



TAX POLICY

STARK Group Finance

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STARK GROUP – TAX POLICY

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1. INTRODUCTION

Trust builds the future.

STARK Group is fully aware that taxes constitute important contributions to society in the countries in which we do business. We appreciate that there is an increased focus on how we make decisions about tax and whether the Group is paying the right and fair amount of taxes in all relevant jurisdictions.

As a leading building materials distributor in Northern Europe, STARK Group has a responsibility to address current global challenges and act on them, which is why we are committed to building a more sustainable tomorrow. Our corporate sustainability framework ensures that programmes are in place to boost social, economic, and environmental sustainability, while actively supporting our growth and improving employee pride and engagement.

We act sustainably also when it comes to our tax affairs. For us, this means that the STARK Group pays its fair share of tax contributions wherever we operate, that we have a strong governance around managing our tax affairs and that we are transparent about our approach to tax.

Like the STARK Group itself, our approach to tax is built on a solid foundation of integrity, and core values of decency, passion, and pride. Integrity is critical for STARK Group, as we strive to be recognised as honest and trustworthy by all our employees, customers, suppliers, partners, and society as a whole.

Our Tax Policy establishes the main principles for how our tax affairs are managed, and is based on good corporate practice in the area of tax management and tax transparency, while balancing the interests of our various stakeholders.

2. OBJECTIVE AND SCOPE

The objective of this tax policy is to provide clear rules of conduct and guidelines to all STARK Group employees who deal with tax issues directly and indirectly.

The policy applies globally to employees of all entities in STARK Group. The policy applies to the handling of all types of tax, including but not limited to Corporate Income Tax, Withholding Taxes, VAT, Payroll Taxes, Custom Duties and Energy Taxes.

The policy is specifically intended for individuals working with matters that can impact taxes. It aims to provide guidance on roles, key responsibilities and interaction with external parties such as tax advisers and tax authorities. Whenever in doubt about the right approach on tax matters, employees should reach out to the Head of Group Tax for advice and support.

This tax policy, which will be amended as necessary and reviewed annually, must be respected and adhered to at all times. The tax risk management and control activities described in this policy contain procedures to ensure that information about tax developments, risks and potential issues identified in the organisation are communicated to the Head of Group Tax who in turn report significant issues to the Group CFO and Audit Committee and make recommendations about necessary updates to the Tax Policy to the Board of Directors.

3. GOVERNANCE AND ACCOUNTABILITY

The Board of Directors of STARK Group is ultimately accountable for the Group's tax affairs. The Board review and approve this policy on an annual basis and define the Group's tax risk appetite.

The Board's Audit Committee oversees the implementation of this tax policy and receives reports on STARK Group's tax affairs and risks from the Head of Group Tax at an annual Audit Committee meeting.

The Group Chief Financial Officer (CFO) has overall responsibility for STARK Group's tax affairs supported by the Head of Group Tax, who is responsible for the day-to-day management of tax. The Group CFO and Head of Group Tax monitor adherence to the Policy and make recommendations to the Board of Directors to review and update the Tax Policy.

The Group CFO is responsible for ensuring that all companies within STARK Group know and understand this Policy and the Manuals and Guidelines.

The Head of Group Tax is responsible for embedding the Policy in the organisation by implementation of underlying Manuals and Guidelines. This includes ensuring that the Tax Policy and supporting documents are kept up to date, and that risks and mitigating controls are monitored.

In each Business Unit (BU), the person responsible for the BU's day-to-day tax affairs is responsible for ensuring that relevant employees know and understand this Policy and the Manuals and associated Guidelines, and that these are fully implemented and adhered to.

4. STARK GROUP'S APPROACH TO TAX

Our overall tax principle is to ensure we pay our fair share of tax contributions to all the markets where we conduct business. To achieve this, we focus on:

- i. Optimising current compliance procedures,
- ii. Developing procedures for handling tax transparency to cope with the increasing demand for communication and reporting, and
- iii. Readiness for introduction of new legislation and tax disclosure obligations.

