



Sustainability Report



2023



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This sustainability report refers to data from the financial year 2023 (January 1st to December 31st).

1. A word from management

We are excited to present our third sustainability report, highlighting Powersports Distribution Group's (PDG) commitment to sustainability. As a dominant force in the global distribution of motorcycle parts and accessories, we firmly believe that sustainability is the future and a vital component of our ambitious goals. PDG is dedicated to leading the way forward.

In 2023, we continue our mission to drive the industry's transition toward sustainable practices. As a key player in distributing motorcycle parts and accessories, we recognize our responsibility to contribute to the industry's transformation. To achieve this, we have taken a proactive stance on our sustainability priorities central to our vision:

- Reducing energy use by measuring greenhouse gas emissions
- Prioritizing employee wellbeing
- Reducing transport emissions to minimize our environmental footprint
- Embracing the circular economy by minimizing packaging waste and utilizing our unique OE/Vintage value proposition, which involves reusing 'obsolete' motorcycle parts for 'older' vintage motorcycles.
- Sustainable performance throughout our supply chain by engaging in responsible partnerships in our supply chain

These priorities form the foundation of our circle of influence, reflect our position in the value chain, and represent our commitment to all stakeholders. They are embedded in our day-to-day operations and future strategies, aligning with our values and philosophy of being “powerful as a group and proactive as entrepreneurs.”

In addition, we are actively working toward compliance with the Corporate Sustainability Reporting Directive (CSRD), ensuring that our sustainability practices meet the latest regulatory standards.

We hope this report provides valuable insights into PDG's ongoing sustainability journey, as we continue to lead by example and inspire others to join us in creating a greener, more responsible future. At PDG, sustainability is not just an initiative; it's here to stay.

Bryan Smaal

CEO of PDG

2. Powersports Distribution Group

2.1. About us

Founded towards the end of 2017 but drawing on decades of industry experience, we have quickly grown to become one of Europe’s fastest-expanding distributors of motorcycle parts. Our goal is to expand throughout the continent and provide significant value to wholesalers, brands, dealers, and riders.

We prioritize fostering strong relationships between motorcyclists and dealers, which includes establishing a robust local presence and collaborating with existing firms to support their growth. We deeply value their accomplishments and uphold their legacies, understanding that their histories have paved the way for us to strengthen our network.

Operating internationally we maintain offices and operations in the Netherlands, Belgium, and the UK. Offering a comprehensive selection of over 500 brands and more than 5 million products, we are committed to delivering extensive product options and exceptional service across our markets. The table below shows the net turnover in the last years.

	2021	2022	2023
Reported net turnover (€ m)	108	131	136

Table 1: Financial statistics PDG; rounded to the nearest decimal

PDG is organized via 3 divisions around businesses with different positions in the value chain:

- Wholesale distribution - metric:**
Wholesale distribution metric (Hocoparts) that supplies the aftermarket motorcycle parts & accessories to dealers (B2B). Category Management (DC Afam) that supplies transmission and electricity products to wholesale distributors, large retail chains and large web shops.
- Wholesale distribution non-metric:**
Motorcycle Storehouse that supplies the aftermarket motorcycle parts & accessories to Harley Davidson dealers (B2B). Furthermore, Motorcycles United is also included in this division.
- OE/Vintage:**
OE/Vintage Specialist (CMS) that supplies OE/Vintage motorcycle hard parts to mainly end-consumers. Furthermore, more recently acquired companies such as De Hobbyist, VDM Parts and Motorcycle Spare Parts are also included in this division.
In this unique value proposition, we aim to deliver on our circularity ambitions by re-using ‘obsolete’ motorcycle parts for ‘older’ vintage motorcycles used by motorcycle enthusiasts. Parts that otherwise would have been scrapped. In doing so we reduce environmental waste and limit material inflows (including material usage) otherwise required to service the ‘older’ motorcycle fleet.

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

2.2. Our history

Our focus lies not in the duration of our presence in the industry but in our accomplishments. This philosophy guides our daily operations. As a result, we reflect on a brief yet highly eventful history.

