

SUSTAINABILITY REPORT

2020

**WE BUILD OUR
FUTURE BY
HELPING OTHERS
BUILD THEIRS**

TRUST BUILDS THE FUTURE

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ABOUT THIS REPORT

This report covers the financial year 1 August 2019 to 31 July 2020 unless otherwise stated and represents the corporate social responsibility statement of STARK ApS (hereafter referred to as STARK Group as the consolidated group of companies) as required by the 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 excludes outsourced services unless specified.

COMMUNICATION
ON PROGRESS



This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.



MESSAGE FROM THE CEO

As a leading building materials distributor in Northern Europe, STARK Group has a responsibility to address current global challenges and act on them. We aim to provide sustainable solutions for our customers and partners. We source our products responsibly; drive efficient and safe operations, and we enable our customers to make informed decisions on sustainable alternatives.

In 2020, we took some important steps toward building a more sustainable tomorrow. While delivering strong performance on all financial targets, we also took significant sustainable actions pertaining to our products, operations and market. Together with our customers and trusted suppliers we had a strong focus on finding solutions to the global challenges, including climate change,

the increasing consumption of resources and the depletion of nature and biodiversity, as well as unexpectedly coping with a global pandemic.

In February 2020, STARK Group opened the first building materials branch in Denmark, built with sustainable solutions according to the sustainable construction scheme DGNB. We expect the demand for sustainable solutions to increase, and we are determined to be front runners in this development in all our markets.

In the spring of 2020, the Covid-19 pandemic severely damaged the global economy and has since been a huge challenge for industries, companies, employees and people in general. The pandemic has meant an increased focus on the importance of our buildings and homes. Our homes have become the focal point of daily life having to function as both office, classroom and entertainment. This has increased the nest building tendency, and we have seen increased sales across all our markets for home improvements.

As Europe seeks to overcome the Covid-19 crisis, The European Union clearly expresses that renovation offers a unique opportunity to rethink, redesign and modernise our build-

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WE EXPECT DEMAND FOR SUSTAINABLE SOLUTIONS TO INCREASE, AND WE ARE DETERMINED TO BE FRONT RUNNERS IN THIS DEVELOPMENT IN ALL OUR MARKETS.

ings to make them fit for a greener, digital society and to sustain economic recovery. We want to support this green “restart” and will continue to work with our suppliers and customers to increase the assortment of eco-labelled products and promote energy efficiency, life-cycle thinking and circularity.

Another significant step on our sustainability journey agenda in 2020 was to become a signatory of the UN Global Compact, expressing our commitment to accelerate the sustainable transition in the construction industry.

SØREN P. OLESEN
CEO STARK GROUP



ABOUT STARK GROUP

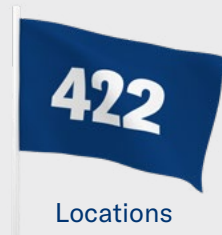
STARK Group is Northern Europe's leading business-to-business distributor of heavy-side building materials for the construction industry. We have a strong footprint in high-growth urban areas with local market leadership in many larger cities.

We bridge the gap between suppliers and customers by fulfilling a critical role in a complex value chain. For our more than 235,000 customers, we provide a deep product range, essential technical product expertise as well as logistical support, offered through our densely populated distribution network.

Our strength as a group also gives us a critical role in assisting more than 10,000 suppliers gaining cost-efficient access to the large and growing but fragmented small and medium-sized enterprises (SME) market. Our products are competitively priced, and we support customers' working capital with trade credits.

Headquartered in Denmark, STARK Group has doubled in size over the last couple of years, through organic growth and acquisitions. Our subsidiaries include STARK Deutschland in Germany, STARK Danmark in Denmark and Greenland, STARK Suomi in Finland, Beijer Bygghandel in Sweden and Neumann Bygg in Norway.

STARK Group has pioneered the construction industry for more than 120 years. And we continue to do so.



ABOUT STARK GROUP

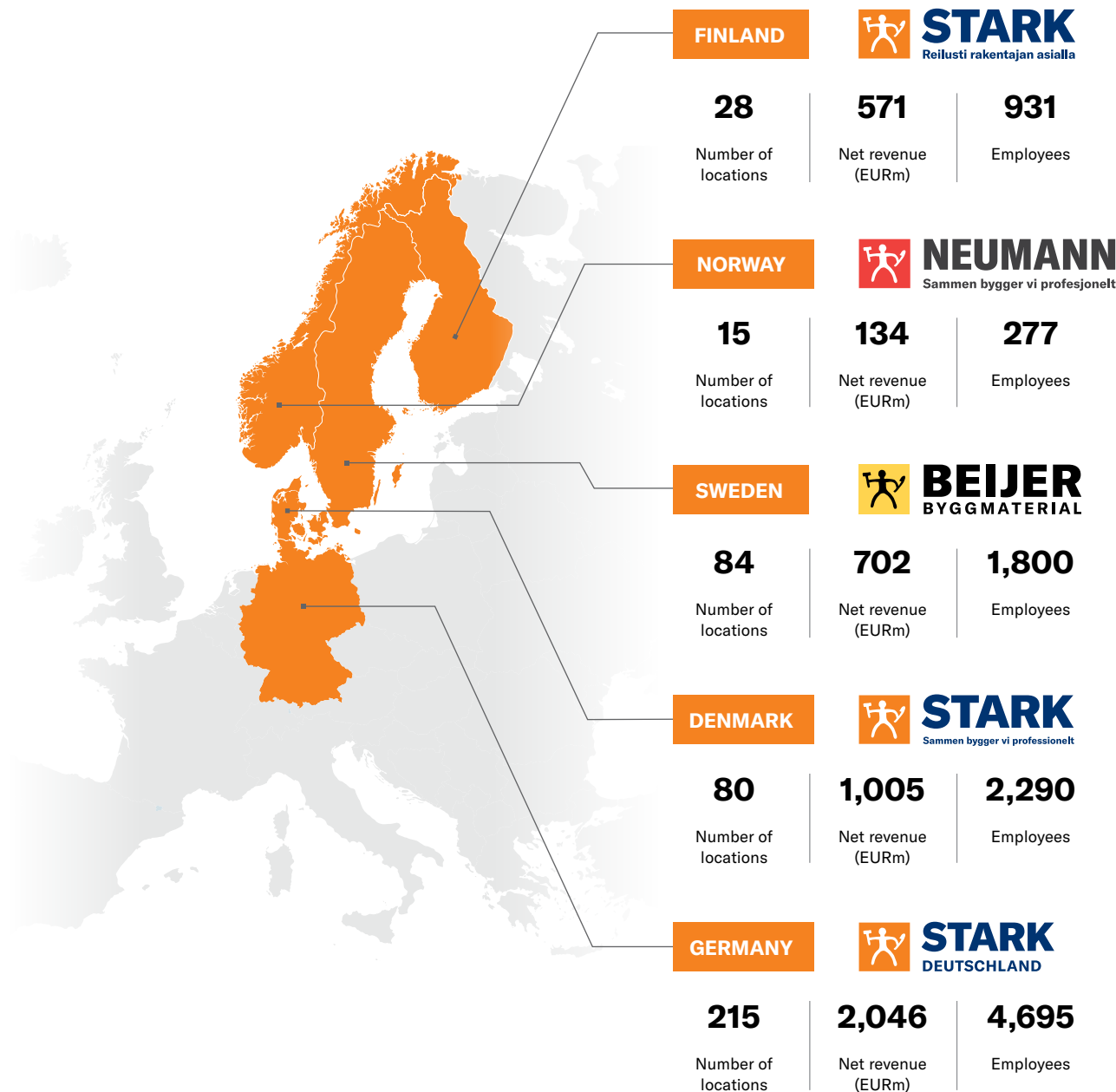
CHANGES DURING FINANCIAL YEAR 2020

In 2019/20, STARK Group continued to grow by acquisitions allowing us to tap into geographical higher growth urban areas in existing markets, enter the substantial new market, Germany, and further explore synergies and scale benefits.

In Germany, we completed the transformative acquisition of Saint Gobain Building Distribution Deutschland GmbH, now STARK Deutschland, adding net sales of EUR 2 billion.

In Sweden, we acquired two businesses, Karl Ekesiö Bygghandel AB and PoG Woody Bygghandel, with combined annual net sales of approx. EUR 72 million. The acquisitions added eight branches in Stockholm and Southern Sweden.

In Denmark, we acquired activities and selected net assets from Sjakk A/S, a regional builders' merchant in Jutland mainly serving professional customers, including small and medium-sized enterprises.



OUR VALUES AND CODE OF CONDUCT SUPPORT SUSTAINABILITY

Our core values reflect what we stand for and help our customers and partners understand and appreciate what it means to do business with us. Each of our three values supports our actions to address our most material sustainability issues and our strategic focus.



DECENCY

**We act with decency
towards customers,
colleagues and partners**

In everything we do, we aim to earn trust. Trust requires integrity, and integrity requires decency. As a market leader, the success of our customers is always at the forefront of our daily activities. It is only by being fully committed to our dealings with customers, colleagues and partners, that we earn the right to be the most trusted builders' merchant.



PASSION

**We care deeply about
people and society**

We are driven by people with a passion for our customers and our business. People who go out of their way to help build success for others and for society as a whole. With enquiring minds and easy smiles, we encourage each other to be better every day, and we celebrate our accomplishments together.



PRIDE

**We take pride in delivering
what we promise**

We have come a long way since our beginning in 1896. Today, we are grateful to have earned our position as a market leader. We take pride in delivering on our promises to customers, colleagues and partners every day, and continue our efforts to remain trustworthy as we build our future and welcome new colleagues on board.

OUR VALUES AND CODE OF CONDUCT SUPPORT SUSTAINABILITY

Our Code of Conduct provides guiding principles for daily behaviour. It builds on our culture and values and directs us to appropriate behaviour.

The Code of Conduct applies to all employees at STARK Group. We expect our business partners, suppliers and contractors to adhere to our Code of Conduct or adopt similar ethical standards.

The Code of Conduct has been implemented in STARK Deutschland during FY20 and distributed to all new suppliers.

The Code of Conduct is available from our website

→ starkgroup.dk/about-us/governance

VISION

**THE MOST TRUSTED
BUSINESS-TO-BUSINESS
DISTRIBUTOR OF HEAVY
BUILDING MATERIALS
IN NORTHERN EUROPE**

MISSION

**WE USE OUR UNITED
STRENGTH TO BUILD
LOCAL VALUE**



OUR SUSTAINABILITY STRATEGY

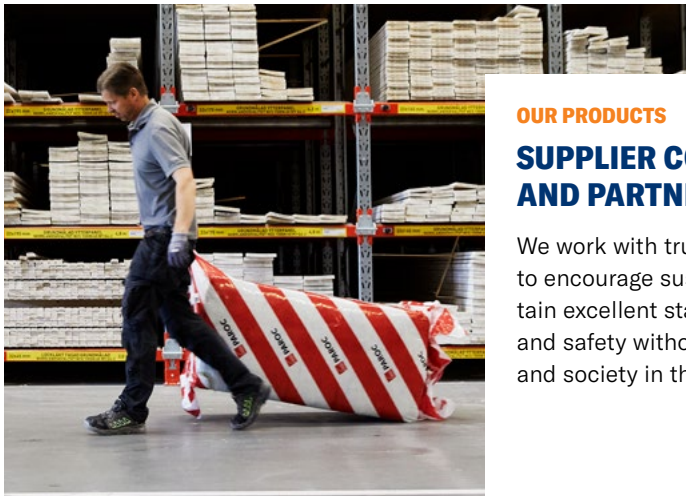
13	Sustainability framework
15	Sustainability approach
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20	Sustainability policy
25	UN Sustainable Development Goals

HOW WE CREATE SUSTAINABLE VALUE

OUR PRODUCTS

RESPONSIBLE SOURCING

We supply better products from trusted suppliers. Construction materials have a significant climate and environmental impact extracting natural materials. We work with key suppliers and stakeholders to change the wider industry.



OUR PRODUCTS

SUPPLIER COLLABORATION AND PARTNERSHIPS

We work with trusted suppliers and partners to encourage sustainable practices to maintain excellent standards of product quality and safety without jeopardising ecosystems and society in the long term.



OUR OPERATIONS

REDUCTION OF ENVIRONMENTAL IMPACTS

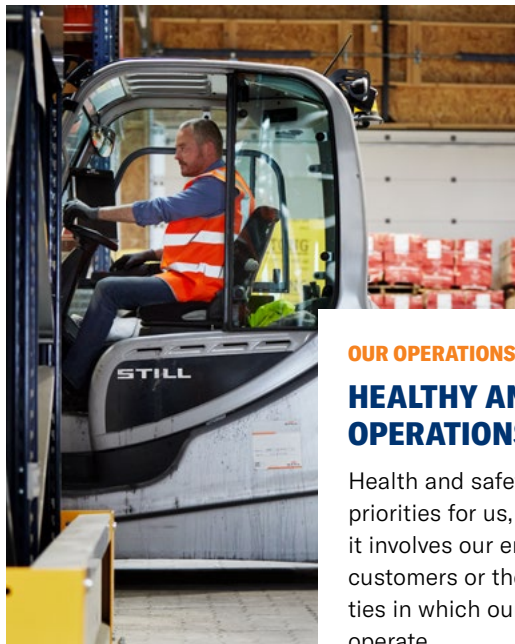
We have set ambitious carbon and waste targets to ensure that we run efficient operations minimising waste and energy consumption and reducing our impacts on the environment.

OUR OPERATIONS

ENGAGEMENT AND COMPETENCE DEVELOPMENT

Our talented and diverse group of 10,000 people bring capabilities and competences that are key to our business and it remains crucial to keep them engaged and safe while offering tools, knowledge, and training.





OUR OPERATIONS

HEALTHY AND SAFE OPERATIONS

Health and safety are key priorities for us, whether it involves our employees, customers or the communities in which our businesses operate.



OUR MARKET

SUSTAINABLE PRODUCT KNOWLEDGE AND ADVICE

We provide relevant sustainable knowledge and advice to our customers, making it easier for them to make informed sustainable choices.



OUR MARKET

SUSTAINABLE PRODUCTS

We support and encourage sustainable construction and increased circularity in the construction industry by offering a relevant assortment of eco-labelled and energy-efficient products that continuously meet market expectations and follow product development.



