



# SECOND ANNUAL SUSTAINABILITY REPORT 2019

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## Our Priorities

### OUR VISION

To achieve sustainable profitable growth through the purchase, installation and distribution of building products throughout the United States.

### OUR MISSION

To lead our sector while driving operational efficiency and excellence, exceeding customer expectations, operating according to our values, and promoting safety above all.

## OUR CORE VALUES



### 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.

## OUR LEADERSHIP PRINCIPLES

To improve the communities that we serve, modeling the behaviors we expect from our supplier partners and embracing our role as custodians of our planet.



# A Message from our CEO

TopBuild is firmly committed to managing and growing its business in a sustainable and socially responsible manner in line with its Core Values. Our success is a direct result of our continued focus on driving operational efficiency and excellence, exceeding customer expectations and creating a culture of safety, ethics and integrity.

As the leading installer and distributor of insulation and building materials to the U.S. construction industry, we understand our obligation to lead responsibly. This means:

- Committing to safety at work and at home
- Making a difference in our communities
- Encouraging our employees to live a healthy lifestyle
- Developing a diverse and inclusive workforce
- Promoting energy efficiency in new building construction
- Establishing strong corporate governance policies

To ensure that our organizational goals and our environmental, social and governance (ESG) practices are well aligned, we have created a cross-functional ESG Committee. With the full support of our senior leadership team and our Board of Directors, the ESG Committee promotes sustainable practices across our organization and closely monitors our performance.

In this sustainability report you will learn more about our initiatives in these areas and what it means for our 10,000+ employees across the United States including:

- Recognition as a 16-time ENERGY STAR® award winner for our long-standing, proven commitment to energy-efficient design and building science.
- “At Work and At Home” focus on safety and our extensive branch-wide training programs conducted by our dedicated safety team.
- Training and education programs to help guide our employees to achieve their best.
- Corporate governance policies that are well aligned with the interests of our shareholders.
- Contributions to a wide variety of organizations that enhance our communities and foster pride among our employees.

Going forward, we anticipate even greater opportunities to influence the communities in which we operate, the customers whom we serve and the suppliers whom we trust in pursuit of sustainable growth on behalf of all TopBuild stakeholders.



**Jerry Volas**  
Chief Executive Officer  
TopBuild Corp.

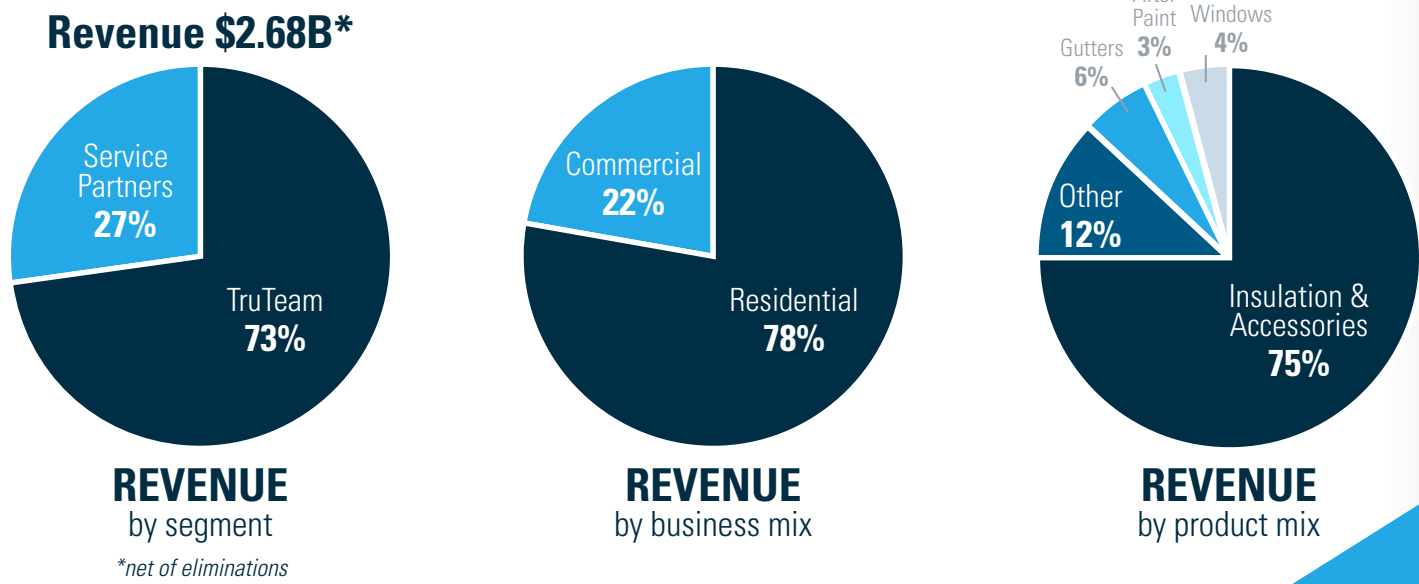
A stylized, handwritten signature in black ink, appearing to read 'Jerry Volas'.



