

## **CORPORATE GOVERNANCE GUIDELINES**

### **TopBuild Corp.**

#### **1. Director Qualifications**

##### Independence

A majority of the membership of the Board of Directors (the “Board”) of TopBuild Corp., a Delaware corporation (the “Company”), shall qualify as independent under the New York Stock Exchange listing standards and any other independence standards adopted by the Board, including the categorical standards attached hereto as Annex A. The Board’s Governance Committee shall evaluate the independence of each director on an annual basis and shall report such evaluation to the Board, and the Board shall make an affirmative determination as to the independence of each director.

##### Retirement Age/Tenure

Upon reaching the age of 75, a director may not continue to serve on the Board following the date of the next annual stockholders’ meeting. The Board shall have the authority to make exceptions to this policy under circumstances to be determined by the Board.

The Board does not endorse arbitrary term limits on a director’s service, nor does it believe in automatic re-nomination. The Board’s self-assessment process is an important determinant for continued service. Over time, the Board’s goal is to achieve a balance of fresh perspectives and continuity of experience.

##### Simultaneous Service on Other Public Company Boards

It is the policy of the Board that every director must notify the Chairman of the Governance Committee before accepting any invitation to serve on the board of any for-profit business entity. If so determined by the Chairman of the Governance Committee, the Governance Committee will evaluate and advise the director whether service on such board would interfere with the director’s service on the Board, impact the director’s status as an independent director, or create an actual or apparent conflict of interest for the director.

A director should not serve on the boards of more than four public companies (including the Company) or, if the director is an active Chief Executive Officer or equivalent of another public company, on the boards of more than two public companies (including the Company). A director who serves on the Audit Committee should not serve on more than two other public company audit committees. The Board shall have the authority to make exceptions to this policy under circumstances to be determined by the Board.

##### Changes in Primary Employment

It is the policy of the Board that every director must notify the Board of his or her retirement, any change in employer and any other significant change in professional roles and responsibilities, and offer to resign his or her Board membership upon any such change. The

Governance Committee shall evaluate the continued appropriateness of Board membership under the new circumstances and make a recommendation to the Board as to any action to be taken with respect to continued Board membership.

#### Attributes and Experience

Directors will have such attributes, qualifications and experience as the Governance Committee recommends and the Board has approved as appropriate to enhance the Board's effectiveness. The Board believes that directors should be selected so that the Board represents a diversity of experiences and backgrounds.

#### Director Majority Vote Policy

In accordance with the Company's Bylaws, as amended and as currently in effect, directors are elected by a majority vote, meaning that a nominee for director in an uncontested election is elected to the Board if the votes cast for such nominee's election exceed the votes cast against such nominee's election at any meeting of stockholders for the election of directors duly called and at which a quorum is present. An election is uncontested unless the Secretary of the Company determines that the number of nominees or proposed nominees for election exceeds the number of directors to be elected at such meeting as of the seventh (7th) day preceding the date the Company files its definitive proxy statement for such meeting with the Securities and Exchange Commission (regardless of whether or not thereafter supplemented), in which case, the directors shall be elected by a plurality of the votes cast.

By accepting a nomination for election and agreeing to serve as a director, in any election of directors, each director agrees that if he or she fails to receive the required vote for such director's election (a "Failed Vote"), then such director shall promptly tender to the Board an irrevocable resignation as a director in accordance with the Company's Bylaws following certification of the stockholder vote by the inspector(s) of election at the meeting for such uncontested election, shall comply with this policy and shall be bound by the determination with respect to such resignation made pursuant to this policy. Any director who tenders his or her resignation pursuant to this policy and the Bylaws will not participate in any discussions, deliberations or actions by either the Governance Committee or the Board with respect to his or her own resignation, but will otherwise continue to serve as a director unless and until such resignation is accepted and effective.