OUR MARKET

PARTNERSHIP FOR CIRCULARITY

We seek to be active in sustainability networks and open to collaborating in partnerships that promote sustainability and circularity.

SUSTAINABILITY FRAMEWORK


Our sustainability framework ensures that relevant programmes are in place to boost social, economic and environmental sustainability, while actively supporting our growth and improving employee pride and engagement.

The framework addresses our top risks and opportunities. It ensures that material issues are identified and addressed with relevant policies, targets and actions and that all employees and business partners understand the commercial relevance and necessity of sustainability in business operations.

Our sustainability framework covers our entire value chain, which we manage in three sections; Our Products, activities in the supply chain, Our Operations, activities with direct impacts, and Our Market, covering

down-stream activities such as construction, use and end-use. Our sustainability framework is built on the principles of the UN Global Compact, taking into consideration how we can contribute to the Sustainable Development Goals (SDGs). Ten material issues have been identified. These form the basis of our ten sustainability programmes.

For a summary of STARK Group's sustainability programmes, related policies and targets, as well as supported SDGs, see the appendix.



Learn more about our sustainability framework
→ [Appendix](#)

OUR PRODUCTS

OUR OPERATIONS

OUR MARKET

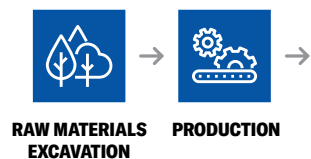
Ambitions

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

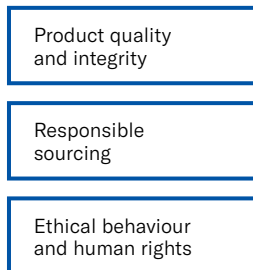
To be an efficient and trusted distributor, partner and employer of choice in the industry, ensuring long-term sustainability

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

Value chain



Sustainability programmes



UN SDG targets



SUSTAINABILITY APPROACH

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
- 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
- Relevant assortment of eco-labelled products
- 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



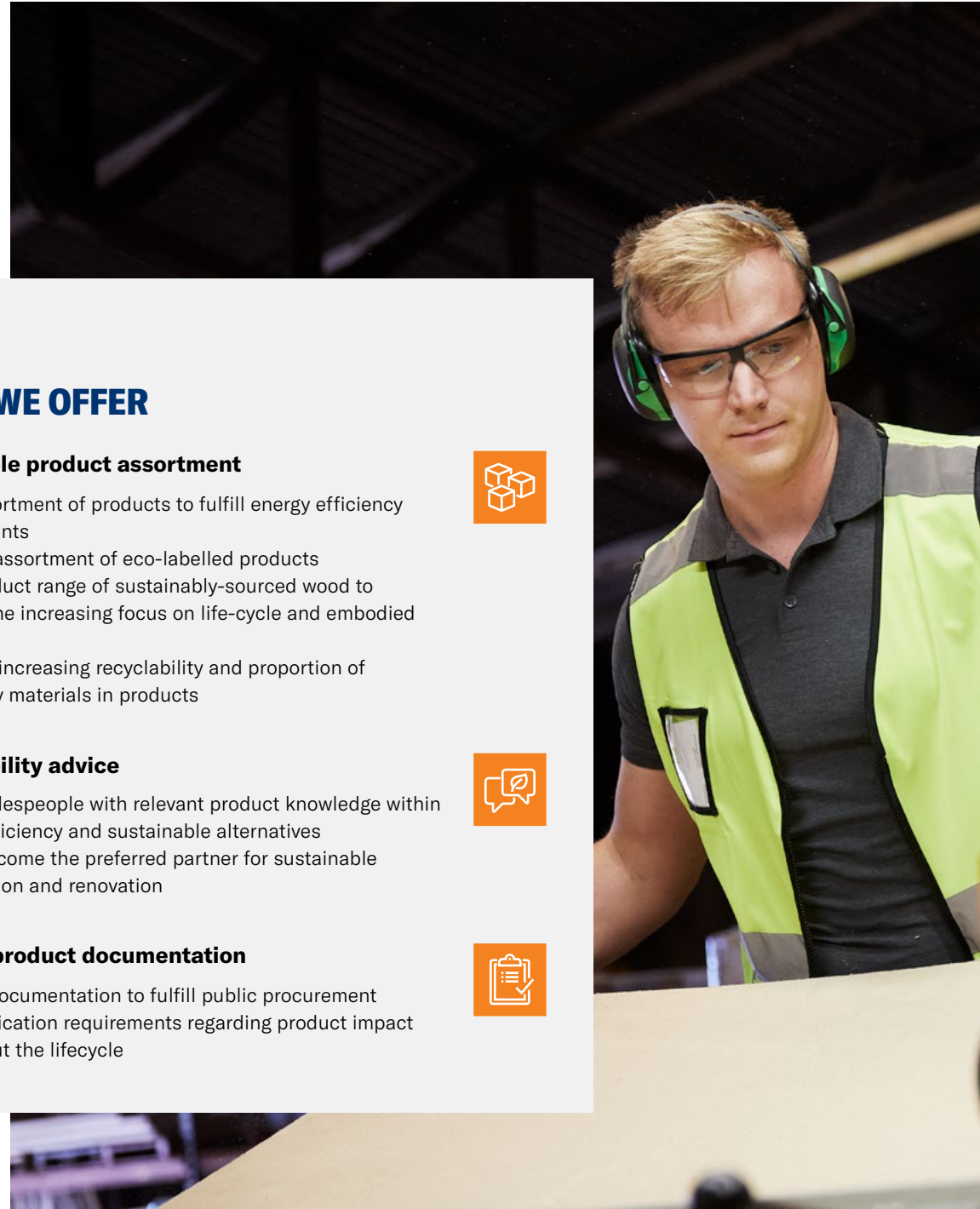
Sustainability advice

- 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 JOURNEY

- Launch of first Nordic eco-labelled doors.
- Partner in Circle House Lab.
- Participation in Government Climate Partnership for Trade.

- Member of Green Building Council Denmark.
- Launch of STARK DK sustainability questionnaire.

- Internal HSE Branch Audit program initiated.
- Launch of eco-labelled own brand paint.
- Beijer Byggmaterial FSC® and PEFC certified.

- Member of FSC Danmark.

- All STARK DK branches PEFC certified.
- STARK DE ISO 14001, ISO 9001 and OHSAS 18001 certified.
- Beijer Byggmaterial branches ISO 14001 recertified.

2019

2017

2013-2015

2010

2007

2020

- Member of UN Global Compact.
- Neumann Miljøfyrtårn certified.
- Member of Green Building Council Finland.

2018

- Member of the Board of FSC DK.
- Winner of Circular Construction Challenge (GENTRÆ).

2016

- 100% Certified Tropical Timber policy.
- Launch of M1 and EC1 labelled own brand sealants.

2011-2012

- STARK Greenland FSC certified.
- Occupational Health and Safety certified (OHSAS 18001).
- STARK FI branches PEFC certified

2009

- All STARK DK branches FSC certified.
- Implementation of internal HSE business partners.

INITIATING A NEW TARGET PERIOD

During the financial year 2020, STARK Group has experienced significant changes in the organisation with the integration of STARK Deutschland comprising 50% of our total number of branches and employees. Therefore, we have reviewed all previous targets and across all business units set new targets for the coming 4-year period from 2020-2024.

In the development of our new targets, we have incorporated our own and society's increasing awareness on social responsibility, climate change and circular economy. We wish to contribute substantially to reducing the negative environmental impacts that our operations impose on society and the ecosystem around us. Our new and ambitious sustainability targets have been integrated into the STARK Group business strategy period.

Using a Science Based Target approach, STARK Group has formulated new greenhouse gas emission reduction targets in line with the level of decarbonisation required to meet the goals of the Paris Agreement. We are presently assessing our scope 3 impact, preparing our commitment to Science Based Targets during 2021.

Our ambition is to develop Science Based Targets for all scopes aligned with the SBTi criteria, and during FY21, we will submit the targets to SBTi for validation. If our greenhouse gas emission reduction targets for scope 1 and scope 2 published in this report, contrary to expectations, do not meet the SBTi criteria validation, we intend to adjust these targets accordingly.

SUSTAINABILITY TARGETS 2020-2024

Carbon

Carbon from buildings
and equipment



Our target:

16.8%

carbon reduction
Science-based approach

Carbon from transport



Our target:

16.8%

carbon reduction
Science-based approach

Waste

Reduce waste



Our target:

20%

waste reduction

Increase recycling



Our target:

80%

segregated waste

Customer advice

Provide sustainability
training and education for
employees



Our target:

3%

of employees trained as
sustainability specialists

Provide sustainability
training and education for
customers



Our target:

10%

of branches offer customer
sustainability events annually

Health and Safety

Reduce injury rate



Our target:

0.7

per 100,000 worked hours

Reduce lost workday rate



Our target:

4.0

per 100,000 worked hours

Employee engagement

High employee engagement.
Satisfaction and
motivation survey score.



Our target:

76

High employee engagement.
Loyalty survey score.



Our target:

82

High survey participation
rate



Our target:

85%

Gender equality

Percentage of females in
total



Our target:

25%

Percentage of females in
management positions



Our target:

20%

Percentage of females in
Executive Committee



Our target:

30%

Product

Increase FSC and/or PEFC
certified timber

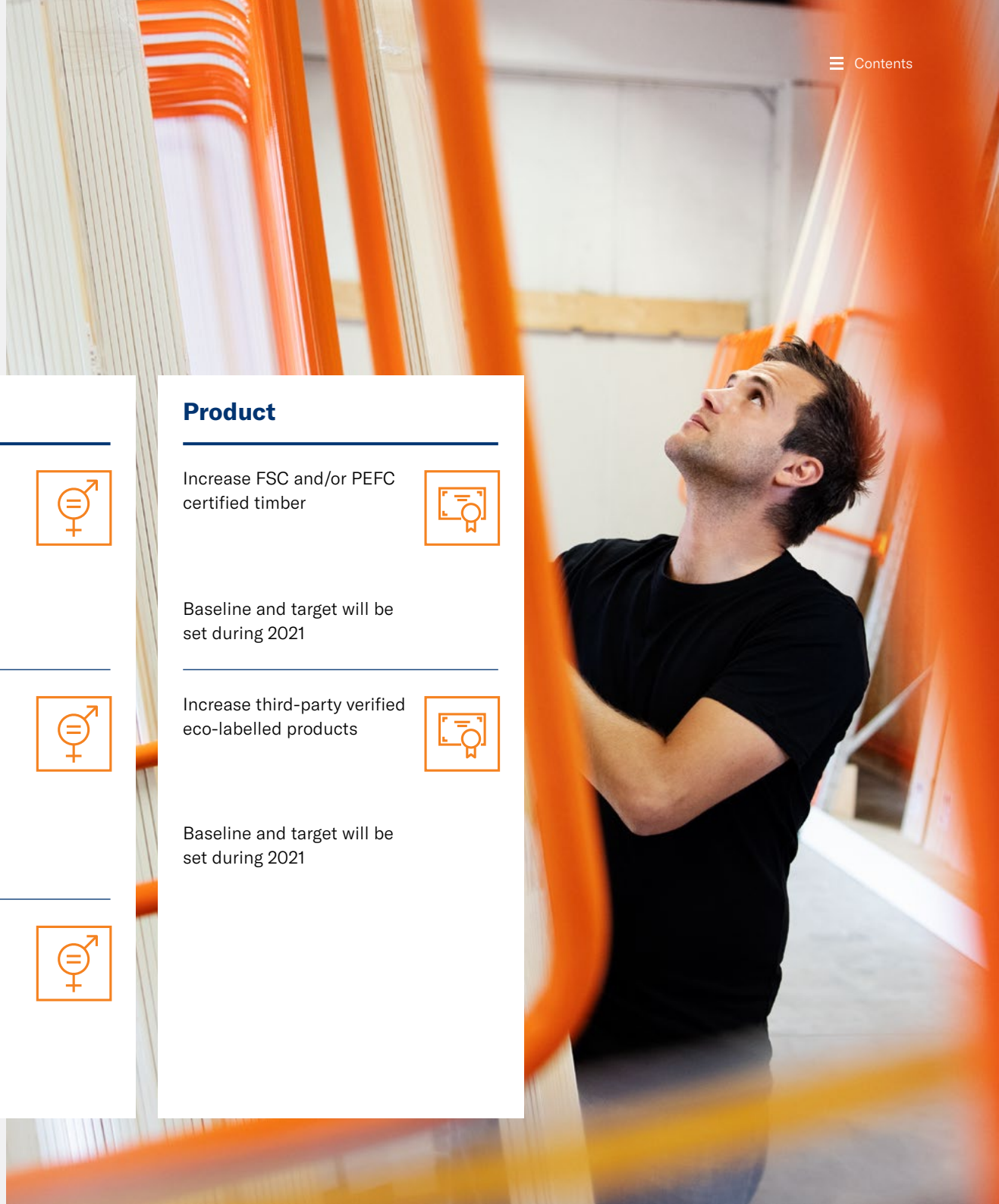


Baseline and target will be
set during 2021

Increase third-party verified
eco-labelled products



Baseline and target will be
set during 2021



SUSTAINABILITY POLICY

There are five guiding principles in our sustainability policy, 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.

Furthermore, we work to develop and implement relevant guidelines to streamline the way STARK Group work with sustainability, both internally, and with our suppliers and contractors (i.e. products, packaging, services).



WE ACT SUSTAINABLY

We integrate sustainability in all STARK Group operations and processes across the value chain and educate our people to act socially, economically, and environmentally sustainably to support the Sustainable Development Goals (SDGs).



RELEVANT, SUSTAINABLE ASSORTMENT

To ensure a relevant assortment of products that continuously meet market expectations and follow product development, we always offer a relevant assortment of eco-labelled products when commercially applicable.



SUSTAINABILITY ADVICE

We ensure commercially relevant product knowledge within sustainable alternatives to become the preferred partner for sustainable construction.



CORRECT AND EFFICIENT PRODUCT DOCUMENTATION

We ensure correct and efficient product documentation for our customers and support our customers increased demand for environmental information regarding product impact throughout the life-cycle.

