



# 2022 Environmental, Social and Governance Report



## About Us

Franchise Group (FRG) is a US-based owner and operator of a diverse collection of franchised and franchisable businesses.

We use our operating and capital allocation expertise to grow our portfolio of brands, generate strong cash flows and create long-term value for our stockholders. By providing financial acumen, operational know-how, infrastructure and support that are essential to succeed, we help catapult our brands forward.

As a multi-brand operator, we continually learn and evolve best practices at our individual operating companies and then scale them to the wider group, furthering our mission to create long-term value for all of our stakeholders.

# 2019

Founded

# 3,000+

Brand Locations

# 15,000+

Associates

# \$5 billion+

System-Wide Sales

## Our Brands



**THE VITAMIN SHOPPE®**

(omnichannel health & wellness  
specialty retailer)  
700+ stores in 47 states  
Founded 1977



(retailer of pet supplies)  
640+ stores in 39 states  
Founded 1988

 **AMERICAN FREIGHT**  
**FURNITURE • MATTRESS • APPLIANCE**

(national value home furnishings retailer)  
365+ stores in 42 states  
Founded 1994

**Badcock** & more.  
HOME FURNITURE

(home-furnishings retailer  
located in the south-eastern US)  
380+ stores in 8 states  
Founded 1904



(home furnishings retailer)  
325+ stores in 21 states  
Founded 1961



(tutoring provider)  
710+ locations in 9 countries  
Founded 1979



(pet retailer specializing in  
dog grooming services)  
15 locations in 3 states  
Founded 1999



# Letter from Our CEO

Franchise Group was founded four years ago with the belief that our brands can be stronger together than alone.

By providing strategic know-how, infrastructure and economies of scale through our shared platform, we propel businesses forward, enhancing their growth and profitability. We also share best practices, which enhances our ability to generate healthy returns for our shareholders while also meeting the expectations of our wider stakeholders.

Since we formed FRG in 2019 through the combination of Liberty Tax Service and Buddy's Home Furnishings, we have seized cost-effective opportunities to positively impact our associates, customers, franchisees and society at large. Although FRG is a young organization, on average our brands have been operating for over 50 years, and our management team has more than a century of financial and operational experience. Having built a highly skilled and well-rounded Board over the last three years, we are now focused on expanding our leadership in ESG.

In 2022, we refreshed our Code of Conduct and established Board oversight of our ESG program. We linked executive pay incentives to progress made on the Company's ESG plan, and developed standalone comprehensive policies covering ESG, Diversity, Equity and Inclusion (DEI) and Human Rights.

Additionally, we have increased efforts to create more diverse working environments by establishing a centralized FRG DEI committee which has representation from all our operating companies. As a multi-brand operator, we are able to support initiatives spearheaded by individual operating companies and then scale best practices to the wider group, and this too is helping build our ESG program.

For example, The Vitamin Shoppe and Sylvan Learning have multiple years of experience with DEI initiatives, while American Freight and Badcock Home Furniture

& more are members of the Sustainable Furnishings Council and already have leading programs in place. We will continue to support these efforts and learn valuable lessons that we can leverage across FRG.

As we continue to grow and diversify our portfolio through acquisition and organic brand development, we recognize that our responsibility to people and planet grows with us. With the publication of our inaugural ESG report, we commit to being transparent about that journey.

Thank you for your interest in Franchise Group. We will strive to create tangible long-term benefits for our all of stakeholders - stockholders, associates, franchisees, dealers, customers and partners - because we are all stronger together.

**Brian Kahn**

**President & Chief Executive Officer**

## Our Approach to ESG

Respect, best practice, hard work and integrity – these are core values of Franchise Group. Cost efficient responsible operations have always underpinned our strategy to achieve sustainable returns for our stockholders. In 2022, we set out to substantiate these guiding principles by developing a program that would formally embed ESG considerations into our day-to-day processes and strategy and give us a benchmark to begin to measure our progress.

## Our ESG Priorities

Our first objective was to identify the non-financial risks and opportunities that could have an impact on our long-term success.

We engaged Nasdaq Corporate Solutions to benchmark our ESG disclosures against a set of peers. The team identified ESG topics that external stakeholders – comprising rating agencies, global standards and frameworks such as the Sustainability Accounting Standards Board (SASB) as well as investors – may deem relevant to our business. Meanwhile, we circulated surveys seeking the perspectives of our internal stakeholders.

Nasdaq Corporate Solutions consolidated the findings from this research to create a matrix highlighting the ESG priorities for our business. These are:



