



SUSTAINABILITY REPORT 2021

1 August 2020 – 31 July 2021



CONTENTS

INTRODUCTION

Letter from the CEO	4
Sustainability highlights 2021	6
At a glance	7
Building the cities of tomorrow with zero emissions	8
The adverse impact across the value chain	9
Our road to net zero	10
Sustainability data overview	11
Sustainability review	12
Selected achievements	14

OUR SUSTAINABILITY STRATEGY

Sustainability framework	16
Sustainability approach	17
Sustainability governance	18
Material risks in our value chain	20

OUR 10 SUSTAINABILITY PROGRAMMES

Our products	
Product quality and integrity	23
Responsible sourcing	24
Ethical behaviour and human rights	25

Our operations

Environmental efficiency and climate action	28
Health and safety	30
Employee engagement	32
Diversity and inclusion	34
Competence development	35

Our markets

Promotion of sustainable products and services	37
Educative partner and corporate citizen	39

OUR SUSTAINABILITY STORIES

Our products	41
Our operations	42
Our market	46

SUSTAINABILITY DATA PERFORMANCE

1 Our ESG performance in numbers	50
2 Our progress on targets	52
3 Sustainability framework and supporting policies	56
4 The Sustainable Development Goals	57
5 Reporting according to the recommendations of the TCFD	60
Accounting principles	61
Auditor's Independent Assurance Report	64

ABOUT THIS REPORT

This report covers the financial year 1 August 2020 to 31 July 2021 and represents the corporate social responsibility statement of STARK Group ApS as required pursuant to EU Directive 2014/95/EU and Sections 99a and 99b of the Danish Financial Statements Act.

The report further describes STARK Group's progress on efforts to implement the Ten Principles of the UN Global Compact initiative, fulfilling the requirements of Communication on Progress (COP) according to the UN Global Compact COP policy.

This report includes consolidated environmental and social performance data from all STARK Group's business units (BUs). The report does not consider outsourced services unless specified. Cases may extend to the date of publishing.



INTRODUCTION

Letter from the CEO	4
Sustainability highlights 2021	6
At a glance	7
Building the cities of tomorrow with zero emissions	8
The adverse impact across the value chain	9
Our road to net zero	10
Sustainability data overview	11
Sustainability review	12
Selected achievements	14



LETTER FROM THE CEO

Sustainability remains a top priority at STARK Group and in 2020/21 the Group made significant efforts to support and accelerate the green transition in the construction industry.

2020/21 became a year defined by contrasts. Modern life slowed down due to restrictions and lockdowns while the change agenda on sustainability accelerated during the Covid-19 pandemic. Yet, despite challenging circumstances at work as well as at the home offices, all colleagues at STARK Group managed to keep our business running efficiently and handled the many challenges with decency, determination and courage. As a result of their efforts, we managed to keep our employees safe while delivering a strong performance on almost every strategic and financial target. I would like to thank each and every one of them for their extraordinary efforts in supporting our business and serving our customers through these challenging times.

Despite urgent priorities of the pandemic keeping us busy, climate change is still having a significant impact on businesses, society, and individuals. We have seen extreme weather across the globe, and we

saw devastating floods in Germany. I am incredibly proud that STARK Deutschland reacted quickly and that we were able to help rebuild the immediate impacts caused by the flooding.

We acknowledge our responsibility being an integrated part of the construction industry, where building materials account for 11% of all global carbon emissions. As a leading retailer and distributor of heavy building materials, we are well-positioned to play an instrumental role in the shift to a low-carbon economy. We are determined to do our part by cutting the carbon footprint of our operations and our entire value chain. In 2021, we intensified our efforts towards building a more sustainable tomorrow by committing to the Science Based Target initiative (SBTi) and to achieve net zero carbon emissions by 2050 at the latest. I am proud to report that we are delivering on our targets and have obtained a 31% carbon reduction in our scope 1 & 2 during 2020/21 compared to baseline 2020.



Søren P. Olesen, CEO, STARK Group



We are committed to accelerating our sustainability journey by being instrumental in building the cities of tomorrow with zero emissions.

LETTER FROM THE CEO

We have set greenhouse gas emission reduction targets across our entire value chain, which are currently being verified and approved by SBTi. These are ambitious commitments, and I am pleased to see that we are leading the way in our industry. By establishing science-based targets, we ensure that our efforts are aligned with what science tells us is necessary to limit global temperature rise to 1.5°C.

Our commitment to investing in sustainability has never been firmer, and our pipeline of initiatives has never been broader. We continuously work with our suppliers and customers to increase the assortment of eco-labelled products and to promote energy efficiency, life-cycle thinking and circularity. We want to provide our customers with quality products at competitive prices while at the same time ensuring that they have been responsibly sourced and have a low environmental impact. We have initiated a sustainability ambassador training programme to educate sustainability specialist throughout our business units. These ambassadors bring our sustainability strategy to life by helping our customers meet the increasing requirements of sustainable construction and contributing to a higher level of know-how in the organisation.



We continuously work with our suppliers and customers to increase the assortment of eco-labelled products and to promote energy efficiency, life-cycle thinking and circularity.

Being a retailer and distributor, STARK Group is its people. For us, inclusion is not just about valuing diversity – it involves all the things we do to create a culture and workplace where everyone feels valued and respected and where everyone can be themselves and reach their potential. Our ambition is to create an inclusive and diverse environment across the entire Group. We truly believe that being diverse enriches our company and positively impacts our performance and our stakeholder relationships. In 2021, STARK Danmark and STARK Deutschland signed a diversity pledge in recognition of the need for more diversity in the workplace. This is a step on the way for us as a Group to becoming truly representative of the communities in which we operate, and it will help us get there.

In 2021, our work with sustainability was awarded a platinum rating by a leading rating agency, EcoVadis, placing STARK Group in the top 1% of companies assessed globally. I am very proud of this rating as it is a testament to our dedication and a recognition of our structured way of working with sustainability.

Looking ahead, we will continue to support the principles of the United Nations Global Compact.

We are committed to accelerating our sustainability journey and contributing to the green recovery by being instrumental in building the cities of tomorrow with the ambition of doing so with zero emissions.

SØREN P. OLESEN
CEO STARK GROUP



SUSTAINABILITY HIGHLIGHTS 2021



STARK Group has been awarded an EcoVadis Platinum rating for being among the top 1% of all 75,000 companies assessed by EcoVadis.

Rating: 77/100

CARBON EMISSIONS

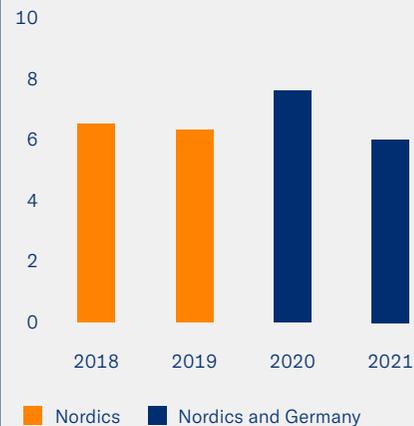
Absolute tCO₂e



Scope 1 and 2 carbon emissions have decreased by 31% primarily driven by the purchase of renewable electricity certificates, improved efficiency lighting, heating and ventilation systems, as well as initiating low carbon distribution with fossil-free diesel.

WASTE

t/mEUR revenue



The total waste amount per revenue has decreased by 22% from a 2020 baseline and our absolute waste amounts by 5%, primarily driven by initiatives to reuse transport packaging, including wooden pallets.

INJURY RATE

Per million worked hrs



The injury rate increased by 10%. Although the number is still significantly lower than the European industry benchmark, we set high standards for our employees' health and safety to meet our targets and to be considerably below the industry's benchmark.

EMPLOYEE ENGAGEMENT

Satisfaction & motivation score



The employee engagement remained at a high level of 74, with an overall score of 76 in the Nordics and 72 in Germany.

AT A GLANCE

STARK Group is the market-leading merchant and distributor of heavy building materials in Northern Europe. The Group advises and serves craftsmen who build and renovate the cities of tomorrow.



10,000

SUPPLIERS

+280,000

SKU NUMBERS



485

BRANCHES AND
DISTRIBUTION CENTRES

11,700

EMPLOYEES



+260,000

B2B CUSTOMERS

+1.5 M

DELIVERIES PER YEAR

STARK Group connects 10,000 suppliers of building materials with more than 260,000 craftsmen. The Group sources building materials in truckloads, breaks pallets and distributes the materials to thousands of building sites. STARK Group's customers are professional craftsmen whom its employees advise, serve and offer credit.

We build our future by helping others build theirs.

OUR BUSINESS UNITS

STARK NORDICS

DENMARK



Market
position

#1

SWEDEN



#1

FINLAND



#2

NORWAY



#1*

STARK GERMANY



#1



* Regional champion in Bergen and Tromsø.

All numbers on this page are as of the reporting date in December 2021.

BUILDING THE CITIES OF TOMORROW WITH ZERO EMISSIONS

At STARK Group, for the past 125 years, we have been building our future by helping others build theirs, and we will continue to do so. That is our purpose.

We believe that doing business responsibly and sustainably is the right course of action. Our sustainability programme sets out transformative targets to drive action in two priority areas: climate action and social responsibility. These are the areas where we believe we have the biggest impact on sustainable development through our business and partnerships. Our ambitions and targets build on the principles of the UN Global Compact, taking into consideration how we can contribute to the Sustainable Development Goals (SDGs) and meeting the Paris Agreement.

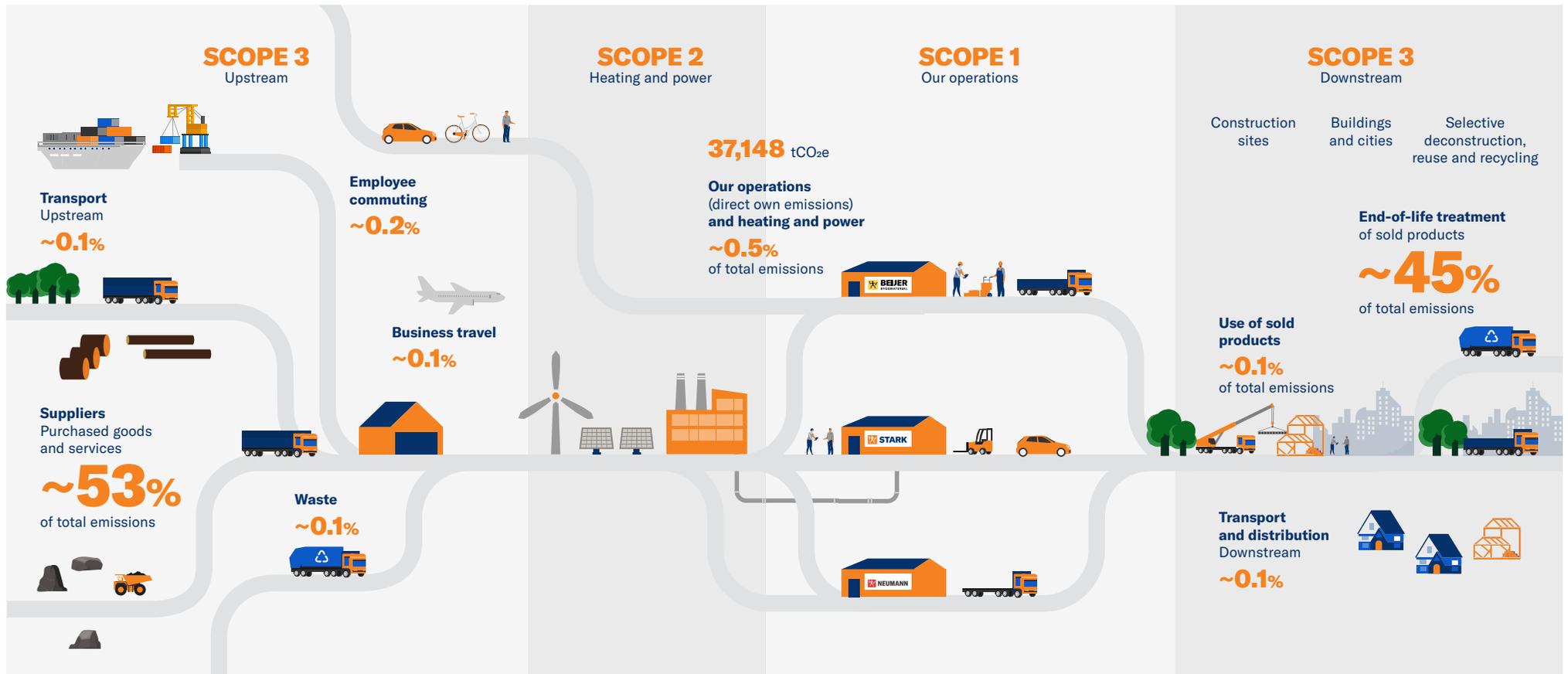
STARK Group operates in the construction industry, where building materials account for 11% of all global carbon emissions and a significant waste from demolition. We work relentlessly to mitigate our adverse impact on

the planet that STARK Group and its industry is accountable for. Our direct emissions associated with our operations make up less than 1% of the total emissions in our value chain. However, our most significant emissions originate from the building materials we make available in our markets.

In April 2021, we committed to setting Science Based Targets through the Business Ambition for 1.5°C campaign and to reach net zero by 2050 at the latest. By establishing science-based targets, we will ensure that our efforts are aligned with what science says is necessary to limit global temperature rise to 1.5°C. Our targets are currently being independently validated by the Science Based Targets initiative (SBTi).



THE ADVERSE IMPACT ACROSS THE VALUE CHAIN



STARK Group's greenhouse gas emissions (GHG) are calculated for both our direct emissions from our own operations, as well as from our entire value chain. Our emissions are divided according to the GHG Protocol into three scopes:

SCOPE 1
Direct GHG emissions from own facilities and vehicles

SCOPE 2
Indirect GHG emissions from purchased electricity and district heating

SCOPE 3
Indirect GHG emissions from the value chain, including both upstream emissions (e.g. purchased goods and services, upstream transportation and distribution, and business travel) and downstream emissions (e.g. downstream transportation

and distribution, use of sold products and end-of-life treatment of sold products). The scope 3 emissions illustrated are spend-based calculations based on the Quantis inventory method: <https://ghgprotocol.org/scope-3-evaluator>. These calculations account for STARK Group's first scope 3 inventory and are considered a very conservative approximation of the total emissions as Quantis uses a standard that assumes that all EoL of sold products is landfilled, and the total mass of sold goods is therefore linked to the U.S. landfilling emissions

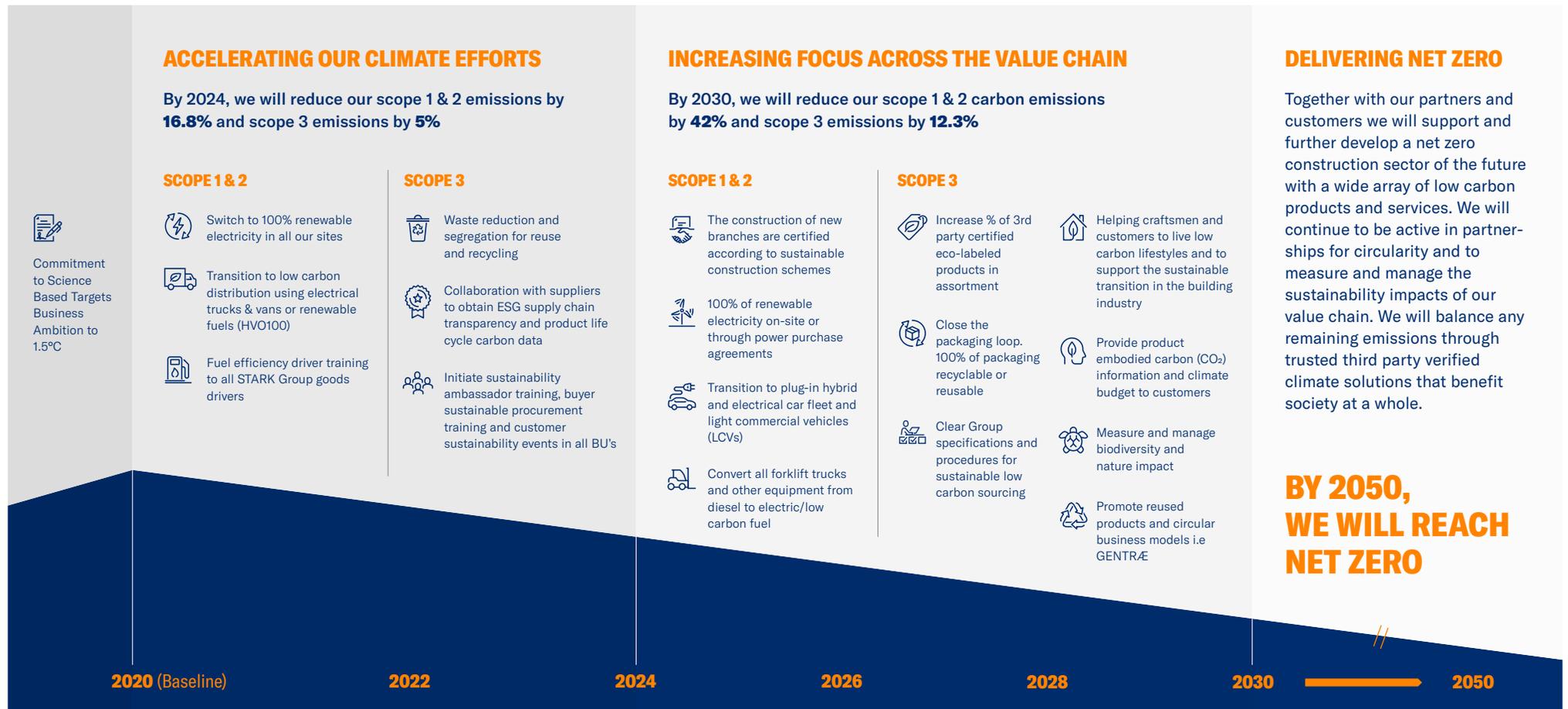
factor (USEPA 2014b). We are aware that this is extremely conservative, and we are currently developing a process to gain more accurate data from our six markets (Germany, Denmark, Sweden, Finland, Norway, and Greenland). Until then, we have decided to use Quantis, this being the most widely used inventory method; however, we continuously work to improve data accuracy going forward under the motto "let's not let perfection get in the way of progress".