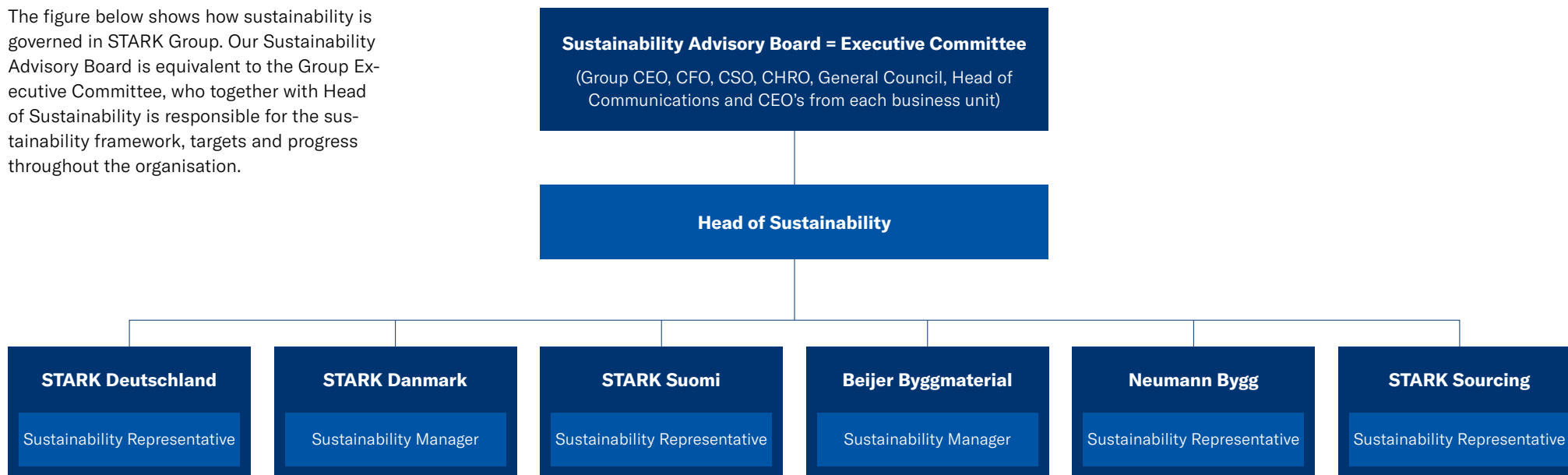


UP TO DATE WITHIN SUSTAINABILITY IN THE INDUSTRY

Where commercially relevant, we are active in sustainability networks and open to collaborating in partnerships that promote sustainability and circularity - to remain the partner we want to be to our customers.

SUSTAINABILITY GOVERNANCE

The figure below shows how sustainability is governed in STARK Group. Our Sustainability Advisory Board is equivalent to the Group Executive Committee, who together with Head of Sustainability is responsible for the sustainability framework, targets and progress throughout the organisation.



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

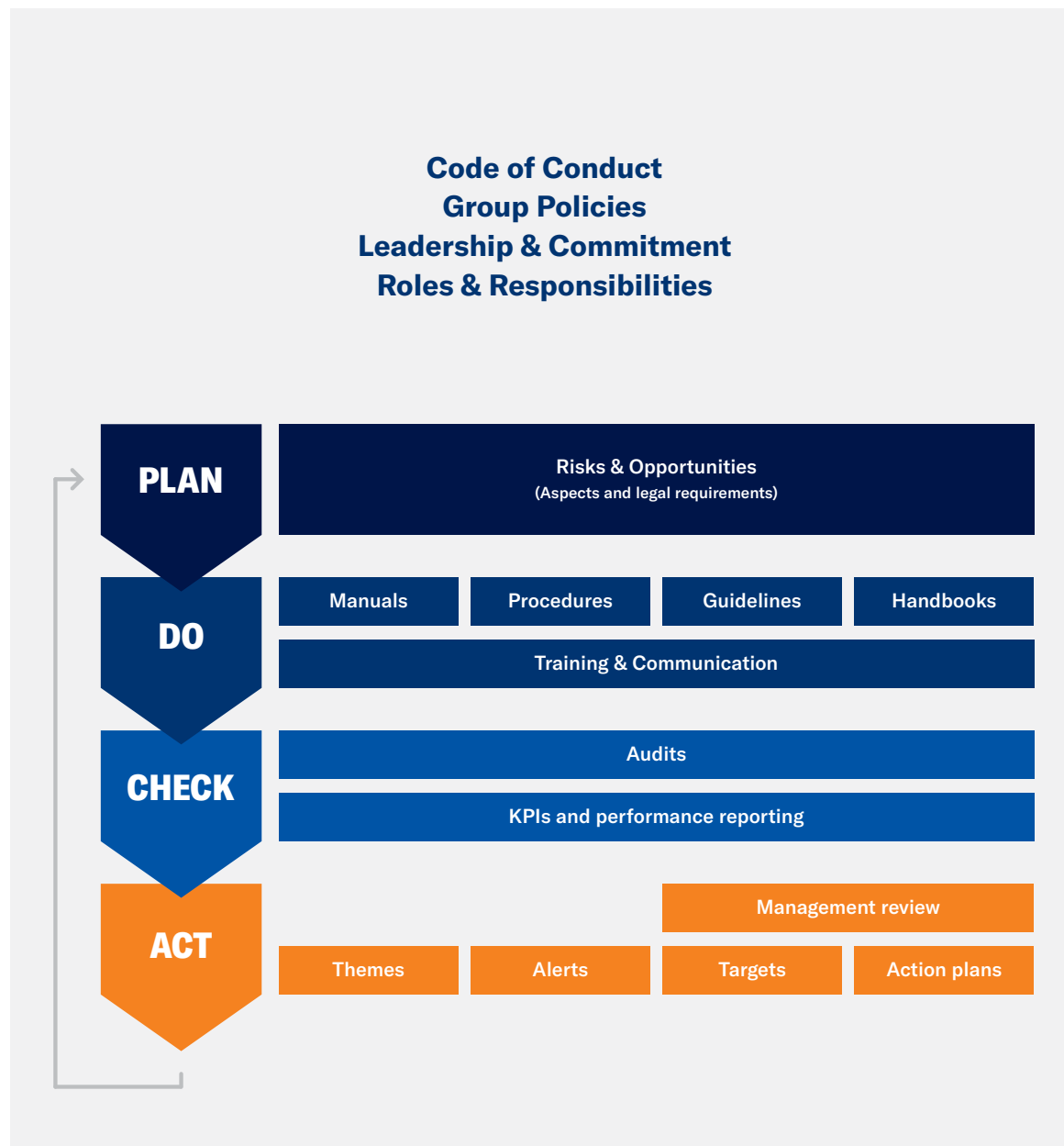
Sustainability managers and representatives:

- 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

MANAGEMENT SYSTEM

Sustainability in STARK Group is structured around a plan-do-check-act management system shown in the figure below. We review our risk assessments annually to identify new material issues related to both internal and external factors, new legislation and interested parties. Risks and opportunities are addressed through manuals, procedures and guidelines, and performance is measured and reviewed at a management level where necessary.

We are currently reviewing our approach against the TCFD recommendations as we wish to support the Task Force on Climate-related Financial Disclosures (TCFD).



RISKS IN OUR INDUSTRY VALUE CHAIN

OUR PRODUCTS

RAW MATERIALS EXCAVATION

- Natural resource depletion
- Environmental (energy and pollution)
- Human rights violations
- Health and safety hazards
- Corruption
- Poor working conditions/unfair pay



PRODUCTION

- Human rights violations
- Workers right violations
- Health and safety hazards
- Corruption
- Environmental (energy and pollution)



OUR OPERATIONS

STARK GROUP SOURCING

- Facilitation payment offers
- Lack of supplier transparency
- Insufficient product documentation (i.e. timber legality, REACH compliance)
- Insufficient supplier assessment



STARK GROUP DISTRIBUTION CENTRES

- Environmental (energy, fuel and pollution)
- Human rights violations
- Health and safety hazards



STARK GROUP BRANCHES

- Excessive energy consumption
- Excessive waste production (breakage)
- Human rights violations
- Health and safety hazards
- Bribery and fraud
- Insufficient data protection
- Lack of product knowledge



STARK GROUP LOGISTICS

- Environmental (energy and pollution)
- Human rights violations
- Health and safety hazards



OUR MARKET

CONSTRUCTION SITES

- Incorrect product use
- Health and safety hazards
- Focus on short-term cost
- Excessive resource consumption
- Excessive waste production
- Chemical exposure
- Insufficient waste sorting and recycling



COMPLETED BUILDING

- Poor indoor climate (hazardous materials)
- High energy consumption



END-USE

- Limited focus on recycling
- Toxic chemicals in materials



WE SUPPORT A CIRCULAR ECONOMY

The construction industry has a large climate and environmental impact using large amounts of natural materials, of which building materials are responsible for approximately 11% of the carbon emissions. According to the World Economic Forum, less than one-third of construction waste is presently reused or recycled.

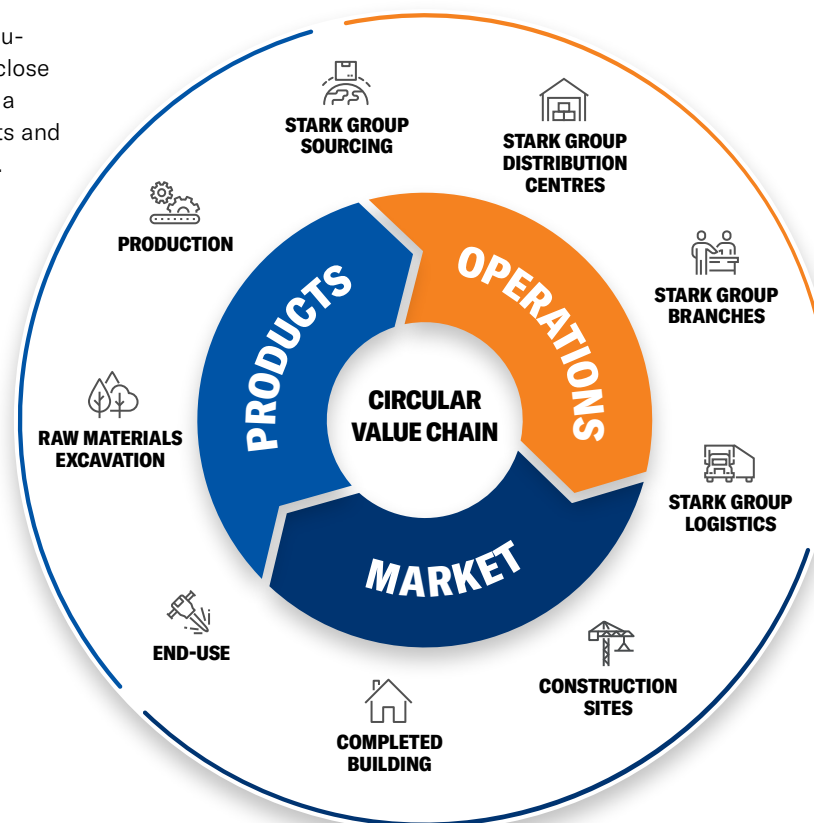
At STARK Group, we support the transition to a sustainable circular economy in the construction industry, as we work towards turning our value chain into a “value circle” where used materials are reused and recycled instead of incinerated and landfilled.

During 2020, STARK Danmark’s circular concept, GENTRÆ, has been elevated from a small pilot project to strategic operations. The project resells timber from temporary construction with a potential to save up to 50,000 tons of temporary construction timber from incineration annually.

Providing reused building materials alongside conventional building materials in our branches in the Copenhagen area, GENTRÆ has become an attractive and natural choice for our customers. We are committed to exploring how larger proportions of future raw materials can be harvested as secondary

resources, for environmental sustainability as well as creating value for our customers and our business for long-term success.

Furthermore, we have participated in numerous networks and partnerships to close material loops and to push forward for a European standard for circular products and processes in the construction industry.



Product quality and integrity

Responsible sourcing

Ethical behaviour and human rights

Environmental efficiency

Employee engagement

Competence development

Health and safety

Diversity and inclusion

Promoting sustainable products

Educative partner and corporate citizen

UN SUSTAINABLE DEVELOPMENT GOALS

At STARK Group, we support the Sustainable Development Goals to work together with other businesses, governments and civil society to end poverty, protect the planet and ensure prosperity for all.

We have chosen to pursue the goals that pertain to our core tasks and where we can deliver the most impact. Our primary focus is on SDG 12 and 15 concerning “Responsible consumption and production” and “Life on land” respectively. In addition, we support SDG 4, 5, 7, 8, 10, 11, 13, 16 and 17 throughout our business operation and supply chain.

The UN Sustainable Development Goals self-assessment tool, SDG Lens (DNV GL), has been used to assess STARK Group's impact on the SDGs.

For a summary of targets and supported SDGs see the appendix.



OUR PRODUCTS

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

- 27 Product quality and integrity
- 28 Responsible sourcing
- 31 Ethical behaviour and human rights



PRODUCT QUALITY AND INTEGRITY

STARK Group sources a large variety of products on a global scale. We are committed to supplying safe, reliable and robust products to our customers, and to procure products from financially healthy, reliable sources that trade ethically and responsibly, demonstrating anti-corruptive policies. We work with our suppliers to encourage sustainable practices to maintain excellent standards of product quality and safety without jeopardising ecosystems and society in the long term.

A sustainable product focus minimises our risks and secures our future relevance in the market. Sourcing and supplying sustainable and safe quality products improve our margins, enhance customer satisfaction and enables our people to devote more time to customer service and further development. Working with reputable suppliers, furthermore, gives our stakeholders confidence in the integrity of our supply chain, including standards around ethical labour, anti-bribery and corruption.

Therefore, we maintain appropriate and practical systems, processes, and procedures in accordance with our Product Integrity Policy, Trade Compliance and Sanctions policy and relevant legislation.

The STARK Group Trade Compliance and Sanctions Policy is designed to ensure that STARK Group, including its business units, 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 in the STARK Group Code of Conduct.

The STARK Sourcing Product Integrity (PI) process provides all sourcing colleagues with a simple and efficient approach to ensure compliance with the STARK Group Product Integrity Policy. The Product Integrity evaluation procedure is designed to provide insights into elements, including Financial health, Ethical concerns and Contract compliance. During FY20, 100% of new contracts entered have undergone and passed the Product Integrity evaluation.



