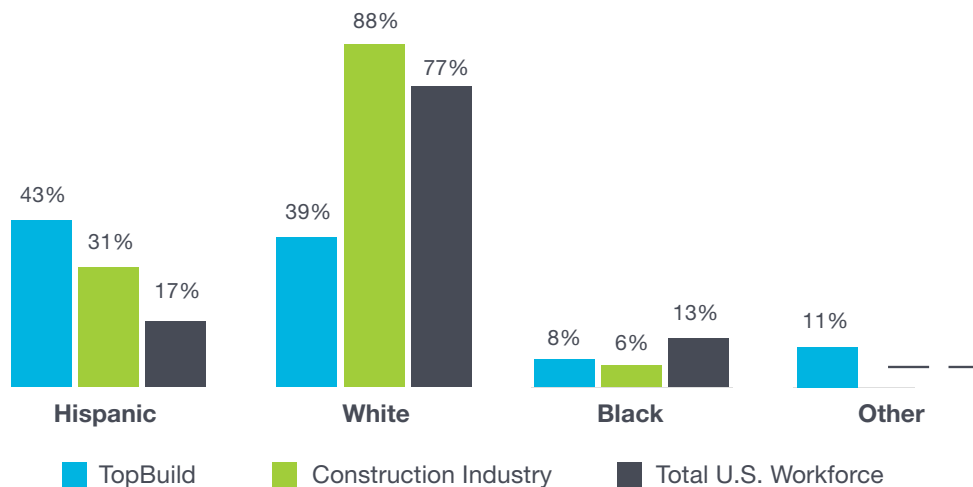




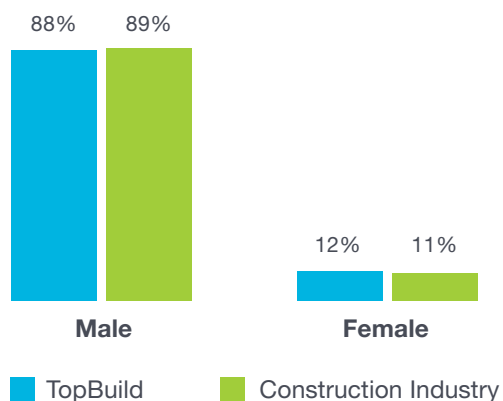
**2021 focus on diverse workforce representation:**

- In management hiring
- In Manager-in-Training (MIT) Program participants
- Among internship classes

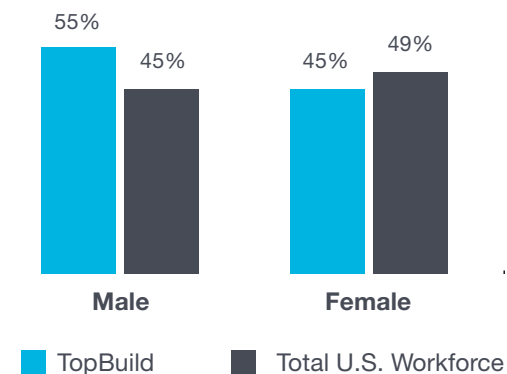
## WORKFORCE RACE RATIOS




## WORKFORCE GENDER REPRESENTATION



## CORPORATE LEADERSHIP GENDER REPRESENTATION







94%

of TopBuild employees have a favorable opinion of our safety practices



[BACK TO CONTENTS](#)

[A MESSAGE FROM OUR CEO](#)  
[AN INTRODUCTION TO TOPBUILD](#)  
[ENVIRONMENTAL](#)

**[SOCIAL](#)**

[GOVERNANCE](#)

TopBuild utilizes an advanced safety management system to track and measure safety performance, support incident investigation, and allow proper OSHA reporting.



## WORKPLACE SAFETY

Employing 13,000 individuals requires great care and responsibility. Our employees are mothers, fathers, sisters, and brothers who provide for their families through the important work they do. Striving for a zero-incident goal, we know we have hit our mark when employees return home safely to their families and loved ones at the end of the workday.

Embracing our safety-first culture is both a company responsibility and requires personal accountability. This approach is supported at all levels in our organization. Our compensation program for senior leadership recognizes the importance of safety by tying annual incentive compensation to our safety performance. This helps to ensure we are driving to make sure we are driving proper behaviors, accountability and support to report and address all incidents that may occur in the business.

### Safety Incident Management

In 2021, we invested in new safety management software to improve incident tracking, outcomes, investigations, and root cause analyses. Armed with safety data, we are gathering actionable insights to better assist us in predicting future incidents and developing additional prevention programs.

To measure our success, we incorporated OSHA-recognized safety analytics, including Total Recordable Injury Rate (TRIR) and Lost Time Case Rate (LTCR). The steady decline in TRIR and LTCR since 2018 is a key performance indicator of our safety program effectiveness.