**Human capital management**



**Business ethics**



**Privacy and data security**



**Board diversity and independence**

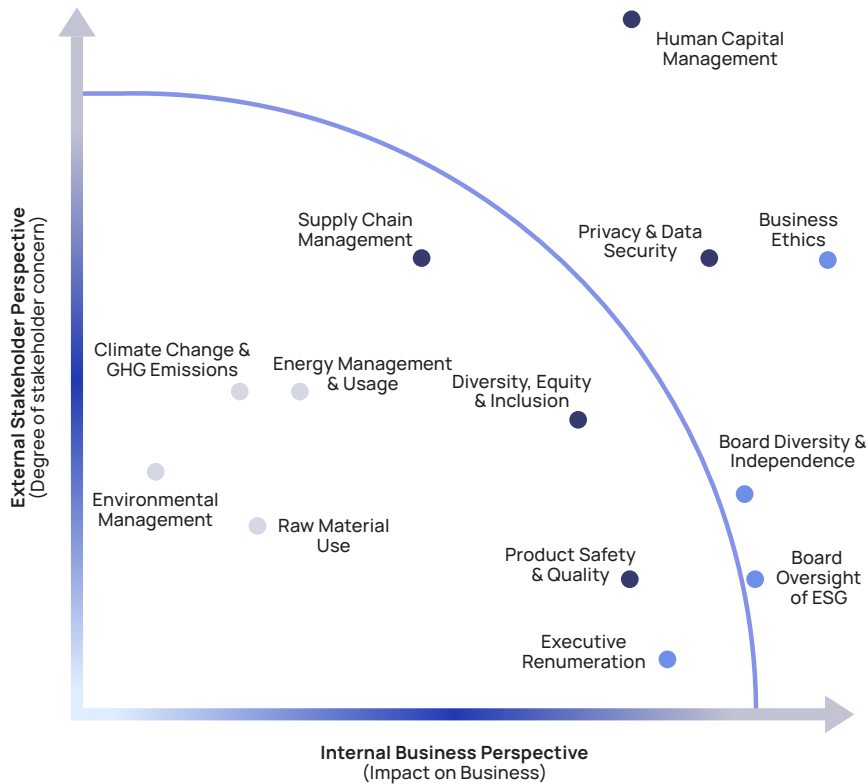


**Board oversight of ESG**

It was no surprise to us that our external stakeholders, including rating agencies, frameworks, and investors, cared most about how we forge and maintain strong relationships with our 15,000+ associates since we have always recognized these partnerships as intrinsic to our success. We also noted that the top priorities for our internal stakeholders were governance-related, which justifies the effort we have poured into fortifying our policies, processes and Board leadership.

The results of the assessment confirmed to us that we are focusing on the right things. We will periodically carry out new analyses as we evolve our ESG program.





## Oversight of ESG

Leadership and oversight of our ESG program begins at the top with our Board and executive management team. In 2022, we amended the charter of our [Nominating & Corporate Governance Committee](#) to include oversight of our ESG activities, and we amended the charter of our [Audit Committee](#) to include oversight of ESG risk management. Our current Chair has a significant track record in ESG governance and the skills to help us identify the emerging risks and opportunities that will inform our long-term strategy.

Among its duties, the Committee is responsible for reviewing the Company's ESG strategy, activities,

goals and policies at least quarterly, including our new policies on ESG, Diversity, Equity & Inclusion, and Human Rights. It also advises the Board on significant ESG-related feedback from stakeholders and makes recommendations on how the Company can adapt to ESG trends and regulatory developments that could impact its operations, performance or reputation.

To drive us forward, the Company ties a portion of executive compensation to ESG initiatives. To that end, 30% of annual bonuses for our named executive officers are linked to individual performance, including progress on the Company's ESG program.



# Social

## Our People

Our worldwide network of more than 15,000 associates is our greatest asset. They are at the forefront of our minds as we embed social responsibility into our business. Our long-term success depends on fostering working environments that attract talented people and offer equitable opportunities for advancement.

**Our worldwide network of more than 15,000 associates is our greatest asset.**

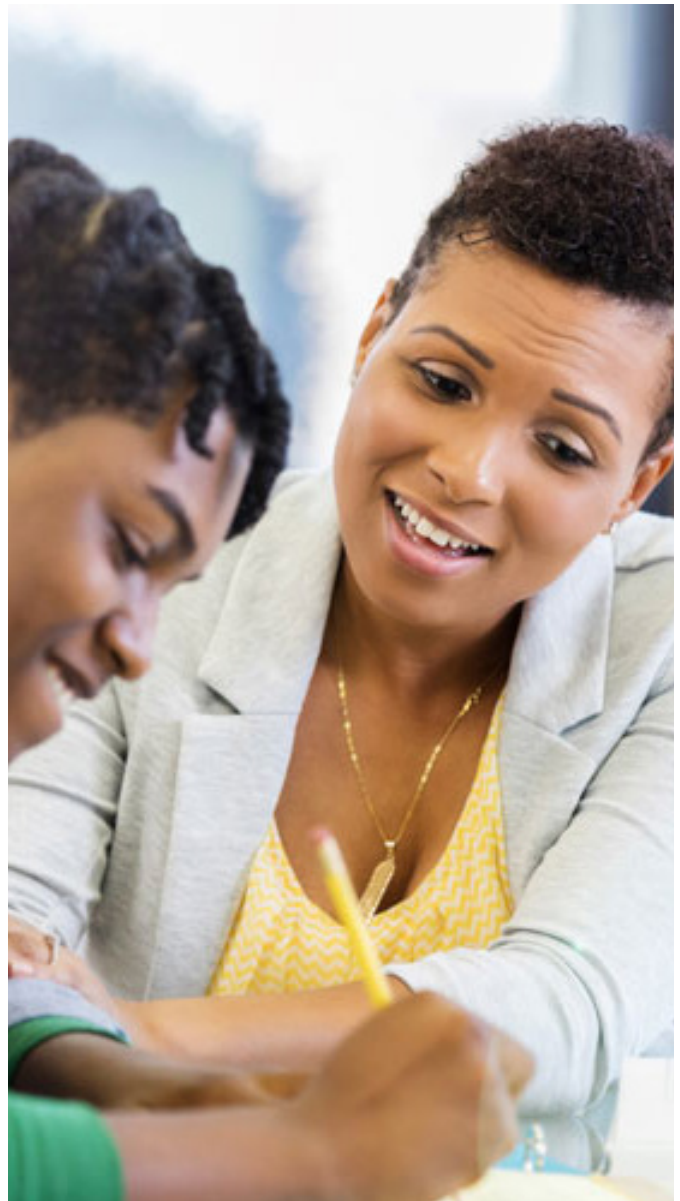
## Attracting and Retaining Talent

As a multi-brand operator, FRG can provide an exceptional springboard into diverse careers. All jobs are posted internally so that we can nurture our homegrown talent, and we cast the net wide to attract new talent with a competitive salary and generous benefits.

For positions at director level and above, we typically cross-promote vacancies throughout FRG to leverage our talent and increase employment security by helping our employees progress and flourish without having to leave the Company. We have also expanded our recruitment tools to include eQuest's job posting software to attract more diverse talent including women, people of color, veterans, disabled persons, senior citizens and members of the LGBTQ+ community.