CASE

New supplier partnership – working closer to solve challenges

During 2020, STARK Group launched a new partnership with our most prominent suppliers with the ambition to work closely together to solve some of the significant challenges in the industry. Urbanisation, productivity and sustainability are all topics that we, as a market leader in Northern Europe, have the opportunity and responsibility to act on.

Our ambition for this partnership is to create constructive collaboration to improve conditions for our industry and the communities in which we live and thrive. The aim is to join forces with our suppliers to win together on behalf of the industry and society.

RESPONSIBLE SOURCING

To ensure a relevant assortment of products that continuously meet market expectations and follow product development, we always offer eco-labelled products when commercially relevant to meet customer expectations, public procurement policies and the requirements of sustainable construction certification schemes (i.e. DGNB, LEED, BREEAM).

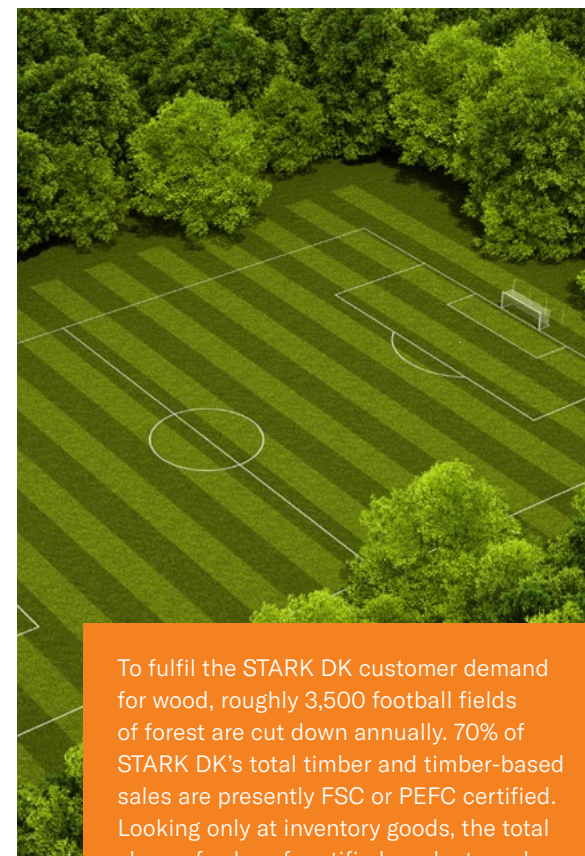
Roughly a quarter of our sourced products, measured in monetary terms, are timber or timber-based, making responsible sourcing of timber and timber products of prime importance to us. Sustainable forestry ensures that we can meet our customer demands for timber without compromising the ecological balance, including biodiversity, climate change and water regeneration.

Since 2009, we have continuously increased our percentage of FSC and PEFC certified timber in STARK Group assortments. Through our Responsible Timber Sourcing Policy, we encourage and strengthen sustainable forest management. FSC and PEFC guarantee that the trees harvested are replaced or allowed to regenerate naturally, and the certifications

thereby secure a continuous supply in the future supply chain.

Parts of the forest are protected entirely to protect rare animals, plants and the rights of indigenous people to use the forest. Furthermore, FSC and PEFC ensure that all forest workers have been provided training, safety equipment and a decent salary. 100% of STARK Group's Nordic branches are PEFC and/or FSC certified and this applies for 12% of the branches in STARK Deutschland.

STARK DANMARK	2020	2019	PROGRESS
% share of timber and timber-based FSC and/or PEFC certified SKUs in assortment	80	74	▲
% share of FSC and/or PEFC certified timber and timber-based products sold	93	75	▲
% share of timber and timber-based FSC and/or PEFC certified SKUs in total	49	N/A	New measure
% share of FSC and/or PEFC certified timber and timber-based products in total	70	N/A	New measure

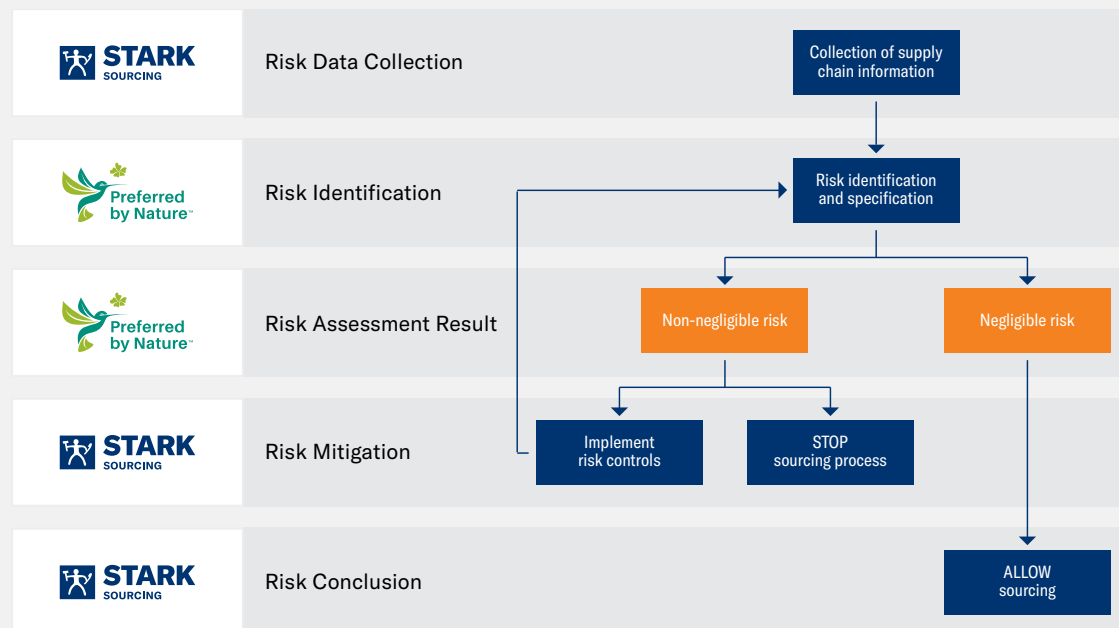


To fulfil the STARK DK customer demand for wood, roughly 3,500 football fields of forest are cut down annually. 70% of STARK DK's total timber and timber-based sales are presently FSC or PEFC certified. Looking only at inventory goods, the total share of sales of certified products make up 93% of total sales.

RESPONSIBLE TIMBER SOURCING POLICY AND OUR EUTR DUE DILIGENCE PROCESS

All business units within STARK Group conduct due diligence according to our Responsible Timber Sourcing Policy, together with our external partner Preferred by Nature.

This covers all relevant timber and timber product suppliers, to gain assurance of product legality in compliance with the EU Timber Regulation (EUTR)^[2] and to assess sustainability of forest sources.



[2] Regulation (EU) No 995/2010 of the European Parliament and of the Council of 20 October 2010



CASE

Beijer present a 100% PEFC certified assortment

As the only nationwide builders' merchant in Sweden, Beijer Bygghandeln offers PEFC certification on their entire range of timber and timber-based products in all branches. This makes it easier for customers to purchase timber products that meet the requirements for sustainable forestry.

"For us, it is important to buy responsibly harvested timber, from being a seed until it reaches our customers," says Alexandra Rosenqvist, Environmental and Sustainability Manager for Beijer Bygghandeln.



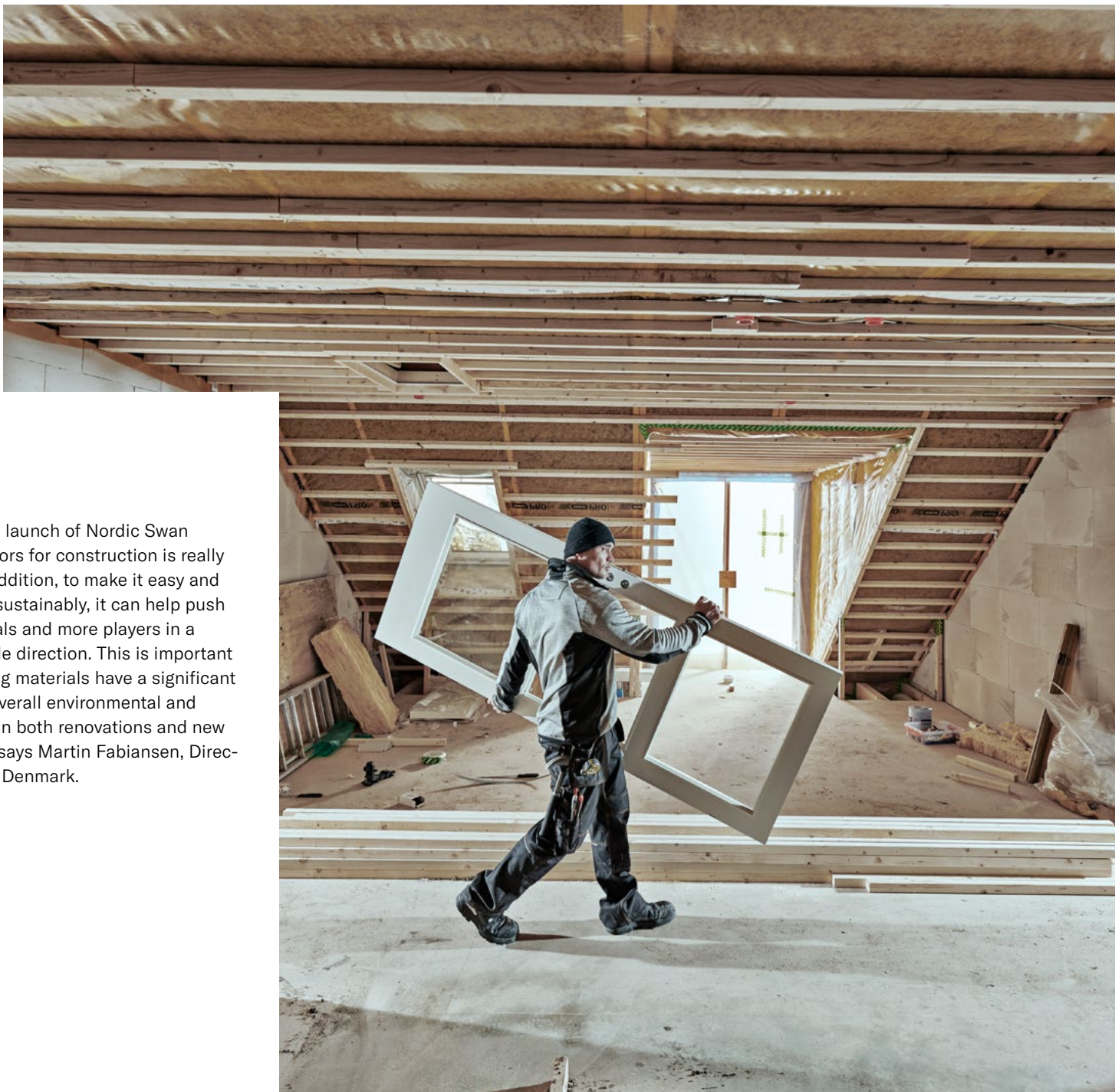
CASE**First Nordic Swan Eco-labelled doors on the market**

In May 2020, STARK Group's own brand RAW launched the first Nordic Swan Eco-labelled doors and frames. The Nordic Swan Ecolabel ensures that doors and associated frames live up to the industry's strictest environmental requirements.

RAW Nordic Swan Eco-labelled doors ensure:

- Wood is from FSC® certified sustainable forestry
- Glue and paint live up to strict chemical requirements
- They meet strict formaldehyde requirements for the benefit of the indoor climate
- Necessary documentation of the sustainability of the materials required to be part of a Nordic Swan Eco-labelled or DGNB-certified building

"STARK Group's launch of Nordic Swan Eco-labelled doors for construction is really good news. In addition, to make it easy and safe to choose sustainably, it can help push building materials and more players in a more sustainable direction. This is important because building materials have a significant impact on the overall environmental and climate impact in both renovations and new constructions", says Martin Fabiansen, Director of Eco-label Denmark.



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.

Therefore, we aim to source our products taking into consideration ethical concerns and human rights to support safe and decent working conditions along the supply chain.

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 create a competitive environment where 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 as we believe they safeguard effective competition to create open and dynamic markets and enhance productivity, innovation, and value for customers. We have implemented policies, manuals, and guidelines to provide leaders and employees with an understanding of competition com-

pliance and to identify sensitive situations, problem areas and behaviour that might be considered anti-competitive

ZERO TOLERANCE TOWARDS FRAUD, BRIBERY, AND CORRUPTION

Fraud, bribery, and corruption undermine STARK Group's fundamental values and our ability to act with honesty and integrity and to comply within the appropriate regulatory framework. The STARK Group fraud, anti-bribery and corruption policy reinforces our strong commitment to ensuring that all STARK Group leaders and employees understand how to comply with fraud and anti-corruption rules and regulations.

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. These topics include anti-discrimination, ethics, health, and safety and are managed through our company policies and are regularly monitored for compliance.

Business partners and suppliers are expected to conform to STARK Group's Code of Con-

duct and are evaluated through the ethical concerns' element in our Product Integrity Process. Please refer to the Health and Safety and Diversity and Inclusion section under Our Operations for further information.

OUR OPERATIONS

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

- 33 Environmental efficiency
- 36 Health and safety
- 39 Employee engagement
- 40 Diversity and inclusion
- 42 Competence development



ENVIRONMENTAL EFFICIENCY

We aim to run efficient operations minimising waste and energy consumption and reducing negative impacts on the environment. This is ensured by establishing targets and monitoring and reporting performance against targets under the motto “what we cannot measure, we cannot manage”.

We provide guidance and training in all business operations to promote and support responsible environmental performance at all levels of the organisation as well as along the supply chain. Our environmental management system is structured around the ISO 14001:2015 standard. All STARK Deutschland and Beijer Byggmaterial branches are ISO 14001 certified, comprising 72% of STARK Group. Neumann Bygg is in the process of becoming fully certified under the Miljöfyrtårn certification system.

STARK Deutschland, STARK Danmark, Beijer Byggmaterial and STARK Suomi conduct energy audits at least every four years according to The Energy Efficiency Directive (2012/27/EU).