Our approach to tax must ensure that we maintain the competitive edge of our business by preventing double taxation and handling tax issues and compliance efficiently while acting responsibly and with integrity. By managing our taxes in accordance with these principles, we support our continued growth in size, staff, and salaries, which is the basis for the largest portion of our tax contributions.

4.1. Tax compliance

STARK Group is determined to fulfil its global tax obligations. An essential aspect of our tax compliance is the expectation that all our tax returns and filings must be submitted correctly and accurately within the applicable deadlines in each country in which we operate and have filing obligations.

Fulfilling our global tax obligations also means operating in compliance with all local and international tax laws, as well as OECD guidelines. We will ensure at all times that STARK Group pays the right amount of tax at the right place.

When considering a position that STARK Group or one of its affiliates is taking, we take into account both the letter and the spirit of the law. This means that we take reasonable steps to determine the intention of the legislature and we interpret tax rules consistent with that intention, in light of the statutory language and relevant, contemporaneous legislative history.

4.2. Tax planning

Any tax planning that is undertaken must be based on sound commercial rationale and with business substance. No business decisions are made or structures set up primarily to obtain tax benefits that are disproportionate with what is commonly understood as being the intention of the law. This applies, for instance, when we consider our use of tax incentives, our corporate structure, the prevention of double taxation, potential presence in special or preferential regimes, low-tax jurisdictions, or in countries that are considered tax havens.

Additionally, Transfer Pricing requirements must be closely monitored and based on the principle that the appropriate amount of tax should be paid according to where value is being created. All transfer prices are calculated in line with rules set by local governments or using the OECD Transfer Pricing Guidelines' arm's length principle.

In connection with STARK Group's change of ownership to Winterfell Financing Sarl, a Luxembourg tax resident private limited company controlled by Funds advised by CVC, we recognise that investor taxation has been subject to consideration and regarded as an important part of the understanding of company taxation in the public debate in recent years. We work in close coordination with CVC to ensure that all the transactions with our shareholder adhere to the principles set-out in this policy. We intend to report these transactions in our public disclosures about tax matters in our Tax Impact Report currently in progress of being developed. We aim to publish this report in FY23.

Tax Incentives

STARK Group will utilise tax incentives that are made available by the governments to taxpayers in the jurisdictions where we operate when they apply to us. We will do so only provided that we live up to any formal requirements, that the substance of our business correspond to the intentions with the incentives offered, and that the incentives are generally offered to all relevant taxpayers and applied in a transparent manner. We do not accept incentives or preferential tax regimes that we do not believe we qualify to use and we do not use incentives to unduly reduce our tax liability.

Corporate Structure

The corporate structure employed by Stark Group has the primary purpose of supporting the business, and we strive to keep our structure as simple as possible. We continuously monitor our corporate structure and strive to eliminate dormant and non-operational entities where there is no business reason to keep these entities. We report on our progress in these efforts as part of our annual tax report currently in progress of being developed. We aim to publish this report in FY23.

When structuring new acquisitions, we take into account the associated tax costs and risk of double taxation, e.g. by using appropriate debt financing and holding companies. When deciding on the acquisition structure, we will only consider structures that have commercial and business substance and meet the spirit of local and international law.

Low tax jurisdictions and tax havens

Our geographic focus of the business means that we have no presence in low or nil tax jurisdictions as well as in jurisdictions that are commonly viewed as tax havens. When considering our presence in jurisdictions we primarily focus on enabling our business while preventing double taxation.

If normal commercial operations including operating businesses in jurisdictions with low taxes or that are commonly perceived as tax havens, we will pursue operations under local laws in these jurisdictions to the extent that it is in line with our business strategy. We will not accept the use of structures in low tax jurisdictions and tax havens with the purpose of moving taxable income from other jurisdictions or to otherwise avoid paying a fair share of tax.