While we respect the decisions of each individual brand, we have encouraged flexible and hybrid working where possible, as we believe a healthy work-life balance is the key to recruiting and retaining the brightest and best associates, which ultimately will deliver the best results for all our stakeholders.

We provide a well-rounded benefits program and include a variety of benefits for our full-time employees as part of our compensation, such as short-term disability, paid time off, life insurance, 401(k) and employee assistance programs. In response to the Covid-19 pandemic, we have renewed our focus on mental and physical wellbeing and have recently boosted the FRG benefits program to include a number of health and wellness packages accessible to all benefit-eligible associates and their families, as well as offering supplemental benefits to part-time associates.



## Training and Development

Each of our seven brands develops bespoke training programs, but FRG mandates a core curriculum and development strategy of onboarding and refresher training for all associates. This includes annual training modules on ethics and compliance, sexual harassment and workplace discrimination.

All our associates are enrolled in person or on our online learning platforms, through which they receive comprehensive training alongside on-the-job experience, with pay incentives linked to successful completion of stages.

In 2022, we piloted a formal mentorship program matchmaking people who want to learn new skills and experience with people happy to share their expertise through coaching or job shadowing.

Our brands also have leadership development programs to prepare first-time leaders for promotion.

Raises and bonuses are authorized only after operating companies confirm that 100% of associates have undergone annual reviews – or for certain hourly workers regular performance evaluations – which helps FRG ensure that all associates have an opportunity at least once a year to give and receive feedback about their performance and career goals.

Currently, we are building a finance and accounting job rotation program to give new hires the chance to gain experience across the various functions and businesses of FRG. In addition to enriching understanding of different teams and working cultures, the program aims to broaden horizons and create career ladders within FRG.

<b>American Freight</b>	Our robust training program is designed to support employees in their job-specific roles. On an annual basis all employees complete training on topics such as Business ethics, HR compliance, IT security and Safety. American Freight supports employees in specialized roles with additional onboard training in areas such as product knowledge, sales, merchandising, and operations. Our managers participate in live, facilitated training through AF University.
<b>The Vitamin Shoppe</b>	Onboarding at The Vitamin Shoppe includes online and in-person training for all new hires. On an annual basis, all employees complete compliance and safety training. This is in addition to evergreen resources provided to educate employees on store products. Field employees complete extended onboarding for training on new products, private brands, industry studies and ingredients. Managers complete training on Unconscious Bias and Growing Leaders to support talent development of employees.
<b>Pet Supplies Plus*</b>	We provide a combination of interactive courses and on-the-job training to prepare employees. Training covers topics such as HR compliance and policies, grooming, products, and operational skills. Employees receive both annual training and onboard training for new hires.
<b>Sylvan Learning</b>	Training is central to the employee experience at Sylvan, starting with onboarding and ongoing training through the course of the year. In-center training for full-time directors consists of tactical/strategic training, team training initiatives and quarterly team meetings.
<b>Badcock Home Furniture &amp; More</b>	Training is available to employees through a learning management system and in-person training sessions. Training topics cover HR compliance, IT Security, Safety, and Retail. There are over 300 courses available to employees through the learning management system.
<b>Buddy's Home Furnishings</b>	Buddy's provides new hire orientation training. For new managers, in-person training can last 30 to 90 days. Additionally, all employees receive annual corporate compliance training.

\*Pet Supplies Plus acquired Wag N' Wash in 2022. Wag N' Wash is operated as a separate brand by the Pet Supplies Plus team





## Diversity, Equity and Inclusion

At FRG, we draw strength from diversity. You can see it in our business lines, which offer everything from furniture to pet supplies, nutritional supplements to educational tutoring; and in our franchisees, who range from individuals owning just one location to publicly traded companies.

It also shines through in our status as an equal opportunity employer as we endeavor to build teams that reflect the diverse communities in which we operate (see Attracting and Retaining Talent, above). In 2022, we formalized our approach by founding the FRG DEI committee. Drawing representatives from each of our operating companies, the committee meets monthly to exchange knowledge and ideas on how to develop diverse pipelines of talent, foster inclusive workplaces and become educated on current DEI matters.

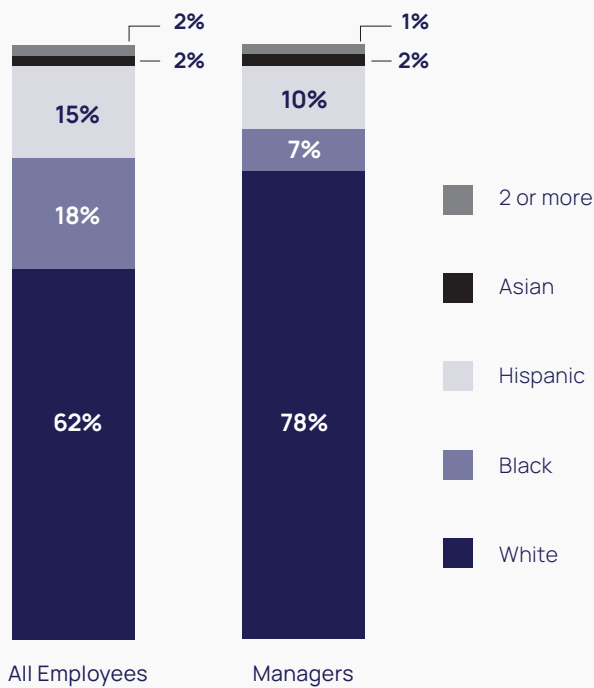
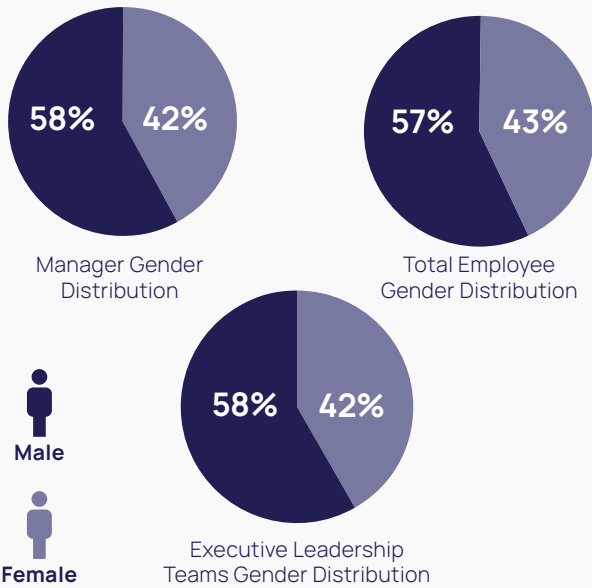
FRG has also published a [DEI policy](#), which outlines our commitment to cultivating working environments that are free from discrimination and harassment, and that value the diverse life experiences, heritages and voices of our associates. Overseen by the Nominating & Corporate Governance Committee and executive