# Our Business

TopBuild Corp., a Fortune 1000 Company headquartered in Daytona Beach, Florida, is a leading installer and distributor of insulation and building material products to the U.S. construction industry. We provide insulation and building material installation services nationwide through TruTeam®, which has almost 200 branches, and through Service Partners®, which distributes insulation and building material products from approximately 75 branches. We leverage our national footprint to gain economies of scale while capitalizing on our local market presence to forge strong relationships with our customers. To learn more about TopBuild please visit our website at [www.topbuild.com](http://www.topbuild.com).

## At-A-Glance TTM 9/30/19



#1  
in residential insulation  
installation

>40%+  
share of new housing  
starts

2X  
size of largest  
competitor

# Residential Market Share



# Stakeholder Engagement

We listen to our stakeholders to understand their priorities and determine how we best can respond to their needs while supporting our investment strategy.

Key investors provide input throughout the year. We communicate regularly with our customers and suppliers through phone calls and in-person meetings and engage our coworkers through a variety of programs, training and volunteer activities.

Key Stakeholders	Engagement Approach	
Investors	SEC Filings IR Team Annual Sustainability Report	Investor meetings and events Quarterly earnings calls
Customers	Local, regional and national meetings Homebuilder conferences	
Suppliers	Supply chain team Homebuilder conferences	
Coworkers	Training and development Intranet site Annual performance reviews	Whistleblower hotline Wellness program
Community	Philanthropic engagement Volunteerism	



# 02 Environmental

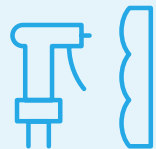
## Stewardship

Protecting the environment is important to our employees, families, customers and communities. Our goal is to incorporate, whenever possible, energy efficient solutions in our residential and commercial properties. Our new Environmental Safety/Compliance Manager is responsible for oversight of environmental issues that may impact both field operations and corporate locations (e.g., compliance with Federal (EPA) and state environmental program requirements, including air, water, wastewater, storm water, solid and hazardous waste, EPCRA).

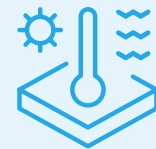
We also offer a variety of innovative solutions that reduce our environmental footprint by conserving fuel consumption, particularly in the area of insulation where we are a leader in the United States. Please visit our website at [www.topbuild.com](http://www.topbuild.com) to learn more about our offerings, including:



Firestop



High R-Value  
Fiberglass and  
Spray Foam



Materials designed  
for high-heat  
applications (i.e. to  
keep a space cool)



## Environmentally Conscious Products





# TopBuild Home Services

*A long-standing, proven commitment to energy-efficient design and building science.*

Building energy codes set minimum efficiency boundaries that provide tangible benefits such as reduced energy consumption, increased cost savings and reduced CO2 emissions. These requirements affect the building envelope, doors, windows, HVAC systems, lighting and water heating systems. Building energy codes will save U.S. home and business owners 841 million metric tons of avoided carbon dioxide emissions through 2040.<sup>1</sup>

TopBuild Home Services deploys a national team of local energy code and energy testing compliance experts. Upon state adoption of a new energy code, we conduct code compliance training internally and with builders to ensure they are meeting the new energy code regulations.

We are also innovative leaders in building science, offering a number of services and tools designed to help builders apply building science principles to new home construction. These programs help builders construct more energy-efficient, comfortable, and durable homes, compared to conventional code-built homes.