OUR ROAD TO NET ZERO

We believe that we can help build the cities of tomorrow while reducing our impact on the environment.

In 2021, we made a science-based commitment to reach net zero emissions by 2050 at the latest. This will require a transition to circular low carbon construction products to solve

environmental challenges and to meet the demands of the net zero sustainable societies of tomorrow.



Commitment to Science Based Targets Business Ambition to 1.5°C



Switch to 100% renewable electricity in all our sites



Transition to low carbon distribution using electrical trucks & vans or renewable fuels (HVO100)



Fuel efficiency driver training to all STARK Group goods drivers



Waste reduction and segregation for reuse and recycling



Collaboration with suppliers to obtain ESG supply chain transparency and product life cycle carbon data



Initiate sustainability ambassador training, buyer sustainable procurement training and customer sustainability events in all BU's



The construction of new branches are certified according to sustainable construction schemes



100% of renewable electricity on-site or through power purchase agreements



Transition to plug-in hybrid and electrical car fleet and light commercial vehicles (LCVs)



Convert all forklift trucks and other equipment from diesel to electric/low carbon fuel



Increase % of 3rd party certified eco-labeled products in assortment



Close the packaging loop. 100% of packaging recyclable or reusable



Clear Group specifications and procedures for sustainable low carbon sourcing



Helping craftsmen and customers to live low carbon lifestyles and to support the sustainable transition in the building industry



Provide product embodied carbon (CO₂) information and climate budget to customers



Measure and manage biodiversity and nature impact



Promote reused products and circular business models i.e GENTRÆ

SUSTAINABILITY DATA OVERVIEW

GENERAL DATA	2021	2020	2019	2018	2017		
Number of locations	485	422	186	180	179		
Number of employees	11,700	10,038	5,419	4,585	4,890		
Net revenue (mEUR)	4,949	4,458	2,299	2,206	2,214		
Number of countries	6	6	5	5	5		
	2021	2020	2019	2018	2017	2024 Target	Performance relative to target baseline FY20
Carbon	Baseline						
GHG Scope 1&2 (absolute tCO ₂ e)	37,040	53,536	16,418	17,277	22,742	16.8% reduction in GHG emissions scope 1 & 2 from 2020	-31%
GHG Scope 1 (absolute tCO ₂ e)	23,632	26,746	9,576	8,966	9,820		-12%
GHG Scope 2 (absolute tCO ₂ e)	13,408	26,790	6,842	8,311	12,922		-49%
Waste							
Total waste (t/mEUR revenue) ¹	6.0	7.6	6.3	6.5	8.3	20% waste reduction per million revenue from 2020	-22%
Health and Safety							
Injury rate (per 1,000,000 worked hrs)	8.8	8.0	8.2	8.3	7.7	Reduce injury rate to 7 per million worked hours	+10%
Lost workday rate (per 1,000,000 worked hrs)	64.3	64.3	61.5	46.2	35.0	Reduce lost workday rate to 40 per million worked hours	0%
Employee Engagement							
STARK Group employee engagement survey score (satisfaction & motivation):	74	75	74	73	-	High employee satisfaction and motivation score of 76	-1%
Employee engagement survey score (loyalty):	83	-	-	-	-	High employee loyalty score of 82	N/A
STARK Group participation rate (%):	81	91	89	81	-	High survey participation rate of 85%	-10pp
Diversity and Inclusion							
% women (total)	22	22	22	23	-	25% women in total	0pp
% of management positions held by women	16	15	13	13	-	20% women in management positions	1pp
Executive Management team (% women)	50	50	50	50	-	30% women in Executive Management team	0pp

1. Fixed FX rate as of baseline 2020.

SUSTAINABILITY REVIEW

Sustainability is an integral part of how we do business, and we are mindful of how our business impacts social, environmental, and economic sustainable development.

We are a proud signatory of the UN Global Compact (UNGC) and our sustainability framework is built on the ten principles of the UNGC, taking into consideration how we can contribute to the Sustainable Development Goals (SDGs).

Our commitment means that we are decarbonising the way we operate, and although we do not have all the answers for how we will reach net zero by 2050, we are determined to meet our interim goals in 2024 and 2030 to ensure progress towards our clear commitment as outlined in our roadmap to net zero.

In April 2021, STARK Group committed to reducing our scope 1 and 2 emissions by 42% by 2030 from a 2020 baseline, in line with a 1.5-degree scenario and to reducing our scope 3 emissions by 12.3%, covering the production, distribution, and end-of-life of our extensive

range of construction products and services. In addition, we have committed to the United Nation's Race to Zero campaign and Business Ambition for 1.5°C, aiming to build momentum around the shift to a decarbonised economy.

NEW ESG LINKED LOAN

In January 2021, STARK Group was acquired by CVC Capital Partners Fund VII. The acquisition was partly financed by a sustainability linked loan and revolving credit facility, including an Environmental Social Governance (ESG) Margin ratchet that links the loan's margin to STARK Group's ability to meet our carbon emission reduction targets. Following the reduction of emissions in 2020/21, the Group expects an annual reduction in interest costs of approx. EUR 1m. The interest saving achieved through the ESG Margin ratchet will be applied towards sustainability investments in the Group to ensure further progress towards our targets.



SUSTAINABILITY REVIEW

Linking the Group's financing costs to the achievement of our carbon reduction targets is a testament to our commitment to reaching our targets. The inclusion of the ESG aspect has been well received by investors as well as rating agencies. The increasing ESG focus from financial market participants underlines that the work with ESG is not only relevant for the direct positive effects of reducing emissions and waste. It will also help us improve our bottom line, credit rating and access to the capital markets.

PROGRESS TOWARDS NET ZERO

In 2021, STARK Group reduced its emissions from operations by 31%. The reduction is primarily driven by the purchase of renewable electricity certificates in Germany and Finland as well as a continued transition from conventional lighting to LED and improved efficiency heating and ventilation systems. We work towards having 100% renewable electricity at all our branches and distribution centres by 2030 and have a long-term ambition that our renewable electricity consumption ensures additionality.

We have reduced our waste by 22% from a 2020 baseline and our absolute waste amounts by 5%, primarily driven by initiatives to reuse transport packaging, including wooden pallets. During 2020/21, the percentage of recycled waste has decreased partly driven by removing recyclable waste from the waste stream to reuse. However, we will be working closely with our waste suppliers to explore the possibilities to increase the recycling rate.

During 2021, the training of sustainability specialists was initiated, and 0.3% of our employees are now fully trained as sustainability specialists, with another 0.7% in the process. In 2021, the percentage of FSC® and PEFC certified timber and timber-based products increased in STARK Danmark, STARK Suomi and Neumann with certified SKUs in stocked assortment ranging between 88-94% and share of timber-based sales ranging between 94-95%.

Similarly in STARK Danmark and STARK Suomi, the share of third-party eco-labelled

SKUs made up 21% and 9% of stocked assortment, and represented 40% and 49% of the total sale of stocked assortment, respectively.

SAFE, ENGAGED AND INCLUSIVE

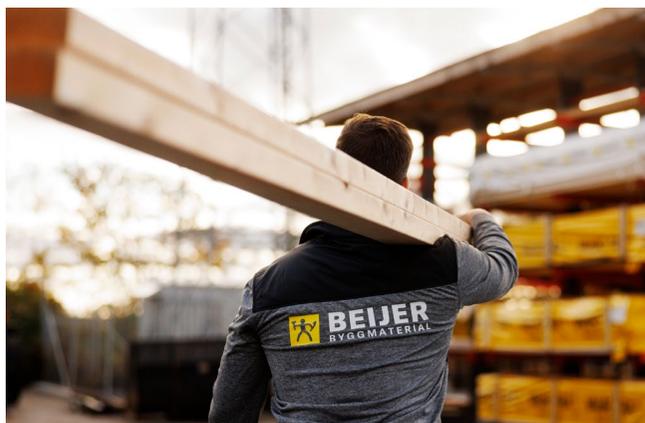
We strive to be a safe, inclusive and diverse company. In 2021, our employee engagement remained at a high level of 74, with an overall participation rate of 92% in the Nordics and 70% in Germany.

The health and safety of our people is always a key priority. However, in 2021, the rate of occupational injuries increased by 10%. Although the number is still significantly lower than the European industry benchmark, we set high standards for our employees' health and safety and strive to be considerably below the industry's benchmark. Consequently, actions were taken to bring the injury rate to the target level defined for 2024.

As a workplace, STARK Group works to ensure equal treatment and opportunities for all employees. The company takes pride

in belonging to a community that comprises different genders, ages, ethnicities, abilities, sexual orientations, faiths and religions. In 2021, women constituted 22% of our employees and accounted for 16% of our management positions, an increase of 2pp. In 2020/21, STARK Group joined the UN Global Compact Target Gender equality accelerator program to further develop our efforts in this area and to deepen our implementation of the Women's Empowerment Principles and strengthen our contribution to SDG 5.5.

SELECTED ACHIEVEMENTS



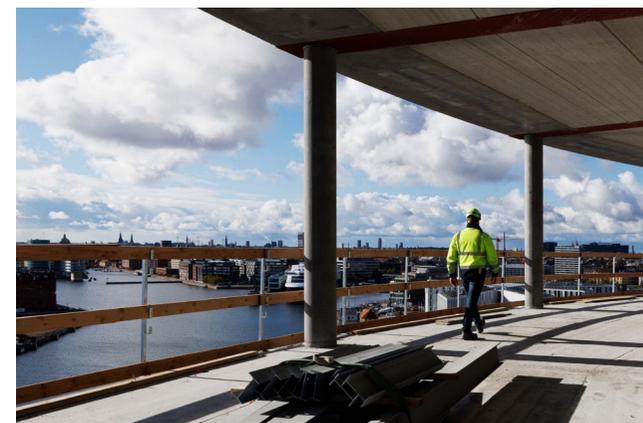
OUR PRODUCTS

- We have added focus on requesting documentation for product-specific embodied carbon for customer whole-life carbon calculations.
- We have continued to expand our circular concepts to include various products from supplier waste streams and making new products (See GENTRÆ story page 47).
- We have completed our first rough scope 3 Inventory (Quantis spend-based) to assess materiality in our value chain.
- We have increased the percentage of certified timber-based products in our assortment. 88% of timber-based SKUs in stocked assortment in STARK Danmark are FSC or PEFC certified.



OUR OPERATIONS

- We obtained a 31% reduction in carbon emissions compared to 2020.
- We have switched to renewable electricity at all sites in Germany and Finland.
- We are continuing the transition to low carbon distribution using fossil-free fuels (HVO100) as well as electric vans and developing a new e-truck with a mounted crane.
- In 2020, Neumann Bygg was certified to the Eco-Lighthouse certification system.



OUR MARKET

- In Denmark and Sweden, we have initiated sustainability training of employee ambassadors in order to provide our customers with the newest sustainability advice – what we call “operational sustainability”.
- We work with our suppliers and customers to promote take-back solutions which move waste materials into the production flow, i.e. Mascot partnership.
- FSC or PEFC certified products make up 95% of total sales of timber-based products in STARK Danmark’s stocked assortment.
- STARK Danmark has initiated “Byg Grønt” a clear signage to make it easier for customers to find eco-labelled products in-store and in the webshop.

OUR SUSTAINABILITY STRATEGY

Sustainability framework	16
Sustainability approach	17
Sustainability governance	18
Material risks in our value chain	20



SUSTAINABILITY FRAMEWORK

Our sustainability framework addresses the top risks and opportunities in our value chain from raw materials excavation to end-use.

The framework structures our sustainability efforts and ensures that environmental and social issues are identified and addressed within our sustainability programmes, with relevant governance, policies, targets, and actions. Our framework is built on the ten principles of the UN Global Compact, taking into consideration how we can contribute to the Sustainable Development Goals (SDGs). We pursue the goals that relate to our core tasks and where we can deliver the most impact. Our primary focus is on SDG 12 “Responsible consumption and production”, 13 “Climate action”, and 15 “Life on land”. In addition, we support a wide range of other SDGs throughout our business operations and supply chain. For a summary of targets and supported SDGs see appendix page 56.

Our ESG performance and progress on targets is shown on page 50-51 and page 52-55, respectively.

AMBITIONS

VALUE CHAIN

SUSTAINABILITY PROGRAMMES

UN SDG TARGETS

OUR PRODUCTS

Better product from trusted suppliers in order to meet customer and societal expectations, both now and for the future



- Product quality and integrity
- Responsible sourcing
- Ethical behaviour and human rights



OUR OPERATIONS

To be an efficient and trusted distributor, partner and employer of choice in the industry, ensuring long-term sustainability



- Environmental efficiency
- Health and safety
- Employee engagement
- Diversity and inclusion
- Competence development



OUR MARKET

To be the preferred partner for sustainable construction, supporting development towards a more sustainable future



- Promoting sustainable products
- Educative partner and corporate citizen



SUSTAINABILITY APPROACH

Our sustainability policy is based on five guiding principles intended as a compass showing one common direction for everyone working within the Group. All STARK Group employees are responsible for following these principles and integrating sustainability in all activities and processes.

HOW WE WORK



WE ACT SUSTAINABLY

- Integrated sustainability across whole value chain
- We source our products responsibly
- We measure and report our carbon footprint to fulfill ambitious targets following a science-based approach to limit climate change
- We support transparency in sustainability reporting in our annual sustainability report, disclosing progress within waste production & recycling and carbon emissions
- We strive for equal treatment and opportunities for all employees and to maintain our high engagement level
- We strive for an accident-free workplace with continuous improvement in health, safety and well-being
- We are signatory to UN Global Compact



UP TO DATE WITHIN SUSTAINABILITY IN THE INDUSTRY

- To ensure that we can continuously meet market needs now and in the future
- Active in sustainability networks and open to collaborating in partnerships that promote sustainability

WHAT WE OFFER



SUSTAINABLE PRODUCT ASSORTMENT

- Wide assortment of products to fulfill energy efficiency requirements (Renovation Wave - EU Green Deal)
- Relevant assortment of eco-labelled products to satisfy green customer focus, public procurement and sustainable construction requirements (LEED, BREAM, DGNB, Svanen)
- Wide product range of sustainably-sourced wood to support the increasing focus on life-cycle and embodied carbon
- Focus on increasing recyclability and proportion of secondary materials in products



SUSTAINABILITY ADVICE

- Skilled salespeople with relevant product knowledge within energy efficiency and sustainable alternatives
- Aim to become the preferred partner for sustainable construction and renovation



EFFICIENT PRODUCT DOCUMENTATION

- Product documentation to fulfill public procurement and certification requirements regarding product impact throughout the lifecycle

SUSTAINABILITY GOVERNANCE

Our Group Executive Committee functions as our Sustainability Advisory Board, which, together with the Group Head of Sustainability, is responsible for the sustainability

framework, targets and progress throughout the organisation. The STARK Group executive remuneration is linked to sustainability performance.