With our customers' increasing awareness of environmental sustainability, we must prove to be a sustainable material supplier and logistics partner. We continuously strive to

improve fuel efficiency of our logistical system and investigate the possibilities to use our logistical set-up to help our customers handle materials such as waste and packaging to support higher rates of reuse and recycling in the supply chain.

CARBON AND WASTE TARGETS

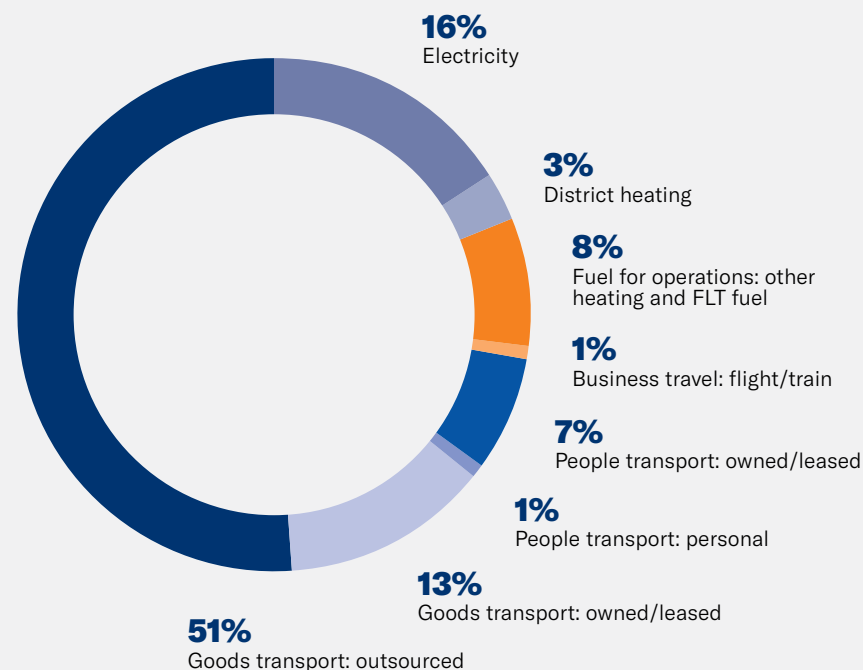
To track STARK Group's environmental performance, all STARK Group Business units bi-annually report the environmental impacts most material to our direct operations. These are fuel consumption for transport (goods and people), energy consumption related to branch and office operations (electricity and heating) and waste generation.

Performance at the end of FY20, four years into the target period 2016-2021, is shown in the table on page 34. Details on the data provided can be found in the “Basis of Reporting” document on the STARK Group website.

In the financial year 2020, we acquired and integrated STARK Deutschland, doubling branch network and number of employees. Thus, we have set new and more ambitious sustainability targets for the STARK Group business strategy period running from 2020-2024. Please refer to page 18 and 19 for an overview of new targets.

CARBON EMISSIONS

The figure shows the relative contribution of each carbon parameter to STARK Group's total carbon emissions in FY20. Fuel consumption for transport comprises 73% of our carbon emissions, of which goods transport alone, represents 64%.



PROGRESS TOWARDS TARGETS (2016-2021)

Four years into the five-year target period, our carbon footprint has decreased by 20% compared to baseline 2016 when looking at the Nordics. However, with the acquisition of STARK Deutschland, there is a relative increase in carbon emission by 13%, driven primarily by a higher carbon impact from transportation.

We have reached the FY21 target level for CO₂ emission from buildings and equipment per million EUR revenue, reducing consump-

tion in STARK Group and the Nordics by 22% and 47% respectively. The reduction in the Nordics is primarily due to energy efficiency projects, including a continued transition from conventional lighting to LED and improved efficiency heating and ventilation systems.

The CO₂ emission from transport has improved in the Nordics by 2% compared to the 2016 baseline. This improvement is driven primarily by the implementation of track and trace in our logistical set-up and new initiatives in Beijer to use renewable HVO100,

fossil-free fuel, which reduces carbon emissions by at least 80% compared to conventional diesel

We have reduced our total waste per million EUR revenue in the Nordics primarily driven by initiatives and increased focus in Beijer, STARK Danmark and Neumann). The percentage of recycled waste has remained flat since baseline 2016. We will continue working closely with our waste suppliers to explore the possibilities for increasing the recycling rate.

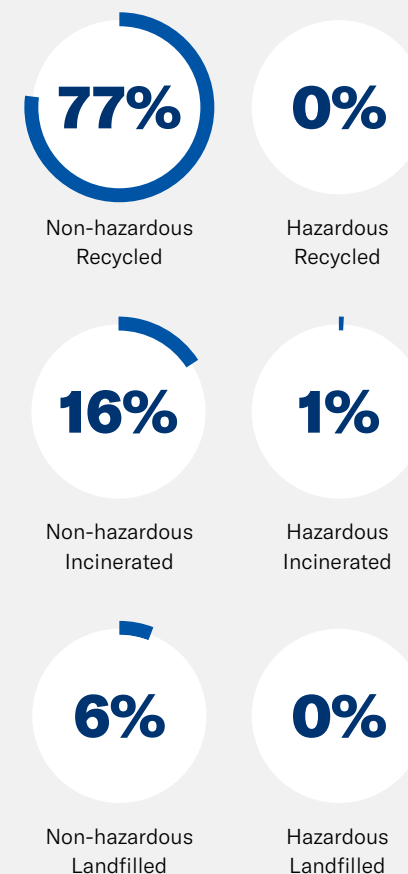
ENVIRONMENTAL EFFICIENCY

	PERFORMANCE FY20		PERFORMANCE RELATIVE TO TARGET BASELINE EXCLUDING STARK DEUTSCHLAND (2016)	PERFORMANCE RELATIVE TO TARGETS (TARGETS SHOWN IN BRACKETS)
	NORDICS	NORDICS + GERMANY		
Total carbon emissions (tCO ₂ /mEUR revenue*)	13.4	18.9	▼ -19.7%	N/A
Carbon emissions Buildings and equipment (tCO ₂ /mEUR revenue*)	3.5	5.1	▼ -47.5%	Target level reached (-10%)
Carbon emissions Transport (tCO ₂ /mEUR revenue*)	9.9	13.8	▼ -2.4%	Progress towards target (-6%)
Total waste (tCO ₂ /mEUR revenue*)	6.3	7.6	▼ -7.8%	Target level reached (-7%)
% of total waste recycled (%)	54.1	76.8	▲ 0.5 pp	Progress towards target (>63%)

Performance at the end of FY20, 4 years into the 5-year target period. For environmental results throughout target period, please see appendix.

WASTE FRACTIONS IN STARK GROUP FY20

99% of all waste was non-hazardous, and 77% of all waste was sent for recycling during FY20.





CASE

Fossil-free deliveries in the Stockholm area

Every year, Beijer Byggmateriel makes 200,000 deliveries from its warehouses in the Stockholm area resulting in over 2,000,000 km. Since July 2020, all contracted delivery vehicles have run on renewable HVO100, fossil-free fuel, which reduces carbon emissions by at least 80% compared to conventional diesel.

“It is important for us as the largest player among building materials retailers in the Stockholm area to handle our deliveries in an even more sustainable way. This also helps

our customers to meet their environmental targets, and together we are now getting closer to a more climate-smart construction industry”, says Henrik Ehrengren, Logistics Director at Beijer Byggmateriel.

The Stockholm area is currently the most expansive region in the Nordics with many large construction companies who have increasing sustainability requirements and a determination to reduce their climate footprint. For a large construction site that receives many deliveries, low carbon deliveries will be a significant positive change for their carbon budget.

CASE

Collaboration between Tørn.no and Neumann to reduce waste from surplus products

Neumann Bygg has entered a collaboration with Tørn.no, Norway’s first fully digital marketplace selling surplus, residual, returns, breakage and defect construction products at reduced prices to a national audience. The goal is to reduce wastage and help make the construction industry more sustainable by turning waste into value. Tørn.no, opened on 16th of March this year, with Neumann Bygg as the first pilot supplier. During the first eight weeks, the portal had 27,000 visitors and sold surplus goods for NOK 500,000 in an otherwise corona-closed market.

“The fact that products we have struggled to sell suddenly were in demand shows that there is a market for surplus goods if you reach enough people. If we succeed as an industry with the sale of surplus goods, it is positive for both the industry, our customers - and not least for the environment”, says Øystein Aam, Director of Quality and Development at Neumann Bygg AS.

HEALTH AND SAFETY

Health and safety are key priorities for STARK Group, whether it involves our employees, customers or the communities in which our businesses operate.

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 perfor-

mance throughout the Group and to ensure full compliance with legislation and other requirements. 52% of our branches across the Group are certified according to ISO45001 including 220 German branches and two Danish branches.

ACCIDENT AND INCIDENT REPORTING

All STARK Group business units monthly report on two key performance indicators; the number of injuries and the resulting number

of lost workdays. STARK Group has annual targets to reduce these parameters. Health and Safety performance at the end of FY20 as well as our targets are shown in the table.

The total number of reportable injuries improved from FY19 to FY20 to 0.8 injuries per 100,000 workhours. This is significantly lower than the European industry benchmark 2018 of 1.75 injuries per 100,000 workhours^[3]. However, the Group lost workday rate has increased, indicating more severe injuries. This has initiated initiatives set by the management teams in all the BUs, and we will follow the performance data continuously to ensure that the initiatives show a measurable effect.

BRANCH AUDITS

STARK Group internal branch audits assess compliance with legal requirements and internal processes, covering health and safety, customer, financial and staff issues in all branches at least annually. The branch audits are a well-implemented way of preventing incidents and near-misses and generate an

ongoing focus on the working environment. To maintain our Group health and safety standard, the branches conduct a weekly self-inspection.

Branch audits results are reviewed monthly by management to ensure rectification of nonconformities and continual improvement within the branch audit focus areas. Branch audits have proven to be an essential management tool to assess operational performance. The target is that all audits should be passed with a 75% score, and the result for FY20 is showing an improvement with a 95% pass rate compared to an 87% pass rate in FY19.

Due to Covid-19 restrictions, branch audits in the Nordic countries were stopped periodically. Therefore, only 63% of the Nordic branches have been audited in FY20 compared to 123% in FY19. All branches in STARK Deutschland have been internally audited according to plan.

	2020	2019	PERFORMANCE RELATIVE TO TARGET BASELINE	PERFORMANCE RELATIVE TO GROUP KPIs (KPIs SHOWN IN BRACKETS)
Injury rate* (per 100,000 worked hours)	0.80	0.82	▼	Off target (0.7)
Lost workday rate** (per 100,000 worked hours)	6.43	6.15	▲	Off target (4.0)
Number of critical injuries	0	0	►	N/A
Number of serious injuries	12	12	►	N/A

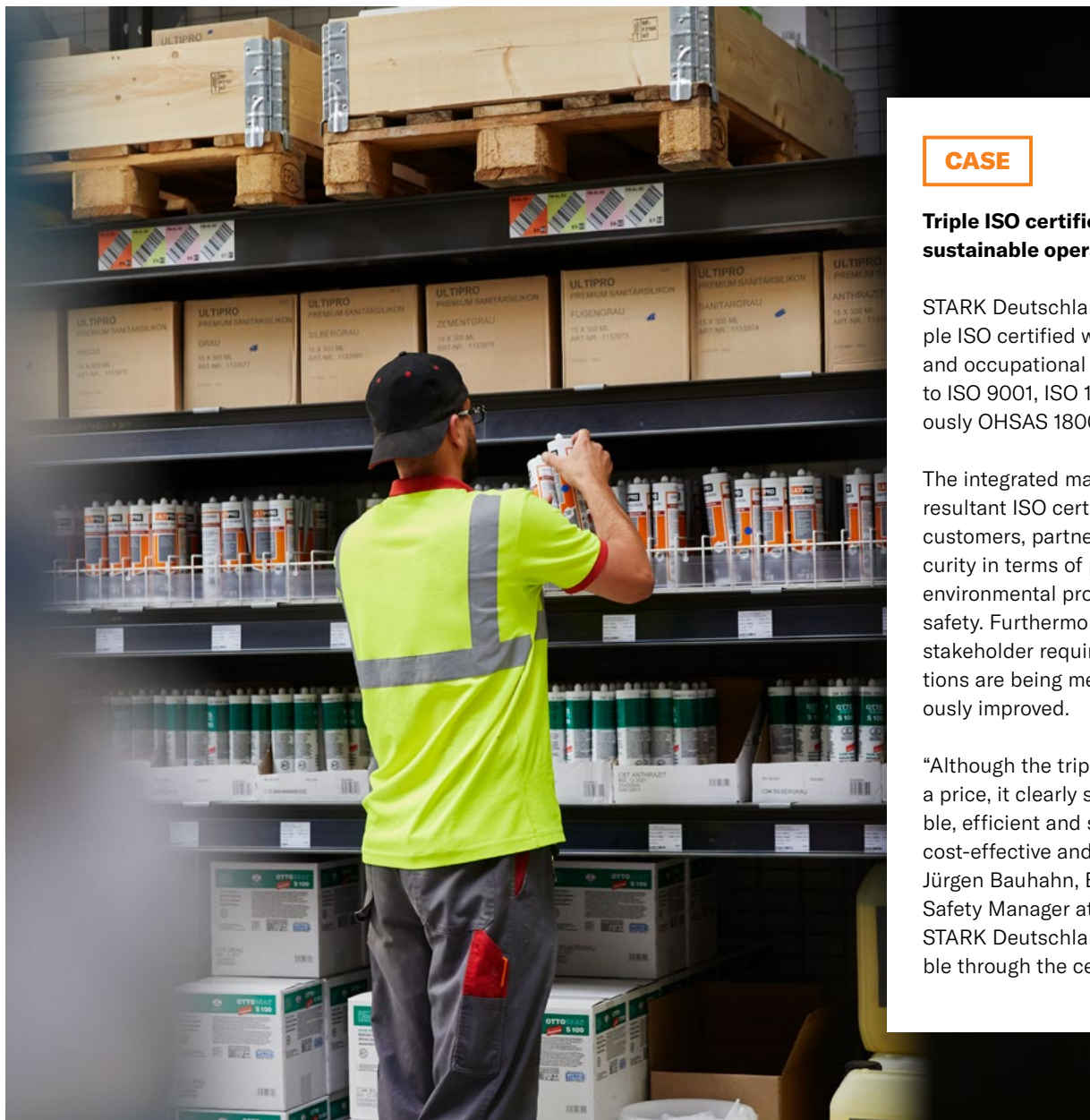
Health and Safety Performance, FY20 and FY19.