The PDG journey began with acquiring Hoco Parts and Motoria in 2017. This was followed by the addition of DC Afam in July 2018 and CMS in October 2019. Concurrently, Hoco Parts acquired Rino Trading in the same month. In November 2019, PDG expanded further by acquiring Bradbury Bros and Rob Hunter, forming Bradbury Hunter, which later integrated as Hoco Parts UK in June 2020. In November 2020, PDG acquired Neo Distribution, then acquired Motorcycle Storehouse in March 2021 and B&C Express Ltd in November 2021. In 2022, our acquisition of the Hobbyist in the Netherlands has further solidified our position in the European and American motorcycle parts and accessories market.

In March 2023, PDG and Hoco Parts Group acquired Direct Distribution, a prominent UK-based wholesale distributor of motorcycle parts and accessories. This acquisition strengthens Hoco Parts UK's position as a leading national distributor in the UK market. Later in 2023 PDG acquired VDM/MSP (July 2023) and France Equipement (November 2023) as part of the buy and build strategy.

“We are very pleased to welcome France Equipement¹ and their experienced team to our Group. France Equipement is our first French based acquisition, and it fits perfectly with our ambitions to build our position in the French market via both organic growth and acquisitions. Hoco Parts will fully support the France Equipement team in Nevers, with both the distribution of and the continuous development of the FE brand and product portfolio”.

Arno van de Glind, Managing Director of Hoco Parts Group

PDG aims to consolidate its presence in Europe through strategic acquisitions, following previous successful purchases.

¹ France Equipement will be integrated into the Hoco Parts Group.



2.3. Our team

PDG is led by a dedicated team of over 250 people who are deeply committed to cultivating a dynamic business environment. They continuously strengthen our core principles while expanding our horizons. Together, their collective drive serves as a formidable force, capable of embracing change to achieve success and drive growth.

The group comprises industry-leading operational companies, each specializing in unique expertise, niche products, and strategic positions within the value chain. Our priority is to ensure that our company remains an exceptional workplace.

It is in our culture to maintain high ethical standards and integrity throughout our operations. We have clear guidelines for behaviour, ensuring transparency, fairness, and accountability in all interactions with stakeholders. By adhering to this, we foster a culture of trust and responsibility, promoting a positive and ethical work environment for all employees and partners alike.

2.4. Our values and philosophy

At PDG, we embody values of entrepreneurship, passion, and active participation. We empower our team members to take ownership and act as if the company were their own. We are team players with an open mind, looking for the common good.

We care most about our employees and their well-being. Our business is people-oriented and we strive to construct an environment that makes people proud to be part of our passion for motorbikes.

Our culture encourages initiative from all levels while ensuring leadership involvement from the top down. Anchored by our teams close to the market, our primary focus is on sharing knowledge and implementing best practices.

With a data-driven and analytical mindset, our experienced management team have backgrounds across different disciplines. We are dedicated to earning the privilege of growth through strong operational performance and ongoing improvement. Our open culture emphasizes mutual respect and transparency.

As a company, we take our social responsibility by publishing our ambitions, initiatives, and goals towards a more sustainable future. We know that we as a society are currently in a transition and we would like to do, whatever is in our sphere of influence, to contribute to a safer, healthier and greener world in the future.

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

3. Leading the way in an evolving industry

At PDG we are convinced that riding a motorcycle will always be a joy for enthusiasts, hobbyists, and thrill-seekers. We strive to showcase the importance of the quality of our products and help motorbike manufacturers access the best quality products. At the same time, we believe that disruptive trends are changing the industry's future. Sustainability is the catalyst of these trends and will shape the competitive landscape, moving the needle towards a better world of tomorrow, in our industry.

“We recognize the value of these industry trends and are committed to becoming a leader in driving a more innovative, greener future”

An interview with PDG's CEO Bryan Smaal on the industry outlook and how PDG is navigating the transition towards a more sustainable future

Interviewer (I): How do you see the motorcycle industry changing, and how does PDG as a motorcycle component distributor plan to stay at the forefront of these changes?