210K+ homes have been built under the Environments For Living® banner since 2001

# Service Solutions

SERVICES	PLAN REVIEWS	TESTING SERVICES	SOFTWARE SOLUTION	TRAINING SUPPORT
Code Compliance	●	●	●	●
ENERGY STAR® Program	●	●	●	●
Environments for Living® Program	●	●	●	●
Environments for Living® Certifies Green Program	●	●	●	●
Green Program Compliance (LEED, NAHB)	●	●	●	●
HERS Scores	●	●	●	
Technical/Building Science Support		●		●
Utility/Rebate Processing/Reporting			●	●

We offer builders a comprehensive range of energy efficiency services including:



Pre-Construction  
Plan Reviews



Inspection  
Services



Diagnostic  
Testing



Training and  
Support



Software Management  
Solution



16X  
Energy Star® Award  
Winner

<sup>1</sup>U.S. Department of Energy



# Workplace Safety

At TopBuild, the safety of our more than 10,000 employees comes first. With over 15,000+ job sites visited each day, safety is not just a choice – it’s engrained in our culture and our code of ethics. Whether it’s driving a truck to a jobsite or using a ladder to hang gutters, our 275 divisions strive to maintain a Zero-Accident Safety Culture.

TopBuild employees are responsible for their own safety and also for the safety of those around them. If unsafe behavior is observed, we expect our employees to stop work, have a respectful conversation about the issue at hand and report the unsafe behavior to their supervisors, as appropriate.

All of our professional installers wear personal protective equipment (PPE) that meet or exceed OSHA standard guidelines. Additionally, we conduct regular safety meetings and up-to-date safety training for our all of our employees.



# Safety Training for Newly Hired Installers

01

Within 48 hours from the date of hire or before employees are exposed to potential hazards, all installers must complete training to demonstrate competency in these skills:

- Use of Personal Protective Equipment
- Ladder Safety
- Scaffolding Safety
- Fall Protection
- Incident Reporting

02

After completing this training, additional training must be completed within 60 days of the hire date or before employees are exposed to additional potential hazards:

- Respiratory Protection Policy
- Commercial and Non-Commercial Driver Training/DOT Safety
- Procedures for OSHA Visits
- Fire Prevention Policy
- Vehicle Safety
- Slips, Trips and Falls
- Chemical Safety
- Stilt Training

*Regional Safety Managers will randomly audit new hire safety training records and Job Site Inspections documents (JSIs) both during on-site visits and remotely, to ensure quality training and inspections are completed within the required timeframe. TopBuild adheres to strict employee and leadership accountability in the application of safety policies and procedures.*



# Our Fleet

TopBuild currently operates a fleet of 5,000+ vehicles that range from passenger vehicles to semi-tractor trailers. Through rigorous enforcement of Federal Motor Carrier Safety Administration (FMCSA) & Department of Transportation (DOT) regulations, we monitor the operational efficiency of our fleet in a manner that promotes the safety of our workforce and our communities while reducing the carbon footprint of our vehicles.

We have also installed GPS tracking systems on much of our fleet that weave safety into our drivers' daily operations to track, analyze, and report in real time. Safety data, such as speeding, hard braking, and sudden acceleration, enables us to see where improvement is needed and monitor progress.



# Employee Safety Pledge

It is the intent of TopBuild to provide a safe and healthy working environment for all employees. I recognize that this can only be met with my full cooperation.

I understand that safety starts with me, that safety is a lifestyle, not a program or initiative. I agree that safe behaviors need to be a part of everyday life. I understand that safety is everywhere -- at the office, on every project, every day. I recognize that unsafe actions on my part may result in injuries to me and others.

I know that the timely completion of jobs is important to the company. However, at TopBuild the safety of the employee is priority.

As a TopBuild employee, I will never sacrifice or compromise safety to perform a job more quickly or easily. I will recognize, acknowledge, and encourage safe work habits and behavior that support TopBuild's safety Vision and Values.