management team, it is embedded in FRG's [Code of Conduct](#) and Associate Handbook.

As a result of this centralized focus, all brands have created DEI teams and stepped up their efforts. The Vitamin Shoppe has rolled out unconscious bias training for manager roles and above, and has introduced DEI KPIs to its performance metrics to increase the diversity of teams. Pet Supplies Plus has founded – and FRG has expanded globally – a Women in Business employee resource group to cultivate an inclusive environment that supports and encourages women to advance their skills and leadership through connection, mentorship, collaboration and discussion. FRG has expanded the reach of this internal group by becoming a named corporate sponsor at the Women in Retail Leadership Circle.

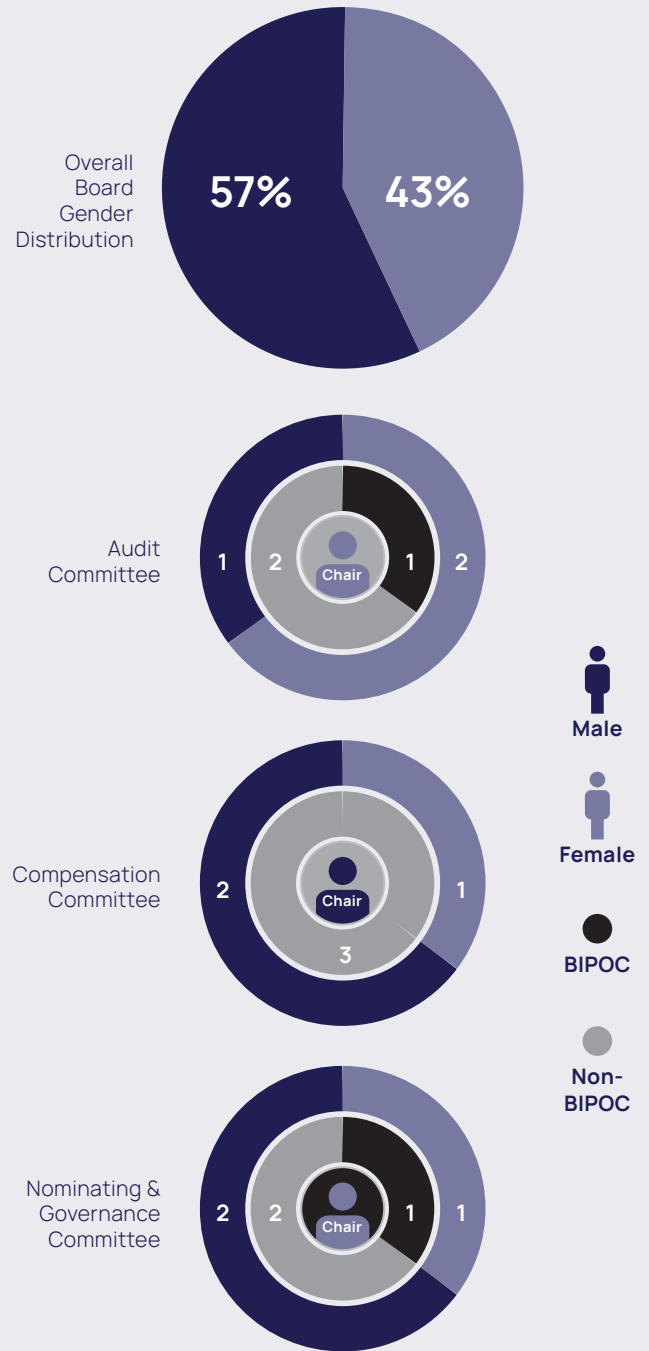
Our DEI initiatives have been warmly received and sent a strong message to our brands that they can make a big and positive impact on the lives of their colleagues.

## Workforce Demographics



\*Data are sourced from EEO-1 reports of FRG and operating companies

## Board Diversity



\*BIPOC refers to black, indigenous, and people of color

## Product Quality and Responsible Marketing

Only two of our brands, The Vitamin Shoppe and Pet Supplies Plus, sell private label products. For these, we have extremely rigorous product safety and quality

assurance processes in place, including internal auditing, to ensure we comply with both the letter and spirit of the law and meet the high standards expected by our customers. We also have training in place to prevent false claims being made about products. Below we outline how this works at The Vitamin Shoppe.



## Brand Spotlight: The Vitamin Shoppe

### Product Quality

Quality is one of our market differentiators at The Vitamin Shoppe. We go beyond industry standards and good manufacturing practices to earn our customers' trust, putting our brands through numerous quality assurance steps. We have an internal quality auditor and a team dedicated to quality, led by our Vice President of Quality and Commercialization.

