

SUSTAINABILITY REPORT

2019



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An aerial photograph of a dense forest of evergreen trees, showing a rich green canopy with some darker patches of shadow.

ABOUT THIS REPORT

This report covers the financial year 1 August 2018 to 31 July 2019 and represents the corporate social responsibility statement of STARK Group A/S as required by the EU Directive 2014/95/EU and Sections 99a and 99b of the Danish Financial Statements Act.

This report includes consolidated environmental and social performance data from all STARK Group business units (BU's). The report excludes outsourced services unless specified.

The content in this report has been determined based on STARK Group's most material sustainability issues and organisational risks and opportunities. It aims to give our stakeholders insights into the way STARK Group work with these issues.

TOGETHER WE CAN BUILD A MORE SUSTAINABLE TOMORROW

There is an increasing need and interest to find long-term solutions to global challenges including climate change, the increasing consumption and disposal of resources and the depletion of nature and biodiversity. Sustainable construction can reduce the impact of environmental degradation and climate change while also ensuring that our homes and communities are future fit.

As a leading building materials supplier, we have an opportunity to deliver sustainable solutions and therefore, perceive this as an opportunity to accelerate the sustainable transformation and win market share.

Our approach to sustainability is to apply a long-term perspective with a focus on responsible business development. In general, our STARK Group business model is to source a wide assortment of building materials at large scale, break pallets enabling our customers to buy the product of choice in the required quantity and to have a logistical setup enabling customers to receive products on-site at the required time.

Our broad customer base demands a range of products. We are experiencing an increased demand for sustainable alternatives, primarily from large contractors and public customers.

While price is still the decisive factor for many customers when choosing building materials we are committed to having a wide range of products in assortment while promoting an assortment of competitive eco-labelled products as a sustainable alternative. In this way we

stay commercially relevant in the market by further developing our sustainable product and service range to support the sustainability agenda.

We take responsibility to source all our products responsibly, drive efficient and safe operations and to enable our customers to make informed decisions regarding sustainable alternatives. This is how we aim to be the preferred partner for construction and a positive link in the sustainable construction industry supply chain.

Our sustainability framework ensures that relevant policies and programmes are in place to boost social, economic and environmental sustainability, while actively supporting our growth and improving employee engagement. The framework addresses our top risks and opportunities to meet stakeholder expectations.





STATEMENT FROM OUR CEO

// *As a leading building materials supplier in Northern Europe, we acknowledge our responsibility to source our products responsibly, to drive efficient and safe operations and to serve our broad customer base with required products to help our customers complete their projects successfully.*

To an increasing number of customers this includes making competitive sustainable products available and ensuring that our salespeople can offer the required advice and product information to be a preferred partner for all craftsmen.

Søren P. Olesen
CEO
STARK Group

ABOUT STARK GROUP

STARK Group is a leading retailer and distributor of building materials in Northern Europe, with approximately 5,000 employees operating 186 builders' merchants in five countries (Denmark, Sweden, Finland, Norway and Greenland). There are four business units under the STARK Group logo.

All STARK Group business units are chain concepts, with products and services visibly marketed under a single name in the market in which the business unit operates.

STARK Group serves its customers through proximity of stores selling timber, building materials and tools. We also provide professional advice on building and logistics solutions. Our customer base is broad, with a majority of small and medium-sized enterprise (SME) customers, but also including major contractors and consumers, distributors and industries.

FY19 and the beginning of FY20 has been an exciting year for STARK Group where 12 new branches have been acquired through the acquisition of the four Swedish builders merchant chains Bygghuset in Trelleborg, Bygg-Ole, PoG Woody Bygghandel and Karl Ekesiö Bygghandel AB.

In May 2019, STARK Group signed an agreement with Compagnie de Saint Gobain SA, to acquire leading German builders' merchant Saint Gobain Building Distribution Deutschland GmbH, SGBDD. The acquisition was closed by October 1, 2019, and the German business unit is now operating under the name STARK Deutschland GmbH.

STARK Deutschland operates a nationwide network of 217 branches from which approximately 5,000 employees serve a wide range of customers in the renovation and new construction sectors. Through a number of different brands, STARK Deutschland operates in three major business areas, Heavy Building materials, Tiles and Civil Engineering.

The integration of STARK Deutschland into STARK Group has been initiated and the five business units in total are now a leading building material distribution company in Northern Europe. STARK Deutschland and the new Swedish branches will be included in the Group Sustainability report from 2020.

STARK Group is owned by Lone Star Funds - a leading private equity firm that invests globally in real estate, equity, credit and other financial assets.

BUSINESS UNITS

FY19



COUNTRIES



BRANCHES



EMPLOYEES



SHARE OF REVENUE



DENMARK
GREENLAND

72

2,309

42%



FINLAND

26

1,072

25%



SWEDEN

74

1,690

27%



NORWAY

14

348

6%

STARK Group chain concepts in numbers. Data shown is per 31 July 2019

SUSTAINABILITY FRAMEWORK

STARK Group's sustainability framework ensures that material issues are identified and addressed with relevant policies, targets and actions in order to ensure sustainability as an integral part of how we do business for long-term success.

The framework is furthermore intended to ensure that all employees and business partners understand the commercial relevance and necessity of integrated sustainability, covering environmental, social and economic topics.

Our sustainability framework covers our entire value chain including our most direct impacts related to our operations and our responsibility towards the market. This means sourcing products that are produced responsibly to reduce our environmental impact and to provide a net positive impact on society.

The STARK Group value chain has been split into three sections; Our Products, Our Operations and Our Market. Our ambitions within each section are shown on next page.

Taking into consideration the principles of the UN Global Compact and the sustainable development goals, ten material issues have been identified and have formed the basis of our ten sustainability programmes.



SUSTAINABILITY FRAMEWORK



FUTURE VALUE CIRCLE

In a wider context, the building industry uses large amounts of natural materials, equating to approximately 50% of European resource extraction ^[1] being used for building material production.

Building materials alone are responsible for 11% of all carbon emissions. However, these materials are not in use forever. Construction and demolition waste accounts for up to half of the 1.3 billion tons of waste produced annually on a global scale.

According to the World Economic Forum, less than one-third of construction waste is presently reused or recycled. Therefore, the construction industry has a large climate and environmental impact.

There is presently a transformation towards a more circular economy and the present linear “make, use and throw” culture is being disrupted in all sectors of society for sustainable development. Therefore, we are exploring how our value chain can become a “value circle”.

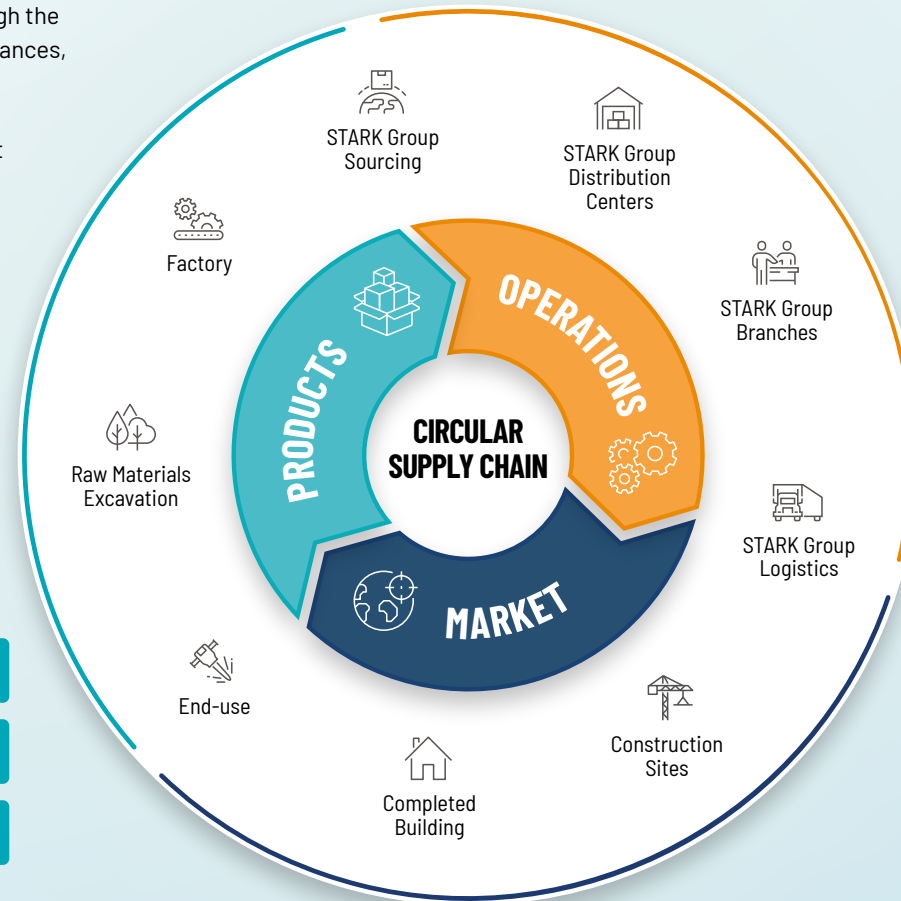
We wish to support sustainable construction to reduce energy consumption, improve material efficiency and through the reduction of hazardous substances, support increased circularity.

We are experiencing a market push for more sustainable products, and over the coming years we will be exploring how our future raw materials can be harvested as secondary resources.

1A Product quality and integrity

1B Responsible sourcing

1C Ethical behaviour and human rights



2A Environmental efficiency

2B Health and safety

2C Employee engagement

2D Diversity and inclusion

2E Competence development

3A Promoting sustainable products

3B Educative partner and corporate citizen

^[1] Ruuska, A.; Häkkinen, T. Material Efficiency of Building Construction. *Buildings* 2014, 4, 266–294

VALUES



WE ACT WITH DECENCY

We conduct all our activities with fairness, honesty and integrity
We take responsibility for our actions and do not blame others
We embrace learnings from our mistakes
We have the courage to do the right thing for STARK Group, our people, customers and suppliers
We embrace our Nordic heritage and care about our environment



WE STRIVE FOR CONTINUOUS IMPROVEMENT

We have a 'can do' spirit and are open to new ideas
Tomorrow we outperform today
We aim to be the best at what we do and commit to continuous learning
We work together and share our knowledge with others
We strive to constantly improve the customer experience



WE VALUE OUR PEOPLE

We understand and respect people and value diversity
We are transparent, open and honest in all our dealings with our people
We expect our leaders to lead by example
We invest in our people to build our future
We care about people and keep our workplace safe

OUR VALUES AND CODE OF CONDUCT SUPPORT SUSTAINABILITY

STARK Group's three values support sustainable performance; We act with decency, we strive for continuous improvement, and we value our people. Each of these values supports our actions to address our most material sustainability issues and our strategic focus.