To illustrate that safety is my priority, I pledge to do the following:

- Work safely as a condition of employment and accept responsibility for my own safety.
- Always put safety first in completing my duties.
- Inspect my equipment prior to start of work, report any unsafe conditions immediately, and never operate unsafe equipment.
- Inspect each jobsite for hazards prior to starting work, and never work on a site if I cannot do so safely.
- When fall protection (personal fall arrest system or guardrails) is required, I will wear/use it at all times.
- Never expose a body part to moving equipment unless this exception is specifically stated in a written policy or operating procedure and I have received training on the safe method of performing the task.
- Comply with company safety policies and programs.
- **Participate in safety trainings and implement best safety practices provided at the trainings.**
- Know the hazards associated with each job and perform and practice all safety rules.
- Correct all workplace hazards when possible, or report them immediately when they cannot be corrected.
- Report all workplace accidents, injuries, incidents, and near misses immediately to my supervisor, whether or not medical attention is needed.
- Whenever I see a co-worker doing something unsafe, it's my priority to assist them in finding a safer way to do the job.
- Take responsibility to help every co-worker return home safely at the conclusion of every shift.
- Insist on a total commitment to safety excellence from myself and co-workers.
- Do my best to work in a manner consistent with the quality, productivity, and safety of every task that I am assigned.

By signing below, I am committing myself to live up to this pledge and to return home safely every day. I recognize that safety is NOT a program; it is a way of life.

Employee Name: \_\_\_\_\_ ID Number: \_\_\_\_\_ Division #: \_\_\_\_\_

Employee Signature: \_\_\_\_\_ Date: \_\_\_\_\_

*"Work Safety is my promise to TopBuild, my co-workers and my family."*

TopBuild is not only concerned about safety in the workplace, but encourages employees to take these same principles and apply them to their personal lives.

**Family...they are why we work. More importantly...why we live and work safely!**





# Supplier Code of Conduct

We pride ourselves on our reputation for honesty, integrity, and excellence in everything that we do. We therefore expect and require that all goods produced on our behalf or on behalf of any of the brands in the TopBuild family be made in facilities that meet specific criteria for human rights, working conditions and protection of the environment.

Our selection and continued use of our suppliers is based on the following standards with respect to all goods that we purchase:

- 01 Comply with all applicable laws and regulations.
- 02 Protect against the use of workers younger than the minimum age required by law.
- 03 Protect against the use of forced labor. (Including slavery and human trafficking)
- 04 Provide appropriate wages and benefits as required by law.
- 05 Protect against excessive working hours that exceed local laws or business customs.
- 06 Protect against physical and mental punishment of workers.
- 07 Protect against unlawful discrimination against workers and encourage employment based on ability.
- 08 Respect workers' rights to associate freely.
- 09 Maintain safe and clean workplaces, including any residential facilities, in compliance with the law.
- 10 Protect our confidential and proprietary information.
- 11 Provide us all requested information regarding Conflict Minerals.



In accordance with the SEC’s Conflict Minerals Rule, we have processes to identify whether tin, tantalum, tungsten and gold (“Conflict Minerals”) are contained in our products, and, if so, whether the Conflict Minerals may originate from sources that directly or indirectly finance or benefit armed groups operating in the Democratic Republic of the Congo and surrounding countries. We expect our suppliers to source Conflict Minerals from suppliers who meet our Supplier Business Practices Policy requirements, to ensure worker safety and fairness, to embrace environmental responsibility, to implement traceability measures for Conflict Minerals and to provide us with all requested information, including information about all suppliers in their supply chains, so that we can comply with the SEC’s Conflict Minerals Rule.

We will not knowingly work with suppliers that do not respect these standards and those of our customers. Suppliers are expected to use this method as well as observing and cooperating with industry initiatives designed to eliminate the use of conflict minerals. We will periodically assess our suppliers’ compliance with these standards and those of our customers. Any reported non-compliance will be investigated and appropriate action will be taken. These standards apply whether the supplier is a TopBuild company, an affiliate, or a third party.



# Human Capital

We recognize that our employees are critical to our success. To this end, we focus consistently on training and frequently update our policies to help our employees achieve their best.

POLICIES

Anti-Corruption

Human Rights

Diversity and Inclusion

Appropriate Conduct

TRAINING

Ethics Training for all Salaried Personnel

Anti-Harassment

Workplace Violence

Performance Management

Personal Accountability

Anti-Bribery, includes Ethics Policy and Code of Ethics



WE ACTIVELY SOLICIT EMPLOYEE FEEDBACK  
**Voice of the Employee Survey**

TopBuild employees exceeded the national distribution benchmark in the areas of:

- Highly engaged and committed to TopBuild, strong sense of accomplishment from their work
- Open, transparent communication within corporate, as a driver of engagement

Focus areas include:

- Employee empowerment
- Aligning and equipping managers with recognition, support and feedback tools for them to use with their teams

**64%**  
of employees responded to the survey



# Community Engagement

We are committed to making a positive impact on the hundreds of communities where we have a presence. Guided by our strong values and a spirit of service, we have established long-term partnerships with Habitat for Humanity and The Salvation Army, giving back to our neighbors through philanthropy and volunteer opportunities for our employees. Since becoming a public company in June 2015, we have donated over \$2.2 million to various charitable organizations across the country.