### Safety Training

Training commences at hiring and continues with regular sessions delivered to our workforce at various locations throughout the year. All safety training programs are available in languages specific to our employee base.

## OUR PLEDGE TO LIVE AND WORK SAFELY

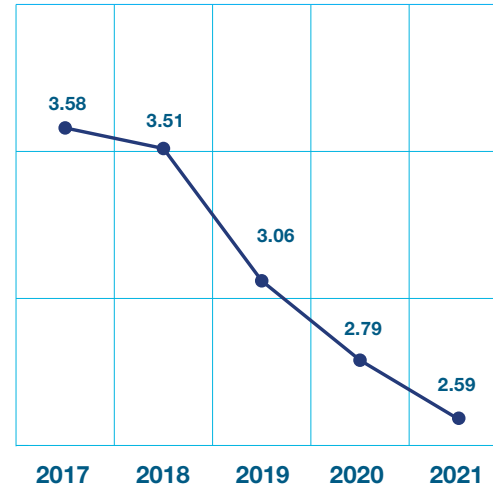
TopBuild field employees sign to show their commitment to safety first.



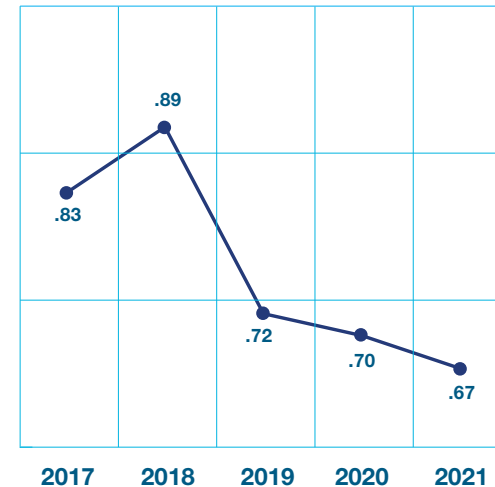
## WE WILL BE SUCCESSFUL WHEN OUR TOPBUILD FAMILY STARTS & ENDS THEIR DAY SAFELY. BE SAFE!

Our 2021 safety performance marks our 5th consecutive year of improvements in total recordable and lost time case rates.<sup>13</sup>

**TOTAL INCIDENT RATE**



**LOST TIME CASE RATE**



### Safety Training for new-hire Installers

New hires must pass a comprehensive practical safety evaluation demonstrating competency based on their job function including:

- Use of Personal Protection Equipment
- Ladder safety
- Scaffolding safety
- Driver safety
- Fall protection
- Respiratory protection
- Stilt safety
- DOT compliance





At the heart of our Safety program is the long-term health and wellbeing of our employees.

### EMPLOYEE WELLNESS

We are committed to supporting wellness programs to enhance the quality of life of all our employees. To help maintain a healthy workforce, we offer education on fitness, flexibility, hydration, and functioning in extreme temperatures.

#### We offer comprehensive healthcare plans for employees and their families:

- Biometric Screenings: BMI, height and weight, blood pressure, cholesterol
- Subsidized Fitness Center Memberships
- Tobacco Cessation Programs
- At-Work Weight Loss Programs
- Employee Mental Health Assistance Plan

### COMMUNITY ENGAGEMENT







TopBuild Earth Day 2022 local street clean-up



Building a house with Habitat for Humanity

Community relations plays a vital role in attracting and retaining the best people and is consistent with our core values of Unity and Community. Creating positive and lasting impacts in the communities we serve extends beyond providing employment and goods and services. It means supporting local programs that provide practical assistance where it is needed. Guided by a spirit of service, we have partnerships with regional and national philanthropic organizations including:



**Habitat for Humanity** – Over the last five years, we raised a total of \$2 million through our annual fundraiser. Our branches support local Habitat for Humanity affiliates by donating energy-saving materials and volunteering for builds around the country.



**Salvation Army** – We are a sponsor of the Salvation Army Angel Tree program providing clothing and toys to families in need during the holidays.



**NASCAR Foundation** – We are partners with the NASCAR Foundation sponsoring events benefiting pediatric cancer patients.



**Payit4ward** – We sponsored Payit4ward's annual back to school drive, providing school supplies to thousands of children.



**American Red Cross** – We donated to the American Red Cross in their support of families impacted by the Texas winter storms and California wildfires.