* Number of injuries per 100,000 worked hours as a 12-month rolling average.

** Number of lost workdays related to injuries per 100,000 worked hours.

For health and safety results for the past reporting periods, please view the appendix.

[3] https://www.bls.gov/iif/oshsum.htm#18Summary_Tables, Table 1 - Incidence rates - detailed industry level - 2018; Total recordable cases for Industry: Trade, transportation, and utilities



CASE

Triple ISO certification supports sustainable operations

STARK Deutschland has since 2007 been triple ISO certified within quality, environment and occupational health and safety according to ISO 9001, ISO 14001, and ISO 45001 (previously OHSAS 18001).

The integrated management system and resultant ISO certificate provide employees, customers, partners and authorities with security in terms of product and service quality, environmental protection, and occupational safety. Furthermore, it serves as proof that stakeholder requirements and legal regulations are being met and processes continuously improved.

“Although the triple certification comes with a price, it clearly supports our sustainable, efficient and safe operations to ensure cost-effective and resilient operations,” says Jürgen Bauhahn, Environmental, Health and Safety Manager at STARK Deutschland. In STARK Deutschland, the transparency available through the certified management system

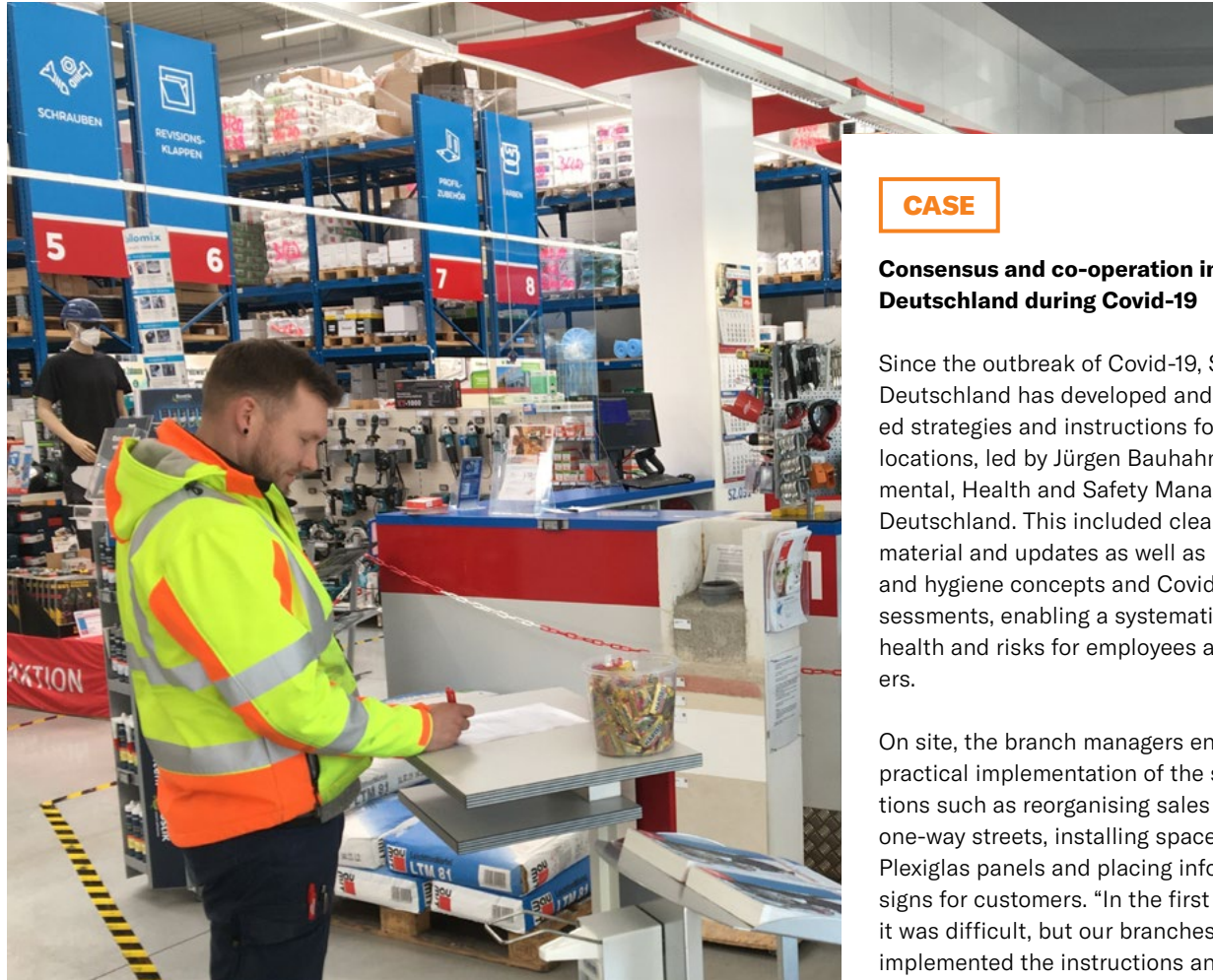
has proven to simplify customer enquiries and supplier evaluations. Furthermore, the certification has supported positive assessments in supplier portals and during supplier audits by customers.

Municipalities, public clients, and an increasing number of large companies in Germany demand verifiable management systems from their suppliers to participate in tenders. “The triple certification in STARK Deutschland, therefore, gives us a clear competitive advantage” Jürgen Bauhahn adds.

COPING WITH COVID-19 - CARING FOR OUR CUSTOMERS, EMPLOYEES AND SOCIETY

We focus on ensuring continuous supplies to our customers while protecting the safety of our colleagues. Therefore, we immediately implemented strict safety measures to protect customers and colleagues in the spring of 2020.

Based on the available knowledge about the virus and our experiences during this pandemic, we have now a pandemic risk assessment and local emergency plans in place for future handling of similar situations.



CASE

Consensus and co-operation in STARK Deutschland during Covid-19

Since the outbreak of Covid-19, STARK Deutschland has developed and implemented strategies and instructions for all 215 locations, led by Jürgen Bauhahn, Environmental, Health and Safety Manager, STARK Deutschland. This included clear information material and updates as well as protection and hygiene concepts and Covid-19 risk assessments, enabling a systematic control of health and risks for employees and customers.

On site, the branch managers ensure the practical implementation of the specifications such as reorganising sales areas into one-way streets, installing spacers and Plexiglas panels and placing information signs for customers. "In the first few weeks it was difficult, but our branches quickly implemented the instructions and concepts, which the inspectors from the health authorities were highly satisfied with," says Jennifer Knieschan, Safety Specialist, STARK Deutschland.

EMPLOYEE ENGAGEMENT

The engagement level amongst our people is crucial for STARK Group to deliver on strategic goals and to maintain customer loyalty and the overall sustainability of the business. During FY20, we have carried out the yearly engagement survey in all business units. 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 75, an improvement from the previous year and a significantly higher score than the industry average at 71. The participation rate of 91%, was increased by 2% points compared to FY19.

Besides the annual confidential work condition survey, employees at STARK Group also receive regular performance talks and development interviews. The average seniority within STARK Group is 9.5 years, showing a high level of loyalty.



DIVERSITY AND INCLUSION

At STARK Group, we value a diverse workforce that balances the population of the markets where we operate. We do not accept any discriminatory behaviour on gender, ethnicity, race, 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.



CASE

STARK Danmark initiates partnership for a Construction Diversity Day

STARK Danmark has joined forces with Ambercon, Arkil and CG Jensen to inspire towards more diversity in the construction sector. The aim of the partnership is to initiate an annual Construction Diversity Day (Byggeriets Diversitetsdag), where presentations, cases, debates and honorary awards to those who make a difference, can inspire the industry to work actively for more diversity.

Only nine per cent of the construction industry and as little as three per cent of all craftsmen are female. An increasing number of females are enrolling in education within engineering and construction, and in recent years they have begun to form a larger part of the construction management. However, among craftsmen on the construction sites, very few females are found in top management. STARK Danmark has the ambition to create a culture, where the industry rejects negative discrimination. Companies must take responsibility for creating attractive jobs for everyone.

FEMALES IN MANAGEMENT

While our sector remains male-dominated, we are starting to see greater female participation at each level in our business. 22% of our employees are females, and females hold 15% of management positions. In STARK Group, the Executive Committee consists of 30% females.

Our targets for gender balance are:

- To increase the percentage of females in total to 25%
- To increase the percentage of females in management positions to 20%
- To keep a level of 30% of females in the executive committee.

To reach our target, we have initiated the following actions:

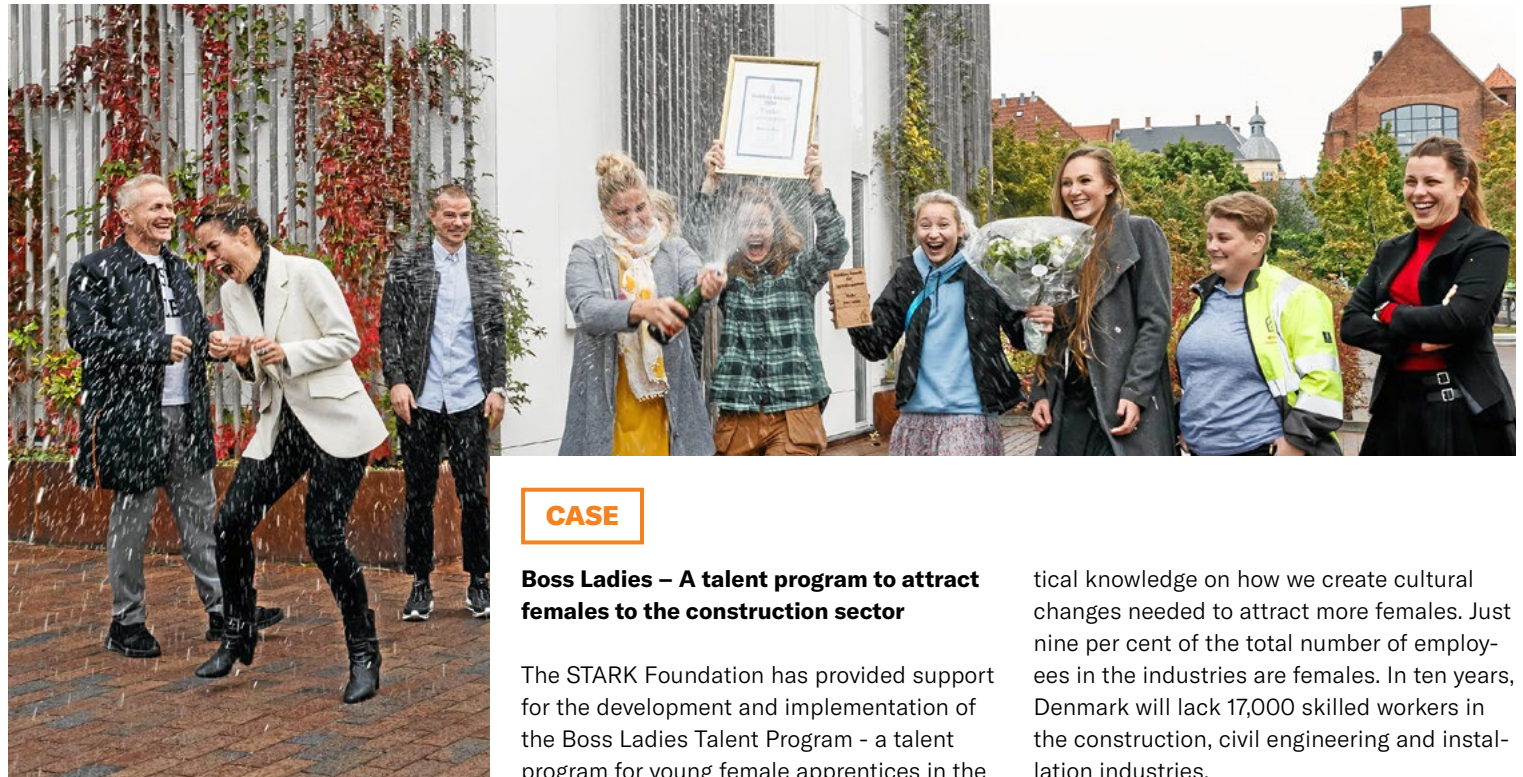
- Monitoring our recruitment process and make yearly employee engagement surveys
- Recruitment policy to always secure female candidates in the pipeline
- Apprentice schemes to secure ~30% are female.

We will ensure that discussions among our board of directors include multiple perspectives on business, the industry in general, our people and leadership. The board also aspires to be diverse, while still reflecting our customer base. By focusing on getting more females in management positions, our goal is to grow the pool of female talent. In the STARK Group A/S Board of Directors, there

is one female out of three board members (33%). In the STARK Group management team, the gender balance is 50/50. In STARK ApS the gender balance in the executive

management team is 25/75 (2 females:6 male). We have set a target to improve the gender balance to reach 40/60 within our target period 2020-2024. Since this is a new

target, it has not been reached, however initiatives will be taken with the ambition to reach this target by latest July 2024.



CASE

Boss Ladies – A talent program to attract females to the construction sector

The STARK Foundation has provided support for the development and implementation of the Boss Ladies Talent Program - a talent program for young female apprentices in the building and construction sector.

The purpose of the project is to develop new methods and knowledge in an industry where it has proved difficult to attract and retain female talent. The project activates new prac-

tical knowledge on how we create cultural changes needed to attract more females. Just nine per cent of the total number of employees in the industries are females. In ten years, Denmark will lack 17,000 skilled workers in the construction, civil engineering and installation industries.