4.3. Cooperation with governments and tax authorities

STARK Group considers the tax laws in all the countries in which we operate to be equally important and does therefore not rank or prioritise such laws. We aim to maintain an open and transparent working relationship with all relevant tax authorities. In this context, employees engaged with our tax affairs must establish and maintain a constructive dialogue with governments and tax authorities on all aspects of taxation.

STARK Group not only values a good working relationship with tax authorities, but also relies on and appreciates their support. In the course of conducting business globally, there may be disagreements with tax authorities over the interpretation of laws. Regardless of the issue, the involved employees and supporting functions must actively seek dialogue and involvement with tax authorities to resolve tax issues when possible.

When disagreements remain on the interpretation of tax laws between STARK Group and tax authorities, we will, as a last resort, seek a resolution in the courts of law.

5. TAX RISK MANAGEMENT AND CONTROL FRAMEWORK

We are committed to compliance and paying our fair share of taxes. This means that we seek a high degree of legal certainty in our tax positions and that we take a cautious and conservative approach to legislative interpretation where uncertainties exist after rigorous examination of the matter. We seek to always have processes and procedures, which ensure that there is a low risk of non-compliance and issues going undetected.

To ensure compliance with this policy a tax risk management framework has been implemented by the Head of Group Tax. This includes performance of annual risk assessment activities as well as implementing, monitoring and testing of mitigating controls. Such controls are processes implemented at various levels and designed meaningfully to reduce the likelihood of problematic conduct.

The Head of Group Tax communicates the risk assessments, corresponding controls to be performed, and reporting obligations to the Business Units and the, headquarter functions (e.g. Group Finance, Group HR),

Our local Business Units receive support from the headquarter by our Head of Group Tax, who holds the overall responsibility for tax planning, strategy, implementing Guidelines and Manuals as well as control procedures. Furthermore, the Head of Group Tax, support compliance with some obligations such as implementation of Transfer Pricing policy and Mandatory Disclosures under DAC6.

A range of specified controls have been incorporated into our risk and control framework systems, in order to enable the Head of Group Tax to monitor and verify that our policies and procedures are adhered to in our local operations. Examples of key controls include activities which ensure that all tax return filings and tax payments are made on time, involvement of appropriate competence and confirmation that all decisions impacting our total tax contribution have a genuine business purpose and that any tax planning does not represent undue risk that our understanding of the legislative interpretation and intention of the laws are incorrect whenever there may be uncertainties.

6. TAX TRANSPARENCY

STARK Group will be as transparent as can reasonably be expected about our tax affairs as we want to contribute to building trust around how we manage our taxes and is committed to gradually increasing the level of tax transparency. We believe that transparency on tax matters builds trust and that trust builds the future. Our activities are limited to established European jurisdictions meaning that our taxes are reported and paid in countries with developed tax systems and that we are not present in secrecy jurisdictions. We recognise that there is a growing interest in the level of taxes paid by multinational companies and we want to take part in the dialogue.

We aim during FY23 to report our progress on the implementation of this tax policy and publishing information about our tax payments including our total tax contribution and Corporate Income Tax payments on a country-by-country basis, accompanied by relevant information about our activities in order for stakeholders to be able to understand how we handle tax matters and contribute our fair share.

Approved by the STARK Group Board of Directors on 3 November 2022

OUR VALUES



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.

At STARK Group we welcome feedback. We want to ensure a culture where you can speak up and articulate your opinion about the way we work. Our leaders will have an open-door policy, so you have the option to raise questions or concerns.

In all our business units, we also have an HR department so if it for any reason does not work to talk to your local management, HR and Group Risk are ready to listen.

If, for any reason, you are not comfortable speaking with someone within your own business, you can use our Speak Up system. Please go to <https://starkgroup.whistleblownetwork.net> or find the link on our homepage or download our Speak Up app to your smartphone.

The Speak Up system is monitored all year round by our Group HR and all information will be kept strictly confidential.