We have supplemented the values with a Code of Conduct. The STARK Group businesses and their success are built on a solid foundation of decency, honesty, respect, fairness and integrity. As part of our values, we have the privilege to take responsibility in our daily work life and the power to influence our business.

The Code of Conduct provides guiding principles for daily behaviour. It builds on our culture and values and directs us to appropriate behaviour. We want our company to be perceived as honest and trustworthy by our employees, customers, suppliers, business partners and society in general.

Our Code of Conduct applies to all employees in STARK Group, temporary personnel, agents and contractors. Furthermore, we expect our suppliers to adhere to our Code of Conduct or adopt similar ethical standards.

The Code of Conduct has been updated during FY19 and redistributed to all employees and new suppliers.

The Code of Conduct is our way of doing good business responsibly.

Søren P. Olesen
CEO

SUSTAINABILITY GOVERNANCE

STARK Group has established a Sustainability Advisory Board consisting of executive managers across the group. The main role of the advisory board is to define the sustainability framework and set targets to ensure a common direction in order to work towards integrated sustainability in all business operations.

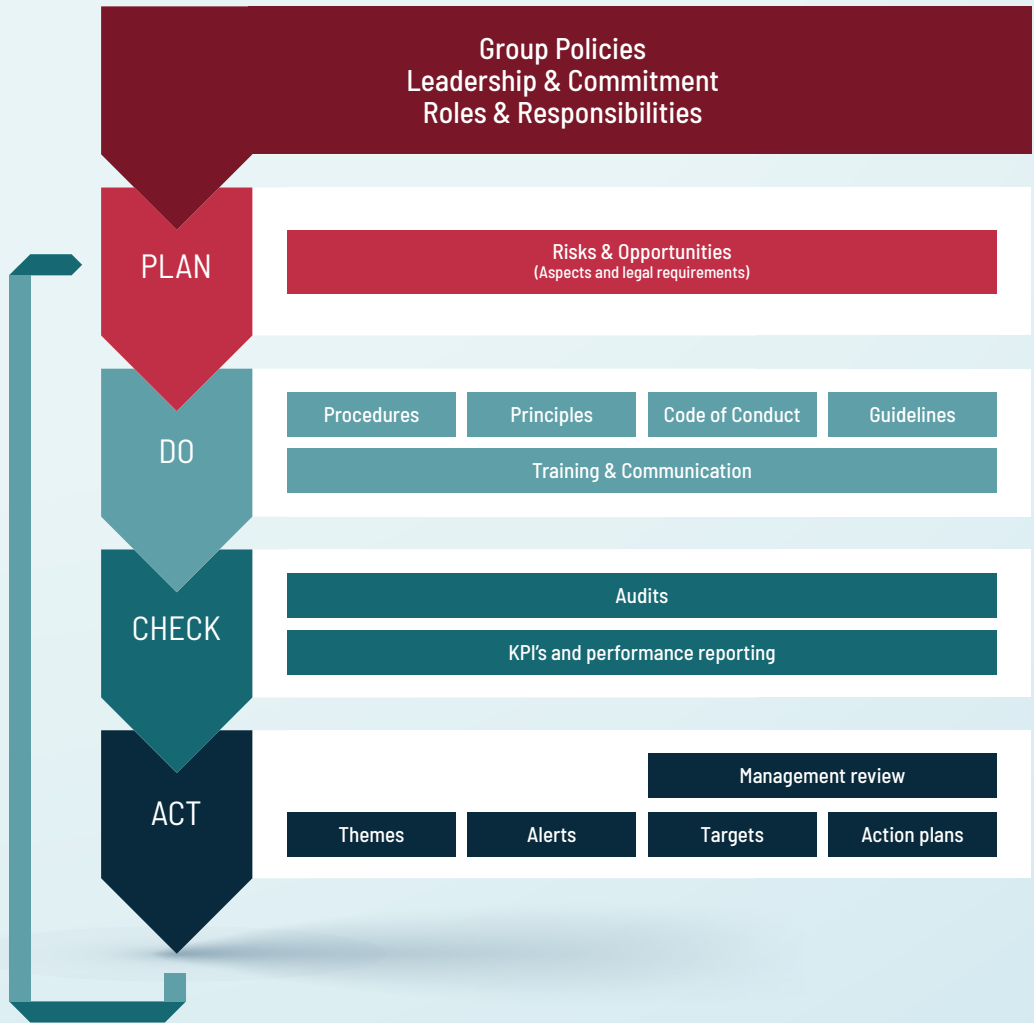
The advisory board have biannual meetings to review sustainability performance and to share best practice. It is the responsibility of the advisory board to stay updated regarding sustainability risks and opportunities in all business operations and to provide support and knowledge to ensure focus and progress.

As the advisory board is spread geographically across the organisation, meetings are conducted by video conferencing where possible to reduce excessive carbon emissions from flight travel.

The Executive Committee has the general oversight of sustainability issues through the presentation of sustainability performance as an integral part of performance reviews.

The sustainability manager is responsible for monitoring policies and practices to achieve sustainability goals and to produce the annual sustainability report for stakeholders. Department heads are accountable for formulating key performance indicators, targets and performance reports within relevant sustainability programmes.





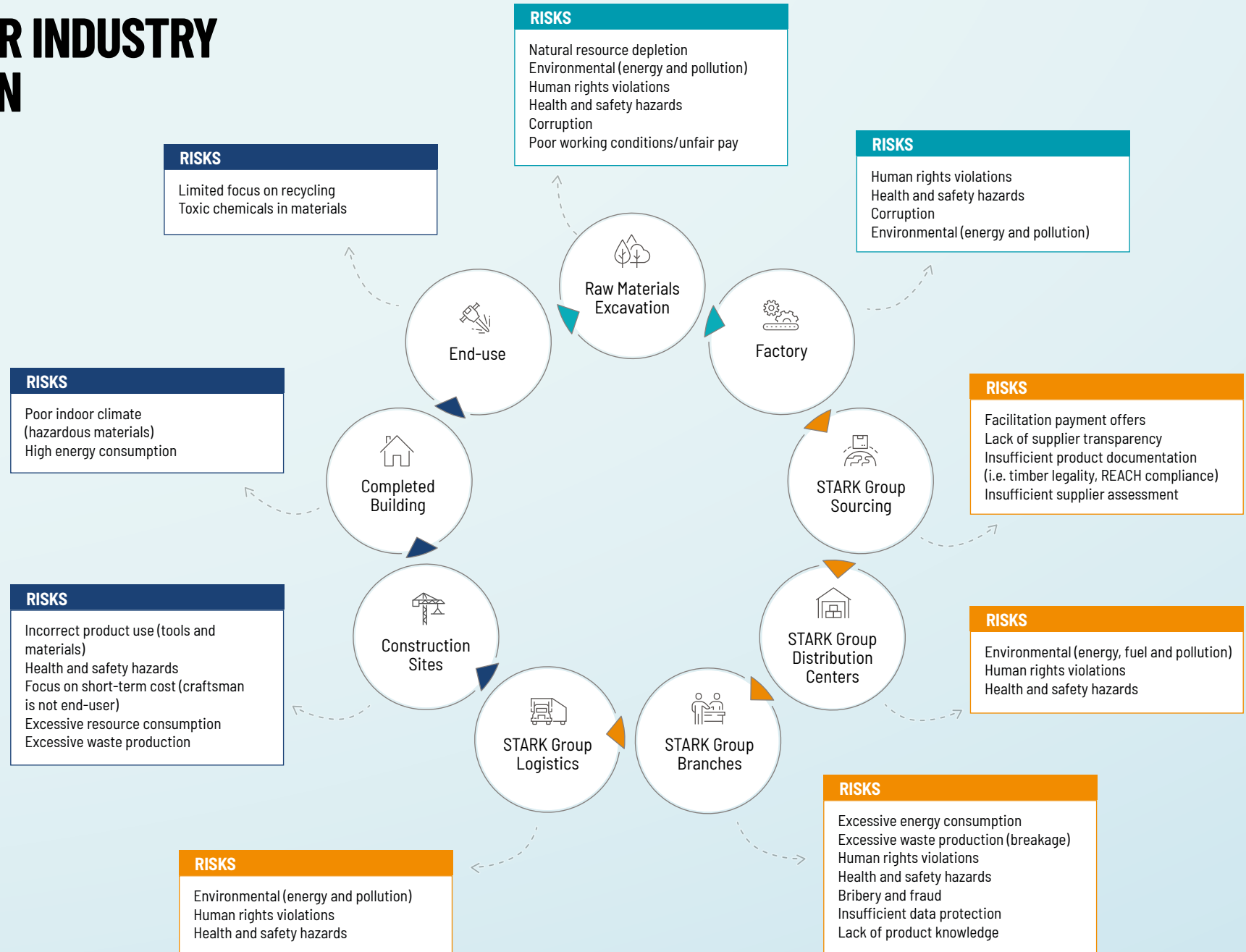
MATERIALITY ASSESSMENT

How we address our material sustainability issues

All business processes involve certain risks and opportunities. We review our risk assessments annually to identify new material issues related to both internal and external factors, new legislation and interested parties.

Our analysis of risks and opportunities form the basis to implement necessary actions and checks, following the ISO "Plan, Do, Check and Act" process.

RISKS IN OUR INDUSTRY VALUE CHAIN



SUSTAINABILITY POLICY

We have five guiding principles in our sustainability policy. These principles are 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.

We strive for continuous improvement, and as sustainability is an area where new knowledge, legislation and technology is developing rapidly, continuous improvement is of vital importance.

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).

POLICY GUIDING PRINCIPLES



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 lifecycle.



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.



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 sustainable to support the sustainable development goals (SDG's).

SUSTAINABILITY PROGRAMMES

A summary of STARK Group's material environmental, social and economic impacts and related measurable parameters and policies is shown below.

'Our Operations' represent our direct impact, whereas 'Our Products' and 'Our Market' represent our indirect involvement where we may have limited control. However, we acknowledge our responsibility and our ability to affect how products are produced through our Code of Conduct and procurement policies.