Bryan Smaal (BS): Driven by regulations demanding sustainable mobility solutions, the motorcycle industry is undergoing a significant transformation. We believe that electrification will be a long-term disruptor, we recognize that as a distributor, our immediate focus should be on reducing Scope 1 and 2 emissions by ensuring greener delivery of parts, promoting circularity in our packaging and OE/Vintage product offerings, and upholding responsibility in our supply chain. Our people are central to this mission, as is our commitment to a sustainable future. Our goal is simple yet ambitious: to become Europe's leading motorcycle parts distributor. To achieve this, we are committed to driving a more innovative, sustainable future by integrating responsible practices across our supply chain and investing in our people. Through constant expansion, advanced manufacturing, and strategic industry partnerships, PDG remains ahead of the curve by leveraging client and stakeholder insights. Our focus is not just to keep pace with change but to pioneer it.

I: What specific steps is PDG taking to support this transition?

BS: We strive to make significant strides in integrating sustainability into every aspect of our operations. I will reflect on the 3-focus area's where we have the greatest influence:

1. *Reducing energy use by measuring greenhouse gas emissions and reduce transport emissions to minimize our environmental footprint*

To tackle these, we are focused on improving energy efficiency, transitioning to renewable energy sources, and optimizing transportation and logistics to ensure more sustainable delivery of parts. Additionally, we're making significant progress in transitioning to

renewable energy sources to power our facilities whenever possible².

We closed our MCS warehouse in the UK as of January 1st, 2024, and initiated plans to relocate the warehouse MCU to a new smaller location in the beginning of 2024. We also decided in 2023 to close our PDG HQ office location in 2024. These efforts contribute to reducing our CO² footprint, and we remain committed to exploring additional opportunities to further minimize the environmental impact of our warehouse operations.

We are also dedicated to sustainable transport practices, requiring our main carriers to operate in an environmentally friendly manner.

2. *Employee wellbeing*

We are committed to fostering healthy living among our staff by sponsoring local running events, local events for children, a football club, providing fresh fruit, and exploring additional workplace fitness initiatives. In line with our focus on employee wellbeing, we also offer new initiatives such as work-from-home options and flexible working hours to enhance overall job satisfaction.

In addition, we take warehouse safety very seriously, with a firm goal of achieving a zero percent incident rate. The safety and wellbeing of our people remain a top priority in all aspects of our operations.

3. *Embracing the circular economy by minimizing packaging waste and utilizing our unique OE/Vintage value proposition, which involves reusing 'obsolete' motorcycle parts for 'older' vintage motorcycles.*

Another important aspect of our commitment is embracing the circular economy through our unique OE/Vintage offering. We recognize that motorcycle enthusiasts value our ability to assist them in restoring their vintage bikes by reusing OE parts for vintage models. We actively source these parts, which would otherwise be scrapped, and give them new life in the hands of passionate riders.

We are also committed to sustainability by reducing packaging waste. This includes using more sustainable packaging materials, better-aligned packaging formats, and reusing materials. These measures help reduce packaging waste and transport costs, demonstrating a broader commitment to environmentally friendly business practices.

I: How important is the end customer in your strategy?

BS: The end customer is central to our strategy, and we deeply care about meeting their needs and expectations. As fellow motorcyclists, we share their passion for riding and understand the importance of delivering high-quality products that enhance their experience. At the same time, we recognize our

² Since most PDG offices are leased spaces, PDG has limited influence over building energy preferences.

responsibility to ensure that future generations can enjoy this passion as well, which is why we take sustainability very seriously.

We are committed to delivering our products in the most environmentally responsible way, minimizing pollution and reducing our carbon footprint. Furthermore, we are at the forefront of embracing new innovations and adapting to changing demands, such as the shift toward electrification in the motorcycle industry. By combining our love for motorcycles with a commitment to sustainability, we strive to not only serve our customers today but also protect the future of motorcycling for years to come.