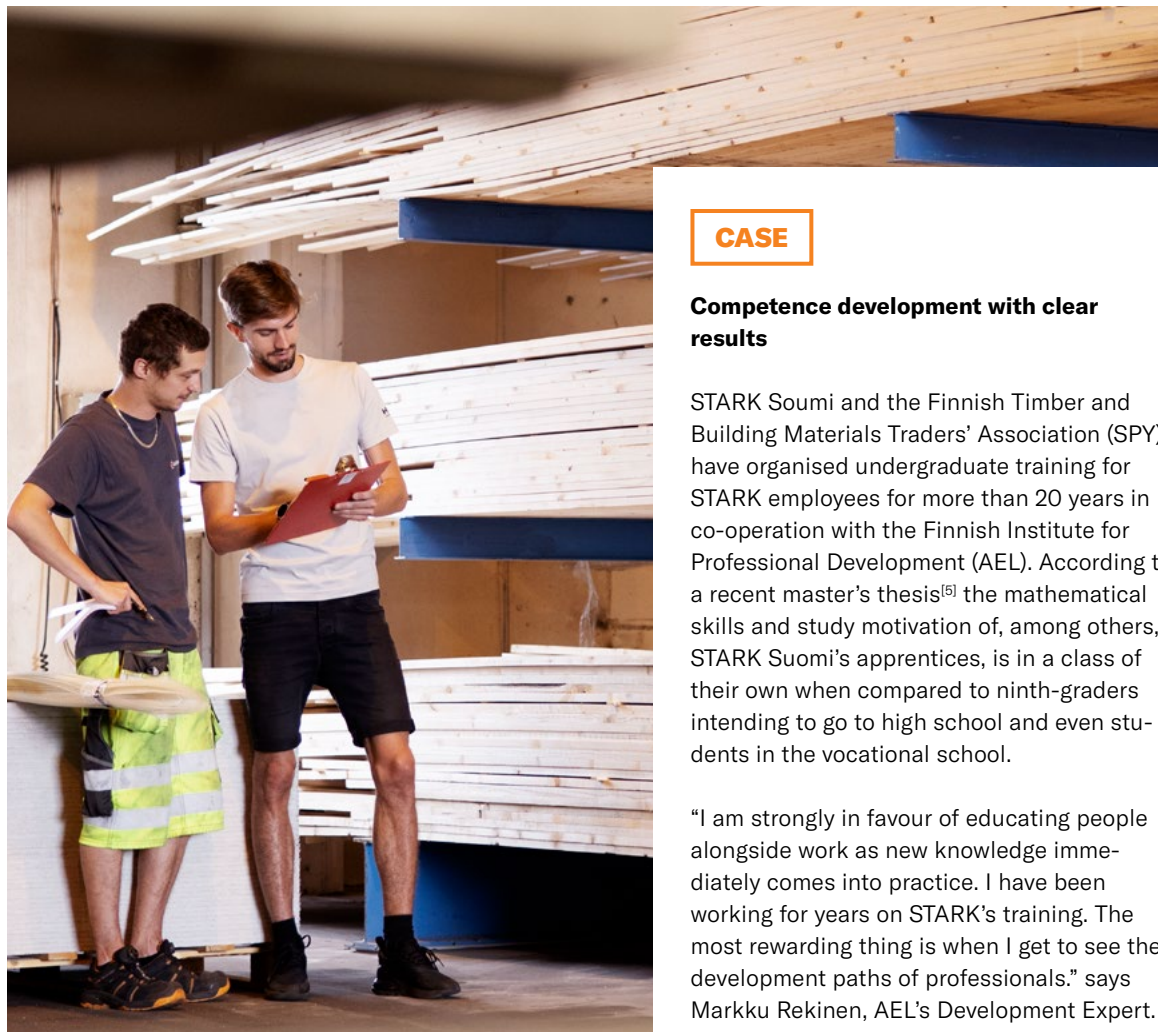
Boss Ladies was awarded the Building Awards Gender Equality Award 2020 for the work of getting the gender equality debate on the agenda and offsetting the traditional notions about the construction industry.

COMPETENCE DEVELOPMENT

Employee training and competence development is an ongoing activity in STARK Group.

Managers and leaders play an essential role in developing employee competencies, and we invest time and resources toward giving our managers the skills and understanding needed to build and maintain a working environment that fosters growth.

All business units have an extensive onboarding program to help new employees understand their tasks and company processes, as well as to become an integrated part of the cooperate culture. Health, safety, and sustainability issues make up a significant part of the onboarding program, as these issues support our cooperate values and are key contributors to our long-term success.



CASE

Competence development with clear results

STARK Soumi and the Finnish Timber and Building Materials Traders' Association (SPY), have organised undergraduate training for STARK employees for more than 20 years in co-operation with the Finnish Institute for Professional Development (AEL). According to a recent master's thesis^[5] the mathematical skills and study motivation of, among others, STARK Suomi's apprentices, is in a class of their own when compared to ninth-graders intending to go to high school and even students in the vocational school.

"I am strongly in favour of educating people alongside work as new knowledge immediately comes into practice. I have been working for years on STARK's training. The most rewarding thing is when I get to see the development paths of professionals," says Markku Rekinen, AEL's Development Expert.

[5] Heiskanen, Ripsa (2019) Mathematical skills and attitudes of students in vocational education in relation to the requirements of working life - the starting point is the timber trade. Faculty of Science and Forestry. Department of Physics and Mathematics. University of Eastern Finland.

CASE**STARK Deutschland welcomed 180 new trainees during 2020**

In 2020, 180 young professionals started their training at STARK Deutschland, and the search for new trainees in 2021 has already begun. At STARK Deutschland, the promotion of young talent and long-term co-operation is a key factor.

Kåre O. Malo, CEO at STARK Deutschland GmbH, emphasises: “We look forward to growing our team with competent and committed colleagues who strengthen us”.

The trainees are firmly integrated into the departments and receive intensive support. Trainees 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 on the trainees in permanent employment after completing their training. Trainees have exciting development opportunities in our network of 11 strong brands.

STARK Deutschland has received several awards as an employer in recent years, such as a Top employer in Germany (Focus, 2019).



CASE**Apprenticeship of the year**

STARK Danmark's branch in Odense received the award Best Apprenticeship 2019 presented by FUT - Foreningen for Trælast- og byggemarkedsfolk.

The branch was nominated by the business student Kirstine Vestergaard. Kirstine Vestergaard originally came to STARK Danmark as a young worker. Still, the encounter with the construction industry became an eye-opener, and it quickly became clear that she wanted to increase her knowledge and competences in this direction: "So far, I have had a fantastic apprenticeship. I have been acquainted with a wide range of different tasks, from goods receipt and stock and purchasing management to working with campaigns. I think the general store operation is incredibly exciting, and I like the variety a lot", says Kirstine Vestergaard.

In 2020, Kirstine Vestergaard won FUT's course diploma Fagprøveprisen 2020 in the category builders' merchant/retail.



OUR MARKET

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

- 46 Promoting sustainable products
- 48 Educative partner and corporate citizen



PROMOTION OF SUSTAINABLE PRODUCTS

We support and encourage sustainable construction and increased circularity in the construction industry by offering a relevant assortment of eco-labelled and energy-efficient products that continuously meet market expectations and follow product development.

As with all new tendencies, sustainable construction requires craftsmen, architects, and developers to have knowledge of sustainable building standards and available products.

One of the most considerable barriers towards sustainable construction is the lack of knowledge of sustainable alternatives. To increase the knowledge, we have implemented new targets regarding the percentage of employees who are trained as sustainability specialists as well as the number of sustainability events conducted per year.

The STARK Group business units aim to make it easier for customers to make educated choices 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

increased information regarding sustainability has given them improved sales arguments towards their customers for using, for example, low emission materials which ensure a healthier indoor climate or products with a

lower carbon footprint.

Look for the following eco-labels for the most sustainable alternatives:

Timber and timberbased products



Clothing and footwear



All product types



Paints and surface treatment



Sealants and masonry products



STARK Deutschland
STARK Danmark
STARK Suomi
Beijer Bygghem
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

CASE**First builders merchant in Denmark built according to DGNB - STARK Hørsholm**

In February 2020, STARK Denmark opened its doors to Denmark's first sustainable builders' merchant. The 5,500 square meters sustainable branch in Hørsholm, Denmark, has been built according to the DGNB standard incorporating all aspects of sustainability – environmental, social and economic – in addition to assessing the technical and operational aspects.

“Our store in Hørsholm is the essence of our desire to be at the forefront of sustainable development and to make it easier for the craftsmen to build sustainably. We see this as one of our most important tasks” says Britta K. Stenholt, CEO of STARK Denmark.

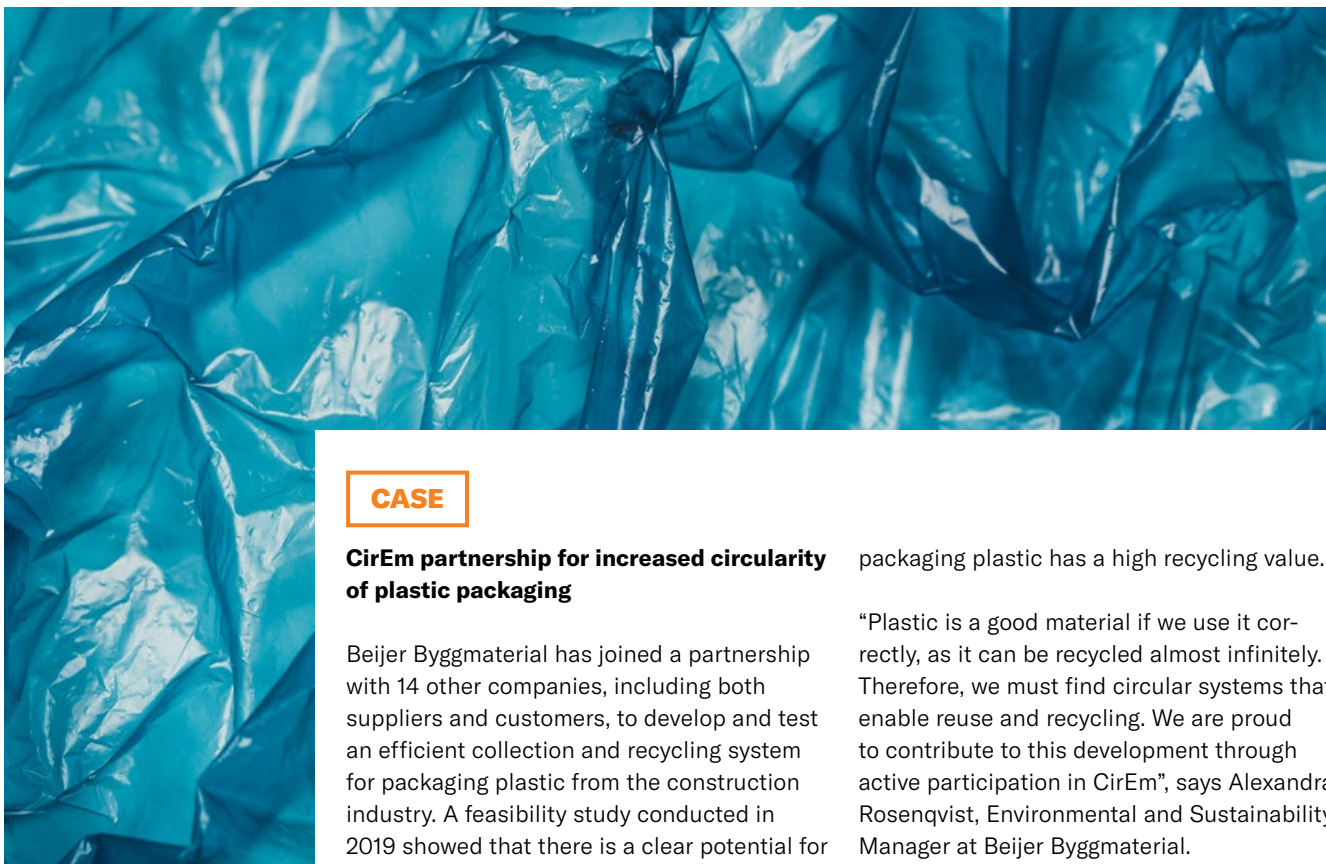
The store is not only built sustainably; it is packed with sustainable initiatives. The business' rental machines run either completely emission-free on batteries or on environmentally friendly HVO diesel. The furniture is made from recycled plastic, and all light sources are low energy LED bulbs. Even the doors in the construction market café are made of old cola plastic bottles.



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 open to collaborating in partnerships that promote sustainability and circularity.

Furthermore, we strive to be an active corporate citizen supporting social sustainability in the local communities. We 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.



CASE

CirEm partnership for increased circularity of plastic packaging

Beijer Bygghematerial has joined a partnership with 14 other companies, including both suppliers and customers, to develop and test an efficient collection and recycling system for packaging plastic from the construction industry. A feasibility study conducted in 2019 showed that there is a clear potential for developing a circular system for packaging plastic. Packaging plastic has an important purpose in the construction industry to protect goods, and the thin and high-quality

packaging plastic has a high recycling value.

“Plastic is a good material if we use it correctly, as it can be recycled almost infinitely. Therefore, we must find circular systems that enable reuse and recycling. We are proud to contribute to this development through active participation in CirEm”, says Alexandra Rosenqvist, Environmental and Sustainability Manager at Beijer Bygghematerial.

The project is led by Chalmers Industriteknik and funded by the research program RE:Source.

CASE

STARK Group: Circle House Lab

STARK Group is part of the Circle House Lab partnership consisting of 100 partners including suppliers, partners and customers - all of whom work to promote circular construction. Circle House Lab is a laboratory where members commit to engaging in experimental solutions and thinking collaboratively across the industry.

The knowledge gained in the partnership will build the foundation for the development of a European standard for new processes and products within sustainable construction. The project is supported by Realdania and the Danish Ministry of the Environment and runs from spring 2019 to summer 2021.

“It is an extremely relevant and important work that is being done by the partnership. The production of building materials alone accounts for roughly 10% of the world's CO₂ emissions, consume 50% of European resource extraction, and the construction industry accounts for 38% of the waste produced in Denmark. It is irrational if we do not use those resources in new products.”, says Louise Askær-Hune, Head of Sustainability at STARK Group. Through collaboration and partnership in Circle House Lab, STARK Group has contributed to three published green papers.