Handing out backpacks with Payit4ward



Building smiles and inspiring hope for children with special needs



Giving clothing and toys to families in need for the holidays

**TOPBUILD  
BOARD OF DIRECTORS**



*Left to right:*  
Robert Buck  
Alec Covington  
Ernesto Bautista III  
Joe Cantie  
Tina Donikowski  
Mark Petrarca  
Nancy Taylor

# Governance

## LEADING WITH INTEGRITY

### Board Leadership


Our Board of Directors is our governing body and is responsible for assuring we achieve profitable growth and conduct our business in an ethical manner. The leadership and oversight the Board provides results in accountability, trust, and transparency for our shareholders, employees, suppliers, and customers.

All Board members retain oversight of our ESG strategy. Within that framework, individual Board Committee Charters outline the role that each committee plays in the oversight of our ESG program.

### Board snapshot – strong governance is part of our culture:

- Board is composed of seven members, six of whom are independent
- Average Board member tenure is less than four years
- 33% of our independent Board members are women
- Board members are elected annually
- The position of Chairperson of the Board and CEO are separate
- The Board has established three standing committees: Audit, Compensation, and Governance and all members of the committees are independent directors
- Independent directors regularly meet in private sessions without management present
- The Compensation Committee regularly engages an independent compensation consultant



A woman in an orange safety jacket is standing next to a white Service Partners truck. The truck has "SERVICE PARTNERS" and "Service-Partners.com" written on its side. The woman is smiling and looking towards the camera. The background is dark and out of focus.

[BACK TO CONTENTS](#)

A MESSAGE FROM OUR CEO  
AN INTRODUCTION TO TOPBUILD  
ENVIRONMENTAL  
SOCIAL  
**GOVERNANCE**

We operate as  
a company guided  
by honesty,  
accountability,  
sound ethics, and  
integrity.

## Executive Leadership

While the Board oversees our overall ESG strategy, the ESG Management Committee is responsible for executing that strategy, advancing our company-wide culture of sustainability, and reporting on our progress to the Board. This Management Committee is chaired by our Chief Executive Officer and includes our Executive Officers and other company leaders. In addition, in 2021 we appointed a Senior Director of ESG tasked with leading the development and implementation of ESG priorities across our operations and functions.

We are also making efforts to identify and expand ESG disclosures that are material to the operation of our business. Critical to this effort is ensuring our disclosures are material, complete, and accurate. As part of this effort, our audit team has reviewed the information included in this report.

## Enterprise Risk Management

We view a robust ERM process as an important means of aligning and managing material risks across the enterprise. Through our core insulation business, we deliver improved energy efficiency, emissions reductions, and improved home and business comfort and air quality, providing a significant net environmental benefit.

As discussed in our 2021 Annual Report on Form 10-K, our ERM process identifies risks to our business which include (i) attracting, developing, and retaining top talent and labor, (ii) securing reliable access to materials that we distribute and install, and (iii) other events with a general effect outside of our control. Our scale and flexible business model offer supply access, hiring and retention advantages, and the ability to quickly respond to changing conditions, mitigating these operational risks. We recognize that the nature and scope of risks, including those relating to climate change, are constantly evolving. Our ERM process, established and overseen by our Board of Directors and executed by our leadership team, continues to adapt to fully assess and incorporate evolving risks identified in connection with this process, including any risks identified in connection with our ESG analysis and reporting program.

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BACK TO CONTENTS

A MESSAGE FROM OUR CEO

AN INTRODUCTION TO TOPBUILD

ENVIRONMENTAL

SOCIAL

**GOVERNANCE**

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Confidential hotline  
allows safe,  
anonymous reporting.



**SEE**  
something

---

**SAY**  
something

## UPHOLDING OUR ETHICAL STANDARDS

We are committed to the highest ethical standards in interactions with our employees, customers, suppliers, and the public.

Our [\*\*Code of Business Conduct and Ethics\*\*](#) applies to all of our employees and informs our expectations for the conduct of our business.

A critical component of ensuring effective ethical behavior is the regular education of and communication to our employees. We deliver and track mandatory recurring training on ethics topics, practices, and policies, addressing such issues as anti-bribery, fraud, anti-harassment, workplace violence, and performance.

Our internal audit team, in their ongoing audit function and under the leadership of our Director of Internal Audit, also checks overall compliance and safety training when conducting audit visits to our branch locations. When locations are reported to have potential compliance or safety concerns, we provide resources and education to ensure continuous compliance.

We require that our employees perform their duties and responsibilities in an ethical manner and in compliance with applicable laws and regulations in all places where we conduct business or interact with third parties.

We maintain a Whistleblower and Ethics hotline and provide an email address and phone number to allow anonymous reporting of any issues or concerns relating to potential financial fraud, unsafe conditions, lack of compliance with law or policy, or other potentially unethical conduct.

All reports are logged, investigated by the appropriate corporate function, or escalated to senior leadership or a third party, as required by our Compliance Reporting Policy. Investigations are closed in a timely manner and results are reported to the Board on a quarterly basis.