SUSTAINABILITY ADVISORY BOARD

- Decide on strategy and discuss risks and opportunities
- Approve policies and standards
- Define the sustainability framework and targets
- Ensure integrated sustainability in all business operations
- Review sustainability performance

HEAD OF SUSTAINABILITY

- Sustainability and ESG reporting
- Control that process, standards and policies are followed and met
- Monitoring sustainability competence within the organisation
- Ensure relevant sustainability KPIs and targets in place
- Secure best practice sharing

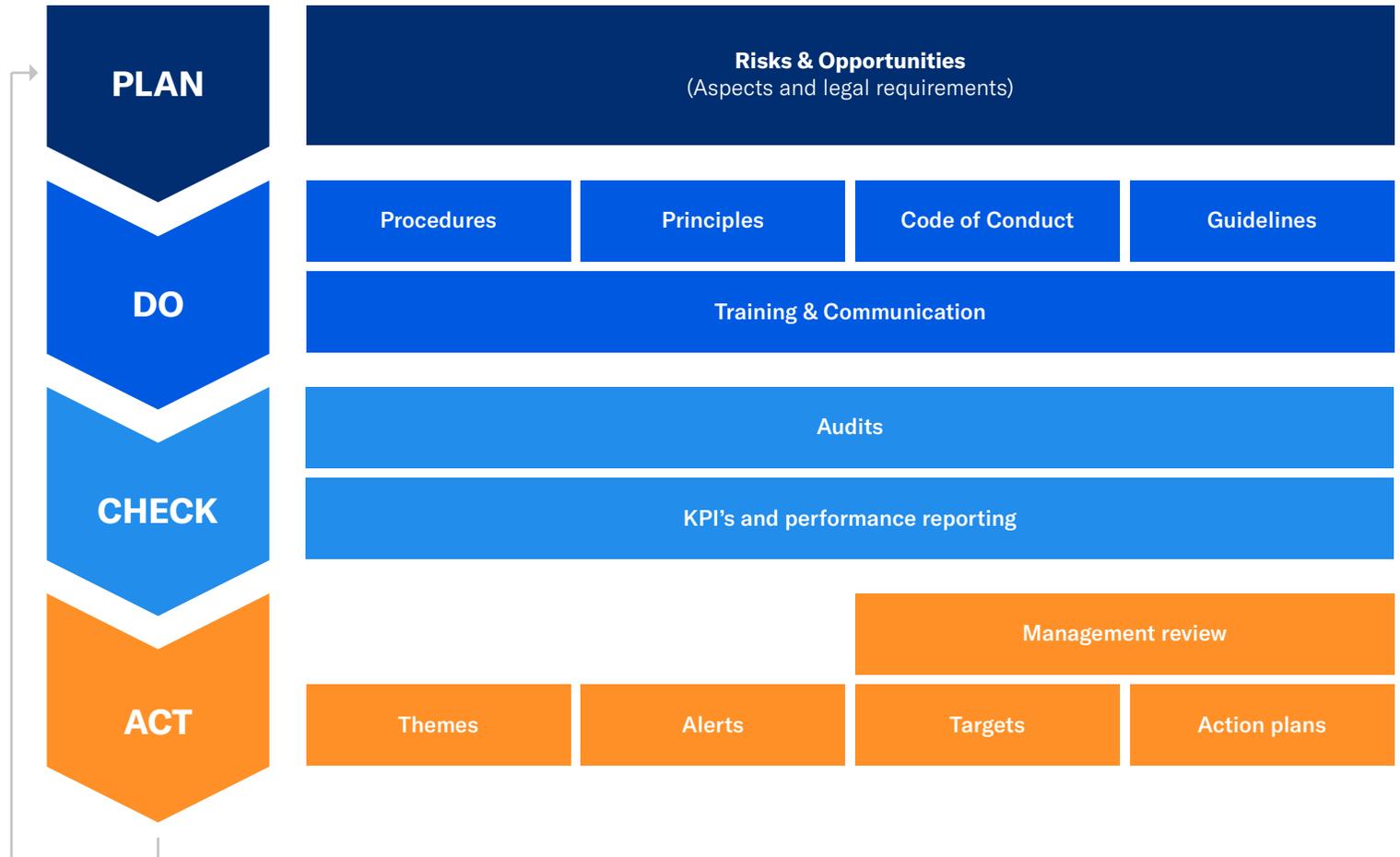
SUSTAINABILITY MANAGERS

- Accountable for strategy execution, performance and operations
- Ensure relevant organisation and governance in place
- Ensure sustainability policy and principles are integrated into all business operations
- Measure and report robust sustainability performance to Group
- Action plans to meet targets
- Support sharing of best practice

SUSTAINABILITY GOVERNANCE

Sustainability in STARK Group is structured around a risk and opportunity-based plan-do-check-act management system. Our Group policies set the fundamental principles that govern the way we operate and describe the roles and responsibilities of relevant stakeholders. These policies are supported by Group manuals providing working instructions and details on how to comply with the fundamental principles set out in the policy. Guidelines and handbooks provide detailed instructions to manuals and are generally business unit specific.

GROUP POLICIES, LEADERSHIP & COMMITMENT, ROLES & RESPONSIBILITIES



MATERIAL RISKS IN OUR VALUE CHAIN

We believe that risk management plays a vital part in ensuring growth and continued success for the Group and its operations. Our fundamental belief is that if we know and prepare for the risks we face, we are better equipped to deliver on our strategy and create value for our customers, owners, and investors – in each of our markets.

Risk management is an integral part of everything we do in STARK Group and part of our decision-making process, intended to create value by managing the risks we face in all areas of our business, including sustainability. We aim to ensure that all risks and threats that might hinder us from achieving our strategic objectives

influence our financial performance, or cause disruptions or safety concerns in our daily operations, are identified and reacted to with appropriate controls and mitigating actions.

In 2020/21, we have, for the first time, incorporated the recommendations of the Task Force on Climate-related Financial

Disclosures (TCFD) to ensure focus on our climate-related risks. Our preliminary work with the TCFD is shown in Appendix 60, including references to relevant sections of this report.



OUR PRODUCTS

Material Risks

Selected 2020/21 actions to minimise impact/risk

High carbon emissions (scope 3)	<ul style="list-style-type: none"> Increased focus on documented low carbon alternatives Requesting environmental product declarations (EPD)
Natural resource depletion / biodiversity	<ul style="list-style-type: none"> Focus on increasing FSC and PEFC certified timber in assortment Increasing recycled content in products Improving product attribute specifications and data quality
Environmental (energy and pollution)	<ul style="list-style-type: none"> Increasing assortment of eco-labelled products
Human and worker rights violations	<ul style="list-style-type: none"> Shortlisting of third-party supplier evaluation systems to improve amongst other material areas, the human rights due diligence process
Health and safety hazards	<ul style="list-style-type: none"> Increased FSC and PEFC certified timber in assortment Shortlisting of third-party supplier evaluation systems
Corruption related to supplier interaction	<ul style="list-style-type: none"> Anti-corruption training – communications plan and e-learning. Fraud, Anti-Bribery & Corruption documents (Programme, Policy, Manuals & Guidelines). E-learning module Fraud, Anti-Bribery and Corruption assigned to 30% of total workforce (completed by 90%).

OUR OPERATIONS

Material Risks	Selected 2020/21 actions to minimise impact/risk
Facilitation payment offers	<ul style="list-style-type: none"> Group guideline – Gifts, entertainment & hospitality Included in the e-learning modules in the compliance programme
Lack of supplier transparency	<ul style="list-style-type: none"> Shortlisting of third-party supplier evaluation systems
Insufficient product documentation	<ul style="list-style-type: none"> Supplier partnerships and collaborations to improve product documentation with focus on sustainability
Environmental (energy, fuel and pollution)	<ul style="list-style-type: none"> 31% of electricity actively sourced as renewable. Initiated transition to electrical and fossil-free deliveries in larger cities Continued focus to transition from diesel FLT to electric
Health and safety hazards	<ul style="list-style-type: none"> Implementation of new and improved e-learning modules and self-inspection checklist
Excessive energy consumption	<ul style="list-style-type: none"> Energy consumption data on branch level
Excessive waste production (breakage)	<ul style="list-style-type: none"> Training for FLT drivers and knowledge of cost of waste handling for increased focus
Bribery and corruption related to customer interaction	<ul style="list-style-type: none"> Fraud, Anti-Bribery & Corruption documents (Programme, Policy, Manuals & Guidelines). E-learning modules Fraud, Anti-Bribery and Corruption assigned to 30% of total workforce (completed by 90%).
Anti-competitive practices	<ul style="list-style-type: none"> E-learning module “Competition Law” was assigned to 23% of total workforce (completed by 90%)
Lack of product sustainability knowledge	<ul style="list-style-type: none"> Easy access to sustainability knowledge on intranet and webshop. Clear signage in-store and on products with verified eco-labels.
Insufficient data protection	<ul style="list-style-type: none"> Group Records Management and Data Protection Policy, Data Breach Manual, Data Subject Request Manual and Data Protection guidelines. Awareness training: Personal Data protection e-learning module, Awareness Posters DPIA and PbDD, GDPR Town Hall presentation, and Personal Data protection awareness posters. Personal Data Protection assigned to 82% of total workforce (completed by 54%).

OUR MARKET

Material Risks	Selected 2020/21 actions to minimise impact/risk
Incorrect product use	<ul style="list-style-type: none"> Product advice and easy access to technical data sheets
Health and safety hazards	<ul style="list-style-type: none"> Easier access to safety data sheets Promotion of sustainable alternatives
Focus on short-term cost	<ul style="list-style-type: none"> Competent and informed sales staff that can communicate the lower total cost of ownership (TCO) or the added value of sustainable alternatives
Excessive resource consumption	<ul style="list-style-type: none"> Calculation tools to calculate required amounts and take-back solutions for unused materials and selected off-cuts
Chemical exposure	<ul style="list-style-type: none"> Easy access to safety data sheets and professional product advice
Insufficient waste sorting and recycling	<ul style="list-style-type: none"> Take-back solutions for selected waste products
Poor indoor climate (hazardous materials)	<ul style="list-style-type: none"> Promotion of sustainable alternatives Customer access to safety data sheets and technical data sheets
High energy consumption	<ul style="list-style-type: none"> Promotion of energy-efficient alternatives and TCO values
Limited focus on recycling	<ul style="list-style-type: none"> Sustainable alternatives with minimal toxic chemical content have a higher recycling value and lower risk of landfill
High product End-of-Life emissions	<ul style="list-style-type: none"> Increased focus on durability, repairability, recycling and reuse Partnering for circularity with customers and selective demolition companies to reuse materials Working with socioeconomic projects to produce products (i.e. walkways) from used “waste” materials
Toxic chemicals in materials	<ul style="list-style-type: none"> Promotion of sustainable alternatives with minimal toxic chemical content

OUR 10 SUSTAINABILITY
PROGRAMMES

OUR PRODUCTS

Product quality and integrity	23
Responsible sourcing	24
Ethical behaviour and human rights	25



PRODUCT QUALITY AND INTEGRITY

STARK Group sources a large variety of products, and we are committed to supplying safe, reliable, and robust products from financially healthy, reliable sources that trade ethically and responsibly.

We believe that a sustainable product focus minimises our risks and secures our future relevance in the market. Sourcing and supplying sustainable, safe, and quality products enhance customer satisfaction and enable our people to devote more time to customer service and further development. Furthermore, working with reputable suppliers gives our stakeholders confidence in the integrity of our supply chain, including standards on ethical labour, anti-bribery, and corruption.

The STARK Group Trade Compliance and Sanctions Policy are designed to ensure that STARK Group complies with all applicable sanctions and export and import control laws. We have a zero-tolerance approach to international breaches and failures to adhere to sanction obligations. Compliance with laws and regulations is one of the fundamental principles of the STARK Group Code of Conduct.

The STARK Sourcing product integrity process provides all sourcing colleagues with a simple and efficient approach to complying with the STARK Group Product Integrity Policy. The product integrity evaluation procedure provides insights into elements including financial health, ethical concerns and contract compliance. During 2020/21, 100% of all new contracts entered have undergone and passed the product integrity evaluation, and 100% of targeted suppliers have signed legal terms and conditions, including fulfilment of STARK Group's Code of Conduct.

STARK Group has an ongoing partnership with our most prominent suppliers. The ambition is to work closely together to solve some of the significant challenges facing the industry – sustainability being the number one priority. In 2021, we completed the first roundtable session on sustainability with the ambition to initiate an innovative and collaborative environment for piloting sustainable initiatives across the supply chain.



RESPONSIBLE SOURCING

During the past 50 years, the main focus in the construction sector has been on reducing operational energy consumption in buildings. However, carbon emissions are not only released during operational life. Manufacturing, transportation, construction, and end-of-life phases of all buildings and infrastructure, commonly referred to as embodied carbon.

To reach net zero and our ambitious targets, there is an urgent need for coordinated actions across the value chain to design and produce low-carbon building materials that can be reused or recycled after end-use. We support the transition to a sustainable circular economy in the construction industry as we strive to turn our value chain into a “value circle”. This is an inevitable solution to meet net zero.

To ensure a relevant assortment of products that continuously meet market expectations and follow product development, we offer a wide range of sustainable eco-labelled products and products with environmental product declarations (EPDs) that meet customer expectations, public procurement policies and the requirements of sustainable construction certification schemes in all our markets.

RESPONSIBLE TIMBER SOURCING DUE DILIGENCE PROCESS

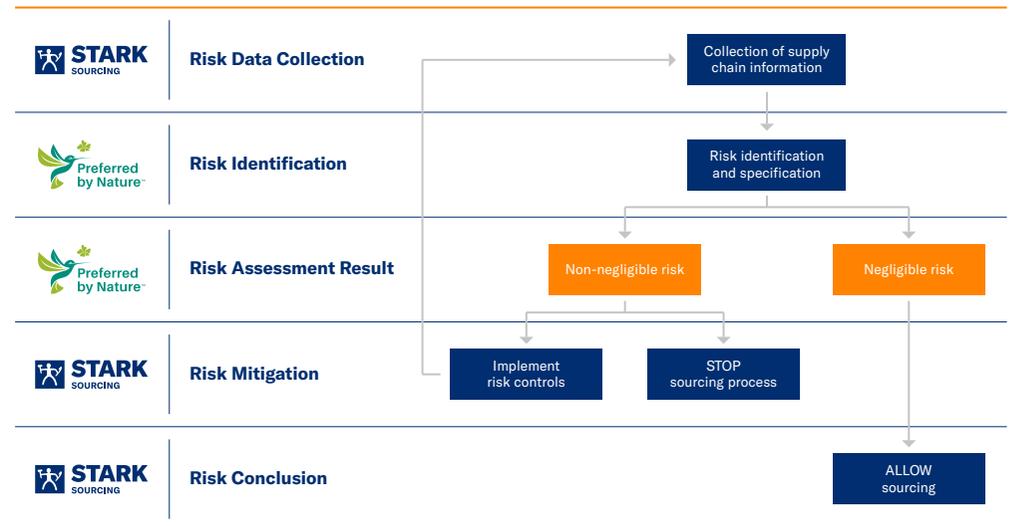
All business units within STARK Group conduct due diligence according to the STARK Group Responsible Timber Sourcing Policy. This is undertaken in collaboration with our external

partner, Preferred by Nature, to gain assurance of product legality in compliance with the EU Timber Regulation and to assess the sustainability of forest resources. Sustainable forestry ensures that we can meet customer demands for timber without compromising the ecological balance, including biodiversity, climate change and water regeneration, thereby also securing a continuous future supply chain.

Together with Preferred by Nature, we have completed desk research of our suppliers to identify potential risk downstream in the supply chain. No on-site supplier audits have been required as it was possible to obtain all necessary documentation in the due diligence process. Therefore, no changes have been made to our measurement and mitigation process, ensuring compliance and securing negligible risk.

100% of STARK Group’s Nordic branches are PEFC and/or FSC® certified, and 12% of the STARK Deutschland’s branches are FSC and PEFC certified.

RESPONSIBLE TIMBER SOURCING DUE DILIGENCE PROCESS



ETHICAL BEHAVIOUR AND HUMAN RIGHTS

At STARK Group, we are committed to operating under high ethical standards supporting, amongst others, the Universal Declaration of Human Rights.

We acknowledge that the products we source are available with the effort of a vast number of people working within the mining, forestry, and manufacturing industries. Therefore, we aim to source our products with due consideration for ethical concerns and human rights in order to support safe and decent working conditions along the supply chain.