OUR PRODUCTS



OUR OPERATIONS



OUR MARKET

	SUSTAINABILITY PROGRAMMES	POLICIES	HOW WE MEASURE
OUR PRODUCTS	Product quality and integrity	Code of Conduct Trade Compliance and Sanctions Policy Risk Management Policy Sustainability Policy	Product Integrity evaluation
	Responsible sourcing	Responsible Timber Sourcing Policy Code of Conduct Product Integrity Policy Sustainability Policy	Product Integrity evaluation EUTR evaluation
	Ethical behaviour and human rights	Trade Compliance and Sanctions Policy Contract, Litigation, Anti-Trust and Data Protection Policy Fraud, Anti-Corruption and Bribery Policy Sustainability Policy Code of Conduct	Product Integrity evaluation
OUR OPERATIONS	Environmental efficiency	Environmental Policy Sustainability Policy	CO ₂ e emissions from buildings and equipment CO ₂ e emissions from transport Waste production % waste recycled Water consumption
	Health and safety	Health and Safety Policy Code of Conduct	Injury rate Lost workday rate
	Employee engagement	Group HR Policy Code of Conduct	Engagement survey score Participation rate Employee seniority
	Diversity and inclusion	Group HR Policy Code of Conduct	% women: Directors (Board) % women: Senior leadership % women: Total employees
	Competence development	Group HR Policy Sustainability Policy	Development and appraisal talks Engagement survey
OUR MARKET	Promoting sustainable products	Environmental Policy Sustainability Policy Responsible Timber Sourcing Policy	% FSC® and PEFC™ certified wood in assortment and sold (STARK DK)
	Educative partner and corporate citizen	Sustainability Policy Code of Conduct	Engagement and partnerships with NGO's, educational institutions etc. Educative events

OUR PRODUCTS

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



PRODUCT QUALITY AND INTEGRITY

We supply safe, reliable and robust products to our customers. We are committed to procuring products from financially healthy, reliable sources that trade ethically and responsibly, demonstrating anti-corruptive policies. This is ensured by conducting practical monitoring of suppliers, product quality and customer satisfaction. We undertake prompt and deliberate corrective action where products do not comply with legislation or where product failures have been identified.

We work with our suppliers to encourage sustainable practices in order 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, modern slavery, conflict minerals, anti-bribery and corruption.

Product-related litigation is recognised as one of our principal risks. If we do not ensure product compliance with relevant legislation such as REACH, Construction Products Regulation (CPR) etc. we can lose market share and reputation. The risk of incorrect, insufficient or inefficient product documentation can lead to loss of orders.

Group policies in place

To ensure a high standard of product quality and integrity, we maintain appropriate and practical systems, processes and procedures in accordance with our Product Integrity Policy, Trade Compliance and Sanctions policy, other group policies and relevant legislation.

The STARK Group Trade Compliance and Sanctions Policy are designed to ensure that STARK Group, including the business units, complies with all applicable sanctions and applicable export and import control laws (the Legal Framework). This restricts

the ability to import and export goods to and from certain countries, individuals and companies. As a minimum, all STARK Group business units screen against United Nations, European Union, US Office of Foreign Assets Control (OFAC) sanctions lists in all jurisdictions in which they operate.

We have a no-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 Group Sourcing product integrity (PI) process provides all sourcing colleagues with a simple and efficient process 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 - Assessing creditworthiness and overall financial health of the supplier

Ethical concerns - Ethical screening of the organisation incl misconduct, e.g. sanction lists, associations with politically exposed persons and negative press etc.

Contract compliance



100% of contracts entered during FY19 have undergone and passed the product integrity evaluation.

RESPONSIBLE SOURCING

Responsible sourcing of our products has a large impact on a global scale. Furthermore it is sustainable business to secure future materials in the supply chain.

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 relevant and economically viable.

We aim to supply a relevant assortment of materials to meet public procurement policies and the requirements of sustainable construction certification schemes (i.e. DGNB, LEED, BREEAM).

More than one-third of our sourced products, measured in monetary terms, is timber or timber-based, making responsible sourcing of timber and timber products of prime importance to us.

Sustainable timber is the most climate-friendly building material. However, forests are also the most biologically diverse

ecosystems on land, home to more than 80% of the terrestrial species of animals, plants and insects ^[2].

Forests have a significant role in reducing the risk of natural disasters, including floods, droughts, landslides and other extreme events. At a global level, forests mitigate climate change through carbon sequestration, contribute to the balance of oxygen, carbon dioxide and humidity in the air and protect watersheds, which supply 75% of freshwater worldwide. They also provide shelter, jobs and security for forest-dependent communities.

Timber sourcing policy strengthens sustainable forest management

Since 2009 we have had an increasing focus on procurement of sustainable timber. By continuously increasing the percentage of FSC® and PEFC™ certified timber in STARK Group assortments through our Responsible Timber Sourcing Policy, we encourage and strengthen sustainable forest management,

During FY19 we have more than tripled the number of timber, and timber-based item numbers sold FSC® or PEFC™ certified in Denmark.

Presently 75% of all STARK Denmark timber and timber-based SKU's are either FSC or PEFC certified and represent 76% of total timber and timber-based sales through STARK Denmark.

meaning that forests are managed with consideration for people, wildlife and the environment.

FSC and PEFC guarantee that the trees that are 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.

Our experience with the sustainable procurement of timber is further conveyed to other product categories to ensure that STARK Group is a positive link in the sustainable supply chain.



^[2] <https://sustainabledevelopment.un.org/topics/forests>

Responsible Timber Sourcing Policy and our EUTR due diligence process

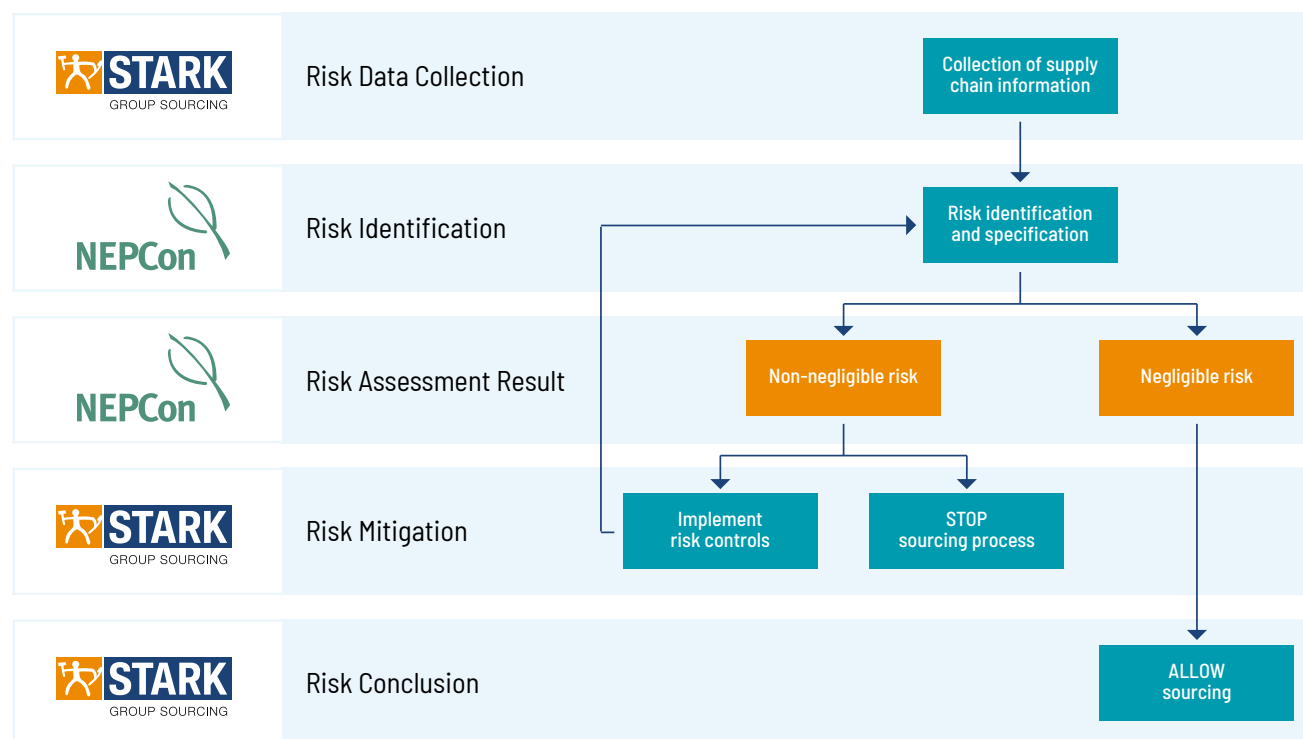
Our Responsible Timber Sourcing Policy is based on traceability, assurance of timber legality and sustainability. STARK Group and all its business units are committed to responsible purchasing of timber and timber products.

All business units within STARK Group conduct proper due diligence according to Our Responsible Timber Sourcing Policy together with NEPCon an external partner, on all relevant timber and timber product suppliers, to gain assurance of product legality in compliance with the EU Timber regulation (EUTR)^[3] and to assess sustainability of forest sources.

Working with our suppliers to support compliance

Together with our external partner NEPCon, we completed an annual desk research of our suppliers to identify potential risks downstream in the supply chain. In addition, during FY2019, we conducted onsite audits at five suppliers located in a high-risk area. In a collaboration between STARK, NEPCon and the suppliers we have implemented an approved measurement and mitigation process to ensure compliance and secure negligible risk.

TIMBER SOURCING MEASUREMENT AND MITIGATION PROCESS



^[3] Regulation (EU) No 995/2010 of the European Parliament and of the Council of 20 October 2010

FSC® and PEFC™ as a tool for EUTR Due Diligence

FSC and PEFC certified wood and wood-based products ensure STARK Group a low risk of illegal timber and a more efficient due diligence process. This is because the certification systems undergo an independent third-party verification, annual checks, a publicly available standard and traceability.

The FSC and PEFC systems ensure that timber is legal by checking logging rights as well as paid taxes and fees. FSC and PEFC follow the national environmental and forestry legislation, third party rights as well as trade and customs regulations.

By choosing FSC and PEFC certified suppliers, STARK Group reduces both the risk and time spent on due diligence processes related to the EU Timber Regulation. The certification schemes help us to efficiently acquire all necessary information from our suppliers regarding amongst others tree species, land and region of harvest and any relevant information showing compliance with trade and customs regulations.

When our products are FSC or PEFC certified we know that the risk of our wood products containing illegally logged wood is significantly reduced and we have a guarantee that supplier data for our risk assessments are available upon request.

This significantly reduces the resources necessary for our due diligence processes.

René Nielsen
Process Developer
STARK Group Sourcing



EUTR Evaluations

During FY19 STARK Group's Timber sourcing management system has been re-evaluated according to the EU timber regulation (EUTR) by The Danish Environmental Protection Agency (Miljøstyrelsen).

Various randomly sampled supply chains have been evaluated. The certification bodies have found that STARK Group's management system processes, documentation, risk assessments and risk-reducing measures support responsible timber sourcing, EUTR compliance and have thus passed the EUTR evaluation.