Our quality assurance process begins with our product lifecycle management platform (PLM), through which we track all the ingredients, formulations, testing, and auditing of our private brand products, from concept to consumer, as well as all the attributes of our third-party product certifications.

In 2022, we implemented a product information management system (PIM), which collates data on all our products across hundreds of brands. This creates a centralized and reliable source of information even where brands use different formats, terminology, and abbreviations in their descriptions, such as 'non-GMO' and 'bioengineered.' It means we can quickly identify any discrepancies or contradictions.

On arrival at our distribution center, all private brand products are inspected to verify containers are properly sealed and the labeling is consistent with the Certificate

of Analysis. For every shipment received, we will open a sample of products to check such specifications as the form shape and size, scoop size, and organoleptic properties. We send randomized samples of our products to independent ISO-certified labs for testing, using the same parameters. Our third-party facilities are inspected on a periodic basis by our quality auditor.

From every shipment, we retain samples to compare with the prior lot for consistency as well as samples for use in validating product stability or shelf life.

Our products meet FDA guidelines as demonstrated by third-party analysis and strict adherence to Current Good Manufacturing Practice (CGMP) regulations. In the event of a product recall, we have a formal process in place aligned to FDA guidelines and backed by store training.

Team members working in our distribution centers receive safety and technical training relevant to their roles and are trained on our standard operating procedures.

### Responsible Marketing

We work closely with our Scientific and Regulatory Affairs and legal teams to ensure we are communicating product and brand messaging ethically.

Each new "Health Enthusiast," as we call our team members, receives six months of ongoing category training in order to build their foundational knowledge of the thousands of healthy solutions on our shelves, as well as compliance training on our ethical selling principles. Video education about new products is uploaded regularly to our online training platform V University.

All presentations to our Health Enthusiasts, including those by vendors and other third parties, have to be signed off and audited by our Scientific and Regulatory Affairs team to ensure the information is accurate, brand-right and compliant with the Dietary Supplement Health and Education Act as overseen by the FDA.

# Governance

Since its foundation, Franchise Group has consciously strived to become an industry leader in corporate governance. We adhere to the highest ethical standards and have formed our Board to ensure it has the optimal skillset for exceptional stewardship.

Our laser focus on governance was validated in 2022 by the results of our ESG impact assessment, which highlighted its critical importance to our internal stakeholders (see page 6).

We regularly review and update our corporate governance framework, which extends from our Board to the stores and distribution centers of our operating companies, seeking to ensure it reflects best practices, changes in law and the long-term interests of our stakeholders. The key components are outlined in our written [Code of Conduct](#), [Corporate Governance Guidelines](#), Insider Trading Policy, and the charters of our [Board of Directors](#) and three standing committees.

Board Leadership		Matthew Avril	Cynthia Dubin	Lisa Fairfax	Thomas Herskovits	Brian Kahn	Gary Rich	Nanhi Singh
Demographic Information	Male	•			•	•	•	
	Female		•	•				•
	White	•	•		•	•	•	
	Black/African American			•				
	Asian, Hawaiian, or Pacific Islander							•
	Hispanic/Latino							
	Other							
Skill	Finance and Accounting	•	•		•	•		
	Franchising	•				•		
	Governance/Legal	•	•	•				
	Human Resources	•			•		•	
	Information Technology / Cyber Security							•
	Leadership	•	•	•	•	•	•	•
	Marketing	•	•		•	•		
	Operations	•			•	•		•
	Policy Development	•	•	•	•			
	Retail	•				•		
	Strategic Planning	•	•		•	•		•
	Sustainability			•	•			
Independent	•	•	•	•		•	•	
Board Tenure (years)	5	2	2	7	5	1	1	
Age	62	61	52	76	49	61	53	

We are immensely proud of our Board of Directors, having built a well-balanced team with the diversity of skills, experience and perspectives necessary to provide prudent guidance.

We are fortunate to have one of the US's preeminent experts on corporate governance chairing our Nominating & Corporate Governance committee and a cybersecurity expert helping us safeguard our information systems from emerging threats. Between them, our seven directors also have expertise in the fields of finance and accounting, franchising, law, human resources, leadership, marketing, operations, policy development, retail, strategic planning, and sustainability.

## Shareholder Accountability

We put great emphasis on independence and accountability to our shareholders. All our directors are up for election annually, and all are independent with the exception of the CEO, Brian Kahn, who is not Chairman of the Board and does not sit on any Board committees. As of year-end 2022, Mr Kahn held just over 33% of the aggregate ownership of the Company's common stock directly or through entities under his control.

We have an annual say on pay vote and we believe that there are no excessive pay packages for our non-executive directors, whose pay is targeted at the 50th percentile. Additionally, shareholders have the ability to call special meetings and we follow a one share, one vote principle.

Our Board has three standing committees: Audit, Compensation, and Nominating & Governance. The latter's oversight responsibilities include compliance with our Code of Conduct and the Company's ESG strategies, activities, policies, and goals, which it reviews at least annually.

## Ethics and Compliance

While empowering our operating companies to develop the unique cultures that work for their brands, FRG embeds an overarching culture of integrity,

quality, consistency and transparency.

All associates receive mandatory ethics and compliance training as part of the onboarding process and are expected to adhere to their Code of Conduct, which they must review and acknowledge annually.

We regularly review all of the policies of our operating company executives to ensure they remain clear on FRG's expectations. We have a robust internal audit team with a direct reporting line to the Audit Committee that participates in ensuring our policies reflect current law and best practices. The Board is updated on ethics matters at least quarterly by the Audit Committee.

Each of our seven operating companies has its own management team, Code of Conduct and associate handbook that caters to its specific business needs. We review these periodically to ensure they align with relevant laws and promote the ethical operations and inclusive working environments we expect.

Our operating companies utilize the expertise of our executive team for advice and guidance on operational issues, whether it's introducing them to vendors, settling legal matters or helping them to negotiate contracts. To drive best practices and share knowledge, we hold annual in-person meetings across all of our operational functions, including human resources, IT, operations, marketing and finance, and each team gathers monthly to discuss trends, operational activities and new ideas.