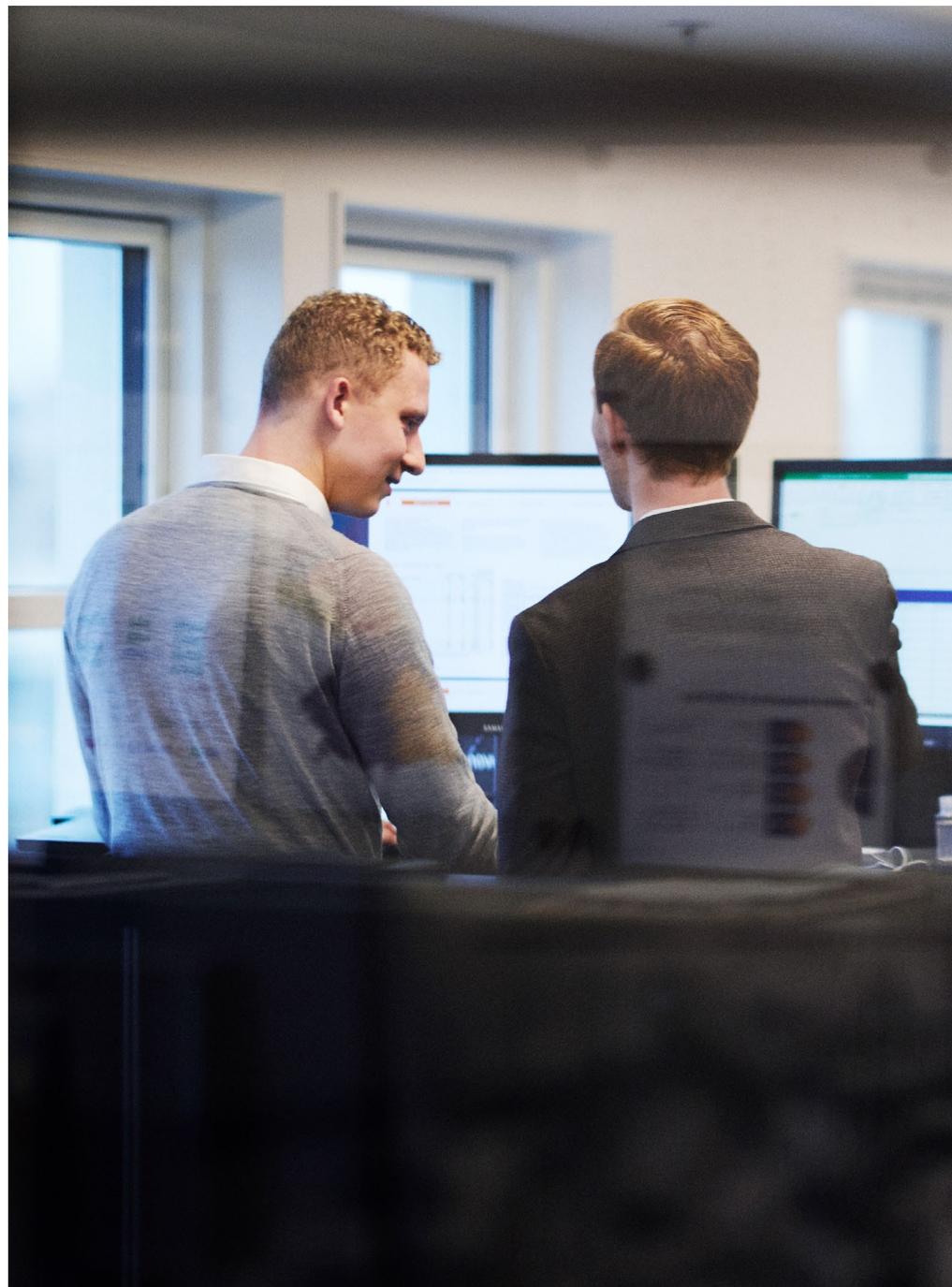
ZERO TOLERANCE TOWARDS FRAUD, BRIBERY, AND CORRUPTION

Fraud, bribery, and corruption undermine STARK Group's fundamental values and our ability to act with decency, honesty and integrity and to comply with the appropriate regulatory framework and the STARK Group Code of Conduct.

THE STARK GROUP COMPLIANCE PROGRAMME

Our Fraud, Anti-Bribery and Corruption Compliance Programme sets the framework for how we work with fraud, bribery and corruption risks within our value chain, related to both our interaction with our suppliers and customers (please refer to page 20-21). Our policies and underlying manuals and guidelines are active

management tools to minimise these risks and are structured in our Group compliance programme. The compliance programme outlines four key elements: 1) Policies, procedures, and standards of conduct, 2) Communication and whistleblowing, 3) Training and education, and 4) Internal monitoring and auditing. Having clear written policies, manuals, and guidelines fosters compliance uniformity within the Group and ensures that employees understand how to comply with applicable rules and regulations. Leaders and employees are expected to proactively communicate in a timely manner, whether that means asking compliance questions, reporting issues, or addressing ethical concerns. In 2021, the training module "Fraud, Anti-Bribery and Corruption" was assigned to 30% of the total workforce and has presently been completed by 90%. The Group Head of Internal Controls and Enterprise Risk Management works with local BU auditors to monitor financial controls, risk and IT-specific issues within the Group Risk and Control Framework, including whistleblowing (page 33). The Audit Committee is updated on progress and findings, in addition to risk assessments, mitigating actions and follow up on auditor findings.



WE SUPPORT A HEALTHY COMPETITIVE ENVIRONMENT

At STARK Group, we welcome free and open competition with our zero-tolerance policy of anti-competitive practices. We encourage and promote a competitive environment in which market participants are free to buy and sell products and services to the benefit of consumers. At the same time, we compete with integrity and fairness.

STARK Group complies with all applicable competition laws. We believe that economies and consumers benefit from a level playing field that includes diverse products and services at market price. Competition laws safeguard this effective competition to create open and dynamic markets and enhance customer productivity, innovation, and value.

The STARK Group Competition Law Compliance Programme sets the framework for how we work with competition law compliance in all relevant areas of business. We have implemented policies, manuals, and guidelines to provide leaders and employees with an understanding of competition compliance and to identify sensitive situations, problem areas and behaviour that might be considered anti-competitive. Manuals cover the areas of commercial contracts, M&A transactions, events and networking, and dawn raid. The Competition Law Compliance Programme is built up in the same way as the Group Fraud, Anti-Bribery and Corruption Compliance Programme,

including the four key elements for achieving an effective compliance programme. During 2021 the e-learning module “Competition Law” was assigned to 23% of the total workforce and has presently been completed by 90%.

INFORMATION SECURITY AND PERSONAL DATA PROTECTION

At STARK Group, we embrace digitalization and the world of opportunities it brings. It also represents challenges when it comes to handling and protection of data. Privacy of individuals is important to us, and we continuously strive to adapt our processes to comply with privacy regulations and the latest security standards. This helps us to ensure confidentiality, integrity and availability of data. STARK Group is committed to implementing appropriate safeguards for protecting data at hand and constantly strengthening our information security level.

During 2021, we have rebuilt the information security department and attracted new specialists within cyber- and risk-management. We have developed a new information security approach to mitigate existing threat landscape. Our yearly audit of general IT controls has been performed by Deloitte.

In 2022, we will introduce a comprehensive Information Security Framework, which will include a new Information Security Policy, cyber security awareness campaigns and optimised process for continuous security monitoring.

AWARENESS TRAINING

During the latter part of 2020/21, an awareness programme was developed to strengthen our employees' knowledge of information security-related issues. Awareness campaigns through posters regarding e.g., the handling of Personal Data, Data Breaches, Data Subject Requests, Unstructured Data and execution of Data Protection Impact Assessments (DPIA) and Privacy By Design & Default (PBDD) as well as GDPR town hall presentations were held in all business units. A new e-learning module, “Personal Data Protection” has also been assigned to 82% of the total workforce and has presently been completed by 54%.

HUMAN RIGHTS

Both the United Nations Global Compact and Universal Declaration of Human Rights have been considered in determining the human rights issues that are material to STARK Group. Topics considered include anti-discrimination, ethics, health, and safety.

These issues are managed through our company policies and are regularly monitored for compliance. Business partners and suppliers are expected to conform to the STARK Group Code of Conduct and are evaluated through the ethical concerns' element of our Product Integrity Process. Please refer to the Health and Safety and Diversity and Inclusion section under Our Operations for further information.

During 2021 the e-learning module “Competition Law” was assigned to

23%

of the total workforce and is presently completed by

90%

OUR 10 SUSTAINABILITY PROGRAMMES

OUR OPERATIONS

Environmental efficiency and climate action	28
Health and safety	30
Employee engagement	32
Diversity and inclusion	34
Competence development	35



ENVIRONMENTAL EFFICIENCY AND CLIMATE ACTION

We are committed to reaching net zero by 2050 at the latest throughout our supply chain and scope 1 and 2 carbon reduction targets of at least 4.2% per year aligned with a 1.5°C climate scenario.

To meet these targets, we strive to run efficient low carbon operations that minimise energy consumption and reduce negative impacts on the environment.

We report annually on our actual carbon footprint from scope 1 and 2 and parts of our scope 3, including business travel and outsourced transport. Furthermore, we report on waste production and recycling and water consumption. Our greenhouse gas (GHG) scope 1 and 2 baseline 2020 obtained a limited assurance in 2020/21, and details on accounting principles for the 2020/21 data are shown in the appendix together with the limited assurance statement covering our scope 1 and 2 GHG data from our external auditors. The estimation rates of our scope 1 and 2 carbon emissions are stated in the accounting principles on page 61-63.

	2021	2020	2019	2018	2017	2016	Performance relative to target baseline 2020	Performance relative to Group KPIs – shown in brackets	
Carbon		Baseline							
GHG Scope 1&2 (absolute tCO ₂ e)	37,040 ¹	53,536 ²	16,418	17,277	22,742	25,010	▼ -31%	Target level reached (-4.2%)	
GHG Scope 1 (absolute tCO ₂ e)	23,632	26,746	9,576	8,966	9,820	9,733	▼ -12%	Target level reached (-4.2%)	
GHG Scope 2 ³ (absolute tCO ₂ e)	13,408	26,790	6,842	8,311	12,922	15,277	▼ -49%	Target level reached (-4.2%)	
Total carbon emissions (tCO ₂ e/mEUR revenue ⁴)	15.6	23.3	14.6	15.7	17.0	16.7	▼ -33%	Target level reached (-4.2%)	
Buildings & equipment (tCO ₂ e/mEUR revenue)	4.1	8.5	4.0	5.0	6.1	6.6	▼ -52%	Target level reached (-4.2%)	
Transport (tCO ₂ e/mEUR revenue)	11.5	14.8	10.6	10.7	10.9	10.1	▼ -22%	Target level reached (-4.2%)	
Waste									
Total waste (t/mEUR revenue ⁴)	6.0	7.6	6.3	6.5	8.3	6.8	▼ -22%	Target level reached (-20%)	
Total waste (tonnes)	29,763	31,407	14,399	14,044	20,576	18,776	▼ 5%	N/A	
% of total waste segregated for recycling (%)	71.9	76.8	51.2	53.9	55.1	53.6	▼ -5pp	Off target (80%)	

1. Scope 1 and 2 emission data obtained limited assurance by Deloitte – please refer to limited assurance statement on page 64.

2. The 2020 baseline data obtained limited assurance by Deloitte.

3. Scope 2 emission is reported according to the market-based accounting approach from 2020. Prior to 2020, reporting is according to the location based approach.

4. Fixed FX rate as of baseline 2020.

PROGRESS TOWARDS TARGETS

Our carbon footprint has decreased by 31% compared to baseline 2020. The reduction is primarily driven by the purchase of renewable electricity certificates in Germany and Finland as well as energy efficiency projects, including a continued transition from conventional lighting to LED and improved efficiency heating and ventilation systems.

Our long-term ambition is to provide additionality in the renewable energy system through power purchase agreements or on-site renewable energy production. Therefore, renewable electricity certificates are used during a transition phase to keep momentum on our low carbon transition.

The carbon emissions per mEUR revenue from transport has improved by 22% compared to the 2020 baseline. This reduction is driven primarily by fossil-free deliveries in the southern Sweden, Stockholm-, and Copenhagen regions, using renewable HVO100, which reduces carbon emissions by 90% compared to conventional diesel deliveries. Furthermore, the implementation of track and trace in our logistics set-up has further improved our logistical efficiency. Please refer to our sustainability stories on page 42 for specific cases regarding

Our carbon footprint has decreased by

31%

compared to baseline 2020.

74%

of STARK Group's branches are presently environmentally certified.

the transition to HVO and the electrification of deliveries in Copenhagen, including electric trucks and bicycle couriers.

With our customers' increasing awareness of sustainability and low emission construction sites, we can gain market shares by proving that we are a sustainable materials supplier and logistics partner. We continuously strive to improve the fuel efficiency of our logistics system and even investigate the possibilities to use our logistic set-up to help our customers handle materials such as waste and packaging with a view to supporting higher rates of reuse and recycling in the supply chain. Please refer to the GENTRÆ and Partnership for Circularity case on page 47 for more information.

We have reduced our absolute waste amounts by 5%, primarily driven by initiatives to reuse transport packaging, including wooden pallets. We have also piloted the production of custom-made filling (GENPAP) from cardboard boxes. See case on page 43. This project has helped us reduce waste production and financial costs, and we will expand to other branches during 2021/22.

In 2020/21, the percentage of recycled waste has decreased partly driven by removing recyclable waste from the waste stream to reuse. However,

we will be working closely with our waste suppliers to explore the possibilities to increase the recycling rate.

ENVIRONMENTAL MANAGEMENT AND AUDITS

Our environmental management system is structured around the ISO 14001:2015 standard. All STARK Deutschland and Beijer Byggmaterial branches are ISO14001 certified. Neumann Bygg is certified under the Eco-Lighthouse certification system. A total of 74% of STARK Group's branches are presently environmentally certified. All certified business units are externally audited annually. All branches make weekly self-inspections that include environmental questions, including waste sorting and handling, hazardous material handling and storage, resource efficiency, and maintenance of fuel tanks to avoid spills and leaks.

STARK Deutschland, STARK Danmark, Beijer Byggmaterial and STARK Suomi all conduct energy audits at least every four years in accordance with The Energy Efficiency Directive (2012/27/EU). These audits form the basis for prioritising energy efficiency initiatives and projects on the business unit action plans towards their targets.

HEALTH AND SAFETY

The health and safety of our people is always a key priority for STARK Group, whether it involves our employees, customers, or the communities in which our businesses operate.

We aim for an accident-free workplace, and all our employees are obligated to support continuous improvements in health, safety, and well-being throughout our operations. We report transparently on the health and safety of our people and have ambitious targets to ensure progress and focus.

HEALTH AND SAFETY MANAGEMENT SYSTEM

We maintain an occupational health and safety management system structured around the ISO 45001:2018 standard to achieve an equally high level of health and safety performance throughout the Group and ensure full compliance with legislation and other requirements. In 2020/21, 48% of our branches across the Group were certified to ISO45001, including 210 German- and two Danish branches.

GROUP TARGETS - ACCIDENT AND INCIDENT REPORTING

All STARK Group business units report monthly on two key performance indicators, the number of injuries and the number of lost workdays (LWDs), and have annual targets for reducing these parameters. The health and safety performance at the end of 2020/21 and our targets are shown in the table.

	2021	2020	2019	2018	2017	2016	Performance relative to target baseline 2020	Performance relative to Group KPIs – shown in brackets
Health and safety	Baseline							
Injury rate (per 1,000,000 worked hrs)	8.8	8.0	8.2	8.3	7.7	7.8	▲ +10%	Off target (7.0)
Lost workday rate ¹ (per 1,000,000 worked hrs)	64.3	64.3	61.5	46.2	35.0	44.0	▶ 0%	Progress towards target (40)
No. of critical injuries	0	0	0	0	1	0	▶	N/A

1. In 2020/21, we started a new way of reporting LWDs according to GRI, which includes LWDs not requiring medical treatment.

48%

of STARK Group branches are certified according to ISO45001.

The total number of reportable injuries increased from 8.0 to 8.8 injuries per 1,000,000 hours worked. Although the number is still significantly lower than the European industry benchmark (2019: 17 injuries per 1,000,000 hours worked), we set high standards for our employees' health and safety and strive to be considerably below the industry's benchmark. In addition, we have initiated various actions to stop this negative development. Throughout STARK Group, we emphasise the prevention of incidents by focusing on learnings from root cause analysis. Based on incidents analysis and risk assessments, instructions and guidelines are communicated to our employees. Accident statistics and performance on internal health and safety audits are a recurring topic at all Board meetings. Furthermore, following the numerous new acquisitions, additional resources have been allocated to the health and safety organisation going forward.

HEALTH & SAFETY TRAINING

Health and safety training for STARK Group employees is a combination of on-site training, standard operational procedures and e-learning.

Ten new and updated e-learning modules covering our main risks and focus areas will be pushed out in 2021/22. There are currently 46 health and safety modules available on the STARK Group e-learning platform, and 6,496 modules were completed in 2020/21.

HEALTH & SAFETY OF CONTRACTORS

To ensure the safety of our contractors working on STARK Group premises, they are also required to follow our procedures. Contractors are given a health, safety and environmental introduction in accordance with our Checklist for Contractors & Subcontractors and a link to our Group safety film.

BRANCH AUDITS

STARK Group internal branch audits assess compliance with legal requirements and internal health and safety processes in all branches annually. Branch audit results are reviewed monthly by management to ensure rectification of nonconformities and continual improvements within the branch. Any non-conformities which have not been rectified within the deadline are escalated to executive committee. The branch

audit programme has proven to be an important management tool for assessing operational health and safety performance and keeping a constant focus on the work environment to help prevent incidents and near-misses.

All branches conduct a weekly health and safety self-inspection between branch annual internal audits so as to ensure stable, high health and safety standards.

HEALTH AND SAFETY COMMITTEES

Health and safety committees are established in STARK Deutschland, STARK Suomi, and STARK Denmark, and consist of managers or manager-appointed sub-managers and voluntarily elected employees. The committees function as local health and safety resource for the branches and as a cooperative link between STARK Group and the branches regarding relevant health and safety inputs, risks assessments, and opportunities. In business units without formal health and safety committees, health and safety business partners function as their link to STARK Group for local risks assessments and best practice sharing.

6,496

health and safety e-learning modules have been completed during 2020/21.

EMPLOYEE ENGAGEMENT

The level of engagement amongst our people is crucial for STARK Group to deliver on strategic goals and maintain customer loyalty and the overall sustainability of the business.

To retain a high employee engagement and competence level, training and competence development is an ongoing activity for STARK Group, and we measure and report on key social performance indicators within gender equality and engagement to ensure progress within these areas.