3.1. Carbon footprint management

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

In the motorcycle distribution industry, reducing Scope 1 and 2 emissions is critical for driving long-term sustainability and business leadership. Scope 1 covers direct emissions from operations, such as fuel consumption in transport fleets, while Scope 2 focuses on emissions from purchased energy, like electricity for warehouses. With high energy demands and complex logistics, the sector has a significant opportunity to lead in emissions reduction. By prioritizing energy efficiency and greener logistics, we can make sure we meet regulatory requirements but also set new industry standards. This approach positions the sector as a key player in addressing global climate challenges and enhancing overall sustainability.

3.2. Electrification

The EU is accelerating its efforts to combat climate change by leading the transition to greener electric vehicles.

The EU's focus on electric vehicles presents a mixed picture for the motorcycle industry. While there is currently no ban on internal combustion engine ICE motorcycles, stricter emissions regulations can be expected in the future, potentially hindering development in this segment. However, this push towards electric mobility also presents a significant opportunity for manufacturers to capture market share by developing state-of-the-art electric motorcycles that cater to the growing demand for clean urban transportation solutions.

Electrification is revolutionizing the mobility sector, and this includes two-wheeled vehicles. By 2030, the market for two-wheelers could be valued at \$218 billion⁵. Although electric two-wheelers currently make up a small fraction of global sales, it is projected that up to 30% of scooters, mopeds, and motorcycles could be electric by the end of the decade.³ Despite the growing emphasis on electrification in the mobility sector, the market penetration of electric motorcycles is progressing slowly. According to data from the European Association of Motorcycle Manufacturers (ACEM), electric

³ The future of two-wheelers? It's electric (September 2023), *McKinsey*.

motorcycles represent a small fraction of total motorcycle registrations in Europe. While there has been a noticeable increase in electric moped and scooter registrations, the adoption rate for electric motorcycles lags behind. While we acknowledge these developments, we believe that electrification will be a long-term disruptor for our market segment, impacting our whole value chain with manufacturers being the first to navigate and address these emerging challenges.

ACEM⁴ representing the interests of motorcycle, scooter, three-wheeler, and quadricycle manufacturers across Europe. This association promotes sustainable industry growth and advocates for policies supporting safe and environmentally friendly mobility solutions. Additionally, ACEM collaborates with stakeholders to address industry challenges and promote innovation.

ACEM supports the European Commission's proposal to revise the Vehicle End-of-Life Directive as it aligns with Vision 2030+ and enhances the environmental performance of the L-category sector. The organization advocates for a comprehensive framework that integrates L-category vehicles into the circular economy, ensuring alignment with EU transport goals while promoting consistency across related legislation for improved material reusability and recyclability⁵. We are committed to staying informed about all developments in this area to effectively contribute to and adapt to evolving regulatory and industry standards.

The ACEM's goal is to strengthen the position of cleaner and technologically advanced motorcycles manufactured in Europe within the increasingly competitive international trade landscape. We closely follow ACEM to stay at the forefront of industry trends related to sustainability and the transition towards a greener future. We believe in our pivotal role in driving this transition for our clients, ensuring we integrate the latest advancements and best practices in sustainable mobility solutions.

3.3. Circularity

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

Circularity presents a significant opportunity for sustainability in the motorcycle distribution industry by minimizing waste and maximizing resource efficiency. By promoting the reuse, recycling, and refurbishment of parts and packaging, companies can reduce their environmental impact while optimizing costs. Circularity extends the life cycle of products, reducing the demand for raw materials and lowering carbon emissions. For motorcycle distributors, adopting circular practices not only enhances operational sustainability but also aligns with evolving consumer and regulatory expectations for greener solutions.

⁴ European Association of Motorcycle Manufacturers (ACEM).

⁵ Initial considerations on the future framework for Vehicle End-of Life announced by the Commission (July 2023), ACEM.