The Governance Committee will duly consider and recommend to the Board whether to accept or reject the resignation received from each director who received a Failed Vote. If other directors who are members of the Governance Committee receive a Failed Vote in the same uncontested election of directors, so that a quorum of the Governance Committee cannot be achieved, then the other independent directors on the Board (excluding those who received a Failed Vote in such election) will consider and decide what action to take regarding the resignation of each director who received a Failed Vote. If at least three independent directors on the Board did not receive a Failed Vote in the same election, then all independent directors on the Board shall participate in deliberations and actions regarding director resignations except that no director can participate in the vote on his or her own resignation.

Following the recommendation of the Governance Committee (or the independent members of the Board, in the situation described above), the independent members of the Board will make a determination of the action to take with respect to the resignation not later than the 90<sup>th</sup> day immediately following the date of the written certification of the stockholder vote by said inspector(s) of election.

Absent a compelling reason for the director to remain on the Board, the Board shall accept the resignation. The Governance Committee and the Board will evaluate any such tendered resignation, in accordance with their fiduciary duties to, and in furtherance of the best interests of, the Company and its stockholders. The Board may accept or reject the resignation, or it may decide to pursue additional actions, including, without limitation, the following:

- allowing the director to remain on the Board and continue to serve but not be nominated for re-election to the Board at the next election of directors;
- deferring the acceptance of the resignation until the director vacancy the resignation will create can be filled by the Board with a replacement/successor director who meets all the necessary qualifications and criteria for directors (in accordance with the Company's Bylaws and the applicable provisions of the these Corporate Governance Guidelines) and/or satisfying other legal and regulatory requirements with respect to the composition of the Board (including, for example, "independence" requirements);
- deferring the acceptance of the resignation if it is determined that the underlying cause of the Failed Vote can be cured by the director or otherwise within a specified period of time (for example, the Failed Vote was due to such director serving on too many boards of directors, and such director then resigns from one or more other company boards); or
- deferring the acceptance of the resignation for other reasons determined by the Board to be in the best interests of the Company in the exercise of its fiduciary duties and business judgment.

The Board's decision will be disclosed in a Form 8-K furnished by the Company to the Securities and Exchange Commission within four business days after the decision. If the Board has decided to reject the tendered resignation, or to pursue any additional action other than accepting the tendered resignation (as described above or otherwise), then the Form 8-K will disclose the Board's reasons for doing so.

## **2. Board Leadership**

The Board shall select a Chairman of the Board. The roles of the Chairman and Chief Executive Officer may be separate or combined and the Chairman may be either an employee or non-employee director. If the individual elected as Chairman of the Board does not qualify as an independent director, the Board shall also select an independent director to act as the Lead Independent Director. The Lead Independent Director will coordinate with the Chairman of the Board and will chair the executive sessions of the independent directors.

### **3. Executive Sessions**

The Board shall schedule executive sessions, where non-management directors (including directors who are not Company employees but who do not otherwise qualify as “independent” directors) meet without management participation, as part of each regularly scheduled Board meeting. If this group includes directors who do not meet the independence standards of the New York Stock Exchange, the directors who are so independent shall also meet in executive session at least once a year. The Chairman, if independent, or the Lead Independent Director, as applicable, shall preside at each executive session. The Board will establish methods by which interested parties may communicate directly with the Chairman or Lead Independent Director, as applicable, or with the non-management directors of the Board as a group and cause such methods to be disclosed in the Company’s proxy statement in respect of its annual meeting of stockholders.

### **4. Director Responsibilities**

Directors shall exercise their business judgment and act in a manner in which they reasonably believe is in the best interests of the Company consistent with their fiduciary duties. Directors should regularly attend meetings of the Board and of all Board committees upon which they serve. To prepare for meetings, directors should review the appropriate materials that are sent to directors in advance of those meetings.