In 2020/21, we carried out the annual engagement survey in all business units, including STARK Deutschland, for the first time. Challenges, root causes and improvements have been identified, and action plans to implement improvements have been initiated locally, regionally and nationally. The employee engagement (satisfaction and motivation) survey score was measured at 76 for the Nordics, a one point improvement from the previous year and 72 for STARK Deutschland. This produced a Group satisfaction and motivation score of 74, which, although lower than the previous year, is significantly higher than the industry average

of 71. On a new loyalty parameter added to the engagement survey, STARK Group scored 83, thus exceeding the target of 82. This high score is supported by a high level of average seniority within the Group of 8.4 years, likewise indicating a high degree of loyalty.

The participation rate of the Nordics was 92%, whereas, in STARK Deutschland, it was significantly lower at 70%. The overall participation rate of 81% was considerably lower than in previous years, and we will be

implementing various actions to ensure increased participation in STARK Deutschland going forward by sharing best practices from the Nordic business units.

LABOUR LAW AND INDUSTRIAL RELATIONS

STARK Group complies with all regulations set by law and collective bargaining agreements. In business units where most of our employees are covered by collective bargaining agreements, we cooperate with representatives and recognise and encourage our employees to organise and



High satisfaction and motivation score of

74

compared to the industry average a

71

have union representation and constructive dispute resolution processes. We also inform and consult employees and worker representatives when significant changes occur through local work councils or other channels, depending on the issue and local culture.

STARK Group is currently in the process of establishing a European Workers Council through a Special Negotiation Body consisting of representatives from STARK Group headquarter (HR and Legal) and employees from each business unit plus selected advisors. The European Workers Council is a sounding board for all employees across Europe.

WHISTLEBLOWING

STARK Group's open-door policy allows employees to come forward with their concerns. If, for any reason, our employees are not comfortable discussing their concerns with local management, the HR and Legal departments within each business unit are trained to act accordingly.

We also have "Speak Up!" a confidential and anonymous whistleblower process available for all stakeholders to express their concerns. The Speak Up! system is referred to in our Code of Conduct and is available at <https://starkgroup>.

whistleblownetwork.net or can be downloaded as a Speak Up! app to a smartphone. The Speak Up! system is monitored all year round, with support from outside counsel. All information is kept strictly confidential.

All whistleblower reports are documented and investigated, and incidents are reported to the

Audit Committee. The whistleblower process is a recurring item at all Audit Committee meetings. Since the beginning of 2019, a total of 12 cases have been reported through Speak Up! The results of whistleblower investigations have led to two written warnings and one example of general rules and procedures for an area to be re-introduced.

	2021	2020	2019	2018	Performance relative to target baseline 2020	Performance relative to Group KPIs – shown in brackets
Employee Engagement						
Baseline						
STARK Group employee engagement survey score (satisfaction & motivation)	74	75	74	73	▼ -1%	Off target (76)
Germany	72	-	-	-	N/A	Off target (76)
Nordics	76	75	74	73	▲ +1%	Target reached (76)
Employee engagement survey score (loyalty)	83	-	-	-	N/A	On target (82)
STARK Group participation rate (%)	81	91	89	81	▼ -10pp	Off target (85%)
Germany	70	-	-	-	N/A	Off target (85%)
Nordics	92	91	89	81	▲ +1pp	Target reached (85%)
Average seniority (years)	8.4	9.5	9.6	9.8	N/A	N/A

DIVERSITY AND INCLUSION

At STARK Group, we value having a diverse workforce that reflects the population of the markets in which we operate. We do not accept any discriminatory behaviour based on gender, ethnicity, age, religion, sexuality, or other factors.

The value of equal opportunity is embedded in the way we do business and retain talent across the Group, and we believe this inclusive culture also fosters engagement.

WOMEN IN MANAGEMENT

While our sector remains male-dominated, we are starting to see greater female participation at each level of our business. Women account for 22% of our employees, and hold 16% of management positions. In STARK Group, 25% of the Executive Committee members are women (3 women:

9 men); on Executive Management level, the gender balance is 50/50 (1 woman: 1 man), and in our board of directors, 20% are women.

We work continuously to improve the gender balance of the company as described in our people policy and our Diversity and Inclusion manual. We have set targets that at least 30% of managers at all levels of the organisation are women, ranging from our Board of Directors, through the Executive Management team, Executive Committee

and to all managers defined as STARK Group employees who have direct reports. We are committed to ensuring that discussions among all management levels, including our board of directors, include multiple perspectives on business, the industry in general, our people and leadership.

Our total percentage of women has remained stable at 22% between 2020 and 2021. The total percentage of women in management positions has increased by 3% to 16% during 2021. Due to the change in our Group Chief Communications Officer position from a woman to a man, our gender ratio has decreased from 30% to 25%. The gender distribution on the STARK Danmark A/S Board is 33/66 (1 woman: 2 men). On the new STARK Group ApS Board of Directors, the gender diversity ratio has decreased after a change in ownership to CVC Capital Partners. STARK Group is presently represented on the board by one person of each gender. However, in total, one of five board members are women (20%). Our progress towards our

targets on both the Executive committee level and board of directors' level has therefore not improved.

To reach our targets by July 2024 at the latest, we continue to monitor our recruitment process to always ensure we have female candidates in the pipeline, and we strongly urge our external recruitment partners to present diverse candidates. Additionally, we have a target that apprentice schemes should aim for 30% women participation. The gender ratio at all levels, including on board level, will be discussed at board meetings to find out how best to reach this target. In 2020/21, STARK Group joined the UN Global Compact Target Gender equality accelerator programme to further develop our efforts in this area and to deepen our implementation of the Women's Empowerment Principles and strengthen our contribution to SDG 5.5. By focusing on getting more women in management positions – our goal is to grow the pool of female talent.

COMPENSATION

STARK Group pays fair wages and rewards good performance. Compensation for employees is based on market level, performance and, where relevant, collective bargaining agreements. The overall direction of compensation and benefits is set by the STARK Group Remuneration Committee. All reward decisions comply with Group guidelines as well as legislation. As of 2021/22, the STARK Group executive remuneration is linked to sustainability performance.

	2021	2020	2019	2018	Performance relative to target baseline 2020	Performance relative to Group KPIs – shown in brackets
Diversity and Inclusion	Baseline					
% women (total)	22	22	22	23	► 0pp	Progress towards target (25)
% of management positions held by women	16	15	13	13	▲ +1pp	Progress towards target (20)
Executive Committee (% women)	25	30	33	33	▼ -5pp	Off Target (30%)
Executive Management team (% women)	50	50	50	50	► 0pp	On Target (30%)
Board of Directors (% women)	20	33	33	29	▼ -7pp	Off Target (30%)

COMPETENCE DEVELOPMENT

Managers and leaders play an essential role in developing employee competencies. We invest time and resources toward giving our managers the skills and understanding needed to build and maintain a work environment that fosters growth. Employees are entitled to at least one performance talk per year, and it is recommended that they are held more regularly.

Development has a wide range of forms, such as classroom training; performed by in-house and external trainers, on-the-job training - carried out as side-by-side training from a colleague or manager - or simply stretching one's daily assignments above the limits of the employee's competencies. Doing a job outside the comfort zone or having a cross-functional project can develop a person much more than classroom training. We also have a variety of online courses supported by our online learning management system. During 2020/21, 283 e-learning modules were available on the STARK Group e-learning platform, and

a total of 26,419 e-learning modules were completed. 10,042 employees took a total of 26,476 training hours. Data includes online training and on-site training (skills, product, management and leadership training).

Internal promotions are important to motivate and retain valuable employees. Therefore, we support our employees who aim to

change positions, roles, and organisations within STARK Group by offering promotion opportunities for all available positions.

All business units have an extensive onboarding programme to help new employees understand their tasks and company processes, as well as to become an integrated part of the corporate culture. Health, safety,

and sustainability issues make up a significant part of the onboarding programme, as these issues support our corporate values and are key contributors to our long-term success.



OUR 10 SUSTAINABILITY PROGRAMMES

OUR MARKET



Promotion of sustainable products and services	37
Educative partner and corporate citizen	39

PROMOTION OF SUSTAINABLE PRODUCTS AND SERVICES

SUSTAINABLE PRODUCTS

Sustainable construction reduces resource and energy consumption, provides a better indoor climate, offers lower costs for the long-term building owner, and increases circularity. Furthermore, sustainable construction has the power to ease global challenges, including climate change, increasing consumption and disposal of resources and the depletion of nature and biodiversity. For these reasons, there is growing demand for sustainable construction.

We support and encourage sustainable construction and increased circularity in the construction industry by offering a relevant assortment of eco-labelled products that continuously meet market expectations and follow product development. Furthermore, we ensure commercially relevant product knowledge within sustainable alternatives to become the preferred partner for sustainable construction. We provide efficient product documentation for our customers and support our customers' needs for increased environmental information regarding product impact throughout the life-cycle.

In 2021, STARK Danmark's circular concept, GENTRÆ, has become a strategic sustainability focus area that has also been expanded to southern Sweden. With GENTRÆ as a catalyst, we are further exploring how increased proportions of our future raw materials can be harvested as secondary resources for environmental sustainability as well as creating value for our customers and our business. Please refer to our sustainability stories on page 47 for case descriptions.

As with all new tendencies, sustainable construction requires craftsmen, architects, and developers to possess knowledge of sustainable building standards and available products. One of the most significant barriers to sustainable construction is the lack of knowledge about sustainable alternatives.

During 2020/21, STARK Danmark and Beijer trained 36 sustainability specialists through sustainability ambassador training programmes. Through weekly training and networking sessions, these ambassadors developed skills and best practice sharing across branches and regions within practical, customer-driven sustainability, including sustainable building materials, third-party certified eco-labels, and documentation.

All STARK Group business units aim to make it easier for customers to make educated choices. We do this by providing relevant information illustrating what the various product labels stand for and which product labels to look for to ensure a healthy indoor climate, lower environmental impacts and lower occupational health risks for craftsmen. Educational material has enabled our customers to make informed choices when choosing within our assortment of building materials. Furthermore, we have received positive feedback from our customers that having more information about sustainability has improved their sales arguments towards their customers, such as using low-emission materials to ensure a healthier indoor climate or products with a lower carbon footprint. Look for the following eco-labels for the most sustainable alternatives:

THIRD-PARTY VERIFIED ECO-LABELS

		
		
		
		
STARK Deutschland STARK Danmark STARK Suomi Beijer Byggmaterial Neumann Bygg	FSC® C100156 FSC® C004720 FSC® C118054	PEFC/04-31-1576 PEFC/09-31-026 PEFC/02-31-194 PEFC/05-37-215 PEFC/03-31-41

EASY ACCESS TO SUSTAINABILITY DOCUMENTATION

Certified sustainable construction schemes and public procurement requirements demand correct and verified documentation of construction materials. We strive to make it easy for all customers and end-users to find the required sustainability and safety documentation. For example, customers can see their previous orders and invoices, and download data sheets, delivery notes and sustainability documentation for any given project number or construction site in their portfolio. Together with our suppliers, we are continuously improving the availability of documentation on our products to meet the increasing data demands for sustainable construction.

INCREASED SALES OF ECO-LABELLED PRODUCTS

In 2021, the percentage of FSC and PEFC certified timber and timber-based products increased in STARK Danmark, STARK Suomi and Neumann with certified SKUs in stocked assortment ranging between 88-94% and share of timber-based sales ranging between 94-95%. In total, the share of all third-party verified eco-labelled SKUs in STARK Danmark and STARK Suomi made up 21% and 9% of stocked assortment, representing 40% and 49% of the total sale of stocked assortment, respectively.

	2021	2020	2019	Performance relative to target baseline 2020	Performance relative to Group KPIs – shown in brackets
Promotion of Sustainable Products					
Baseline					
% share of certified FSC or PEFC timber and timber-based products SKUs in stocked assortment					
STARK Danmark	88	80	74	▲ +8pp	On Target (increasing %)
STARK Suomi	89	89	-	▶ 0pp	Progress towards target (increasing %)
Neumann Bygg	94	93	93	▲ +1pp	On Target (increasing %)
% share of sales of timber and timber based FSC or PEFC certified products in stocked assortment					
STARK Danmark	95	93	75	▲ +2pp	On Target (increasing %)
STARK Suomi	94	95	-	▼ -1pp	Off Target (increasing %)
% share of third party verified eco-labelled SKUs in stocked assortment					
STARK Danmark	21	-	-	N/A	N/A
STARK Suomi	9	9	-	▶ 0pp	Progress towards target (increasing %)
% share of sales third party verified eco-labelled SKUs in stocked assortment					
STARK Danmark	40	-	-	N/A	N/A
STARK Suomi	49	46	-	▲ +3pp	On Target (increasing %)
Customer Advice					
% of employees trained as sustainability specialists	0.3	0	-	▲ 0.3pp	Progress towards target (3%)

EDUCATIVE PARTNER AND CORPORATE CITIZEN

At STARK Group, we wish to contribute to the local communities in which we operate. We seek to be active in sustainability networks and collaborate in partnerships that promote sustainability and circularity.

We participate in numerous networks and partnerships to close material loops and push forward a European standard for circular products and processes in the construction industry. Our collaboration has continued in Circle House lab, and STARK has contributed to six green papers within the circularity themes; Building Passport, Selective Demolition, Design for Disassembly, Business Models, Take Back and Circular Tenders. Please refer to Circle House Lab - BLOXHUB to download the publications (In Danish only).

Furthermore, STARK Group strive to be an active corporate citizen supporting social sustainability in its local communities. We aim to participate in educative events for young craftsmen, in non-profit organisations within our industry and in a wide range of debates and workshops to promote sustainability.



OUR SUSTAINABILITY STORIES



Our products

Product quality and integrity	41
Responsible sourcing	41

Our operations

Environmental efficiency	42
Health and safety	44
Diversity and inclusion	44
Competence development	45

Our market

Promotion of sustainable products and services	46
Educative partner and corporate citizen	48

OUR PRODUCTS OUR OPERATIONS OUR MARKET

OUR PRODUCTS

PRODUCT QUALITY AND INTEGRITY

EUROPEAN SUPPLIER PROGRAMME

During 2021, STARK Group has continued the European Supplier Programme with our most prominent suppliers. The ambition is to work closely together to solve some of the significant challenges facing the industry. In July 2021, the first of a series of round table discussions were held on the topic of sustainability. We discussed how we, as a joint force, can develop the most sustainable and profitable ways to serve the builders in our industry, from reducing emissions within distribution to making it easier for craftsmen to choose and build more sustainably. The programme aims to create an innovative and collaborative environment for piloting sustainable initiatives across the supply chain and will, during 2021/22, be followed up by both bilateral meetings and a second round table discussion to cover themes such as Science Based Targets and net zero.



RESPONSIBLE SOURCING

LIGHTWEIGHT LARGE FORMAT TILES

A key area within sustainability is sourcing new innovative sustainable products, and we are committed to exploring this area continuously. In 2021, STARK Deutschland has worked with various industry partners to promote thinner lightweight large format tiles on the market. The reduced thickness minimises the raw material and energy requirements in the production process as well as resulting in lower product weight. In the distribution phase, lightweight tiles are more environmentally friendly than traditional tiles as the transport and logistic setup reduce emissions, saves space and enables more m² to be transported simultaneously. During the installation phase, the health and safety of craftsmen are also improved compared to other large format tiles as they are lighter to work with and easier to manoeuvre and modify.

Low thickness tiles laid on underfloor heating reduce energy consumption in the use phase as they improve thermal conductivity compared to conventional tiles. A further advantage of these tiles is their low construction height which enables them to be laid on existing flooring during renovations. This has the potential to significantly reduce the waste generated during refurbishment.

In 2021, STARK Deutschland launched a series of large format tiles under its own brand Kermos in dimensions up to 150 x 300 cm in reduced 6mm thickness and produced in Germany.

→ www.youtube.com/watch?v=54yd5fUJPxc

OUR PRODUCTS OUR OPERATIONS OUR MARKET

OUR OPERATIONS

ENVIRONMENTAL EFFICIENCY

LOWER IMPACT TRANSPORT

We are working to improve efficiency and adopt new technologies to reduce emissions from distribution and transport even as our business grows. Following in the footsteps of STARK Danmark, Beijer Bygghandel and Neumann Bygg, STARK Suomi is replacing all their forklifts with electric alternatives. The distribution centre in Helsinki has already converted its counterweight fleet

of diesel forklifts to electric. In Muffenrohr Tiefbauhandel, part of STARK Deutschland, they have also initiated a project to change the internal fleet of forklift trucks to electric, which is slated for completion by the end of 2022. Replacing the fleet reduces carbon footprint, improves air quality, and reduces noise in the working environment.

From e-forklifts to e-distribution: Muffenrohr Tiefbauhandel is continuously converting its fleet of light commercial vehicles to electric. Presently the civil engineering specialist has four commercial electric vehicles in operation. In STARK Danmark, distribution to and from their four STARK Shops in central Copenhagen is completely electric. The delivery of goods and building materials is done in the most environmentally friendly manner possible: Either with an electric truck from Danske Fragtmænd, or - in the case of small and light goods - through a bicycle courier service. In addition to the collaboration with Danske Fragtmænd in Copenhagen, STARK Danmark has ordered its first electric truck with an electric 20 tonne-meter crane. During a transition period to an all-electric fleet, STARK Danmark is in the process of reducing carbon emissions from its existing fleet: Earlier this year, they switched to using HVO diesel in the trucks that serve the central Copenhagen area.

reducing the climate impact in the region, and today, Beijer's transport is fossil-free in their two largest operating regions, the Southern and Stockholm Region. Although transport costs have increased by approximately 3-5% due to the choice of running fossil-free, it is necessary to limit the global temperature rise and is increasingly becoming a customer requirement at emission-free construction sites.