In addition to these long-term partnerships, we work with numerous charitable groups across the country to provide assistance when needed, such as during a major disaster or weather event and to support the involvement of our employees in local events that raise money for their charities of choice.



# Employee Health and Wellness

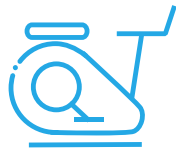
The health and physical well-being of our 10,000+ full-time employees is a high priority for TopBuild and we are focused on helping them make smart and healthy choices that can improve their quality of life.

In addition to offering comprehensive healthcare plans for employees and their families, we also provide:



BIOMETRIC SCREENINGS

- BMI
- Height & weight
- Blood pressure
- Cholesterol



SUBSIDIZED FITNESS CENTER MEMBERSHIPS



STOP SMOKING PROGRAMS



AT-WORK WEIGHT LOSS PROGRAMS



04

## Corporate Governance

### Overview

TopBuild is led by Jerry Volas, Chief Executive Officer and Director.

The company is governed by a Board of Directors that includes six directors who meet the independence requirements of the New York Stock Exchange.

TopBuild is committed to corporate governance practices that promote honesty, accountability, transparency, integrity and an ethical work environment. We are guided by corporate governance guidelines and a Code of Business Conduct and Ethics applicable to all directors, officers and employees. Our Board believes that setting the tone at the top with a strong governance structure is critical to our long-term success.

As a condition of employment, we require all employees to review and comply with the code and complete an annual conflict of interest questionnaire. To ensure greater transparency and preserve the trust of our stakeholders, our corporate governance guidelines and code are disclosed in the "Governance" section of our website.

## Program Highlights

### Board Leadership

- All board members are elected annually by shareholders
- Six of our seven board members are independent
- Two female members
- Position of Chairman and CEO are separated
- Strong code of business ethics

### Director and Officer Compensation

- Annual incentive bonuses for employees tied directly to performance and capped at varying percentages of base salary, limiting excessive awards for short-term performance
- Limited perquisites
- Stock ownership requirements for officers and directors
- All stock-based plans approved by shareholders
- No hedging or pledging allowed
- Incentive plan claw-backs

### Board Committees

- Audit, Compensation and Governance Committees are comprised entirely of independent directors
- The Audit Committee meets with independent and internal auditors regularly
- The Compensation Committee regularly engages an independent compensation consultant
- Our Independent directors regularly meet in private sessions without management present

### Management Oversight

- Full board, as well as separate committee, conduct oversight of risk management through regular reviews





## Diversity

TopBuild is an equal opportunity employer that does not discriminate against any employee or job applicant because of race, color, religion, national origin, sexual orientation and identity, physical or mental disability or age.

We have implemented a comprehensive Affirmative Action Plan to ensure we are targeting all candidate groups during the recruitment process and providing equal opportunities for all our coworkers.

To ensure equal pay, we have implemented salary banding that defines a salary range for each role based on market and internal value.

Additionally, we facilitate biennial companywide non-harassment trainings and provide frequent training to managers on our Affirmative Action Plan, discrimination and unconscious bias in the workplace and fair hiring and employment practices.

## Whistleblower Policy

TopBuild expects its employees to carry out their duties and responsibilities in an ethical manner and in compliance with applicable laws and regulations at all times where TopBuild carries on business.

We maintain a Whistleblower/Ethics hotline and provide an email address to allow the anonymous disclosure of any illegal issues, safety violations or unethical conduct.

Reported matters are investigated by the appropriate corporate function or escalated to the Board, as required by the Compliance Reporting Policy. Investigations are closed in a timely manner and results reported to the Board on a quarterly basis.





## Crime and Security

TopBuild closely tracks reported crimes, sharing information with management in a quarterly report as well as on an immediate basis, if warranted.

The vast majority of crimes are associated with theft of fuel cards used by our employees. TopBuild takes all such allegations seriously and coordinates with cognizant law enforcement authorities, where appropriate.