#### Confidential Information

No director of the Company shall use Confidential Information (as defined below) for his, her or any other person’s or entity’s personal benefit other than for the benefit of the Company; and no director of the Company shall directly or indirectly (including through agents, representatives or others acting on behalf or with permission of such director) disclose Confidential Information outside the Company, either during or after his or her services as a director of the Company, except with advance authorization of the Board or its designee, or as may otherwise be required by law. For purposes of these Corporate Governance Guidelines, “Confidential Information” includes all information derived from or relating to the Company, including information designated or treated by or within the Company as confidential, proprietary or sensitive (competitively or otherwise) as a matter of policy, legal privilege or work product, practice or otherwise, including any information directly or indirectly related to the Company the disclosure of which outside the Company presents a reasonable possibility of resulting in harm to the Company (including economic harm and other forms of harm such as reputational harm, internal or external disruption, interference with the ability to negotiate business transactions, potential loss of or difficulty in hiring management and other employees, and distraction of focus on Company matters). Without limiting the foregoing, “Confidential Information” includes non-public information concerning (a) the Company’s strategy, business, financial condition, prospects or plans, capital allocation plans or policies, marketing and sales programs, research and development activities, regulatory status or matters, acquisitions and divestitures, and actions relating to the Company’s stock, (b) possible transactions with other companies or third parties and information about the Company’s customers, suppliers, licensors or joint venture or business partners, and (c) the proceedings and deliberations of the Board and its committees, and the discussions and decisions between and among Company employees, officers and directors and their advisors, including the views of individual directors and officers.

## **5. Board Committees**

The Board shall have at all times an Audit Committee, a Compensation Committee and a Governance Committee. The membership of these three committees shall qualify under the independence and experience requirements of applicable law and the New York Stock Exchange listing standards. Committee members shall be appointed by the Board based upon the recommendation of the Governance Committee, except for the Governance Committee, which is directly appointed by the Board. The Board may, from time to time, establish or maintain additional committees as it deems appropriate and in the best interests of the Company.

Subject to any changes that the Board may make from time to time:

- The Audit Committee shall generally be responsible for overseeing the integrity of the Company's financial statements, its independent auditor, its internal audit function and compliance by the Company with legal and regulatory requirements;
- The Compensation Committee shall generally be responsible for overseeing the Company's compensation and benefits policies, evaluating senior executive performance and compensation, and reviewing the Company's management succession plan;
- The Governance Committee shall generally be responsible for identifying qualified Board candidates, recommending director nominees and appointments to Board committees, and overseeing the evaluation of the Board's performance, and the Corporate Governance Guidelines.

Each of the Audit Committee, the Compensation Committee and the Governance Committee shall operate pursuant to its own written charter, which each committee shall develop and recommend to the Board for approval. The charters shall, among other things, set forth the purpose, goals and responsibilities of the particular committee, the procedures for committee member appointment and removal and committee structure and operations, as well as reporting to the Board. The charters shall also provide for an annual evaluation of each committee's performance.

## **6. Board Member Access to Management and Independent Advisors**

Board members shall have access to the management and employees of the Company and to its outside counsel and auditors to the extent the Board members deem necessary or appropriate to carry out their respective duties. With the exception of requests made by authorized committees of the Board (including through the Chairman of any such committee), any meetings, contacts or requests for reports or written information from management by an individual director shall be arranged through the Chief Executive Officer or the Secretary. A director will use his or her judgment to ensure that any such requests for a report or written information or requests for meetings with management are not disruptive to the business operations of the Company.

Executive officers and other members of senior management are expected to be present at Board meetings at the invitation of the Board. The Board encourages senior management to make presentations and to invite to Board meetings managers and other employees who can provide additional insight into the items being discussed.

The Board and each of its committees are authorized to hire independent legal, financial or other advisors as they may consider necessary, without conferring with or obtaining the approval of management or, in the case of committees, the full Board.

## **7. Board Interaction with Institutional Investors, Analysts, Press and Customers**

The Board believes that management generally should speak for the Company. It is suggested that each director shall refer all inquiries from institutional investors, analysts, the press or customers to the Chief Executive Officer or his or her designee. Nevertheless, the Chairman of the Board (if a non-employee director), the Lead Independent Director, or committee chairs may meet with shareholders from time to time, but such meetings will typically be coordinated through the Corporate Secretary.