The Circle House Lab green papers can be downloaded from
→ bloxhub.org/circlehouselab

CASE**KERAMUNDO awarded highest customer trust**

In November 2020, STARK Deutschland's brand KERAMUNDO showed how they work to fulfil our overall Group vision, to be the most trusted builders' merchant in Northern Europe. They were awarded "highest customer trust" in the area of tile markets. During 2020, KERAMUNDO has invested in improving the customer experience; for example, customers can try out the products in a digital guidance lounge using virtual reality in different room situations in all 25 KERAMUNDO stores.
















More than 500,000 customers were asked, and 59.4% of the surveyed customers stated that they trust KERAMUNDO. That is the highest value in the industry's trust ranking. Fliesen Discount, also a part of STARK Deutschland, received a top 3 rating.



APPENDIX



- 52 Sustainability framework
- 53 Summary of sustainability results FY20
- 57 Our contributions towards UN SDGs

	SUSTAINABILITY PROGRAMMES	SUPPORTING POLICIES	TARGETS (TARGET PERIOD 2020-2024)	SUPPORTED SDGs
OUR PRODUCTS	Product quality and integrity	Code of Conduct Risk Management Policy Sustainability Policy Product Integrity Policy Trade Compliance and Sanctions Policy	100% passed Product Integrity evaluation All onsite supplier audits passed	  
	Responsible sourcing	Responsible Timber Sourcing Policy Code of Conduct Product Integrity Policy Sustainability Policy	100% passed Product Integrity evaluation 100% passed EUTR evaluation % certified timber procured (Baseline and Target will be set during 2021) % 3rd party certified procured (Baseline and Target will be set during 2021)	
	Ethical behaviour and human rights	Product Integrity Policy Records Management and Personal Data Protection Policy Fraud, Anti-Bribery and Corruption Policy Sustainability Policy Code of Conduct Competition Law Policy	100% passed Product Integrity evaluation	
OUR OPERATIONS	Environmental efficiency	Environmental Policy Sustainability Policy	CO ₂ e emissions from buildings and equipment: 16.8% reduction CO ₂ e emissions from transport: 16.8% reduction 20% waste reduction 80% segregated waste	  
	Health and safety	Health and Safety Policy Code of Conduct	Reduce injury rate (0.7 per 100,000 worked hours) Reduce lost workday rate (4 per 100,000 worked hours)	  
	Employee engagement	People Policy Code of Conduct	Engagement survey score: Satisfaction & Motivation: 76 / Loyalty: 82 Engagement survey participation rate: 85%	
	Diversity and inclusion	People Policy Code of Conduct	25% of females in total 20% of females in management positions 30% of females in Executive Committee	
	Competence development	People Policy Sustainability Policy	Development talks held: 95% 3% employees trained as sustainability specialist	
OUR MARKET	Promoting sustainable products	Environmental Policy Sustainability Policy Responsible Timber Sourcing Policy	% sales of FSC and PEFC certified wood (Baseline and Target will be set during 2021) % sales of 3rd part verified eco-labelled products (Baseline and Target will be set during 2021) 10% of branches offer customers sustainability events annually	  
	Educative partner and corporate citizen	Sustainability Policy Code of Conduct	Engagement and partnerships with NGOs, educational institutions etc. Educative events 3% of employees trained as sustainability specialists	  

OUR PRODUCTS SUSTAINABILITY RESULTS	2020	2019	2018	2017	2016	PERFORMANCE RELATIVE TO PREVIOUS YEAR	PERFORMANCE RELATIVE TO GROUP KPIs (KPIs SHOWN IN BRACKETS)
Product quality and integrity							
Contracts passed Product Integrity evaluation	100%	100%	100%	-	-	►	Target reached (100%)
Number of passed onsite supplier audits - no. of onsite audits passed/no. of onsite audits conducted	0/0	5/5	-	-	-	►	Target reached (all passed)
Responsible sourcing							
Number of passed EUTR evaluations - no. of EUTR evaluations passed/ no. of EUTR evaluations conducted	0/0	1/1 (DK)	2/2 (SE+FI)	1/1 (SE)	1/1 (DK)	►	Target reached (all passed)
Ethical behaviour and human rights							
Code of Conduct	Distributed in STARK DE	Redistributed	-	-	-		N/A

■ Target reached
 ■ Progress towards
 ■ Off target

OUR OPERATIONS SUSTAINABILITY RESULTS	2020	2019	2018	2017	2016	PERFORMANCE RELATIVE TO TARGET BASELINE**	PERFORMANCE RELATIVE TO GROUP KPIs (KPIs SHOWN IN BRACKETS)
Environmental efficiency Nordics (Nordics + Germany) **Baseline: 2016 (target period 2016-2021)							
Total carbon emissions (tCO ₂ /mEUR revenue*)	13.4 (18.9)	14.6	15.7	17.0	16.7	▼ -19.7%	N/A
Carbon emissions - Buildings and equipment (tCO ₂ /mEUR revenue*)	3.5 (5.1)	4.0	5.0	6.2	6.6	▼ -47.5%	Target level reached (-10%)
Carbon emissions - Transport (tCO ₂ /mEUR revenue*)	9.9 (13.8)	10.6	10.7	10.9	10.1	▼ -2.4%	Progress towards target (-6%)
Total waste (t/mEUR revenue*)	6.3 (7.6)	6.3	6.5	8.3	6.8	▼ -7.8%	Target level reached (-7%)
% of total waste recycled (%)	54.1 (76.8)	51.2	53.9	55.1	53.6	▲ 0.5 pp	Progress towards target (>63%)
Health and safety STARK Group: Nordics & Germany **Baseline: 2019							
Injury rate (per 100,000 worked hours)	0.80	0.82	0.83	0.77	0.78	▼	Off target (0.7)
Lost workday rate (per 100,000 worked hours)	6.43	6.15	4.62	3.50	4.40	▲	Off target (4.0)
Number of critical injuries	0	0	0	1	0	►	N/A
Number of serious injuries	12	12	6	6	7	►	N/A
Employee engagement Nordics **Baseline: 2019							
Employee engagement survey score (satisfaction & motivation)	75	74	73	-	-	▲	On target
Participation rate	91.3	89.3	81.0	-	-	▲	On target
Average seniority (years)	9.5	9.6	9.8	-	-	N/A	N/A
Diversity and inclusion Nordics **Baseline: 2019							
% female (total)	22	22	23	-	-	►	N/A
% of management positions held by females	15	13	13	-	-	▲	N/A
Executive Committee (% female)	30	33	33	-	-	►	On target (30%)
Management team (% female)	50	50	50	-	-	►	On target (30%)
Board of Directors (% female)	33	33	29	-	-	►	On target (30%)
Competence development Nordics **Baseline: 2019							
% of branches who have conducted and registered Development & Appraisal talks	96.0	96.6	-	-	-	▼	On target (95%)

* Current FX rates

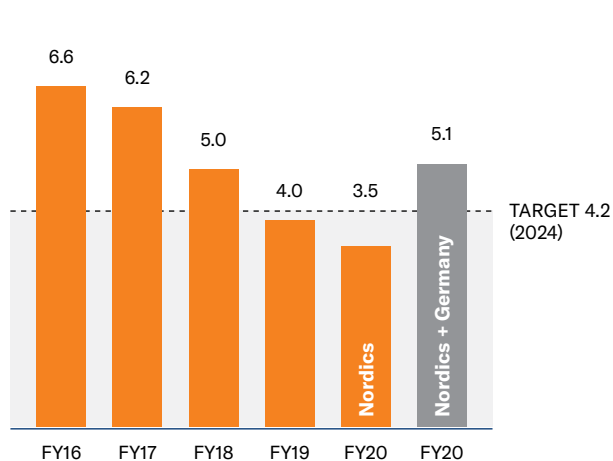
OUR MARKET SUSTAINABILITY RESULTS	2020	2019	2018	2017	2016	PERFORMANCE RELATIVE TO TARGET BASELINE**	PERFORMANCE RELATIVE TO GROUP KPIs (KPIs SHOWN IN BRACKETS)
Promoting sustainable products (STARK Danmark only) **Baseline: 2019							
% share of timber and timber-based FSC and/or PEFC certified SKUs in fixed assortment	80	74	-	-	-	▲	On target (increasing %)
% sales of timber and timber-based FSC and/or PEFC certified products in fixed assortment	93	75	-	-	-	▲	On target (increasing %)
Educative partner and corporate citizen							
See case descriptions in the sustainability report							

■ Target reached
 ■ Progress towards
 ■ Off target

SUSTAINABILITY RESULTS

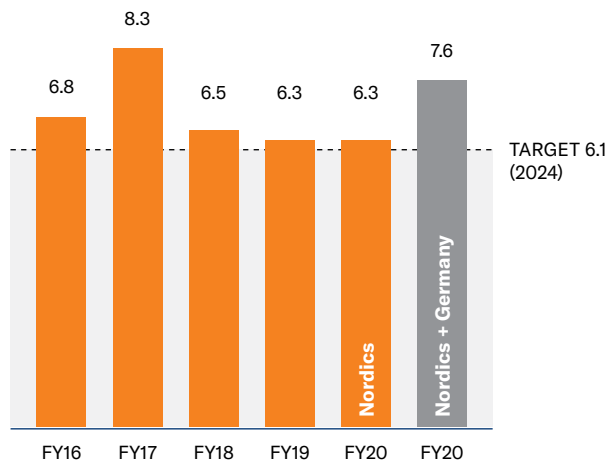
CARBON EMISSION FROM BUILDINGS AND EQUIPMENT

(tCO₂/mEUR revenue*)



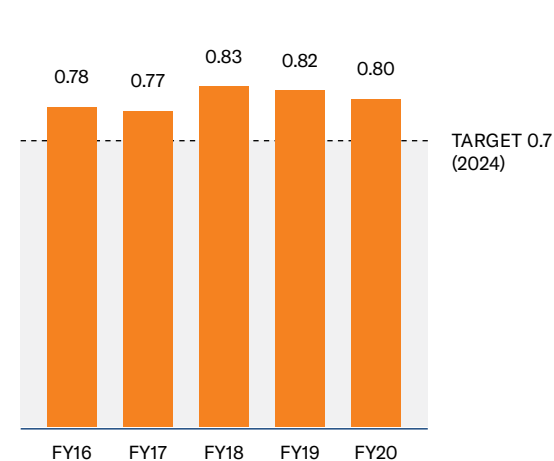
WASTE PRODUCTION

(t/mEUR revenue*)



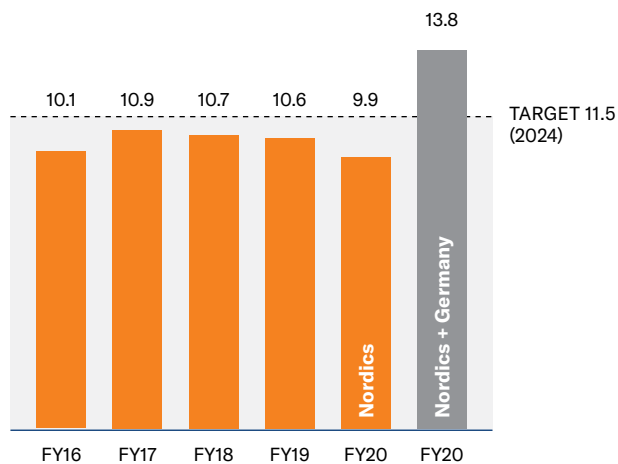
INJURY RATE

(per 100,000 worked hours)



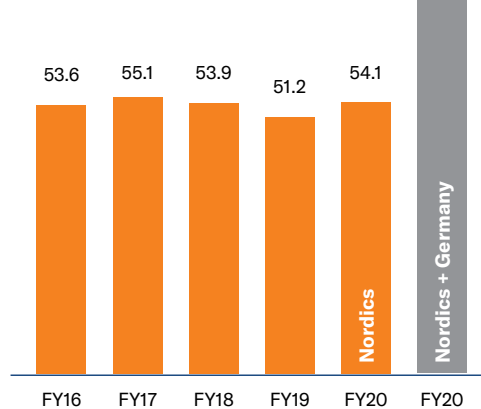
CARBON EMISSION FROM TRANSPORT

(tCO₂/mEUR revenue*)



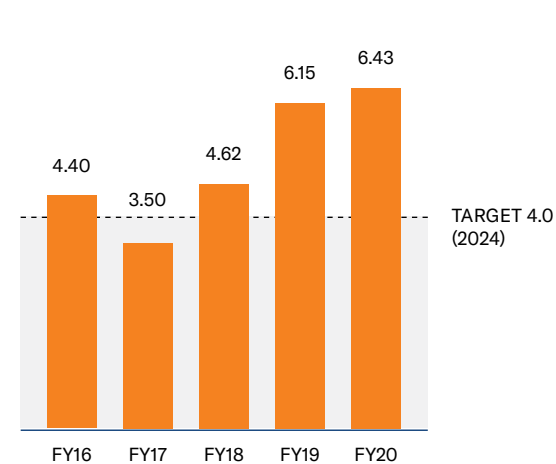
% WASTE RECYCLED

TARGET 80%** (2024)



LOST WORKDAY RATE

(per 100,000 worked hours)



* Current FX rates

** Segregated waste

CONTRIBUTING TO THE SUSTAINABLE DEVELOPMENT GOALS

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 3rd 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 3rd 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.

CONTRIBUTING TO THE SUSTAINABLE DEVELOPMENT GOALS

OUR OPERATIONS



UN SDG TARGETS	OUR DIRECT CONTRIBUTION	OUR TARGETS (2024)
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.	<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.
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.	<ul style="list-style-type: none"> Working to improve gender balance. Whilst our sector remains male-dominated, 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%. Retain at least 30% of females in Executive Management Team.
10.4 Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality.	<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 females in total to 25%. Retain at least 30% of females in Executive Management Team.
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.	<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 3rd 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.
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.	<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.
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.	<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. 	<ul style="list-style-type: none"> 100% of all new contracts pass product integrity evaluation process.

CONTRIBUTING TO THE SUSTAINABLE DEVELOPMENT GOALS

OUR MARKET



UN SDG TARGETS	OUR DIRECT CONTRIBUTION	OUR TARGETS
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 3rd 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: 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"> Implementation of scope 1, 2 and 3 targets following a Science-Based Target approach with the aim of having targets approved by SBTi. 	<ul style="list-style-type: none"> 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 3rd 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"> The 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.

TOGETHER WE CAN BUILD A MORE SUSTAINABLE TOMORROW

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