

A close-up photograph of several layers of light-colored wooden planks, showing the natural wood grain and the way they are stacked together.

RESPONSIBLE TIMBER SOURCING POLICY

STARK Sourcing

Version 2.0
July 2020

STARK GROUP – RESPONSIBLE TIMBER SOURCING POLICY

TABLE OF CONTENTS

1. INTRODUCTION.....	3
2. DEFINITIONS	3
3. OBJECTIVE AND SCOPE	3
4. Application of the policy at STARK Group	4
5. Standards.....	4
5.1 STARK Group prohibitions	4
5.2 Business unit targets for timber legality and sustainability.....	4
6. Exemptions	5
7. Implementation in newly-acquired businesses	5
7. ROLES AND RESPONSIBILITIES.....	6
8. CONTROL FRAMEWORK.....	6
9. COMMUNICATION AND TRAINING	6
10. ASSOCIATED MANUALS AND HANDBOOKS	6
11. DEVIATIONS FROM AND AMENDMENTS TO THIS POLICY	6
12. POLICY REVISION HISTORY.....	6
13. CONTACT	7
Appendix 1: STARK Group List of Prohibited Countries	8
Appendix 2: STARK Group List of Prohibited Species.....	9
Appendix 3: STARK Group Timber Supplier Risk and Governance Model.....	10
Appendix 4: How do we measure our Responsible Timber Policy.....	12

1. INTRODUCTION

At STARK Group we understand that our business has an impact on people and the environment. STARK Group and all its business units are committed to responsible purchasing of timber and timber products. We know that responsible sourcing of timber and timber-based products has a large impact, both locally and globally, and we believe in conducting sustainable business by securing future materials in the supply chain.

At STARK Group we believe in doing good business while being a good business. This is a prerequisite for the future growth of our business, and we achieve it together with our Suppliers.

2. DEFINITIONS

STARK Group

STARK Group A/S and all affiliates

3. OBJECTIVE AND SCOPE

- 3.1 STARK Group and all its business units are committed to responsible purchasing¹ of timber and timber products².

Figure 1: STARK Group Policy Categories		Only sources who meet our policy categories classified as “Low Risk” can be contained within product supplied to STARK Group
Low Risk	Responsible Sources	Responsible Sources certified according to FSC ³ or PEFC ⁴ certification schemes, with an unbroken chain of custody.
	Non-Controversial Sources	Non-Controversial Sources , recycled and non-controversial supply chains.
	Known and Legal Sources	Known and Legal Sources , shown to meet legal requirements in the country of harvest and have been legally traded.
High Risk	Limited knowledge of sources	Products for which we have only limited knowledge of the timber source are classed as “High Risk” and may not be purchased or sold by STARK Group.

- 3.2 This means that all business units within STARK Group will conduct proper due diligence on all relevant timber and timber product suppliers, where required by law, to gain reasonable assurance of product legality (namely EUTR compliance) and in accordance with our timber policy categories.
- 3.3 If there are suspicions regarding the legality of the Timber and Timber products, all business units within STARK Group will take action to investigate legality, even if not required by law.
- 3.4 Business units will not knowingly purchase timber or timber products from suppliers who do not pass, or who fail to adhere to the proper due diligence, where required by law or this policy.

¹ For more information on STARK Group’s Responsible Sourcing Categories, see Figure 1 and appendix 4

² Definition of timber and timber products as classified in the Combined Nomenclature set out in Annex I to Council Regulation (EEC) No 2658/87, to which this Policy applies

³ Forest Stewardship Council: fsc.org

⁴ Programme for the Endorsement of Forestry Certification Schemes: pefc.org

At a minimum, STARK Group business units will comply with national and regional laws and regulations and with the standards set out in this document.

4. Application of the policy at STARK Group

- This policy applies to all STARK Group business units.
- Different Standards (see section 3) apply depending on whether STARK Group business unit is:
 - a. the first to place timber or timber products in a Market⁵ (an Operator); or
 - b. dealing with timber or timber products already introduced to a Market (a Trader).
- This policy applies to all products sold by STARK Group business units containing timber or timber products.