3.4. Supply chain transparency

Supply chain transparency requires companies to know not only everything within their operations but also what is happening upstream in the supply chain and to communicate this both internally and externally.

Companies can suffer great reputational damage if incidents regarding incompliance upstream are detected. Additionally, we, as a company have ethical value standards which we find very important when doing business with our partners and suppliers.

Supply chain transparency is also part of our ESG strategy, though we recognize that our influence over the entire supply chain varies. Where we can directly influence, such as in key supplier relationships, we actively incorporate environmental, social, and governance (ESG) factors into our supplier selection and assessment. For example, we prioritize partners who demonstrate strong commitments to reducing carbon emissions, resource efficiency, and fair labor practices. In areas where our influence is more limited, we engage with suppliers to promote transparency and encourage responsible practices. By doing so, we aim to align our supply chain with our sustainability and ethical standards to the greatest extent possible.

4. Our sustainability achievements and commitments

This year we continue our commitment to measuring the following ESG KPIs at a group level:

- Carbon footprint Scope 1 + 2
- Performance Management Reviews of our employees
- Employer Net Promoter Score
- Annual Supplier Reviews

Sustainability encompasses a wide range of issues critical to responsible corporate practices. Integrating sustainability values, risk assessment, and strategic planning within our Group is essential for fostering sustainable operations.

We have identified key sustainability themes to establish a baseline, including measuring our carbon footprint and assessing employee well-being and governance. Based on these assessments, we have proposed specific initiatives to integrate within our Group, demonstrating our commitment to social responsibility as a growing company. As a Group, we aim to lead by example and set measurable targets and KPIs, which we will rigorously monitor and publicly disclose.

This year, we started preparing a double materiality assessment to ensure we are ready to comply with the CSRD, requiring us to conduct a value chain analysis, stakeholder analysis, and an Impact, Risk, and Opportunity (IRO) analysis.

4.1. Carbon footprint - Scope 1 & 2

In 2023, we measured annual Scope 1 & 2 carbon footprint. We are also aiming to reduce our emissions as a commitment in the long-term. This achievement was made possible through initiatives such as

reducing gas and electricity consumption with technologies like smart sensors and LED lighting, as well as generating on-site renewable energy through solar panels. Our goal is for our Scope 1 & 2 emissions to align with the Paris Agreement's reduction targets. PDG's commitment to minimizing our environmental impact is central to our strategy of evolving into a more sustainable brand.

4.2. Performance management reviews

Ensuring the well-being and development of our employees is a priority for us, which is why we will track the percentage of employees undergoing performance reviews. In 2023, for at least 75% of our employees we engaged in performance reviews that encompass formal discussions on targets, personal growth, well-being, actual performance, and evaluation. By integrating performance reviews into our practices, we aim to enhance internal talent development, fostering both organizational and individual growth within our company.

4.3. Employee Net Promoter Score

As PDG aims to be the preferred employer in the industry, we will measure our employees' satisfaction by performing regular (anonymous) eNPS surveys across the organization with various questions regarding their satisfaction with their current role, leadership and development, and the overall attractiveness of PDG as an employer.

We started with a baseline study in 2022 and will set targets to improve the score over the following years.

4.4. Annual supplier reviews

We take our responsibility upstream. We will implement sustainability supplier reviews to set sustainability requirements in the value chain. A supplier review entails desk research and, where applicable, supplier interviews based on sustainability criteria (e.g. social compliance). The selected suppliers are the most strategically important ones given their size and relevance for PDG as well as suppliers that are based in countries with potential exposure to labour and environmental conditions.

5. Sustainability initiatives at PDG

5.1. PDG Group

To integrate the sustainability initiatives in our operating companies and policies in the future, we created an ESG workgroup (with responsible managers in our operating companies), who will be the main responsible persons to integrate our ambitions in a project-based manner, creating realizable execution plans and meet our sustainability targets.