→ www.youtube.com/watch?v=1WHuONGpMTA
(in Swedish)

STARK Group's fleet of passenger cars also contributes a significant share of carbon emissions. In 2020/21, all Neumann branches installed a minimum of two charging stations for electric cars to promote electric and plug-in electric cars.

In Sweden, Beijer Bygghandel's transport in the country's southern region became fossil-free in 2021. This was a significant step in



OUR PRODUCTS OUR OPERATIONS OUR MARKET

OUR OPERATIONS



ENVIRONMENTAL EFFICIENCY

ECO-PACKAGING TO REDUCE EMISSIONS

Our distribution centres receive and distribute large quantities of packaged building materials on a daily basis. The materials are often delivered to the distribution centres in cardboard boxes lined with cardboard filling to protect the goods during transportation. To reduce our emissions from packaging, the e-hub in STARK Denmark has initiated GENPAP. Instead of new, custom-made cardboard filling to protect customer' goods, they manufacture their own cardboard filling by converting cardboard boxes into cardboard filling. They expect to reuse the 30 tonnes

of cardboard packaging they receive in the warehouse annually, saving approximately 100 tonnes of CO₂ and more than EUR 40,000.

Integrating more recycled material in our packaging is one way we can cut carbon emissions, and we are exploring ways to do this for the plastics we use. For example,

plastic packaging foil with a high proportion of recycled plastics is used by several business units. In 2020/21, STARK Suomi tested foil with 85% recycled content, which has performed well even in winter conditions. They expect to increase the percentage of recycled foil from 50% to 85% in all branches.

OUR PRODUCTS OUR OPERATIONS OUR MARKET

OUR OPERATIONS

HEALTH AND SAFETY

OCCUPATIONAL SAFETY AWARD

Every year, STARK Suomi presents an occupational health and safety award to the branch that best promotes occupational safety. In 2021, the Joensuu branch received the award for being the most active branch making health and safety observations and improvements. The findings are used to develop safety in the work environment. The prize was donated to North Karelia's Central Hospital to help paediatric patients.



STEPS TOWARDS HEALTHIER LIFESTYLES

The Covid-19 pandemic, unfortunately, meant that many of our office workers had to work from home. To counteract sedentary work and to create a sense of collaboration and belonging, Beijer took the initiative to participate in the step competition "Tappa". The employees were divided into 129 teams, which all connected to a step-counting app. The goal was to jointly, but each for themselves, walk the entire length of Sweden and pass a selection of our branches along the way. The initiative prompted a huge commitment and competitive spirit. Together, the employees at Beijer walked not only the length of Sweden but over 339 million steps - equivalent to 6.35 laps around the Earth.



DIVERSITY AND INCLUSION

DIVERSITY SIGNATORY

The value of equal opportunity is embedded in the way we do business and retain talent across the Group. Therefore, STARK Group has committed to different initiatives. In Denmark, STARK has signed the Confederation of Danish Industry (DI)'s Gender Diversity Pledge. The initiative obliges Danish companies to commit to achieving more gender equality in the workplace.

"All studies show that diversity in companies provides a better work environment and improves the results. Diversity is simply good business. We need to create more gender equality at all levels. This is especially true in our own industry, where only ten per cent of the workforce, and even fewer in management, are women. We see a genuine need for change, which is why we are signing the pledge," says Britta Korre Stenholt, CEO of STARK Danmark.

Diversity and openness is also high on the agenda in STARK Deutschland, and with its employees representing 39 different nationalities, signing the Diversity Charter initiative was a natural step to take: A voluntary commitment for companies that aim to create an appreciative work environment – irrespective of age, ethnic background and nationality, gender and gender identity, physical and mental abilities, religion and world view, sexual orientation, and social background.



WOMEN IN CONSTRUCTION

As more women are entering the construction industry, demand for female workwear has increased. However, in a male-dominated industry, workwear has not been designed for women. Therefore, STARK Danmark and STARK Suomi have increased their focus on women's workwear and are working closely with their suppliers to meet the female demands for shapes, sizes, and functionality.

OUR PRODUCTS OUR OPERATIONS OUR MARKET

OUR OPERATIONS

COMPETENCE DEVELOPMENT

SEASONAL WORKERS

Employee training and competence development is an ongoing activity in STARK Group. All business units have extensive onboarding programmes to help seasonal staff understand tasks and company processes as well as feel like an integrated part of the culture. In Finland, STARK welcomed more than 150 seasonal workers to work in stores and pick-up yards during the summer season. The feedback was great, with an average survey score of 4.4/5. In particular, the work environment and atmosphere in the different branches was highly praised. The majority of the respondents were highly satisfied with the onboarding and felt that they had acquired new skills. Areas of improvement were also discovered, and STARK is now working to improve the summer work experience based on the feedback.



NEW APPRENTICES

In 2021, STARK Deutschland once again welcomed nearly 180 new apprentices. At STARK Deutschland, the promotion of young talent and long-term cooperation is a key factor. The trainees are firmly integrated into the departments and receive intensive support. Furthermore, they take part in tailor-made training courses in the in-house academy. The regular training period is three years, and the main goal is to take the trainees in permanent employment after completing their training. In addition, the trainees have exciting development opportunities within the network of 11 strong brands.

STARK Deutschland has also been named the best recruiter 2020/2021 in the industry. This is the third time that STARK Deutschland has taken first place. The award was received for high-quality recruitment, detailed employee training and information, and successful competence development.



OUR PRODUCTS OUR OPERATIONS OUR MARKET

OUR MARKET

PROMOTION OF SUSTAINABLE PRODUCTS AND SERVICES

SUSTAINABILITY AMBASSADORS

At STARK Group, we believe that knowledge is one of the keys to the green transition. Therefore, 3% of all STARK Group employees must be educated as sustainability specialists by 2024. In STARK Danmark and Beijer Byggmaterial, they have initiated employee education within sustainable construction. Two employees from each region have received weekly training as sustainability ambassadors who can help craftsmen meet increasing requirements associated with sustainable construction: From knowledge of sustainable building materials and third-party certified eco-labels to the required documentation. The sustainability ambassadors will contribute to a higher level of know-how in the organisation, and they are the specialists their colleagues can turn to for help and assistance.

“More and more projects demand a sustainability certification that requires us to be alert, from tender stage to delivery. Many of our larger customers have a pretty good idea of what is required, but when it comes to smaller customers who are doing their first sustainable project, it demands a lot more from us. So, it is a good feeling to now be able to use this knowledge to help them,” says Mattias Granholm, Sales Manager and Sustainability Ambassador at Beijer Byggmaterial.



THE STARK SUSTAINABILITY CHECKLIST TOOL

STARK Danmark has developed a successful tool that helps customers address sustainability in their operations on a construction site. The tool is referred to as “The Checklist”. It has been quoted by several large contractors and consulting engineers as the current best example of operational sustainability in the market. It was highlighted at numerous conferences during the year.

The tool includes an extensive list of different initiatives ranging from fossil-free deliveries, zero-emission rental equipment, an efficient documentation process through to a wide range of circular processes and products that can easily be implemented at any construction site. The checklist has proved to be an effective tool to help contractors to initiate more sustainable practices on construction sites, and at the same time as documentation for later reporting.

OUR PRODUCTS OUR OPERATIONS OUR MARKET

OUR MARKET

PROMOTION OF SUSTAINABLE PRODUCTS AND SERVICES

GENTRÆ: FROM PRODUCT TO CONCEPT

The wood recycling project GENTRÆ continues to expand its operations. GENTRÆ increases circularity in our sector, thereby contributing to reducing emissions from building projects. The GENTRÆ concept has been implemented at numerous construction sites in Denmark. It has, for example, saved at least seven tonnes of CO₂ at the multi-million-dollar DGNB certified construction project at Kay Fiskers Plads in Copenhagen by collecting 17 tonnes of used temporary construction timber from the construction site. The 17 tonnes of wood has already been

given a new life. Part of the wood has been used to build skateboard ramps at GAME Streetmekka in Viborg, Denmark, while the rest has been sold at STARK Danmark's branches.

Utilising synergies within the Group, GENTRÆ was, initiated in Sweden as a pilot project in 2021. GENTRÆ was launched as part of Wihlborgs' building project Kvartetten, a 23,000 m² office building in Malmö. The building project is characterised by sustainable solutions that permeate the entire construction project where materials are carefully selected, and a large part comes from recycling.

"We need to find circular business models in our industry. Wood is an important product category for us, so it feels great to be part of this project, which provides a circular system for recycling wood. Within LFM30, we found partners in Wihlborgs and Peab that share our vision of working more circularly. I truly believe we are on to something really good here," says Alexandra Rosenqvist, Sustainability Manager at Beijer Byggmaterial.



PARTNERING FOR CIRCULARITY

STARK Danmark has an increasing focus on partnering with suppliers, customers, and demolition companies to increase circularity. For example, in a single project, Åhaverne, where 400 housing association townhouses have been selectively demolished, STARK Danmark contributed to the reuse of 70 km overhang boards, 10 km glulam beams, 400,000 roof tiles and 1.6 million bricks. The tiles and bricks have been cleaned for resale, the glulam beams have been cut to a slightly smaller dimension and resold, and the overhang boards are being reused to produce construction site walkways in collaboration with Comeback, a socioeconomic initiative for marginalised young men between the ages of 16 and 35.



OUR PRODUCTS OUR OPERATIONS OUR MARKET

OUR MARKET

EDUCATIVE PARTNER AND CORPORATE CITIZEN

BUILDING 2030

In 2021, STARK Suomi became part of “Building 2030”. Building 2030 is a consortium that is developing a vision to prepare for future changes in the Finnish construction sector and is working towards implementing it by 2030. The consortium aims to prepare for future changes in the sector - such as digitalisation, rapid urbanisation and climate change - while ensuring a sustainable foundation for businesses in the sector.



OMBOLD

STARK Denmark is partnering with the Danish NGO “OMBOLD”. OMBOLD is a non-profit organisation that since 2003 has developed a football concept targeted at people in local communities who do not naturally seek ordinary sports associations. The purpose of OMBOLD’s football activities is to help socially disadvantaged women and men who find it difficult to be included in ordinary club sports find a social community and a place where they can feel safe at home. OMBOLD forms a breeding ground for positive development in relation to physical and mental health, social networks, and quality of life.

Whether you are 10 or 100 years old, if you come from near or far, or are rich or poor, you must have kicked a ball against a wall at some point in your life. In Denmark, this street

ballgame is called “mur”. STARK Denmark has, in collaboration with OMBOLD, made an official set of rules for the game “mur”. In 2021, all STARK branches across Denmark held tournaments for customers.



BUILDING LONGER LIVES

Mustaschkampen is a campaign run by The Prostate Cancer Association that combines humour with seriousness to contribute to research, development, and better health care, and at the same time spread knowledge about Sweden’s most common type of cancer: prostate cancer. In 2021, for the fifth year in a row, Beijer was the main partner for Mustaschkampen. By donating gifts or buying promotional products during November and December, customers can contribute to the cause. In addition to donating money to the campaign, Beijer also works to spread the message about male health and the importance of taking a PSA test if you have passed the age of 50.

SUSTAINABILITY DATA PERFORMANCE

1 Our ESG performance in numbers	50
2 Our progress on targets	52
3 Sustainability framework and supporting policies	56
4 The Sustainable Development Goals	57
5 Reporting according to the recommendations of the TCFD	60
Accounting principles	61
Auditor's Independent Assurance Report	64

1 OUR ESG PERFORMANCE IN NUMBERS

This ESG data table provides ESG data for STARK Group according to NASDAQ's ESG Reporting Guide 2.0.

1.1 ENVIRONMENTAL INDICATORS

ESG Indicator	Indicator	Unit	2020/21	2019/20	Further information
E1	Scope 1: Direct GHG emissions (GHG Protocol)	tonnes CO ₂ eq	23,632	26,746	pg 8-10, 28-29
E1	Scope 2: Indirect GHG emissions – energy related (GHG Protocol, market-based inventory)	tonnes CO ₂ eq	13,408	26,790	pg 8-10, 28-29
E1	Scope 3: Indirect GHG emissions (GHG Protocol)	tonnes CO ₂ eq	N/A	11,085,536	pg 9-10
E2.1	GHG emissions from building and equipment	tCO ₂ eq/mEUR revenue	4.1	8.5	pg 8-10, 28-29
E2.1	GHG emissions from transport (goods and people)	tCO ₂ eq/mEUR revenue	11.5	14.8	pg 8-10, 28-29
E2.2	Waste per output scaling factor	tonnes/mEUR revenue	6.0	7.6	pg 28-29
	Waste disposed	metric tonne	29,763	31,463	pg 28-29
	% waste segregated for recycling	%	72	77	pg 28-29
E3	Electricity	Mwh	67,255	67,753	pg 28-29
E3	District heating	Mwh	27,713	29,103	pg 28-29
E3	Natural gas	m ³	806,385	1,128,693	pg 28-29
E3	Oil	l	794,232	877,693	pg 28-29
E3	LPG	l	107,021	95,643	pg 28-29
E3	Diesel (distribution & operations)	l	7,336,666	8,157,529	pg 28-29
E3	Biofuel (distribution & operations)	l	676,585	224,960	pg 28-29
E3	Petrol	l	151,132	136,904	pg 28-29
E3	Refrigerant	kg	14	9	pg 28-29
E5	% actively sourced renewable electricity	%	31	0	pg 29
E6	Water consumption	m ³	103,383	102,535	pg 28-29
E7	Formal environmental policy	Yes/No	Yes	Yes	pg 56
E8	Board of Directors oversight of climate-related risks	Yes/No	Yes	Yes	pg 18
E9	Executive Management team oversight of climate-related risks	Yes/No	Yes	Yes	pg 18
E10	Climate Risk Mitigation				

1.2 SOCIAL INDICATORS

ESG Indicator	Indicator	Unit	2020/21	2019/20	Further information
S1	CEO Pay Ratio		N/A	N/A	
S2	Gender Pay Ratio		N/A	N/A	
S3	Employee Turnover			15.2	
S4	Gender Diversity: All employees	% women	22	22	pg 34
S4	Gender Diversity: Executive Management	% women	50	50	pg 34
S4	Gender Diversity: Executive Committee	% women	25	30	pg 34
S4	Gender Diversity: Management positions	% women	16	15	pg 34
S6	Non-Discrimination in policies and processes	Yes/No	Yes	Yes	pg 32-34
S7	Injury rate	per 1,000,000 worked hours	8.8	8.0	pg 30-31
S7	Lost workday rate	per 1,000,000 worked hours	64.3	64.3	pg 30-31
S8	Occupational health and/or global health & safety policy	Yes/No	Yes	Yes	pg 30-31, 56
S9	Child and forced labour in policies and processes	Yes/No	Yes	Yes	pg 23, 25-26, 56
S10	Human Rights in policies and processes	Yes/No	Yes	Yes	pg 23, 25-26, 56

1.3 GOVERNANCE INDICATORS

ESG Indicator	Indicator	Unit	2020/21	2019/20	Further information
G1.1	Total board seats occupied by women	%	20	33	pg 34
G2	Board Independence	Yes/No	No	No	
G3	Incentivised Pay	Yes/No	Yes	No	pg 18
G4	Collective Bargaining	Yes/No	Yes	Yes	pg 32-34
G5	Suppliers required to follow a Code of Conduct	Yes/No	Yes	Yes	pg 23
G6	Ethics and/or Anti-Corruption policy	Yes/No	Yes	Yes	pg 25-26, 56
G7	Data Privacy policy	Yes/No	Yes	Yes	pg 26, 56
G8	Published Sustainability Report	Yes/No	Yes	Yes	All
G9	Sustainability data provided to sustainability reporting frameworks	Yes/No	Yes	Yes	SBTi
G9	Company focus on specific UN Sustainable Development Goals (SDGs)	Yes/No	Yes	Yes	pg 57-59
G9	Company sets targets and reports progress on the UN SDGs	Yes/No	Yes	Yes	pg 57-59
G10	Company's sustainability disclosures are assured or validated by a third party	Yes/No	Yes	Yes	pg 64

2 OUR PROGRESS ON TARGETS

Baseline: 2020 (Target period 2020-2024)