Ensuring that our timber products come from legally harvested and traded sources in compliance with national and regional laws and regulations are our minimum requirement. If suspicions occur regarding the legality of the timber used in our products, all business units within STARK Group will act to investigate legality, even if not required by law.

All timber and timber-based products sold through STARK Group are sourced following our Responsible Timber Sourcing Policy.

FSC® & PEFC™ Certified

All STARK Group business units are FSC and/or PEFC certified, to support the sale of certified sustainable timber products and to incentivise sustainable forest management.

STARK Group business units have an annually increasing target for the percentage of timber and timber products sold certified against the credible forest certification schemes, FSC and PEFC. This KPI will be reported on from FY20 and going forward.

Active engagement in FSC & PEFC organisations

STARK Group business units are actively engaged with the FSC and PEFC organisations. All standards are reviewed regularly to ensure they continue to meet expectations and the latest best practices. By engaging with the national organisations in the board of directors and working groups, STARK Group ensures that the certification schemes stay relevant and that we are up-to-date with relevant changes.

As an example, a representative from STARK Finland has during FY19 participated in the

As a leading supplier of building materials, we have a responsibility to promote the development of sustainable construction.

We apply this responsibility by helping our customers deliver their sustainable projects efficiently and successfully.

Kristian Fribo
Senior Sourcing Manager
STARK Group Sourcing

PEFC working group for the review of the PEFC forest standard through participation in The Association of Products and Services Trade ETU. Furthermore, Kristian Fribo, Senior Sourcing Manager at STARK Group Sourcing is a board member of FSC Denmark in the economic chamber.

"As a leading supplier of building materials, we have a responsibility to promote the development of sustainable construction. We apply this responsibility by helping our customers deliver their sustainable projects efficiently and successfully. In addition, STARK spreads the knowledge of certified products, through the training of our employees and by increasing the availability of sustainable building materials, such as FSC certified wood.

We are closely following developments in the market, and we are constantly working to make it easier for construction companies to choose sustainable alternatives." Kristian Fribo, Senior Sourcing Manager, STARK Group Sourcing.

ETHICAL BEHAVIOUR AND HUMAN RIGHTS

As a part of STARK Group's core values, 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 industry. 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.

Our Code of Conduct is dedicated to helping each of our employees and suppliers to live the STARK Group values daily in all decisions and interactions across the supply chain. We expect our suppliers, contractors and agents to adhere to our Code of Conduct and to adopt similar standards.

We support a healthy competitive environment

STARK Group Executive Committee and the Board believes that competition is the lifeblood on which our businesses thrive and prosper, providing challenge, reward, and the drive to grow and develop as our markets change.

In the countries where we operate, governments have sought to protect and enshrine the principles of competition through legislation, recognising, as we do, the enormous benefits that a healthy competitive environment can bring.

We welcome this and require all our companies to conduct their affairs in accordance with applicable competition legislation. No participation in anti-competitive practices,

agreements or behaviours can be justified or excused.

To support this, all directors and management of our Group companies have adopted and monitor appropriate competition controls. To achieve the above, we require the full co-operation of all our employees to ensure compliance with applicable legislation and to safeguard the competitive environment, which serves us so well.

Zero tolerance towards fraud

Fraud undermines the fundamental STARK Group values of acting with honesty and integrity and complying with the appropriate regulatory framework. In pursuit of these values, all employees are always expected to act following the STARK Group Code of Conduct and in a way, which will not ad-

versely affect the interests or good standing of STARK Group, any group company or themselves.

STARK Group is committed to the prevention, detection and proper investigation of fraud. STARK Group responds to all incidents, seek to recover losses, take action against those who perpetrate fraud and reports incidents to the authorities, as appropriate.

STARK Group is committed to complying with anti-fraud and prevention of corruption laws and to ensuring that STARK Group has an active and supportive compliance program. All businesses within STARK Group are committed to ensuring compliance with the relevant laws and regulations of each country in which they operate.

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.

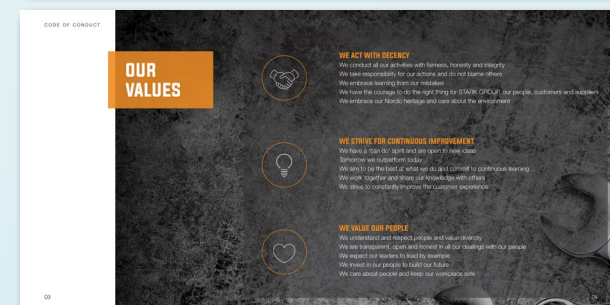
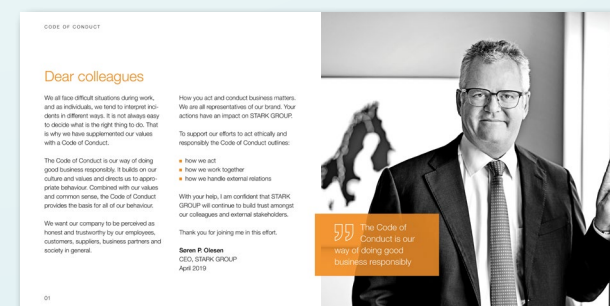
These issues are managed through our company policies and are regularly monitored for compliance. Business partners and suppliers are expected to conform to STARK Group's Code of Conduct and are evaluated through the ethical concerns element in our Product integrity Process. Please refer to the Health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

Review and redistribution of Code of Conduct

During FY19, the STARK Group Code of Conduct has been reviewed and redistributed throughout the organisation. Our Code of Conduct is issued in both a printed and

digital version in English, Danish, Finnish, Swedish, Norwegian and Greenlandic. It will be issued during FY20 for our German colleagues in our newly acquired business unit.

Our new Code of Conduct has been well received in all business units ensuring that we continue to build trust among our colleagues and external stakeholders. Furthermore, it has strengthened the ties between all employees regardless of the business unit, portraying that each employee has an important role in the STARK Group family.



OUR OPERATIONS

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



ENVIRONMENTAL EFFICIENCY

We aim to run efficient operations that minimise waste and energy consumption, reducing our carbon footprint and the impacts of climate change. This is ensured by establishing targets, monitoring and reporting performance against these targets under the motto “what we cannot measure, we cannot manage”. We wish to support the Paris Agreement towards a low carbon economy.

Environmental efficiency supports our commitment to ensure sustainable operations, as well as to drive cost efficiency.

We strive for continuous improvement in environmental performance by providing 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, and all Beijer Byggmaterial branches in the Group are certified under this standard.

With an increasing awareness on environmental sustainability, we can gain market share by being 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.

Environmental targets

To track STARK Group’s environmental performance, all STARK Group Business units bi-annually report the environmental impacts that are 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.

STARK Group has five-year targets to reduce these impacts. Each business unit has targets for the reduction of carbon emissions and waste to support the achievement of the Group goals.

Performance at the end of FY19, three years into the target period, is shown in the table on next page. Details on the data provided can be found in the “Basis of Reporting” document on the STARK Group website.



Progress against targets

Three years into the 5-year target period, our carbon footprint has decreased by 10% compared to baseline 2016. We have reached the FY21 target level for CO₂ emission from buildings and equipment per million EUR revenue, reducing consumption by 36%.

The reduction is primarily due to numerous energy efficiency projects and the closure of low performing branches across the Nordics.

Most energy efficiency projects have included transition from conventional lighting to LED and improved efficiency ventilation systems.

The CO₂ emissions from transport have however deteriorated by 6.5% compared to the baseline. CO₂ emissions from goods transport are the data point with the highest uncertainty, and thus lowest accuracy as our outsourced transportation companies cannot deliver actual fuel consumption data related to STARK Group transportation.

Therefore, an assumption that 20% of the total cost of outsourced transportation is directly related to fuel cost is applied to estimate the total fuel consumption.

During FY20 we will investigate if it is possible to use the newly implemented track and trace systems to provide more accurate data.

We have not been successful in reducing our total waste amounts since baseline 2016 as we continue to produce 6.2 ton of waste per million EUR revenue.

Refurbishments are the main reason for not reducing waste amounts. Furthermore, the percentage of waste which is recycled has remained flat since baseline 2016. One reason is that waste companies in Finland and Sweden are directing wood waste for energy recovery instead of recycling, as there is more wood waste available than is demanded by producers of particleboards and other secondary materials. We will be working closely with our waste suppliers to examine the possibilities for increasing the recycling rate.

IMPACT	STARK GROUP PERFORMANCE	PERFORMANCE RELATIVE TO 5 YEAR TARGETS
TOTAL STARK GROUP CARBON EMISSION	10.3% improvement (13.7 tCO ₂ /mEUR revenue)	
CARBON EMISSIONS - BUILDINGS	36% improvement (3.9 tCO ₂ /mEUR revenue)	Target level reached
CARBON EMISSIONS - TRANSPORT	6.5% deterioration (9.8 tCO ₂ /mEUR revenue)	Off Target
TOTAL WASTE	0% change (6.2 t/mEUR revenue)	Off Target
% OF TOTAL WASTE RECYCLED	2.7% deterioration from 53.9% to 51.2%	Off Target

Performance at the end of FY19, 3 years into the 5-year target period.

For environmental results throughout target period, please view the appendix.

Carbon emissions

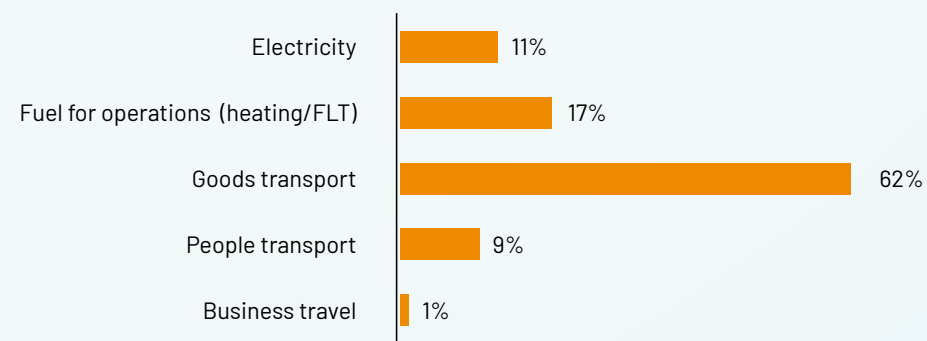
The figure shows the relative contribution of each carbon parameter to STARK Group's total carbon emissions in FY19.

Fuel consumption for transport contributes the majority (71%) of our carbon emissions, of which goods transport alone, represented 62%.

Roughly, half of the carbon emissions from buildings and equipment originated from electricity consumption, and just under a quarter from diesel, primarily used for forklift trucks (FLT's) and other diesel-powered equipment (sweepers etc.).