We will investigate the possibility of reducing emissions regarding scope 1 and 2 services. Looking ahead, the company plans to consider the development of an overarching ESG strategy. We furthermore initiated a project in 2024 to determine material ESG themes and relevant KPIs – conversations held with all stakeholders about sustainability initiatives and to increase awareness about this topic.

PDG collaborates closely with suppliers to establish standards and policies for our products, ensuring responsible, transparent, and traceable supply chains. Our sustainable supply chain management at PDG focuses extensively on risk assessment.

We see an opportunity to impact how we handle packaging and transport materials. This is important because we want to be at the forefront of this transition towards following standards.

Instead of owning factories or production facilities, PDG partners with contractors to manufacture our private brand products. When selecting suppliers, we emphasize several key criteria including alignment with our needs, supplier expertise and reliability, product quality and pricing, and commitment to corporate social responsibility, particularly regarding working conditions and environmental stewardship. All new private brand suppliers must meet PDG's initial requirements and commit to ongoing adherence to our codes and continuous improvement, fostering long-term partnerships.

We recognize that we wield significant influence over our private brand suppliers regarding material choices for manufacturing and packaging. However, we are actively working to develop a comprehensive approach to materials, an initiative slated for prioritization in the coming years. Regarding external brands, we seek to influence their material selection practices to minimize environmental impact positively.

PDG's new packaging guidelines aim to combat plastic pollution on land and sea while setting ambitious standards for future packaging endeavours. These guidelines focus on two primary environmental objectives: optimizing packaging size to facilitate easier transport and storage of loose items and transitioning from fossil fuel-based plastics to biodegradable or recyclable materials like paper and cardboard.

We will continue to focus on reducing our packaging waste and contribute to more sustainability and transform our supply chain as much as we can.

5.2. MCS

In 2023, MCS launched an employee handbook featuring new initiatives such as ATV, work-from-home options, and flexible working hours, underscoring their commitment to enhancing employee satisfaction. Additionally, MCS introduced a 20-liter oil box made from sustainable materials to replace smaller plastic bottles, which has been met with significant success and has inspired other suppliers to adopt similar designs. Regarding environmental measures, MCS has closed its UK warehouse as of January 1st, 2024, to optimize available capacity and reduce transportation distances. While the planned transition from air to sea freight has been postponed due to vessel shortages, long delivery times, and high costs, the company continues to rely on air freight for most shipments. The direct drop shipping initiative, set to launch in the second website development phase, will further streamline operations. Furthermore, MCS has extended direct packaging for customers beyond China to other supplier areas. Looking ahead, MCS and Hoco Parts will begin to drop shipping to each other's customers in 2024, further reducing transportation distances and enhancing operational efficiency.

5.3. Hoco Parts

Hoco Parts has recently explored installing solar panels at its warehouse in the Netherlands, but network restrictions due to congestion in Barneveld have halted these plans for now. Similarly, the local grid's limitations have restricted the number of EV charging stations implemented there. However, in the UK, Hoco Parts is advancing its sustainability efforts by introducing EV charging stations. It has already purchased its first three electric cars, with plans to acquire two more in the latter half of 2024.

On a broader scale, the company is committed to promoting healthy living among its staff by sponsoring local running events and a football club, providing fresh fruit, and investigating further workplace fitness initiatives. Regarding energy efficiency, Barneveld is set to transition all its lighting to LED technology. Hoco Parts is also dedicated to sustainable transport practices, requiring its main carriers to operate in an environmentally friendly manner and purchasing green transport packages from DHL as our main carrier in the Netherlands. The company has successfully converted all cardboard waste into packaging filler in the UK, with ongoing efforts in the Netherlands to achieve similar results.

5.4. CMS

CMS has made significant strides in its ongoing commitment to sustainability and social responsibility through various initiatives. The company has upgraded office lighting to energy-efficient LEDs, with warehouse lighting conversions nearly complete. Additionally, CMS has enhanced operational efficiency by reusing pallets and recycling packaging materials.

To optimize shipping practices, the company has implemented different box sizes to better match shipping volumes. CMS is also dedicated to fostering diversity and inclusivity within its workforce, actively employing individuals with disabilities and promoting diverse hiring practices.