GENERAL DATA	2021	2020	2019	2018	2017	2016		
Number of locations	485	422	186	180	179 ¹	256		
Number of employees	11,700	10,038	5,419	4,585	4,890	5,014		
Net revenue (mEUR)	4,949	4,458	2,299	2,206	2,214	2,250		
Number of countries	6	6	5	5	5	5		
2.1 OUR PRODUCTS	2021	2020	2019	2018	2017	2016	Performance relative to target baseline 2020	Performance relative to Group KPIs – shown in brackets
Product Quality and Integrity	Baseline							
Contracts passed Product Integrity evaluation	100%	100%	100%	100%	-	-	▶	100%
Number of passed onsite supplier audits (no. of onsite audits passed/ no. of onsite audits conducted)	0/0	0/0	5/5	-	-	-	▶	All passed
Responsible Sourcing								
Number of passed EUTR evaluations (no. of EUTR evaluations passed/ no. of EUTR evaluations conducted)	0/0	0/0	1/1 (DK)	2/2 (SE&FI)	1/1 (SE)	1/1 (DK)	▶	All passed
Ethical Behaviour and Human Rights								
Code of Conduct	Training conducted in STARK DE	Distributed in STARK DE	Redistributed	-	-	-		N/A

OUR PROGRESS ON TARGETS – CONTINUED

2.2 OUR OPERATIONS	2021	2020	2019	2018	2017	2016	Performance relative to target baseline 2020	Performance relative to Group KPIs – shown in brackets
Environmental Efficiency	Baseline							
GHG Scope 1&2 (absolute tCO ₂ e)	37,040 ²	53,536 ³	16,418	17,277	22,742	25,010	▼ -31%	Target level reached (-4.2%)
GHG Scope 1 (absolute tCO ₂ e)	23,632	26,746	9,576	8,966	9,820	9,733	▼ -12%	Target level reached (-4.2%)
GHG Scope 2 ⁴ (absolute tCO ₂ e)	13,408	26,790	6,842	8,311	12,922	15,277	▼ -49%	Target level reached (-4.2%)
Total carbon emissions (tCO ₂ e/mEUR revenue ⁵)	15.6	23.3	14.6	15.7	17.0	16.7	▼ -33%	Target level reached (-4.2%)
Buildings & equipment (tCO ₂ e/mEUR revenue)	4.1	8.5	4.0	5.0	6.1	6.6	▼ -52%	Target level reached (-4.2%)
Transport (tCO ₂ e/mEUR revenue)	11.5	14.8	10.6	10.7	10.9	10.1	▼ -22%	Target level reached (-4.2%)
Total waste (t/mEUR revenue ⁵)	6.0	7.6	6.3	6.5	8.3	6.8	▼ -22%	Target level reached (-4.2%)
% of total waste segregated for recycling (%)	71.9	76.8	51.2	53.9	55.1	53.6	▼ -5pp	Off target (80%)
Health and Safety								
Injury rate (per 1,000,000 worked hrs)	8.8	8.0	8.2	8.3	7.7	7.8	▲ +10%	Off target (7.0)
Lost workday rate ⁶ (per 1,000,000 worked hrs)	64.3	64.3	61.5	46.2	35.0	44.0	▶ 0%	Progress towards target (40)
No. of critical injuries	0	0	0	0	1	0	▶	N/A

1. Silvan operations discontinued

2. Scope 1 and 2 emission data obtained limited assurance by Deloitte – please refer to limited assurance statement on page 64.

3. The 2020 baseline data obtained limited assurance by Deloitte.

4. Scope 2 emission is reported according to the market-based accounting approach from 2020. Prior to 2020, reporting is according to the location based approach.

5. Fixed FX rate as of baseline 2020.

6. In 2020/21, we started a new way of reporting LWDs according to GRI, which includes LWDs not requiring medical treatment.

OUR PROGRESS ON TARGETS – CONTINUED

2.2 OUR OPERATIONS – CONTINUED	2021	2020	2019	2018	2017	2016	Performance relative to target baseline 2020	Performance relative to Group KPIs – shown in brackets
Employee Engagement	Baseline							
STARK Group employee engagement survey score (satisfaction & motivation)	74	75	74	73	-	-	▼ -1%	Off target (76)
Germany	72	-	-	-	-	-	N/A	Off target (76)
Nordics	76	75	74	73	-	-	▲ +1%	Target reached (76)
Employee engagement survey score (loyalty)	83	-	-	-	-	-	N/A	On target (82)
STARK Group participation rate (%)	81	91	89	81	-	-	▼ -10pp	Off target (85%)
Germany	70	-	-	-	-	-	N/A	Off target (85%)
Nordics	92	91	89	81	-	-	▲ +1pp	Target reached (85%)
Average seniority (years)	8.4	9.5	9.6	9.8	-	-	N/A	N/A
Diversity and Inclusion								
% women (total)	22	22	22	23	-	-	► 0pp	Progress towards target (25)
% of management positions held by women	16	15	13	13	-	-	▲ +1pp	Progress towards target (20)
Executive Committee (% women)	25	30	33	33	-	-	▼ -5pp	Off Target (30%)
Executive Management team (% women)	50	50	50	50	-	-	► 0pp	On Target (30%)
Board of Directors (% women)	20	33	33	29	-	-	▼ -7pp	Off Target (30%)

OUR PROGRESS ON TARGETS – CONTINUED

2.3 OUR MARKET	2021	2020	2019	2018	2017	2016	Performance relative to target baseline 2020	Performance relative to Group KPIs – shown in brackets
Promotion of Sustainable Products	Baseline							
% share of certified FSC or PEFC timber and timber-based products SKUs in stocked assortment								
STARK Danmark	88	80	74	-	-	-	▲ +8pp	On Target (increasing %)
STARK Suomi	89	89	-	-	-	-	▶ 0pp	Progress towards target (increasing %)
Neumann Bygg	94	93	93	-	-	-	▲ +1pp	On Target (increasing %)
% share of sales of timber and timber based FSC or PEFC certified products in stocked assortment								
STARK Danmark	95	93	75	-	-	-	▲ +2pp	On Target (increasing %)
STARK Suomi	94	95	-	-	-	-	▼ -1pp	Off Target (increasing %)
% share of third party verified eco-labeled SKUs in stocked assortment								
STARK Danmark	21	-	-	-	-	-	N/A	N/A
STARK Suomi	9	9	-	-	-	-	▶ 0pp	Progress towards target (increasing %)
% share of sales third party verified eco-labeled SKU's in stocked assortment								
STARK Danmark	40	-	-	-	-	-	N/A	N/A
STARK Suomi	49	46	-	-	-	-	▲ +3pp	On Target (increasing %)
Customer Advice								
% of employees trained as sustainability specialists	0.3	0	-	-	-	-	▲ 0.3pp	Progress towards target (3%)

3 SUSTAINABILITY FRAMEWORK AND SUPPORTING POLICIES

	Sustainability programmes	Supporting policies	Targets (Target period 2020-2024)	Supported SDGs
3.1 OUR PRODUCTS Better products from trusted suppliers in order to meet customer and societal expectations, both now and in the future.	Product quality and integrity	<ul style="list-style-type: none"> Product Integrity Policy Code of Conduct Risk Management Policy Sustainability Policy Competition Law Policy 	<ul style="list-style-type: none"> 100% passed Product Integrity evaluation All onsite supplier audits passed 	  
	Responsible sourcing	<ul style="list-style-type: none"> Responsible Timber Sourcing Policy Trade Compliance and Sanctions Policy Code of Conduct Sustainability Policy Risk Management Policy 	<ul style="list-style-type: none"> 100% passed Product Integrity evaluation 100% passed EUTR evaluation Increasing % FSC and PEFC certified wood SKUs Increasing % third-party verified eco-labelled product SKUs 	
	Ethical behaviour and human rights	<ul style="list-style-type: none"> Records Management and Personal Data Protection Policy Fraud, Anti-Bribery and Corruption Policy Sustainability Policy Code of Conduct 	<ul style="list-style-type: none"> 100% passed Product Integrity evaluation 	
3.2 OUR OPERATIONS To be an efficient and trusted partner and employer of choice in the industry to ensure long-term sustainability.	Environmental efficiency	<ul style="list-style-type: none"> Environmental Policy Sustainability Policy 	<ul style="list-style-type: none"> 16.8% reduction of absolute scope 1 & 2 GHG emissions 16.8% reduction of CO₂e emissions from buildings and equipment 16.8% reduction of CO₂e emissions from transport 20% waste reduction 80% waste segregated for recycling 	      
	Health and safety	<ul style="list-style-type: none"> Health and Safety Policy Code of Conduct 	<ul style="list-style-type: none"> Reduce injury rate (7 per 1,000,000 worked hours) Reduce lost workday rate (40 per 1,000,000 worked hours) 	
	Employee engagement	<ul style="list-style-type: none"> People Policy Code of Conduct 	<ul style="list-style-type: none"> Engagement survey score - Satisfaction & Motivation: 76 Loyalty: 82 Engagement survey participation rate: 85% 	
	Diversity and inclusion	<ul style="list-style-type: none"> People Policy Code of Conduct 	<ul style="list-style-type: none"> 25% of women in total 20% of women in management positions 30% of women in Executive Committee 30% of women in Board of Directors 	
	Competence development	<ul style="list-style-type: none"> People Policy Sustainability Policy 	<ul style="list-style-type: none"> 3% employees trained as sustainability specialist 	
3.3 OUR MARKET To be the preferred partner for sustainable construction, supporting development towards a more sustainable future.	Promoting sustainable products	<ul style="list-style-type: none"> Environmental Policy Sustainability Policy Responsible Timber Sourcing Policy 	<ul style="list-style-type: none"> Increasing % sales of FSC and PEFC certified wood Increasing % sales of third-party verified eco-labelled products 10% of branches offer customers sustainability events annually 	     
	Educative partner and corporate citizen	<ul style="list-style-type: none"> Sustainability Policy Code of Conduct Tax Policy 	<ul style="list-style-type: none"> Engagement and partnerships with NGOs, educational institutions etc. Educative events 	

4 THE SUSTAINABLE DEVELOPMENT GOALS



4.1 OUR PRODUCTS

UN SDG targets	Our direct contribution	Our targets (2024)
8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead.	<ul style="list-style-type: none"> Responsible sourcing of all timber and timber-based products. Wide product range of FSC and/or PEFC certified timber and timber-based products. Wide assortment of products to fulfil energy efficiency requirements. Sourcing of wide range of eco-labelled products. Focus on increasing recyclability and the proportion of secondary materials in products. 	<ul style="list-style-type: none"> Increase share of timber purchase that is FSC and/or PEFC certified. Increase share of sales that are third-party verified eco-labelled products. 3% of employees trained as sustainability specialists (incl. key positions in sourcing).
12.2 By 2030, achieve the sustainable management and efficient use of natural resources.	<ul style="list-style-type: none"> Continuous improvements of our systematic Group health, safety and environmental management system (according to ISO 45001 and ISO 14001) to ensure safe, healthy and resource-efficient operations across the supply chain. Ensure customer access to available Environmental Product Declarations and product impact throughout the life cycle. Actively engage in relevant partnerships to support circularity in the construction industry. Focus on increasing recyclability and the proportion of secondary materials in products and packaging. 	<ul style="list-style-type: none"> Increase share of sales that are third-party verified eco-labelled products. 3% of employees trained as sustainability specialists (incl. key positions in sourcing). Engagement and partnerships for increased circularity. 10% of branches offer customer sustainability events annually.
12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.	<ul style="list-style-type: none"> Actively engage in relevant partnerships to support circularity in the construction industry. Focus on increasing recyclability and the proportion of secondary materials in products and packaging. 	<ul style="list-style-type: none"> 20% waste reduction. 80% segregated waste.
15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements.	<ul style="list-style-type: none"> All STARK Group business units are FSC and/or PEFC certified and follow the Group Responsible Timber Sourcing Policy, including targets for an increasing percentage of timber and timber products certified. All timber and timber products sourced from suppliers outside the EU undergo third-party vendor due diligence to ensure that timber is legally harvested and traded. 	<ul style="list-style-type: none"> Increase share of timber purchase that is FSC and/or PEFC certified. 100% of all new contracts pass Product integrity evaluation process. 100% pass rate of EUTR evaluations.
15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species.	<ul style="list-style-type: none"> Responsible Timber Sourcing Policy, including a target for an increasing percentage of timber and timber products sold certified. Tempered hardwood products traded in STARK Group must be FSC or PEFC certified unless they originate from low-risk countries. Participation in Finnish PEFC working group for review of forest management standard. Having a board member in the FSC Denmark board of directors. 	<ul style="list-style-type: none"> Increase share of timber purchase that is FSC and/or PEFC certified.

THE SUSTAINABLE DEVELOPMENT GOALS – CONTINUED



4.2 OUR OPERATIONS

UN SDG targets	Our direct contribution	Our targets (2024)
<p>4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.</p>	<ul style="list-style-type: none"> All STARK Group business units offer a wide range of internships and apprentices. All STARK Group employees are continuously trained to provide the best advice within sustainable product selection for our customer to make informed decisions. 	<ul style="list-style-type: none"> 3% of employees trained as sustainability specialists. 10% of branches offer customer sustainability events annually.
<p>5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.</p>	<ul style="list-style-type: none"> Working to improve gender balance. Whilst our sector remains maledominated, we are starting to see greater female participation at each level in our business, and we continuously work to improve the gender balance of the company. 	<ul style="list-style-type: none"> Increase % of management positions held by women to 20%. Obtain at least 30% of women in the Executive Committee.
<p>10.4 Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality.</p>	<ul style="list-style-type: none"> The value of equal opportunity is embedded in the way we do business and retain talent groupwide. 	<ul style="list-style-type: none"> Increase % of management positions held by women to 20%. Increase the % of women in total to 25%. Obtain at least 30% of women in the Executive Committee.
<p>12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimise their adverse impacts on human health and the environment.</p>	<ul style="list-style-type: none"> Promotion of sustainable construction products, reducing hazardous substances and improving indoor climate and recyclability. 	<ul style="list-style-type: none"> Increase share of sales that are third-party verified eco-labelled products. 3% of employees trained as sustainability specialists (incl. key positions in sourcing). 10% of branches offer customer sustainability events annually.
<p>13. Integrate climate change measures into national policies, strategies and planning.</p>	<ul style="list-style-type: none"> Commitment to Business Ambition for 1.5°C and Science Based Target net zero 2050. Implementation of scope 1, 2 and 3 targets following a Science Based Target approach with the aim of having targets approved by SBTi. Screening of our scope 3 emissions for materiality assessment and prioritising actions. 	<ul style="list-style-type: none"> Net zero 2050. 4.2% reduction in scope 1 & 2 per year. 5% reduction in scope 3 by 2024 Reduction in carbon from buildings, equipment, and transport: 16.8% reduction (tCO₂e per mEUR revenue) science-based approach.
<p>15.B Mobilise significant resources from all sources and at all levels to finance sustainable forest management and provide adequate incentives to developing countries to advance such management, including for conservation and reforestation.</p>	<ul style="list-style-type: none"> Business units are members of FSC and/or PEFC organisations. STARK Group is active in both FSC and PEFC organisations having a board member in the FSC Denmark board of directors and a representative in the Finnish PEFC working group. 	<ul style="list-style-type: none"> Increase share of timber purchase that is FSC and/or PEFC certified.
<p>16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels. SDG 16.2 End abuse, exploitation, trafficking, and all forms of violence against and torture of children. SDG 16.5 Substantially reduce corruption and bribery in all their forms. SDG 16.6 Develop effective, accountable, and transparent institutions at all levels.</p>	<ul style="list-style-type: none"> 100% of all new contracts pass product integrity evaluation process. 	<ul style="list-style-type: none"> By encouraging our suppliers to meet ethical and environmental standards and through our Code of Conduct and training for colleagues, we have an indirect influence on SDG 16 and underlying targets: 16.2, 16.5 and 16.6. Suppliers must have or adopt similar business principles as outlined in our Code of Conduct.

THE SUSTAINABLE DEVELOPMENT GOALS – CONTINUED



4.3 OUR MARKET

UN SDG targets	Our direct contribution	Our targets (2024)
7.3 By 2030, double the global rate of improvement in energy efficiency.	<ul style="list-style-type: none"> Our science-based carbon reduction targets. Promote energy-efficient products. Increase our range of energy-saving and low carbon energy generation products. 	<ul style="list-style-type: none"> Reduction in carbon from building and equipment: 16.8% reduction (tCO₂e per mEUR revenue) science-based approach. 3% of employees trained as sustainability specialists. 10% of branches offer customer sustainability events annually.
11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.	<ul style="list-style-type: none"> Cleaner transport fuels. Increase sales from products that help customers to create better, more sustainable buildings. 	<ul style="list-style-type: none"> Reduction in carbon from transport: 16.8% (tCO₂e per mEUR revenue) science-based approach. 80% segregated waste.
12.4 Promotion of sustainable construction products, reducing hazardous substances and improving indoor climate and recyclability.	<ul style="list-style-type: none"> Promotion of sustainable construction products, reducing hazardous substances and improving indoor climate and recyclability. Skilled salespeople with relevant product knowledge within energy efficiency and sustainable alternatives. Aim to become the preferred partner for sustainable construction and renovation. 	<ul style="list-style-type: none"> 3% of employees trained as sustainability specialists. 10% of branches offer customer sustainability events annually. Increase share of third-party eco-labelled products.
12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.	<ul style="list-style-type: none"> Commitment to increase our recycling rate and waste reduction. Actively engage in relevant partnerships to support circularity in the construction industry. Focus on increasing recyclability and the proportion of secondary materials in products. 	<ul style="list-style-type: none"> 20% waste reduction. Increase % segregated waste for recycling to 80%.
12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature incentives to developing countries to advance sustainable forest management, including for conservation and reforestation.	<ul style="list-style-type: none"> Help bring sustainable alternatives to public notice through product documentation and in-store information. Collaboration with trade organisations, NGOs etc. to develop information material regarding sustainable building materials and choices. Ensure product documentation to fulfil public procurement and certification requirements on product impact throughout the lifecycle. 	<ul style="list-style-type: none"> 3% of employees trained as sustainability specialists. 10% of branches offer customer sustainability events annually.
13.2 Integrate climate change measures into national policies, strategies and planning.	<ul style="list-style-type: none"> Commitment to Business Ambition for 1.5°C and Science Based Target net zero 2050. Implementation of scope 1, 2 and 3 targets following a Science Based Target approach with the aim of having targets approved by SBTi. Screening of our scope 3 emissions for materiality assessment and prioritising actions. 	<ul style="list-style-type: none"> Net zero 2050. 4.2% reduction in scope 1 & 2 per year. 5% reduction in scope 3 by 2024. Reduction in carbon from buildings, equipment, and transport: 16.8% reduction (tCO₂e per mEUR revenue) science-based approach.
15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.	<ul style="list-style-type: none"> 100% of all tropical hardwood products sourced by STARK Group are FSC certified. Sourcing of hardwood species from high-risk countries is prohibited within STARK Group. 	<ul style="list-style-type: none"> Increase share of timber purchase that is FSC and/or PEFC certified. Increase share of sales that are third-party verified eco-labelled products.
17.17 Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.	<ul style="list-style-type: none"> Participation in The Danish Governments Climate partnership. Actively engage in relevant partnerships to support circularity in the construction industry (such as GENTRÆ). 	<ul style="list-style-type: none"> Engagement and partnerships.