A general transition from diesel to electrical FLT's and other equipment is in progress. Thus, diesel consumption is expected to decrease further during the 5-year target period.

Carbon emissions (% of total tCO₂e)



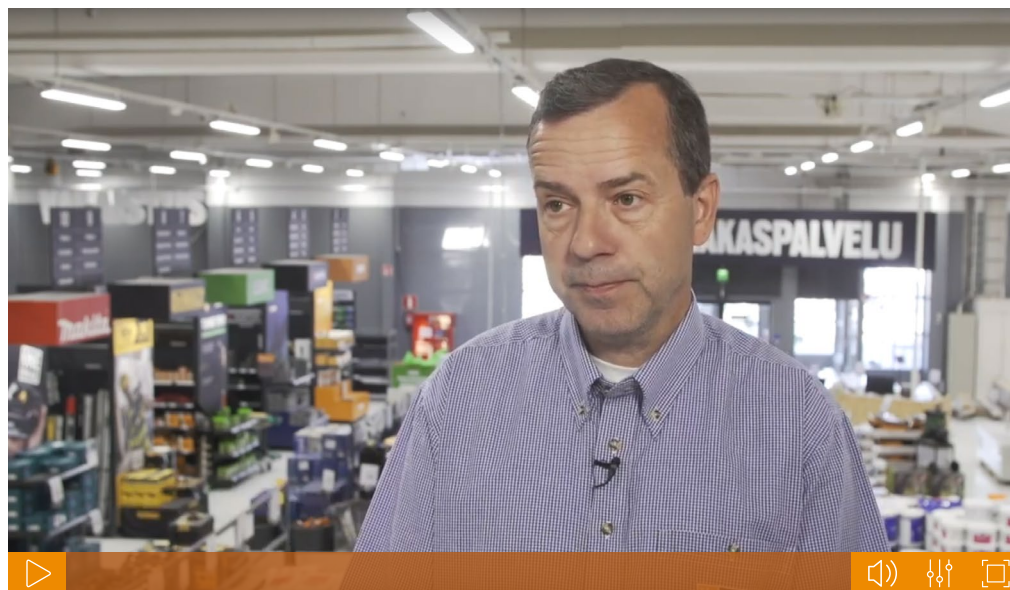
CASE

On-time deliveries improve customer experience and fuel efficiency

STARK Group has implemented the Descartes cloud-based route planning solution in Finland and Sweden to bring more value to the customers as they know when to expect delivery. With route planning from Descartes, STARK Group has optimised route planning and at the same time providing customers with more precise delivery slots.

The primary results of the implementation of Descartes in STARK Group are that the drivers have experienced better planning making their work more efficient and customer satisfaction has increased.

STARK Group was awarded B2B Award for the best implementation of the Track & Trace solution during the Descartes European Routing and Mobile user seminar held in Brussels in October 2019.



<https://youtu.be/u34gPlliG80>

We are working in a highly competitive market. To differentiate STARK deliveries from the competitors in the market, we ensure that our customers can maximise the working time and minimise waiting time.

Per Rimkjær

Transport Project Manager
STARK Group

CASE

Internal waste management consultant in STARK Denmark

STARK Denmark has implemented a new standard waste manual, signs for all waste containers. A designated internal waste consultant analyses waste data, sorting solutions and costs for each branch and makes an implementation plan for improvements.

Furthermore, the waste consultant has investigated possibilities for reuse and recycling and implemented various alternatives, such as the collaboration to reduce wood waste from single-use pallets.

The waste consultant has during FY19 visited all sites with positive results. Total waste amounts have been reduced by 9% and the percentage recycled has increased to 68%. Furthermore, costs for waste handling have decreased by 10%.

// *Waste sorting is beneficial to both the environment and STARK Denmark's bottom line.*

Stig Skov Andersen

Facility Project Manager
STARK Denmark

Recycled
with income



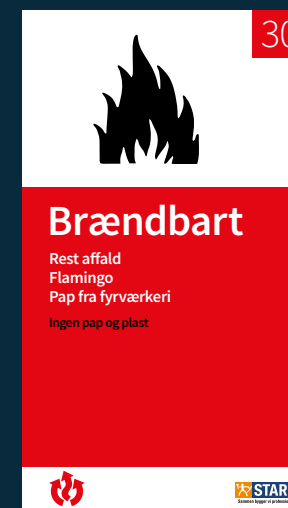
Recycled
with reduced cost



Legal requirement
(cost)



"Wastage"
with cost



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. We aim to create an accident-free workplace, and we are committed to continuous improvement in health, safety and well-being throughout our operations.

Health and Safety management system

We maintain an occupational health and safety management system to ensure full compliance with legislation and our Group policies. Our system is structured around the ISO 45001:2018 standard, implying that all locations follow Group-wide HS instructions, procedures, training specifications, self-inspections, Group internal audits and performance reporting to the Executive Committee. This ensures an equally high level of health and safety performance throughout the Group.

Our health and safety management framework and controls are structured to address health and safety risks and opportunities,

as well as customer expectations and compliance requirements. During FY19 two branches in STARK Denmark have undertaken the transition from OHSAS 18001:2007 to become certified according to the ISO 45001:2018 standard.

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 FY19, as well as targets, are shown in the table. There was a slight improvement in the total number of reportable injuries from FY17 to FY18, and from FY18 to FY19, however, the lost workday rate has increased due to more severe injuries. This has initiated several local processes to ensure a safe and healthy environment.

As benchmark to the STARK Group injury rate at 0.82 by the end of fiscal year 2019, the European industry level was 1.7 injuries per 100,000 workhours in 2017^[4].

Throughout STARK Group, we have a thorough process for accident and incident investigation to ensure focus on root

cause analysis. This is inevitable in order to implement both effective corrective and preventative actions.

H&S PARAMETER	STARK GROUP PERFORMANCE	PERFORMANCE RELATIVE TO FY18 TARGETS
TOTAL # OF REPORTABLE INJURIES	89 (15% improved)	N/A
INJURY RATE*	0.82 (1.2% improvement)	On Target (0.86)
LOST WORKDAY RATE**	6.36 (37.7% deterioration)	Off Target (4.8)

Health and Safety Performance FY18.

* Number of injuries per 100,000 worked hours as a 12-month rolling average (01-08-2018 – 31-07-2019),

** Number of lost workdays related to injuries per 100,000 worked hours (01-08-2018 – 31-07-2019).

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

^[4] https://www.bls.gov/iif/oshsum.htm#17Summary_Tables, Table 1 – Incidence rates – detailed industry level – 2017; Total recordable cases for Industry: Trade, transportation, and utilities

CASE

Implementation of near-miss reporting and increased management focus in STARK Finland

STARK Finland has during FY19 implemented a process for near-miss reporting with a local target to reach 1,000 near-miss reports per year. This target has been implemented to show all employees that reporting of near-misses is important so that actions can be taken before an unsafe situation potentially develops into an actual accident.

Furthermore, accidents, incidents and health and safety issues are prioritised on all management meeting agendas to ensure focus and commitment.

STARK Finland's H&S initiatives have resulted in impressive improvements of both Injury Rate and Lost Workday Rate by 45% and 51% respectively.



Internal Branch Audit

To ensure a high common standard of customer and employee health and safety, as well as to ensure the best customer experience, internal audits are conducted in all stores at least once a year.

STARK Group internal audits assess compliance with legal requirements and internal processes, covering health and safety, customer, financial and staff issues.

Audit results are reviewed monthly by management to ensure rectification of nonconformities and continual improvement within the audit focus areas. Branch audits have proven to be an important management tool to assess operational performance.

During FY19 STARK Denmark has implemented a digital self-inspection tool which will be rolled out to all business units during FY20.



CASE

Implementation of the Self-inspection Tool

"The team leaders actively use the self-inspection checklist tool to make a weekly evaluation of the branch, looking critically at safety and housekeeping, to safeguard that everyone has a safe workplace.

The self-inspection has clearly helped to ensure a high standard, especially in our warehouse. The staff take ownership of the process and are proud of a workplace that looks sales-ready, safe and tidy.

The self-inspection tool has made us prioritise a trip around in the branch with a critical view and the digital systems ensures that we remember to follow-up on any non-conformities found along the way". Jørgen Schmidt Jensen, Logistical Manager STARK Denmark, Roskilde Ø & C.



// The self-inspection has clearly helped to ensure a high standard, especially in our warehouse.

The staff take ownership of the process and are proud of a workplace that looks sales-ready, safe and tidy.

Jørgen Schmidt Jensen

Logistical Manager STARK Denmark
Roskilde Ø & C.

EMPLOYEE ENGAGEMENT

The engagement level amongst our people is crucial for delivering on our strategic goals and maintaining customer loyalty and the overall sustainability of the business. Our teams in sales, branches, logistics and distribution centres are the local face of our business. Their relationships with both large and small customers are critical to our success, and their expert knowledge makes them a key part of our customers' workday.

We have carried out an engagement survey in all business units in November 2018. Challenges, root causes and improvements have been identified, and action plans to implement improvements have been initiated locally, regionally and nationally. During the past year, employee engagement (satisfaction & motivation) survey score was measured at 74, which is slightly higher than last year and significantly higher than the industry average of 69. Furthermore, the participation rate was 89,3% of total employees – an increase of 10 % points compared to the previous year.

The average seniority within STARK Group is 9 years and 7 months, showing a high level of loyalty.



DIVERSITY AND INCLUSION

At STARK Group, we are convinced that our continued success relies on the different skills, experiences and backgrounds that our employees bring to their roles. We are convinced that diversity and inclusion have a positive impact on our performance, our products, the relationships to our suppliers and the environment wherein our employees thrive.

Our workforce reflects the increasing diversity of the greater community. Therefore, our efforts to understand, appreciate and incorporate differences are becoming increasingly important all the time.

As a workplace, we ensure equal treatment and opportunities for all employees. We take pride in belonging to a community that comprises different genders, ages, ethnicities, disabilities, sexual orientations, faiths and religions.

Women in Management

Women make up half the world's population – too much talent is wasted if we do not focus on getting this major talent pool involved in our business and at management levels.

^[5] The gender distribution in the STARK Denmark A/S Board is equally one woman out of three board members (33%).

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 women, and women hold 14% of management positions. Our Executive Committee consists of 33% women (4 out of 11). At STARK Group the management team's gender balance is 50/50.

We continuously work to improve the gender balance of the company.

- Our target is to keep a level of 30% of women in the top management teams.
- In the local Business Unit Management teams, we also strive for a share of 30% women.
- The customer base of our business and industry is mainly male, but we want to have a more diverse workforce. We will therefore also work towards more gender balance in our entire organisation.