5. STANDARDS

5.1 STARK Group prohibitions

- a. STARK Group business units must not knowingly source timber or timber products harvested in a country listed on the “STARK Group List of Prohibited Timber Countries” (See appendix 1).
 - b. STARK Group business units must not knowingly source a species on the “STARK Group List of Prohibited Species” unless the product is accompanied by a valid CITES permit and/or unless the product is plantation grown (See appendix 2).
 - c. STARK Group business units must not knowingly source timber or timber products from a country with a Transparency International Corruption Perception Index Score 39 or less without approval from the relevant STARK Group business unit sourcing director⁶.
- Any breach of the above must be reported as soon as possible to STARK Group Sourcing CEO, relevant BU Head of Legal, STARK Group CEO and STARK Group CFO.

5.2 Business unit targets for timber legality and sustainability

Traceability

- Where STARK Group business unit is operating either as a “Trader” or as an “Operator”, in accordance with relevant regulation⁷, the business unit will capture and maintain information

⁵ “Market” means (i) all countries of the European Union and part of the EU single market; or any other country individually.

⁶ STARK Group Sourcing will annually review and set the allowed limit for the Transparency International Corruption Index Score. In case of Nordic agreement – approval from Senior Sourcing Manager in consultation with Group Sourcing CEO required instead.

⁷ Regulation (EU) No 995/2010 of the European Union also known as the EU Timber Regulation

for five years to trace the products through the supply chain.

Assurance of timber legality

Outside EU

- Where STARK Group business units act as an “Operator”, STARK Group business units will conduct proper due diligence through a third-party vendor approved by STARK Group Sourcing CEO on all relevant timber and timber product suppliers, where required by law, to ensure legality.

Inside EU

- Where STARK Group business units act as a “Trader”, if there are suspicions regarding the legality of the Timber and Timber products, all STARK Group business units will take action to ensure products are certified or conduct proper due diligence to investigate legality.

Targets for timber sustainability

- STARK Group business units shall together have an annually increasing target for the percentage of certified timber⁸ and timber products sold.
- Progress to increase share of certified timber and timber products will be assessed periodically.

6. EXEMPTIONS

- STARK Group business units may be granted exemptions from this policy, but these need to be pre-approved according to agreed supplier decision governance models.⁹ (See appendix 3).

7. IMPLEMENTATION IN NEWLY ACQUIRED BUSINESSES

- This policy must be implemented in newly acquired STARK Group businesses within 9 months of acquisition

⁸ Certified by e.g. Forest Stewardship Council (FSC) and /or the Program for the Endorsement of Forest Certification (PEFC), or other

similar certifications available in the countries DT Group business units purchase Timber and Timber products from.

⁹ Decision makers according to Product Integrity Dashboard and/or Compliance Catalyst New/One-off Sourcing Model processes.

7. ROLES AND RESPONSIBILITIES

Whilst STARK GROUP CEO is ultimately accountable for complying with Sourcing in STARK GROUP, the Group Sourcing CEO is responsible for the development of this Policy and the underlying Manuals and Guidelines/Handbooks. This includes ensuring that the Sourcing and responsible timer Policy, Manuals and associated documents are kept up to date, and monitoring and addressing risks.

Group Sourcing Director is responsible to ensure that all companies within STARK GROUP know and understand this Policy, Manuals and Guidelines/Handbooks.

The business unit BU Sourcing Directors are responsible to ensure that all its leaders and employees, including contractors, temporary staff and workers, know and understand this Policy and the Manuals and Guidelines/Handbooks, and that it is fully implemented and adhered to. The same goes for the BU subsidiaries.

All employees will get the sufficient amount of training needed.

Policy governance area	Accountable
Policy owner	Group Sourcing CEO
Application – Users of policy	All Employees
Accountable for compliance with policy	BU Management
Policy review	Group Sourcing CEO
Policy approval	ExCom

Review cycle: Annual

8. CONTROL FRAMEWORK

Controls are in place to ensure compliance with this policy. These include processes designed to reduce the likelihood of problematic conduct at all levels of STARK GROUP.

Group Sourcing developed a relevant and sufficient control framework that stipulates a variety of controls to be carried out by BU Sourcing directors.