5 REPORTING ACCORDING TO THE RECOMMENDATIONS OF THE TCFD

We have incorporated the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and in the table below we refer to relevant sections of the report to learn more.

Recommendation	Our disclosure in brief	Learn more
<p>GOVERNANCE</p> <p>Disclose the organisation's governance around climate-related risks and opportunities.</p>	<p>Our Group Executive Committee (Excom) functions as our Sustainability Advisory Board, who has ultimate responsibility for risk management, including climate-related risks.</p> <p>Together with the Group Head of Sustainability, Excom is responsible for the sustainability framework, targets, and progress throughout the organisation. Excom reviews sustainability risks, opportunities and performance against targets biannually and reports to the board.</p>	<p>Overview of sustainability Governance, page 18.</p> <p>Sustainability risk management, page 20-21.</p>
<p>STRATEGY</p> <p>Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning, where such information is material.</p>	<p>Our sustainability framework and targets are an integral part of our business strategy. Our net zero target is based on a sustainability materiality assessment to ensure we meet our customers' increasing requirements for sustainable construction, the market opportunities in the green transition in the construction industry, our access to capital (ESGlinked loans), and employee attraction and retention. Our net zero target has been developed using a science-based approach and has emission reduction targets that align with the Paris Agreement 1.5°C scenario to further reduce climate change risks throughout our value chain.</p>	<p>Sustainability Framework page 16, 56.</p> <p>Sustainability targets – Net zero commitment page 8-10.</p>
<p>RISK MANAGEMENT</p> <p>Disclose how the organisation identifies, assesses and manages climate-related risks.</p>	<p>A desk top materiality assessment has been made to assess the adverse impacts of the construction industry and the material risks in our value chain. Our materiality assessment will be updated and will include a stakeholder analysis covering lenders, owners, suppliers, customers, NGOs, and trade organisations as well as collecting our suppliers' top climate-related risks.</p> <p>In FY21, we conducted an initial scope 3 screening to calculate our value chain carbon footprint and will during 2021/22 continue to work with our suppliers to improve data quality and reduce the carbon impacts of material production, use and end-of-life which make up roughly 99% of our total carbon emissions.</p> <p>From 2022, climate related risks and opportunities, will be reviewed annually by Excom and reported to the board.</p>	<p>Material risks in our value chain and how we work with them page 20-21.</p> <p>Adverse impacts of construction industry page 9.</p> <p>Net zero commitment and roadmap to net zero page 10, 20-21.</p>
<p>METRICS AND TARGETS</p> <p>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities, where such information is material.</p>	<p>Our carbon targets (absolute scope 1 & 2 and intensity based) and performance towards these targets, for the business strategy period (2020-2024), medium-term 2030 and long-term 2050 respectively, are disclosed in our sustainability report annually. Furthermore, our contribution to the UN Sustainable Development Goals and the ten principles of the UN Global Compact are disclosed. We report on our ESG efforts according to Nasdaq 2.0 guidance.</p>	<p>Sustainability data pages 52-55.</p> <p>ESG reporting table page 50-51.</p> <p>Contributions to SDGs page 57-59.</p>

ACCOUNTING PRINCIPLES

REPORTING FRAMEWORK

STARK Groups sustainability report is aligned with the requirements of EU Directive 2014/95/EU and Sections 99a and 99b of the Danish Financial Statements Act and follows the Nasdaq ESG guide 2.0 including a selection of Global Reporting Initiative (GRI) guidelines.

REPORTING PERIOD

Data is reported in line with STARK Group's financial reporting year (1 August – 31 July) at the half-year (to include 1 August to 31 January data) and the full year (to include 1 August to 31 July data).

CONTROLS

Data regarding employees, gender, seniority, and employee turnover are generated from our HR system. Data regarding accidents, incidents, and lost workdays are reported through our Health and Safety reporting tool based on submitted data from all reporting entities. Data is checked by the Group HS department monthly before reporting to Executive Management. Data regarding energy, refrigerants, waste, and water consumption are reported through our Environmental reporting tool based on submitted data from all reporting entities. Data is reported according to the STARK Group environmental data reporting manual

which is updated annually. The manual aims to secure the businesses' own assurance of submitted data, before sign-off by the respective accountable managers. Submitted data from business units is validated and sense checked before being added to the Environmental reporting tool for carbon accounting. A clear explanation must be provided for any data which has changed 10% or more from the previous year.

It is the responsibility of each STARK Group business unit to ensure that appropriate procedures are in place to provide data in line with the STARK Group requirements.

SCOPE

Greenhouse gases accounting is made in accordance with the GHG Protocol:

- direct emissions from own assets (scope 1)
- indirect emissions from purchased electricity and district heating (scope 2)
- value chain emissions (scope 3).

Operational Control Approach is used for the purposes of setting inventory organisational boundaries. These boundaries include facilities where STARK Group has, at least, a controlling interest from an operational perspective or at best, the facility is owned entirely by STARK Group. In cases where STARK Group has operational control but

does not wholly own facilities, these facilities will be included in the inventory.

Acquisitions (where fully owned unless otherwise stated) are included as soon as the data becomes available but no later than 12 months after approved acquisition. For bolt-on acquisitions, data may be available (and included) for some metrics sooner than others within this time period. Divestments are removed from the data from the date of divestment. New or closed sites are treated in the same way.

BASE YEAR RECALCULATION

– CARBON ACCOUNTING:

STARK Group's base year and subsequent year inventories will be adjusted for mergers, acquisitions, and divestitures according to guidance as set forth in the WRI/WBCSD GHG Protocol. STARK Group's base year inventory and emissions reports for subsequent years will be updated when a significant cumulative change in STARK Group's base year emissions is triggered. Significant is defined as a cumulative change (+/-) of five percent (5%) or more in STARK Group's total base year emissions (both scope 1 and scope 2) on a CO₂e basis.

In cases where STARK Group has acquired or merged with a company and base year

data for the new company is not available after best efforts to collect such data, an alternative simplified method may be used to update the base year data using available data and documenting associated procedures, calculation methodologies, and supporting data. The assessment of the cumulative change will be performed on a yearly basis.

DATA ACCURACY AND COMPARABILITY

The measuring and reporting of some environmental performance data involve a degree of estimation and the use of assumptions. For example, energy invoices may not be for the correct reporting period. Estimations are kept at a minimum and aimed to be reduced when entering new contracts. Estimated percentages are reported annually for carbon data.

The estimation rates of our scope 1 and 2 carbon emissions during 2020/21 range from 4% in the Nordics to 79% in STARK Deutschland. The high estimation rate in STARK Deutschland is primarily driven by a lack of actual data for fuel consumption which is thus calculated from the monthly average price of fuel. All cost data and average prices provided are actual figures. The average estimation for STARK Group 2020/21 for scopes 1 and 2 is 33%.

ACCOUNTING PRINCIPLES – CONTINUED

	2020/21 % estimated scope 1	2020/21 % estimated scope 2	2020/21 % estimated scope 1 & 2
STARK Group (average)	49%	7%	33%
STARK Deutschland	84%	35%	80%
Nordics (average)	2%	5%	4%
STARK Danmark	1%	6%	3%
Beijer Byggmaterial	22%	6%	12%
STARK Suomi	0%	0%	0%
Neumann Bygg	5%	5%	5%

Historical data is recalculated and restated where data improvements are made to enhance comparability across reporting periods. All restatements are approved by the STARK Group Head of Sustainability. Narrative is provided in the STARK Group reporting system to explain major adjustments to prior year numbers.

CARBON ACCOUNTING: EMISSION CONVERSIONS AND CALCULATIONS

STARK Group business units report consumption data to STARK Group. Data is provided via a predefined Excel template or directly into a web-based reporting tool using a number of pre-defined units of measure, highlighted to the businesses in the Data Reporting Manual.

The environmental reporting tool is set up to convert the business data into standard units of measure for each activity. The system applies appropriate emissions factors to calculate the Group tonnes of CO₂ equivalent (tCO₂e). Reports are set up to calculate scope 1, scope 2 and intensity measures (per mEUR revenue). Revenue data is provided by STARK Group Finance in local currencies and EUR for the equivalent reporting period and organisational scope. Fixed FX rates as of baseline 2020 are used (DKK 7.46, SEK 10.56, NOK 9.69).

STARK Group inventory uses emission factors from suppliers where available, and otherwise from relevant emission databases. STARK Group uses emission factors from DEFRA for scope 1 emissions unless otherwise stated. For scope 2 emissions, emission factors from

local district heating suppliers are used if available. Where data is not available DEFRA emission factors are applied.

The market-based electricity inventory is based on supplier-specific emission factors collected for purchased power based on the latest available emission factors published or provided by supplier. If a supplier-specific factor is not available, the latest dataset with residual mix is used. The scope 2 emissions factors are reported in accordance with the scope 2 quality criteria defined by GHG protocol guidance, following the hierarchy of the location-based and market-based reporting methods:

- Energy attribute certificates (GOs, PPAs, and similar)
- Contracts (PPAs)
- Supplier/Utility emission rates
- Residual mix (RE-DISS)
- IEA CO₂ emissions for OECD countries as available at date of reporting – gCO₂e per kWh of electricity. (Converted to kg CO₂e per kWh of electricity for each country).

The reported environmental metrics are reported as absolute GHG emissions (tCO₂e) in scope 1 and 2 and GHG emissions per million EUR revenue (mEUR) for Buildings and equipment and Transport. Biogenic CO₂ emissions² are reported separately.

Carbon emissions from Buildings and Equipment:

- Energy consumption for operations (except district heating)¹ scope 1
- Refrigerant leakage scope 1
- Electricity use scope 2
- Energy consumption for operations - district heating scope 2

Carbon emissions from Transport:

- Vehicle fuel use: people transport (company owned/leased vehicles) scope 1
- Vehicle fuel use: goods transport (owned/leased vehicles) scope 1
- Vehicle fuel use: goods transport (outsourced transportation) scope 3
- Vehicle fuel use: people transport (private/hired vehicles) scope 3
- Business travel: rail and air scope 3

1. Biogenic emissions - Emissions data for direct CO₂ emissions from biologically sequestered carbon (e.g., CO₂ from burning biomass/biofuels). The GHG Protocol requires that biogenic emissions (CO₂ emissions from the combustion of biomass) are reported, but separately from the scopes. The requirement to report biogenic emissions separately only refers to CO₂ emissions from the combustion of biomass and not to the emissions of any other GHGs which are also emitted during combustion (CH₄ and N₂O - these are reported under Scope 1).

2. Including natural gas, liquefied petroleum gas (LPG), diesel, petrol, coal, biomass. Fuels for operation are typically consumed for heating purposes or by generators and other on-site equipment (FLT, sweepers etc.). The reported figures may include estimates where actual data is not available. Actual data will be included as it becomes available.

ACCOUNTING PRINCIPLES – CONTINUED

CARBON SCOPE 3 INVENTORY

Our scope 3 screening is where actual data is not available, based on spend- and weight-based calculations according to the Quantis inventory method: <https://ghgprotocol.org/scope-3-evaluator>. These calculations are STARK Group's first scope 3 inventory and are considered a very conservative approximation of total emissions, as Quantis for example applies a standard that assumes that all EoL of sold products are landfilled, and the total mass of sold goods is therefore linked to the U.S. landfilling emissions factor (USEPA 2014b).

OTHER REPORTING DEFINITIONS:

Waste (tonnes): Absolute waste tonnage, split by Hazardous waste (as defined by the EU directive European Waste Catalogue) and Non-hazardous waste and further split by Incinerated, Landfilled and Segregated for Recycling, respectively. Waste is reported in absolute terms and per mEUR revenue. Waste segregated for recycling is reported as a percentage of total waste.

Waste segregated for recycling (%): Waste that is sorted into a recyclable fraction on-site, as a percentage of total waste.

Injury rate: The injury rate is the number of injuries per 1,000,000 employee-hours worked within the reporting period.

Lost workday rate (LWR): The LWR formula is defined as the total number of workdays lost per 1,000,000 hours worked by all employees within the reporting period.

Employee engagement survey: Ennova employee engagement survey.

Employee engagement survey Industry average: The Global Employee & Leadership Index™.

Seniority: Average number of years an employee has been employed.

% Women: Women over total is the percentage of women employed based on headcount.

Women in management positions: The percentage of women with direct reports, compared to total headcount.

Executive Management team: STARK Executive Management team comprising of Group CEO and CFO.

Executive Committee (Excom): STARK Group Executive Committee comprising of Group CEO, CFO, CSO, CHRO, CCO, General Council and CEOs from each business unit.

AUDITOR'S INDEPENDENT ASSURANCE REPORT

TO THE MANAGEMENT AND BROADER STAKEHOLDERS OF STARK GROUP A/S

We have reviewed the Scope 1 and 2 CO₂e emissions presented in STARK Group ApS' ('STARK Group') 2021 Sustainability Report ('the Report'), which covers STARK Group's global activities from 1 August 2020 to 31 July 2021.

We express a conclusion providing limited assurance.

MANAGEMENT'S RESPONSIBILITY

The Management of STARK Group is responsible for collecting, analysing, aggregating and presenting the information in the Report, ensuring that the Report is free from material misstatement, whether due to fraud or error. STARK Group's accounting principles contain Management's defined reporting scope for each data type. The accounting principles can be found in the 2021 Sustainability Report.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion based on our engagement with Management and in accordance with the agreed scope of work. We have conducted our work in accordance with ISAE 3000, Assurance Engagements

Other than Audits or Reviews of Historical Financial Information, and ISAE 3410 Assurance Engagements on Greenhouse Gas Statements (as amended), and additional requirements under Danish audit regulations to obtain limited assurance about our conclusion.

Deloitte Statsautoriseret Revisionspartnerselskab is subject to International Standard on Quality Control (ISQC) 1 and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by FSR - Danish Auditors (Code of Ethics for Professional Accountants), which are based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement. Consequently, the

level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Considering the risk of material misstatement, we planned and performed our work to obtain all information and explanations necessary to support our conclusion, and we have – among other things – performed the following procedures:

- Obtaining an understanding of what is material to STARK Group for reporting purposes and determining a threshold of materiality of misstatement for the different types of information;
- Conducting interviews with management representatives, key functions and data owners;
- Reviewing the data, making enquiries into a selection of calculations and aggregated numbers and obtaining supporting documentation;
- Assessing processes, tools, systems and controls for gathering, consolidating and aggregating applicable data;
- Testing procedures and methods deployed to ensure that the reported data are stated in accordance with the accounting principles;

- Performing analytical review procedures on a sample basis and testing the data to underlying documentation;
- Evaluating the reliability and validity of underlying sources.

We have not interviewed external stakeholders.

CONCLUSION

Based on our work, nothing has come to our attention that causes us not to believe that, in all material respects, the consolidated Scope 1 and 2 GHG emissions (tCO₂e) presented in STARK Group's 2021 Sustainability Report have been reported in accordance with the accounting principles described.

Copenhagen, 1 December 2021

DELOITTE

Statsautoriseret Revisionspartnerselskab
Business Registration No. 33 96 35 56

Kim Takata Mücke
State-Authorised Public Accountant
Identification No (MNE) mne10944

Helena Barton
Lead Reviewer

Feedback

We welcome views on our sustainability efforts and feedback on this report from all our stakeholders.

Please send your feedback to sustainability@starkgroup.dk



STARK Group ApS
C. F. Richs Vej 115
2000 Frederiksberg
Denmark
CVR 41952725

starkgroup.dk
+45 8252 2600