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

- Monitor our recruitment process and make yearly employee engagement surveys

Bord of directors

33%

Group Management

50%

Executive Committee

33%

Management positions

13%

All employees

22%

■ Female
■ Male

- Always present an equal amount of male and female candidates to any given role
- Offer mentorship for women who wants to make a career

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 women 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 woman out of three board members (33%)^[5].

CASE

Søren P. Olesen, CEO of STARK Group, does not see gender – only competencies

Søren P. Olesen does not understand the reason why there is not more competition for female candidates for leadership positions. Without them, companies are renouncing half of the talent pool.

“Based on my experience, age, nationality, gender, industry experience and other backgrounds are not impediments to good leadership – to the contrary, these factors create diversity, which leads to better decisions. Our discussions are more holistic and reflect the market and trends in which we operate,” says Søren P. Olesen.

He has appointed CFO Sisse Fjeldsted Rasmussen, Britta K. Stenholt as CEO of STARK Denmark and Lene Groth as HR Director and believes that a more diverse executive team makes better decisions. Better decision-making in the STARK Group management has led to higher revenue, expansion of stores, greater customer satisfaction and better results in employee surveys.

Summary of an article featured in DI Business in December 2018.

// *When recruiting candidates, it is vital to make a virtue of looking beyond your own biases and background. You risk being governed by these things and thereby missing out on the perfect candidate.*

Søren P. Olesen
CEO
STARK Group



COMPETENCE DEVELOPMENT

Employee training and competence development is an ongoing activity in STARK Group. Training is a mix of supervised practising in our stores, training classes and courses, and e-learning programs undertaken through the STARK Group cooperate e-learning system.

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

During FY19, we have developed a new leadership development platform across our business units. The leadership development platform primarily focuses on branch managers, since this target group have the most significant impact on our performance, employee welfare and satisfaction, constituting prime importance to have top-motivated, top-educated, top-trained leaders in these positions.

We believe that our branch managers and their leadership are decisive for our success. Therefore, we have designed and will launch a branch manager program to help us succeed with the strategy through leadership. We call it the Leadership Development Platform (LDP).

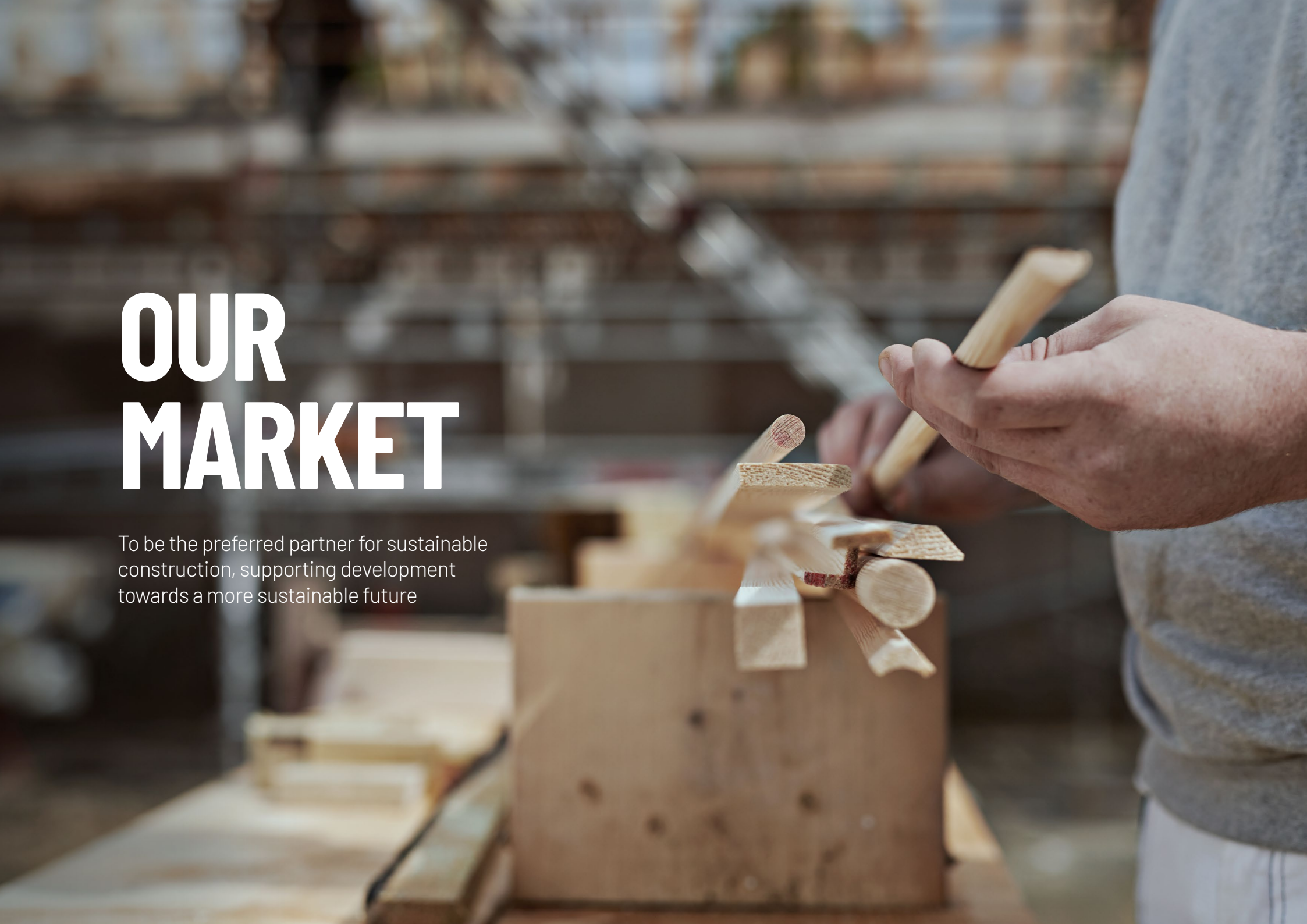
The purpose of the platform is to make sure we have top trained, motivated and skilled Branch Managers at all time who deliver on our business strategy through leadership and change management. Furthermore, it is of prime importance that the leadership platform will inspire to increase knowledge and good practice sharing across all our business units.

LEADERSHIP MODEL



OUR MARKET

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



PROMOTION OF SUSTAINABLE PRODUCTS

To address the global challenges including climate change, the increasing consumption and disposal of resources and the depletion of nature and biodiversity STARK Group is constantly looking for sustainable alternatives in all product categories to support and promote the distribution of sustainable and eco-labelled products, support the development of sustainable construction and make it easier for our customers to make informed choices.

Sustainable construction reduces resource and energy consumption, provides better indoor climate, offer lower costs for the long-term building owner and increase circularity. For these reasons, there is an increasing demand for sustainable products and a growing market potential for STARK Group.

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 ensure correct and efficient product documentation for our customers and support our customers need for increased environmental information regarding product impact throughout the lifecycle.

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 largest barriers towards sustainable construction is the lack of knowledge of sustainable alternatives. STARK Group aims to reduce this barrier for sustainable development by spreading the knowledge of sustainable products in-store and through customer educative events.

The construction industry accounts for **1/3** of waste production

The majority of building materials originate directly from natural resources

The construction industry consumes **50%** of European resource extraction

We spend **90%** of time indoors

Buildings account for **40%** of total energy consumption

STARK Group aims to make it easier for our 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.

The 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 (the end-users) 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:

ECO-LABELS SUPPORTED BY STARK GROUP

Timber and timberbased products



Clothing and footwear



All product types



Paints and surface treatment



Sealants and masonry products



STARK DENMARK	FSC®-C004720	PEFC/09-31-026
STARK FINLAND		PEFC/02-31-194
BEIJER BYGGMATERIAL	FSC®-C118054	PEFC/05-37-215
NEUMANN BYGG		PEFC/03-31-41

CASE

Beijer Byggmaterial contributed to increased sustainability in Leed Platinum certified Skanska project

Sustainability is not philanthropy. Taking responsibility for a sustainable future is good business. That is what Alexandra Rosenqvist, Environment and Sustainability Manager at Beijer Byggmaterial, says.

Alexandra believes that the role of a builder's merchant in the sustainability agenda is becoming increasingly important. "We are often forgotten in the sustainability discussions, even though we have a big impact on the builders' final decisions," she says.

"Our slogan is that we build those that build. This means that we also build those who build sustainable" says Alexandra, giving examples. Among other things, it was Beijer that delivered 2,500 m² of recyclable ROCKWOOL insulation to the Solna United office building in Stockholm built by Skanska, which aims to achieve LEED Platinum.

"Solna United shows how important it is to work together to achieve different environmental targets. This is about getting accurate, up-to-date information from the producers, but it is also about our salespeople telling the contractor that there are sustainable solutions that can help them achieve the requirements, set out by the certification

schemes so that the clients, in the end, can make the best decision", says Alexandra.

She says that more and more customers are demanding circular solutions. She believes that this is due to stricter guidelines from the clients, for example, municipalities and real estate companies, but she also believes that the legislative proposals on tougher guidelines for waste management in the construction industry will have an impact. Recycling is an important part of circular solutions, together with other factors such as smart logistics solutions and special measures that can reduce waste.

"We see a clear increase in the number of projects with environmental certifications and of course it is something that affects both our customers and us as builders' merchants," says Alexandra. "Sustainability has become a hygiene factor that we must relate to in order to survive in the long term. At the same time, it is important to be realistic and realise that there are many decisive factors when it comes to making customers prioritise sustainability in their choice of building materials. The products must be commercially viable. Here, the client has tremendous power" concludes Alexandra.



CASE

Low emission rental equipment

STARK Rental focuses on battery-driven equipment, which reduces noise pollution and does not emit dangerous gases and particles when in use. STARK's assortment of low emission rental equipment currently includes crew lifts, chainsaws, loaders, dumpers and plate vibrators.

In line with the increasing demand for sustainable solutions, STARK is committed to investing in additional low emission equipment.

"We want to take the lead in making our service greener for the health of craftsmen and the benefit of the environment", says Henrik Hjorth Osbæck, Head of Rental in STARK, Denmark.

Our sustainable focus on rentals has received positive feedback. STARK Rental was invited to a conference to discuss how the municipality of Copenhagen can reach its goal of becoming CO₂ neutral by 2025 including the potential for CO₂ neutral construction sites.

The sustainable focus in STARK rental also includes testing the use of more environmentally friendly HVO diesel in our conventional fuel-driven equipment, as well as optimising delivery logistics.

"We find that those who use our battery-driven machines are very excited. Our customers can work quietly without harmful emissions, and without the risk of fuel leakage when refuelling.