In 2023, CMS launched several initiatives aimed at enhancing these efforts, such as further optimizing shipping volumes with new proposals, reusing pallets, converting old cartons into packaging filler, adopting recycled materials, and incorporating packaging from incoming shipments. By hiring individuals with disabilities from local colleges, CMS continues to reinforce its commitment to an inclusive workplace while pursuing environmental stewardship.

Furthermore, we are maintaining our active engagement with stakeholders in the OE/Vintage market to

source OE/Vintage products. This enables us to contribute to reducing environmental waste and minimizing the inflow of new materials, including limiting overall material usage.

5.5. AFAM GROUP

In 2023, the Afam Group dedicated its efforts to a wide range of endeavours, with notable advancements in the realms of energy, people, and wellbeing. Notably, the approval was granted for the forthcoming installation of solar panels on the roofs of our warehouses, scheduled to commence in 2023. This change has led to a significant reduction in our energy costs, dropping from a high during the energy crisis in the previous year to a considerably lower amount this year.

While the exact percentage of green energy used is not precisely known, it is estimated to be around 35% of our total energy consumption and we strive to increase this percentage in the future.

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

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

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

5.6. MCU

Last year, several improvements were made to enhance the energy efficiency of MCU's building. In 2024, a strategic decision was made to relocate MCU operations to an existing MCS facility, utilizing a previously unused warehouse and consolidating our locations while increasing the occupancy rate of the available footprint. As a result of these efforts and the ongoing upgrades, the offices are now situated in a building with an improved energy label of C. This move underscores MCU's commitment to optimizing space and improving energy performance across our facilities.

5.7. Hobbyist

Hobbyist is committed to exploring opportunities to reduce emissions related to Scope 1 and Scope 2 services, as part of our ongoing efforts to minimize our environmental impact. In addition to addressing emissions, we place a strong focus on our people, ensuring that employee well-being and development are at the core of our business practices. Our commitment to sustainability aligns with the PDG ESG goals, and we are dedicated to making continuous progress in these areas for the benefit of both our organization and the broader community.

6. Reporting

6.1. Transparency and reporting

As a group, we strongly believe in transparency about our sustainability initiatives. This sustainability report will provide transparency to our stakeholders and will be updated and published annually. It will explain our progress and suggest new initiatives or projects, which will contribute to the company's sustainability.

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

This year, we initiated a double materiality assessment, which is crucial for aligning with the CSRD requirements, as it ensures we account for both financial impacts on the company and the company's impact on the environment and society.

7. Looking forward

We aim to continue growing our business through M&A in the near future, ensuring that our expansion is aligned with a sustainable future and supports our long-term sustainability commitments.

Our dedication to sustainability goes beyond mere aspiration; it is a priority. We firmly believe that assuming responsibility for our environmental and social impacts enables us to generate enduring value for our stakeholders and contribute to a more sustainable future.

At PDG, we are committed to advancing our sustainability efforts and enhancing value creation by focusing on ESG factors. We understand that addressing ESG issues is crucial for our business's long-term success and the well-being of our stakeholders, including customers, employees, investors, and the broader community.

In terms of governance, we prioritize maintaining the highest standards of transparency and accountability across our operations. We will uphold robust corporate governance practices, prioritize stakeholder safety and security, and ensure compliance with all relevant laws and regulations.

At PDG, we are dedicated to pursuing a sustainable future and driving long-term value through our commitment to ESG principles. By combining our love for motorcycles with a commitment to sustainability, we strive to not only serve our customers today but also protect the future of motorcycling for years to come.

8. About this report

The PDG sustainability report covers the financial year of 2023 (January 1st to December 31st). The data included represents the following companies: Powersports Distribution Group, MCS, Hoco Parts, CMS, AFAM Group, MCU and Hobbyist. The companies VDM and MSP, which were acquired in July 2023, have not yet been integrated, but will be included in future reports for a complete year starting in 2024.

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