## Whistleblower Program

A 24/7/365 independent hotline is available to associates, suppliers, customers and third parties for anonymous and confidential reporting of potential ethical violations. We have a written policy in place to ensure people can raise concerns without fear of retaliation.

Our Chief Administrative Officer, Deputy General Counsel and Vice President of Internal Audit are responsible for assessing concerns and complaints, and reporting findings to the Audit Committee at least quarterly.

## Risk Management

Due to the evolving nature of our business, we have an enterprise risk management (ERM) program in place to monitor and manage risks in our operations, with findings reported to the Board's Audit Committee at least quarterly.

The Nominating & Governance Committee oversees risks associated with Board organization, membership, structure and corporate governance, while the Compensation Committee assesses our compensation programs for potential material risks, including those related to succession planning. The Board also reviews our director and officer insurance annually.

While we don't interfere in most of the day-to-day decision-making of our brands, our delegation of authority (DOA) matrix secures expert oversight of critical decisions for each operating company, limiting our potential legal or financial risk, or harm to our reputation. Likewise, the FRG executive team has a DOA governed by the Board to ensure formal oversight of their daily activities.

## Data Privacy and Cybersecurity

As a retailer handling the personal and financial information of millions of customers, we take the safeguarding of our computer systems extremely seriously and have rigorous measures in place to protect personal data.

We have implemented a top-down approach to information security program management, with cybersecurity leadership as a shared service at the FRG level. Each operating company maintains individual responsibility for implementation of cybersecurity program requirements.

Our unified approach is led by our designated Chief Information Security Officer (CISO) who provides a quarterly update to the Audit Committee on the status and progress of our cyber program, outlining any existing or emerging risks. The Audit Committee updates the Board at least quarterly.

Our Board is committed to the timely detection, prevention, and mitigation of threats to our business,



and in 2022 we welcomed a cybersecurity expert with over 30 years' experience in software and technology companies to join us as a director.

All FRG employees are required to take, at a minimum, annual training on cybersecurity policies, best practices and trending threats. Training comes in the form of computer-based training modules (CBTs), simulation testing and regular security awareness notices. FRG requires each of its operating companies to track progress on cybersecurity training and to implement a disciplinary program consistent with industry best practices.

Our information security practices are aligned to industry-accepted and continuously updated frameworks, including the National Institute of Standards and Technology (NIST) special publications on cybersecurity (SP800-53), privacy (v1) and incident response (SP800-61).

Each FRG operating company, as merchants, are required to validate annually with PCI-DSS requirements which include, at a minimum, quarterly vulnerability scanning, penetration testing of network and applications, and annual assessment and validation against the full 12 domains of PCI-DSS compliance.

The FRG CISO monitors cybersecurity training program metrics and, as individual operation company programs mature, measures cybersecurity training progress against annually updated training baselines. To date, the Company has not experienced a material data or informational security breach. Our [Privacy Policy](#), outlining how we use, share, protect and grant access to data, is available on our website.

# Environment

We recognize that FRG's goal of sustainable growth is inextricably linked to the sustainable future of the planet and its inhabitants.

Climate change is discussed by the Audit Committee and Nominating & Governance Committee at least quarterly as we are closely monitoring the SEC's proposed requirements on climate-related disclosures so that we can be ready to comply.

Our [ESG policy](#) outlines our aim to operate in an environmentally responsible manner and address climate-related risks, as overseen by our Board through the Nominating & Corporate Governance Committee. Where practicable, we commit to reducing our negative environmental impacts across all business areas by providing strategic support and training, advising on legal and compliance issues, and raising awareness about risks and opportunities in the sustainability space. We are also exploring ways to collect data on energy usage and recycling rates from our brands so that we can begin to measure our total carbon footprint and centralize efforts to mitigate it.

While each of our operating companies decides on its own environmental initiatives, we identify common ground where we can drive efficiencies, and we strongly promote these opportunities. We also provide a platform for sharing information about best practices, industry standards and lessons learned by our individual brands in pursuing their own goals. To that end, we are prioritizing four fronts on which to promote positive change:



**Emissions reductions in logistics**



**Energy efficiency**



**Waste reduction and circularity**

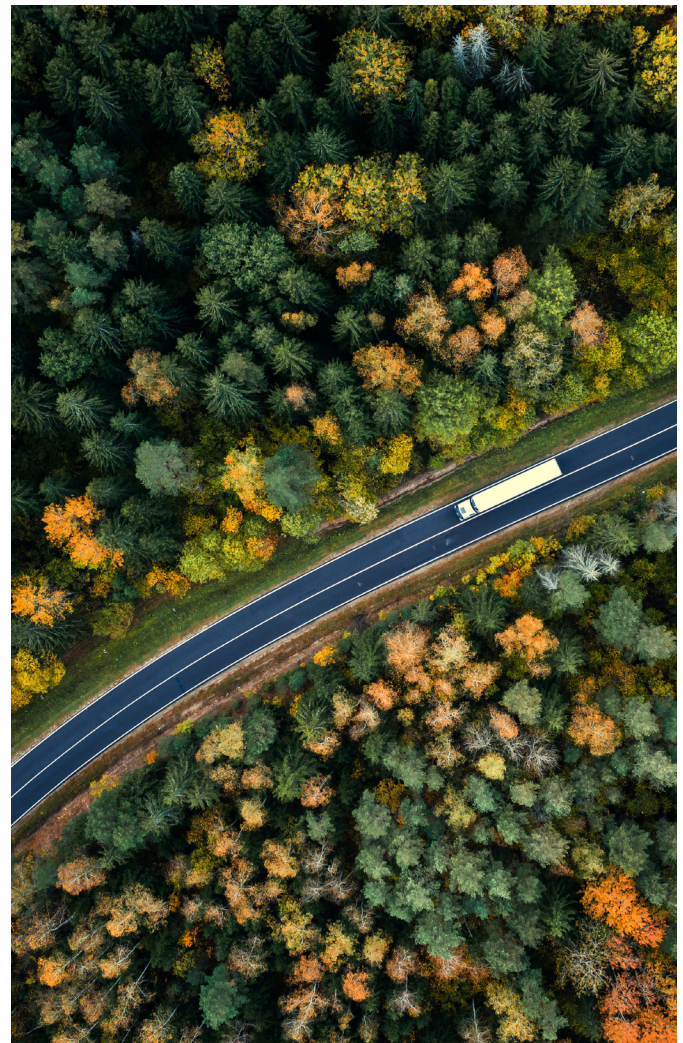


**Supply chain sustainability**

## Emissions Reductions in Logistics

Freight optimization is an obvious way for us to drive down emissions as well as our costs, given that six of our seven operating companies are retailers that transport large volumes of goods, including furniture and major appliances. In 2022, we partnered with Uber Freight, which maximizes fuel efficiencies through its tech-enabled transportation and logistics network. The Vitamin Shoppe's Supply Chain team worked with the firm to create an emission dashboard to calculate and measure the CO2 emissions avoided as a result of the partnership. Where appropriate and cost-effective, we will also evaluate the integration of electric vehicles in our fleets.

In addition, American Freight's website encourages customers to buy locally by geolocating products according to the user's nearest store, thereby helping to reduce transportation emissions.



## Energy Efficiency

We support and encourage our operating companies to prioritize energy savings in their operations.

Most of our brands have rolled out efficient LED and motion-sensor lighting across their stores, offices and distribution centers or are in the process of doing so. Several, including Pet Supplies Plus, have centralized energy management systems and are beginning to track data on their usage so that they can improve. American Freight has implemented digital thermostats for centralized control to manage temperature at set points and minimize energy consumption.

Our home furnishing brands favor energy-efficient products, such as Energy Star-rated appliances, and have teams of qualified technicians trained and certified to repair and refurbish out-of-box appliances to their original energy efficiency standards (see Superheroes of Circularity).

Pet Supplies Plus uses 100% battery-powered forklifts at its three distribution centers and has implemented a labor management system to optimize the movement of associates, equipment and products to reduce power consumption.

## Reducing Waste and Improving Circularity

We encourage our brands to prevent waste through repurposing, refurbishment and recycling and to factor end-of-life considerations into their strategies.



Our home furnishing brands American Freight, Buddy's Home Furnishings and Badcock Home Furniture & more have been at the vanguard of the circular economy for decades with their industry-leading renovation, repair and recycling programs (see Superheroes of Circularity). They actively seek high quality and durable goods and embrace the philosophy that extending a product's life is the best way to avoid landfill.

All our brands have moved to paperless operations where possible and recycle or repurpose cardboard. The Vitamin Shoppe recycles an estimated 1,600 tons of cardboard annually and has installed a baler to compact it for recycling as well as a machine to convert it into packing material for D2C deliveries. The wellness retailer also recycled 15,600lb of e-waste initiative in 2021, introduced its own brand of spring water in infinitely recyclable aluminum bottles and dramatically reduced the use of single-use plastic bags in 2022.





## Superheroes of Circularity

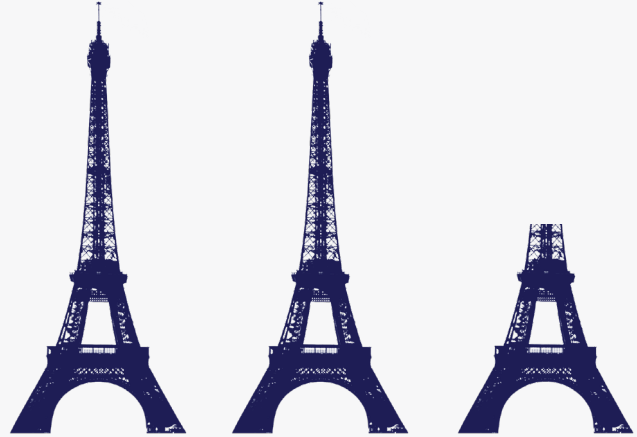
Two of our home brands, American Freight and Buddy's Home Furnishings, are role models of circular economy principles.

American Freight is the preeminent retailer of refurbished and restored large household appliances in the United States and the largest nationwide provider of appliance refurbishment and recycling. Buddy's is a growing rent-to-own company in the US, and refurbishes goods returned through its takeback program so that they can be re-rented or sold, prolonging their lifespan and reducing landfill.

We source high-quality durable products that come with spare parts – not just appliances but furniture with replaceable upholstery and mattresses encased in zip-tight covers that can be discarded on their return to stores. We can then sanitize the mattresses and re-encase them so they can be re-rented. Small electronics are mailed by stores to our service center for repair. Unsalvageable goods are stripped for useable parts before being recycled through a responsible vendor.

Meanwhile, at American Freight, we take in close to 400,000 appliances a year that could otherwise end up in landfill. Our certified technicians successfully renovate about 75% of them so that they can be sold at affordable prices. We even restore the manufacturer's intended efficiency standards, including Energy Star efficiency ratings. From appliances that can't be fixed, we harvest operable parts for use in other products.

In 2022, we refurbished over 305,000 units weighing nearly 28,000 US tons and recycled over 97,000 units weighing more than 8,480 US tons.



## The weight of appliances we restored in 2022 was equivalent to 2.7 Eiffel Towers.

In 2022, we salvaged parts from more than 100 items beyond repair to restore other appliances so that they were fit for purpose again. This helped to reduce e-waste, which can cause harm to humans and the environment when burned for disposal.