9. COMMUNICATION AND TRAINING

An overview of manuals and guidelines regarding communication, training and annual events is available on the intranet. Here you will find information on the scope of training sessions and which leaders/employees must participate in them.

10. ASSOCIATED MANUALS AND HANDBOOKS

A current overview of manuals and handbooks is available on the intranet.

11. DEVIATIONS FROM AND AMENDMENTS TO THIS POLICY

All deviations must be made in writing and approved by the policy owner. All amendments must be approved by ExCom.

12. POLICY REVISION HISTORY

Version	Publication date	Description of revision
1.0	March 2018	Original policy from previous owner
2.0	July 2020	Updated policy

13. CONTACT

For more information, please reach out to Group Sourcing.

APPENDIX 1: STARK GROUP LIST OF PROHIBITED COUNTRIES

Country	Prohibited species from that country
Any country currently experiencing a civil war or armed:	All species
<ul style="list-style-type: none"> • Central African Republic (CAR) 	All species
Any country subject to sanctions imposed by the UN Security Council or the Council of the European Union on timber imports or exports:	All species
<ul style="list-style-type: none"> • No countries currently listed 	All species
Select countries prohibited by STARK Group:	
<ul style="list-style-type: none"> • Myanmar (formerly known as Burma)¹⁰ 	All species
<ul style="list-style-type: none"> • Congo - Democratic Republic of the Congo 	All species
<ul style="list-style-type: none"> • Congo - Republic of the Congo 	All species
<ul style="list-style-type: none"> • Gabon 	Prohibited if not certified or not from a plantation.
<ul style="list-style-type: none"> • Ivory Coast (Côte d'Ivoire) 	All species
<ul style="list-style-type: none"> • Liberia 	All species

¹⁰ <http://www.nepcon.net/projects/legal-timber-myanmar>

APPENDIX 2: STARK GROUP LIST OF PROHIBITED SPECIES

Based on CITES ranking (see guidance below the table) *NOTE: All species listed in the CITES Appendix I and Appendix II are prohibited in our products. To check the most up to date information about a species classification, check the CITES online database: <http://checklist.cites.org/#/en> and input the scientific name of the species in the search field.*

CITES

CITES is an international agreement between governments, created in 1973. It stands for the Convention on International Trade of Endangered Species. The list above is a condensed and simplified version of the CITES Appendices, including only the species of trees that are typically used or harvested for lumber. CITES has three different levels of protection for species, known as Appendices:

*- **Appendix I** – This appendix represents species that are in the most danger and are considered to be threatened with extinction, and are consequently the most restricted in international trade.*

*- **Appendix II** – This appendix contains species that are at risk in the wild, but not necessarily threatened with extinction. Species in this appendix are closely regulated, but are typically not as restricted as Appendix I.*

*- **Appendix III** – This appendix contains species that a certain country (called a “party” within CITES), has voluntarily requested to be regulated in order to help preserve the species in question. Appendix III species regulation is only applicable for the specific party that has requested its inclusion, and is therefore much less restrictive than Appendix I or II. Species listed on CITES Appendix I prohibited in their entirety.*

Species on CITES Appendix II and III may be traded if accompanied by a valid CITES permit because they are recognized to need protection, but limited trade of the species can be deemed legal. For each shipment exported from the country of harvest for species listed in CITES Appendix II and III, the product is checked by the CITES authority in that country before a CITES license is issued.

APPENDIX 3: STARK GROUP TIMBER SUPPLIER RISK AND GOVERNANCE MODEL

Table 1. Non-EU Timber Supplier Risk Rating		
Risk Score	Risk	Decision maker (D) / Consult with (C)
4	# Minority or no ($\leq 25\%$) low risk supply chains	Group Sourcing CEO (D), relevant BU Head of Legal (C)
3	# Half or less than half ($\leq 50\%$ but $> 25\%$) low risk supply chains # CPI Score for the country of supplier ≤ 39	Business Unit Sourcing Director (D) ¹²
2	# Majority ($> 50\% < 100\%$) low risk supply chains	Senior Sourcing Manager (D)
1	# All (100 %) low risk supply chains	Sourcing Manager (D)