Construction site neighbours also avoid noise pollution, which means that construction work can be carried out for longer periods. Therefore, our customers are experiencing that it also pays off financially to go green", Henrik Hjorth Osbæck explains.

// *We want to take the lead in making our service greener for the health of craftsmen and the benefit of the environment.*

Henrik Hjorth Osbæck
Head of Rental
STARK Denmark



EDUCATIVE PARTNER AND CORPORATE CITIZEN

Partnerships for common goals

Our businesses seek to be contributing members of the communities in which we operate. 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.

During FY19 STARK DK has entered various partnerships including the circular partnership GENTRÆ (case described page 44), participating in Circle House Lab, a partnership between 80 companies in the Danish building industry, and working with a waste recycling plant to ensure recycling of materials at the highest possible level.

Removing barriers

According to the annual STARK Denmark sustainability customer questionnaire, one of the largest barriers towards increased sustainability in the construction industry is craftsmen's lack of knowledge of sustainable alternatives and requirements (case description page 45).

STARK Group aims to reduce this barrier for sustainable development by spreading the knowledge of sustainable alternatives in-store and through customer educative events. Furthermore, STARK has participated in the development of a guide for craftsmen including five principles for choosing sustainable building materials (case description page 46)

Active corporate citizen

Furthermore, we wish to be net positive as an active corporate citizen supporting social sustainability in our local communities. We aim to be an educative corporate citizen participating in educative events for young craftsmen, participating in non-profit organisations within our industry and by participating in a wide range of debates and workshops to promote sustainability.

During FY19, STARK BU's have participated in numerous social activities amongst others, STARK Finland participated in the "Give a chance" campaign in collaboration with the Hope Foundation to support social equality amongst children (case description page 47).



CASE

Circular partnership: GENTRÆ - Introducing reused building materials in the largescale retail sale

GENTRÆ is a concept which enables timber from temporary construction measures at building sites, such as toe boards, guard-rails etc., to avoid ending as combustible construction waste and instead be checked, packed and resold in STARK Denmark as an alternative to new timber products. GENTRÆ aims to save up to 50,000 tons of temporary construction timber from incineration annually.

GENTRÆ aims to contribute to a paradigm shift towards increased circularity in the building sector. By making reused building materials available alongside conventional building materials, they can become an attractive and natural choice for constructors and craftsmen.

The concept is a partnership between STARK, Solum A/S (Danish waste management company), and Golder Associates A/S (environmental consultant). The partnership won Realdanias Circular Construction Challenge and a prize of €130,000 to support the development.

The GENTRÆ concept has been tested by five market-leading contractors, including NCC, Enemærke & Petersen, and J Jensen, all of which are collecting reusable timber at building sites. The feedback from contractors has been positive. They experience GENTRÆ as both an environmentally and economically attractive solution.



// We need simple solutions like GENTRÆ to make reuse a reality on building sites.

David Flach-Jensen
Project Manager
Enemærke & Petersen



CASE

Customer questionnaire about sustainability

In September 2018, STARK Denmark conducted Denmark's largest single study on sustainability among craftsmen. It is made among a total of 1,843 professional craftsmen from all over the country.

STARK Denmark CEO Britta K. Stenholt explains "With the survey, we want to give a current insight into how reality actually looks, from the point of view of small and medium-sized craft companies. In this way, we can more easily identify challenges and opportunities, so that together we can find the solutions that are needed to create sustainable development that benefits all parts of the value chain."

STARK Denmark's study asks, among other things, whether the craftsmen are willing to pay extra for sustainable solutions, what channels they use to keep up to date, how they experience demand from the developer site, and what they generally think about sustainability. And when compared to last year's survey, there has been a significant development in the craftsmen's overall attitude towards sustainability.

More than 60 per cent favourably voted for sustainability in construction, while in 2017 it was just 35 per cent. There are many reasons for this, but among other things STARK's increased focus on the importance of communicating about sustainability at eye level could be a determining factor.

Britta explains "One of the biggest barriers for craftsmen is the lack of knowledge about sustainability. Therefore, rules and requirements must be disseminated so that they make sense on the construction sites, and it should generally be easier to build sustainably. In other words, we will continue to focus on how we can make sustainability more accessible and less difficult for our customers."

// *We will continue to focus on how we can make sustainability more accessible and less difficult for our craftsmen.*

Britta K. Stenholt
CEO
STARK Denmark



CASE

Guide for our craftsmen to help them build with a sustainable focus

STARK Group has participated in the development of the guide "Vælg Bæredygtigt" (in English "Choose sustainably") aimed specifically at craftsmen and customer advisers in builders' merchants.

The guide presents five simple principles for choosing more sustainable materials and demonstrates that choosing sustainable building materials does not have to be difficult or expensive. The guide aims to inspire craftsmen to make more conscious and sustainable choices and to increase awareness of sustainability in the built environment.

The five principles for choosing sustainable building materials include:

1. Be resource efficient - in production, construction and operation
2. Create good indoor climate - acoustics, light and air
3. Build to enable remodelling - use flexible solutions
4. Build durable - select materials that suit the purpose
5. Look for documentation - eco-labels and environmental declarations

www.vaelgbæredygtigt.dk

Guide til bæredygtige materialevalg

VÆLG BÆRE- DYGTIGT

- for mennesker, miljø & økonomi

5 principper for valg af bæredygtige byggematerialer



Spar på ressourcerne

- i produktion, opførelse og drift



Skab godt indeklima

- lyd, lys og luft



Byg til ombyggelighed

- anvend fleksible løsninger



Byg holdbart

- vælg materialer til formålet



Kig efter dokumentation

- miljømærker og deklarationer

CASE

The “Give a Chance” campaign brought hundreds of children hobby equipment

About one in eight children and adolescents in Finland live in a deprived family with no access to suitable sports or hobby equipment.

STARK Finland has participated in the “Anna mahdollisuus” (“Give a Chance”) charity campaign together with the Hope Foundation, by establishing collection boxes, where customers could donate sports and hobby equipment to children from low-income families.

The campaign focuses on bringing the joy of exercise to those for whom it is not economically feasible, and to reduce inequality and exclusion. During the collection period in August 2019, an average of one donation pallet was collected per store plus 15 extra boxes of hobby equipment.

The campaign was also noticed by a local contractor in STARK Kuopio, who on the side of his primary job, also had a company leasing sports equipment. However, due to lack

of time to dedicate to this business, the local contractor contacted the Branch Manager, and with the support of STARK Kuopio and Hope, he donated all sports equipment to local underprivileged children. This significant donation is enough to provide all 190 families and 450 children in Hope Kuopio’s register for the upcoming winter.

“I wish people all the best. Children, no doubt, have far more opportunities when they, regardless of their family’s financial situation, have a possibility for a hobby. So, let’s help - no one should be left alone. Well-being and social relationships strengthen the children’s lives”, the contractor sums up.

Hope Foundation has been founded for giving children more equal opportunities in their daily lives. They are a politically and religiously non-affiliated organisation and they operate through 20 local actors across Finland.





SUSTAINABLE DEVELOPMENT GOALS

SUPPORTING THE SUSTAINABLE DEVELOPMENT GOALS

Initial identification of STARK Group's potential to impact the SDGs is shown in the figure. The figure reveals the SDGs and targets in order of priority based on where STARK Group has the greatest potential to make a sustainable difference by supporting sustainable development goals.

The SDG assessment performed on STARK Group's direct impact using the UN Sustainable Development Goals self-assessment tool, SDG Lens (DNV GL) highlights that STARK Group directly supports eight of the 17 development goals.



In STARK Group, we have chosen to focus our main efforts on goals #15 and #12 concerning “Life on land” and “Responsible consumption and production” respectively.

As a leading supplier of building materials, primarily originating directly from natural resources (wood, stone, sand, metal, oil) sustainable use of the earth’s resources is a necessity for securing materials in the supply chain in the future. These two goals support our core tasks which is why we believe we can have the biggest impact by focusing on them. However, throughout our business operations and supply chain we support a wide range of the remaining 15 goals as described in our framework.



GOAL #15

LIFE ON LAND



Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

All STARK Group Business units are FSC® and/or PEFC™ certified. These efforts are driven by the STARK Group Responsible Timber Policy and primarily support SDG #15 (15.1, 15.2, 15.b). Although supporting FSC and PEFC primarily supports goal #15, an array of other goals are supported simultaneously at a local level.

STARK Group is active in both the FSC and PEFC organisations having representatives in the Danish FSC board of directors and the Finnish PEFC working group for review of the new forest management standard.

SDG TARGETS		SELECTION OF STARK GROUP SUPPORTING ACTIVITIES
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.	<p>All STARK Group Business units are FSC® and/or PEFC™ certified and follow the Group Responsible Timber Sourcing Policy, including targets for increasing percentage of timber and timber products certified.</p> <p>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.</p>
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.	<p>100% of all tropical hardwood products sourced by STARK Group are FSC certified.</p> <p>Sourcing of hardwood species from high-risk countries is prohibited within STARK Group.</p>
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.	<p>Responsible Timber Sourcing Policy including a target for increasing percentage of timber and timber products sold certified.</p> <p>Tempered hardwood products traded in STARK Group must be FSC or PEFC certified unless they originate from low-risk countries.</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 sustainable forest management, including for conservation and reforestation.	<p>All STARK Group Business units are FSC and/or PEFC certified and follow the Group Responsible Timber Sourcing Policy, including targets for increasing percentage of timber and timber products certified.</p>

GOAL #12

RESPONSIBLE CONSUMPTION AND PRODUCTION



Ensure sustainable consumption and production patterns.

STARK Group business units actively promote sustainable construction products in order to reduce hazardous substances, improve indoor climate, and to promote reuse and circularity of materials. STARK Group engage in relevant partnerships to support circularity in the building industry and help bring sustainable alternatives to public notice through product documentation and in-store information.