As well as tracking data from our appliance refurbishment program, we have taken steps to understand how optimal waste management could reduce our carbon footprint. In 2022, we input our data on reduced, recycled, landfilled, composted or anaerobically digested waste into the Waste Reduction Model (WARM) program developed by the Environmental Protection Agency. This included our figures on metals, paper, glass and organic material. The results suggest our waste management practices at American Freight are equivalent to removing the emissions of over 8,000 passenger vehicles every year.

## Sustainable Supply Chain Practices

Our brands set the bar high when it comes to sourcing materials and ingredients for their products.

Badcock Home Furniture & more and American Freight are members of the industry-leading Sustainable Furnishings Council (SFC), a respected coalition of manufacturers, retailers and material suppliers dedicated to expanding the adoption of environmentally sustainable practices across the home furnishings industry. It means they are committed to seeking durable, recycled and certified sustainable materials for their products while rejecting illegally harvested wood. In 2021 and 2022, the brands were respectively named the most improved retailers for responsible wood sourcing by the SFC and National Wildlife Federation.

Badcock and American Freight also conduct vendor questionnaires on the source of raw materials used in their products. From the data, they plan to start compiling Vendor Sustainability Scorecards in 2023 that will guide their choices of suppliers and enable them to promote best practices to the wider industry.

## Conclusion

As we have tried to articulate in our inaugural ESG report, generating strong cash flows for our stockholders is just one of the ways in which FRG works to create long-term value. We recognize that maintaining the trust of our customers, associates, franchisees, dealers, vendors, lenders and shareholders also rests on the way we conduct ourselves as a business, and the impacts we have on society and the environment.

Thanks to our multi-brand platform, we have the privilege of tapping into an immensely diverse pool of expertise and experience to shape our ESG strategy. We commit to driving continuous improvements and keeping our stakeholders updated on our progress.

## SASB Index

Topic	Metric	Code	Disclosure
Data Security	Description of approach to identifying and addressing data security risks	SV-PS-230a.1	See page 14
	Description of policies and practices relating to collection, usage, and retention of customer information	SV-PS-230a.2	See page 14
	(1) Number of data breaches, (2) percentage involving customers' confidential business information (CBI) or personally identifiable information (PII), (3) number of customers affected	SV-PS-230a.3	FRG has not experienced a reportable data breach.
Workforce Diversity & Engagement	Percentage of gender and racial/ethnic group representation for (1) executive management and (2) all other employees	SV-PS-330a.1	See page 10
	(1) Voluntary and (2) involuntary turnover rate for employees	SV-PS-330a.2	FRG does not disclose employee turnover rates at this time.
	Employee engagement as a percentage	SV-PS-330a.3	Each of the brands has its own process for running employee engagement surveys. The Vitamin Shoppe deploys a company-wide engagement survey every 2 years. In 2021, the company-wide response rate was 82%. Pet Supplies Plus performs an employee engagement survey in the 4th quarter of every year. In 2021, the response rate was 71%. Badcock Home Furniture & more conducted an employee engagement survey in 2020 and is planning a survey for 2023. Likewise, Buddy's Home Furnishings is exploring the possibility of an employee engagement survey in 2023. Sylvan Learning regularly uses communication and DEI surveys to gauge employee feelings on company transparency, communication effectiveness, and inclusiveness. 60% is the approximate response rate.
Professional Integrity	Description of approach to ensuring professional integrity	SV-PS-510a.1	See pages 12 - 14
	Total amount of monetary losses as a result of legal proceedings associated with professional integrity	SV-PS-510a.2	\$0

## Table 2. Activity Metrics

Activity Metric	Category	Unit of Measure	Code	Disclosure
Number of employees by: (1) full-time and part-time, (2) temporary, and (3) contract	Quantitative	Number	SV-PS-000.A	<ol style="list-style-type: none"> <li>1. Full-time: Sylvan (102), AF (2,258), Badcock (966), VSI (2,773), Buddy's (231), PSP (2,228), FRG (17)</li> <li>2. Part-time: Sylvan (100), AF (929), Badcock (19), VSI (1,757), Buddy's (2), PSP (2,759), FRG (N/A)</li> <li>3. Temporary: Sylvan (2), AF (11), Badcock (75), VSI (1), Buddy's (N/A), PSP (6), FRG (1)</li> <li>4. Contract: Sylvan (N/A), AF (28), Badcock (N/A), VSI (38), Buddy's (N/A), PSP (1), FRG (N/A)</li> </ol>
Employee hours worked, percentage billable	Quantitative	Hours, Percentage (%)	SV-PS-000.B	Not currently calculated in an aggregate across FRG brands

## About this Report:

This report has been prepared in accordance with the Sustainability Accounting Standards Board (SASB) reporting standards. Information includes ESG initiatives in 2022 and related data spanning 2020 to 2022 for the operations of FRG and its consolidated subsidiaries. Numbers shown in this report are approximate and may be rounded. Materiality, as used in this report, differs from the definition used in the context of filings with the SEC. Issues deemed material for the purposes of our ESG strategies and disclosures may not be considered material for SEC reporting purposes.

## Forward-Looking Statements:

Forward-Looking Statements: This report contains forward-looking statements that may be identified by the use of words like “believe,” “expect,” “anticipate,” “estimate,” “plan,” “consider,” “project,” and similar references to the future. Forward-looking statements reflect our good-faith evaluation of information currently available. These forward-looking statements are subject to a number of risks and uncertainties, and our actual results may differ materially from those projected. Please refer to our annual and quarterly reports filed with the Securities and Exchange Commission (SEC) for a full discussion of those risks and uncertainties we view as most important. Forward-looking statements are not, and should not be relied upon as, a guarantee of future performance or results, nor will they necessarily prove to be accurate indications of the times at or by which any such performance or results will be achieved. As a result, actual outcomes and results may differ materially from those expressed in forward-looking statements. We undertake no obligation to update or revise forward-looking statements.