## **8. Director Compensation**

The Compensation Committee shall review and recommend to the Board compensation (including stock option grants and other equity-based compensation), and perquisites, if any, for the Company's directors.

## **9. Director Orientation and Continuing Education**

All new members of the Board are required to participate in the Company's orientation program for directors. Other directors may also attend the orientation program.

All directors are encouraged to participate in continuing education programs in order to stay current and knowledgeable about the business of the Company.

Such orientation and continuing education programs shall be developed and overseen by the Governance Committee of the Board.

## **10. Management Evaluation and Management Succession**

The Compensation Committee shall annually evaluate the performance of the senior corporate executives of the Company and shall present its findings to the full Board in accordance with the Compensation Committee's charter. The Board shall review the Compensation Committee's report in order to ensure that management's performance is satisfactory and that management is providing the best leadership for the Company in the long and short-term.

The Compensation Committee shall review and periodically report to the Board on the Company's succession planning, including succession planning in the case of the incapacitation, retirement or removal of the person(s) serving as the Chief Executive Officer and the President. The Chief Executive Officer shall provide a report to the Compensation Committee, recommending and evaluating potential successors for these positions, along with a review of any

development plans recommended for such individuals. The Chief Executive Officer shall also provide to the Board, on an ongoing basis, his or her recommendation as to a successor in the event of an unexpected emergency.

#### **11. Annual Performance Evaluation**

The Board and the committees of the Board shall conduct annual self-evaluations. The purpose of these evaluations is to determine whether the Board and its committees are functioning effectively. The Governance Committee shall oversee the evaluation process and the Chairman of the Governance Committee shall present to the full Board a summary of the evaluation for discussion.

#### **12. Amendment and Modification**

These Corporate Governance Guidelines may be amended or modified by the Board, subject to the disclosure and other provisions of the Securities and Exchange Act of 1934, as amended, including the rules promulgated thereunder and the applicable rules of the New York Stock Exchange.

## ANNEX A

### DIRECTOR INDEPENDENCE STANDARDS

As specified in TopBuild's Corporate Governance Guidelines, a majority of the Board shall qualify under the independence and experience requirements of applicable law and the New York Stock Exchange. The Board will make an affirmative determination regarding the independence of each director annually based on all relevant facts and circumstances at the time the determination is made. The Board, pursuant to the recommendation of the Governance Committee, has also adopted the following categorical standards to assist it in making a determination of independence.

a) A director who is an employee, or whose immediate family member is an executive officer, of the Company is not independent until three years after the end of such employment relationship.

b) A director who received, or whose immediate family member received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the Company, other than director and committee fees and deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent.

c) (i) A director who is a current partner or employee of a firm that is the Company's internal or external auditor; (ii) a director who has an immediate family member who is a current partner of such a firm; (iii) a director who has an immediate family member who is a current employee of such a firm and who personally works on the Company's audit; or (iv) a director who was or whose immediate family member was within the last three years a partner or employee of such a firm and personally worked on the Company's audit within that time, is not independent.

d) A director who is, or whose immediate family member is, employed as an executive officer of another company where any of the Company's present executive officers at the same time serves or served on the other company's compensation committee, is not independent until three years after the end of the employment relationship.

e) A director who is a current employee, or who beneficially owns more than a 10% equity interest in, or whose immediate family member is a current executive officer, of a corporation, partnership or other business entity, that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of the other company's consolidated gross revenues, is not independent.

f) A director who is, or whose immediate family member is, an executive officer of and is active in the day-to-day operations of a non-profit organization that has received contributions from the Company (cash, in-kind or in the form of product discounts), that exceed the greater of \$1 million or 2% of the organization's consolidated gross revenues in any of the last three fiscal years, is not independent.

“Immediate family member” includes a person’s spouse, parents, children, siblings, mothers-and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law, and anyone (other than domestic employees) who shares such person’s home.