TopBuild issues a monthly security awareness letter to all managers to share with their teams. Content emphasizes “see something, say something” and includes identity theft mitigation, cybersecurity awareness and internal policies related to security awareness. Additional training is conducted on a consistent basis to mitigate theft as much as possible.



**SEE**  
something  
**SAY**  
something

## M&A Due Diligence

Our business development team has created a comprehensive due diligence checklist when considering new acquisitions that includes identifying various environmental, social and governance factors.

When conducting due diligence, we ask questions such as:

**01**

What processes are in place to monitor and control the supply chain/inventory?

**02**

Have you had significant issues with theft?

**03**

How do you dispose of hazardous materials?

**04**

How many OSHA inspections have you had over the past 12 months and what were the results?

**05**

How do you handle gutter and other metal scrap?

**06**

Do you have flexible work hours and/or remote work stations?



# Enterprise Risk Management

While our management is responsible for the day-to-day management of risks to the Company, our Board has broad oversight responsibility for our risk management programs directly and through various Board committees. Our Board regularly reviews information regarding the Company’s credit, liquidity and operations, including the risks associated with each.

## COMPENSATION

The Compensation Committee is responsible for overseeing the management of risks relating to the Company’s compensation policies and practices.

## AUDIT

The Audit Committee is responsible for the oversight of financial risks, including the steps the Company has taken to monitor and mitigate these risks. Additionally, the Audit Committee is responsible for oversight risks related to the Code of Business Ethics with respect to executive officers and senior financial officers.

## GOVERNANCE

The Governance Committee is responsible for the oversight of risks related to corporate governance and, in its role of reviewing and maintaining the Company’s Corporate Governance Guidelines and Code of Business Ethics, manages risks associated with the independence of the Board and potential conflicts of interest.



# ESG Oversight

To ensure that our organization goals and our environmental, social and governance (ESG) practices are well aligned, we have created a cross-functional ESG Committee that reports semi-annually to our Board of Directors. This Committee monitors climate-related issues and the potential impact thereof on our business.



Our Board of Directors considers climate-related issues when reviewing our Long-Term Strategic Plan, risk management policies, annual budgets, potential acquisition targets and the investment of capital.



With the full support of our Senior Leadership team and our Board of Directors, the ESG Committee promotes sustainability practices across our organization and closely monitors our performance within the areas of environmental, social and governance. The Committee falls under the auspices of the Disclosure Committee which is chaired by our Chief Financial Officer.





## Policies

### EMPLOYEE EDUCATION/PROMOTION

- LEAD Mentoring Policy
- Length of Service Recognition Policy
- Manager in Training Program
- Master Tradesman Certification Policy
- Tuition Reimbursement

### ENVIRONMENTAL

- Drum Disposal Work Instruction
- Lead Based Paint Renovation and Repair Policy
- Sale and Recycling of Scrap Materials
- Spray Foam Ventilation Guidelines

### GOVERNANCE

- Access Control and Passwords Policy
- Accounting for Stock-Based Compensation
- Approval of Chief Executive's Expenses
- Audit Requirements
- Code of Ethics
- Commission Claw Back
- Conflicts of Interest
- Contract Control Policy
- Electronic Communication Policy
- Fraud Reporting Policy
- Record Retention Policy
- Securities Trading Policy
- Whistleblower Policy

### HUMAN CAPITAL

- Bereavement Leave Policy
- Charitable Guidelines
- Equal Employment Opportunity Policy
- Open Communications Policy
- Personal Leave Policy

### SAFETY

- Auto Accident Procedures
- BSC Emergency Evacuation Procedures
- Confined Space Policy
- Contamination Protection – Wild Animals
- Crystalline Silica Protection Policy
- Driver Management Policy
- Emergency Evacuation Policy
- Employee Safety Pledge
- Fall Protection Program
- First Aid and Blood Policy
- Heat and Illness Prevention Program
- Injury Illness Prevention Program
- Insulation Stack Lean Policy
- Knob and Tube Wiring Policy
- Ladder Safety Policy
- New Hire IPS Safety Training Policy
- Quarterly Safety Review Policy

### WORKPLACE CONDUCT

- Appropriate Conduct Policy
- Drug-Free Workplace Policy
- Workplace Violence Policy

TopBuild has established a wide range of policies to help ensure its employees adhere to a code of conduct consistent with its environmental, social and governance practices.





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