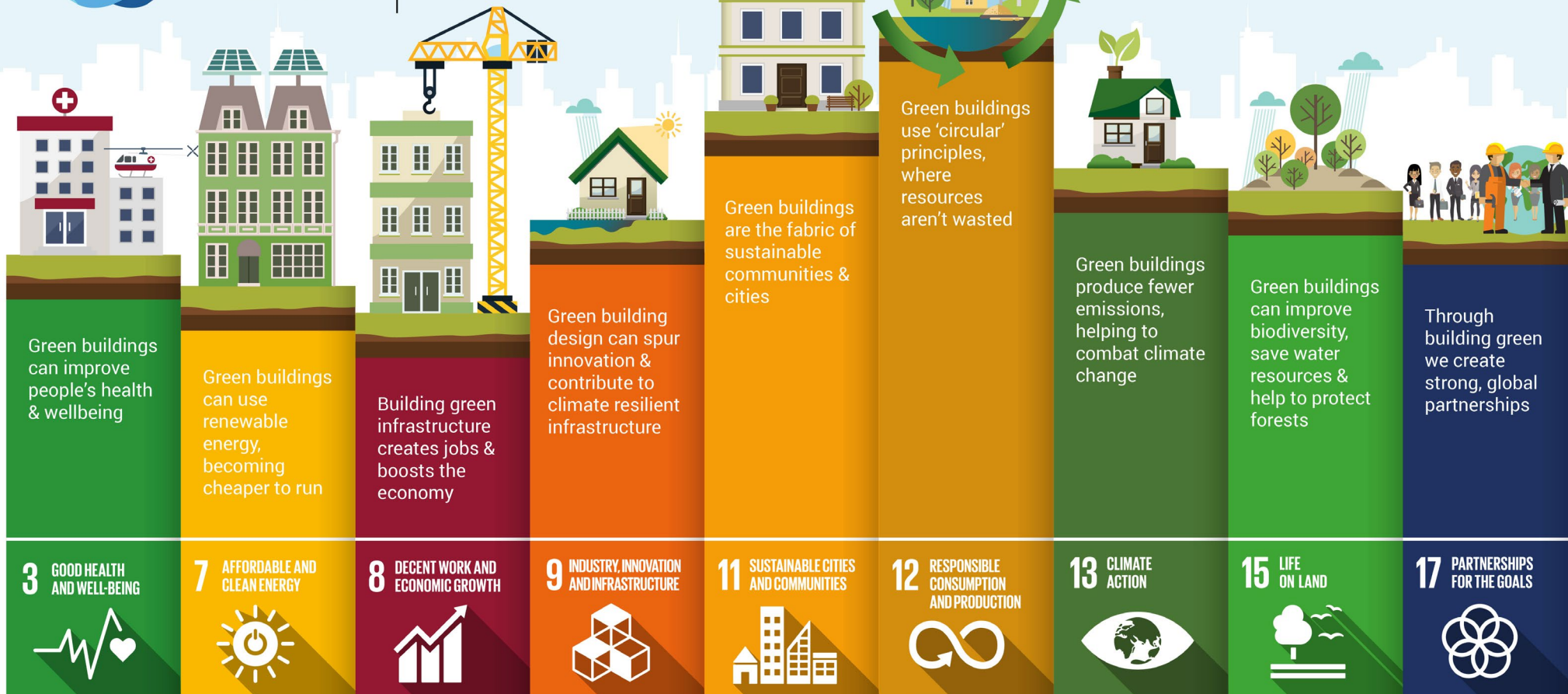
STARK Group supports sustainable construction by ensuring relevant materials are available in assortment to fulfil relevant building standard requirements, including available documentation. Local business units support national Green Building Councils through membership (i.e. STARK DK) and thereby an array of other sustainable development goals as shown in the infographic from World Green Building Council on next page.

SDG TARGETS		SELECTION OF STARK GROUP SUPPORTING ACTIVITIES
12.2	By 2030, achieve sustainable management and efficient use of natural resources.	<p>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.</p> <p>Ensure customer access to available Environmental Product Declarations.</p> <p>Actively engage in relevant partnerships to support circularity in the building industry.</p>
12.4	By 2020, achieve environmentally sound management of chemicals and all wastes throughout their life cycle following agreed international frameworks and significantly reduce their release to air, water and soil to minimise their adverse impacts on human health and the environment.	Promotion of sustainable construction products, reducing hazardous substances and improving indoor climate and recyclability.
12.5	By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.	<p>Actively engage in relevant partnerships to support circularity in the building industry.</p> <p>Waste reduction and recycling targets.</p>
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.	<p>Help bring sustainable alternatives to public notice through product documentation and in-store information.</p> <p>Collaboration with trade organisations, politicians, NGO's to develop information material regarding sustainable building materials and choices.</p>






WORLD
GREEN
BUILDING
COUNCIL

SUSTAINABLE DEVELOPMENT GOALS



APPENDIX

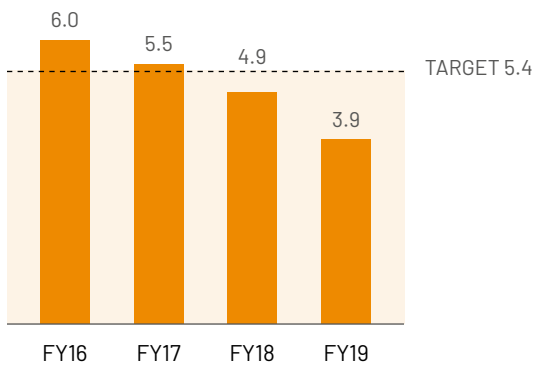
PROGRESS

	SUSTAINABILITY PROGRAMMES	HOW WE MEASURE	PROGRESS FY19
 OUR PRODUCTS	Product quality and integrity	Product Integrity evaluation	100% of contracts entered during FY19 have undergone and passed the product integrity evaluation. Onsite supplier audits at five suppliers located in high-risk areas.
	Responsible sourcing	Product Integrity evaluation	Passed EUTR re-evaluation by The Danish Environmental Protection Agency.
	Ethical behaviour and human rights	Product Integrity evaluation	100% of contracts entered during FY19 have undergone and passed the product integrity evaluation. STARK Group Code of Conduct has been reviewed and redistributed throughout the organisation.
 OUR OPERATIONS	Environmental efficiency	CO ₂ e emissions from buildings and equipment CO ₂ e emissions from transport Waste production % waste recycled	36% improvement (3.9 tCO ₂ /mEUR revenue) 6.5% deterioration (9.8 tCO ₂ /mEUR revenue) 0% change (6.2 t/mEUR revenue) 2.7% deterioration from 53.9 to 51.2%
	Health and safety	Injury rate Lost workday rate	0.82 (1.2% improvement) 6.36 (37.7% deterioration)
	Employee engagement	Engagement survey score Survey participation rate Employee seniority	74 89.3% 9 years and 7 months
	Diversity and inclusion	% women: Executive committee % women: Senior leadership % women: Total employees	33% 14% 22%
	Competence development	Development and appraisal talks Engagement survey	96.6% of branches have conducted and registered Development & Appraisal talks satisfactorily (Measured during branch audits). Completed for FY19
	Promoting sustainable products	% FSC and PEFC certified wood in assortment and sold (STARK DK)	STARK DK: Tripled the number of FSC or PEFC certified timber and timber-based item numbers sold. 75% of all STARK Denmark timber and timber-based SKU's are FSC or PEFC certified representing 76% of total timber and timber-based sales.
 OUR MARKET	Educative partner and corporate citizen	Engagement and partnerships with NGO's, educational institutions etc. Educative events	A sample of cases are described in the report

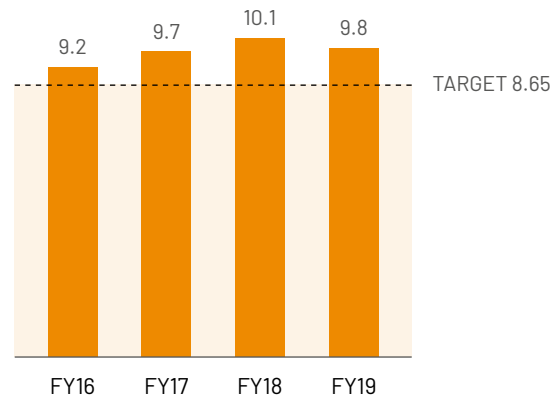
PROGRESS

PROGRESS TOWARDS ENVIRONMENTAL TARGETS FY16-FY19

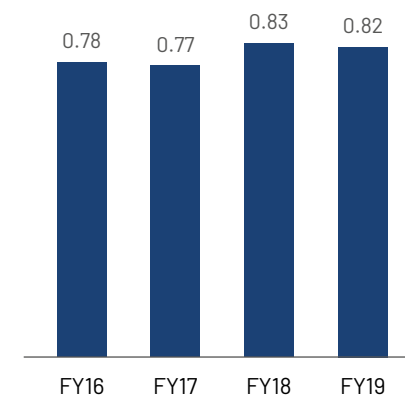
CO₂e emissions from buildings and equipment (tCO₂/mEUR revenue)



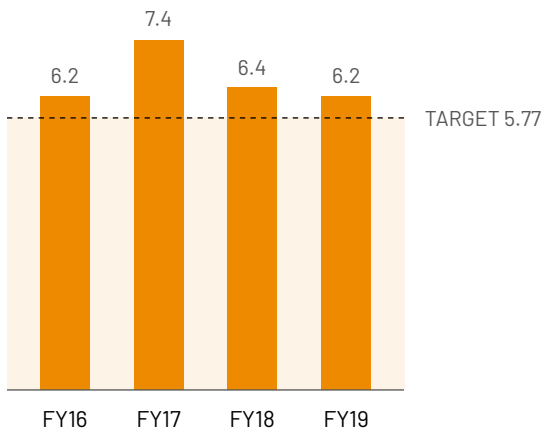
CO₂e emissions from transport (tCO₂/mEUR revenue)



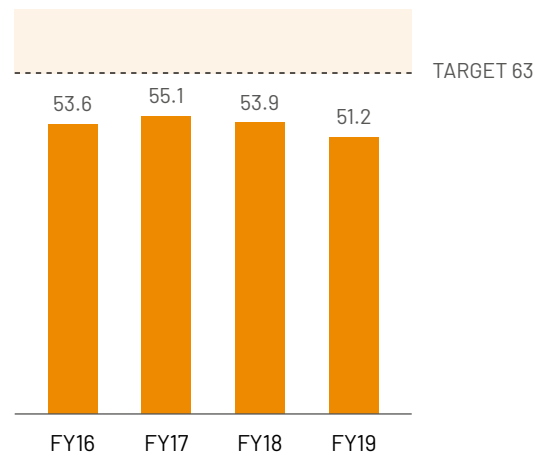
Injury rate (per 100,000 hrs)



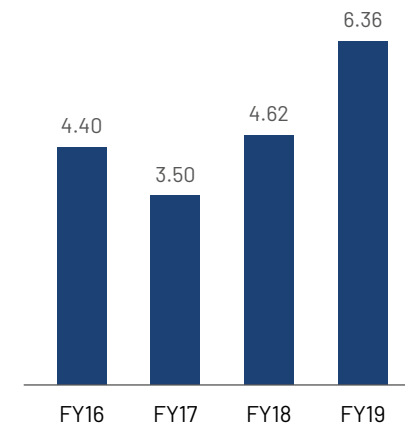
Waste production (t/mEUR revenue)



% waste recycled



Lost workday rate (per 100,000 hrs)



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

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