## SIGNIFICANT ACQUISITIONS



\$375M Residential Installer  
Acquired 2018



\$144M Residential Installer  
Acquired 2021



\$747M Mechanical  
Insulation Distributor  
Acquired 2021



### SUPPLIER BUSINESS PRACTICES POLICY

Our Supplier Business Practices Policy spells out our expectations of our supplier base with respect to ethical behavior, safety, and compliance with laws and regulations, and environmental standards relating to their operations. Our expectation is that goods produced for us come from facilities in which working conditions, environmental protection, and human rights practices are monitored and the supplier complies with laws, regulations, and policies applying to those areas.

For more information on how we engage with suppliers, please visit our [Suppliers](#) webpage, which includes our Suppliers Business Practices Policy, our processes to manage and comply with conflict mineral regulations, and other information that applies to our purchasing practices.





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BACK TO CONTENTS

A MESSAGE FROM OUR CEO

AN INTRODUCTION TO TOPBUILD

ENVIRONMENTAL

SOCIAL

**GOVERNANCE**

---



Sridhara Pullareddy, CIO

“So much learning and inspiration comes from observing, sharing experiences and talking with employees.”

## DATA SECURITY

Cybersecurity threats and targeted cyberattacks pose a risk to global information technology systems, including ours. Our information technology team works continuously, with the help of third-party expert consultants, to identify, address, and mitigate these risks. Our Board of Directors oversees our cybersecurity program and reviews status in progress at each regularly scheduled board meeting.

We have established security policies, processes, and defenses designed to help identify and protect against intentional and unintentional misappropriation or corruption of our information technology systems and disruption of our operations.

Our policies and monitoring practices protect our information and reduce these risks through ongoing testing of our systems and constant monitoring for potential threats. We also engage third party consultants to assess our systems, perform penetration testing, provide information about emerging risks, and recommendations for improvement. Another way we reduce these risks is by providing our employees with education and training on how to protect company data, systems, and assets from avoidable cybersecurity threats, like phishing. To date, we have not experienced a material information security breach.

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*“I joined TruTeam in 2007 to lead the original ERP project after working in manufacturing and technology at Oracle Corp and GE. The road to CIO has been paved with great opportunities to learn and contribute to TopBuild’s success, like developing our order-to-cash processes, leading the M+A PMO organization and spearheading critical premise-to-cloud transitions.*

*The one constant has been our dedication to supporting our customers and field employees with what they need to run the business every day. My team works to make sure that every employee has secure digital assets to help them be productive and meet their goals.*

*Our diversity of businesses creates so many opportunities for current and potential employees. In my role, I get to visit our branches, and operations, and interact with employees at all levels, giving me a unique insight into our business.”*

— Sridhara Pullareddy, CIO

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**2022**

# **PARTNER OF THE YEAR**

**SUSTAINED EXCELLENCE**

**TOPBUILD HOME SERVICES**

**18-time Energy Star award winner**



Additional information regarding our corporate governance is provided in our [2021 Proxy Statement](#), including Board and committee composition and roles, our approach to risk management, integrity and ethics, compliance programs and training, and ESG oversight and management.

To learn more about TopBuild, please visit our website at [www.topbuild.com](http://www.topbuild.com) and access our annual report on Form 10K and our Proxy Statement for additional information.



## ENDNOTES

<sup>1</sup>[CertainTeed – Building Insulation Sustainability](#)

<sup>2</sup>[Insulation Nation, Spring 2019](#)

<sup>3</sup>Joint Center for Housing Studies of Harvard University; “America’s Rental Housing 2022” report

<sup>4</sup>[US DOE – Insulation Fact Sheet, DOE/CE-0180](#)

<sup>5</sup>[Green and Competitive White Paper \(PDF\) \(insulationinstitute.org\)](#)

<sup>6</sup>[US DOE – Energy Renovations Insulation Guide for Contractors to Share with Homeowners, Vol. 17, May 2012](#)

<sup>7</sup>Energy Loss in Homes and Benefits of Insulation – [greenhomegnome.com](http://greenhomegnome.com)

<sup>8</sup>[US DOE – Energy Renovations Insulation Guide for Contractors to Share with Homeowners, Vol. 17, May 2012](#)

<sup>9</sup>[Insulation Outlook, September/October 2021](#)

<sup>10</sup>[US DOE – Insulation Materials18, Energy Saver website](#)

<sup>11</sup>[US DOE – Insulation Materials, Energy Saver website](#)

<sup>12</sup>[US DOE – Insulation Materials, Energy Saver website](#)

<sup>13</sup>TRIR and LTCR calculated per 100 employees, based on 200,000 hours worked





[www.topbuild.com](http://www.topbuild.com)