Table 2. EU Light Timber Supplier Risk Rating		
Risk Score	Risk	Decision maker (D) / Consult with (C)
4	# At least one country of timber harvest or timber species is prohibited	Group Sourcing CEO (D), relevant BU Head of Legal (C)
	# Suspicion	Nepcon check - decision according to dd or certificate validation result
	# Minority or no ($\leq 25\%$) certified supply chains # Minority or no ($\leq 25\%$) low risk supply chains	Group Sourcing CEO (D), relevant BU Head of Legal (C)
3	# CPI Score is ≤ 39 (country of harvest or country of supplier), and no countries of harvest are prohibited, and no timber species are prohibited, and no suspicion # Half or less than half ($\leq 50\%$ but $> 25\%$) certified supply chains # Half or less than half ($\leq 50\%$ but $> 25\%$) low risk supply chains	Business Unit Sourcing Director (D) ¹¹
2	# Majority ($> 50\% < 100\%$) certified supply chains # Majority ($> 50\% < 100\%$) low risk supply chains	Senior Sourcing Manager (D)
1	# No countries of harvest are prohibited, and no timber species are prohibited, and CPI Score is > 39 (country of harvest and country of supplier), and no suspicion # All (100%) certified supply chains	Senior Sourcing Manager (D)

¹¹ In case of Nordic agreement – approval from Senior Sourcing Manager in consultation with Group Sourcing CEO required instead

Table 3. Supply Chain Risk Level	
Risk Level	Decision maker (D) / Consult with (C)
High risk (non negligible risk, lack of evidence, outdated)	Group Sourcing CEO (D), relevant BU Head of Legal (C)
Assessment pending	-
Not assessed	-
Low risk (negligible risk)	Sourcing Manager (D)

APPENDIX 4: HOW DO WE MEASURE OUR RESPONSIBLE TIMBER POLICY

STARK Group is committed always to source timber from legal sources and strive to purchase only timber from non-controversial sources. In addition, we also aim to source as much sustainably certified timber wherever possible.

We measure our Responsible Sourcing commitment against these categories:

1. **Limited Knowledge of Sources:** Products which contain timber with unknown origin or supply chain risk and for which compliance with EUTR requirements cannot be demonstrated. This source type is prohibited for purchasing.
2. **Known and Legal Sources:** All timber included in the product has been risk assessed and concluded to have been produced, processed and traded in compliance with applicable legislation in the country where the trees were harvested, as well as along the entire supply chain. This legal compliance, includes but is not limited to requirements of the EU Timber Regulation (995/2010), FLEGT licensing system, CITES convention and any relevant EU & UN sanctions on timber exports. This source type is the minimum requirement for purchasing.
3. **Non-Controversial Sources:** Products where timber has deemed to be known and legal, and which is either demonstrated to derive from:
 - 3.1: Virgin material which can be clearly indicated to exclude the following categories:
 - a) Wood harvested in violation of traditional and civil rights;
 - b) Wood harvested in forests in which high conservation values are threatened by management activities;
 - c) Wood harvested in forests being converted from natural and semi natural forest to plantations or non-forest use;
 - d) Wood from forests in which genetically modified trees are planted.

In order to determine low risk countries, the most up to date FSC Controlled Wood National Risk Assessment shall be used: <https://ic.fsc.org/en/document-center>.

NOTE: In some situations where the country of origin does not qualify as low risk for all categories, a source may be categorized as non-controversial. For example, if the forest is proven to be certified against a credible forestry certification scheme (broken chain of custody) or if the sources are covered by FSC controlled wood certification

3.2: Recycled sources: timber or timber products that have completed their lifecycle and would otherwise be disposed of as waste¹²

4. **Responsible Sources:** products purchased by Stark as certified against the FSC¹³ or PEFC¹⁴ certification schemes, with unbroken chain custody.

¹² As defined in Article 3(1) of Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste

¹³ To check the validity and scope of FSC certified products, check the FSC database: <https://info.fsc.org/>

¹⁴ To check the validity and scope of PEFC certified products, check the PEFC database: <https://www.pefc.org/find-certified>

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 and a Legal department so if it for any reason does not work to talk to your local management, HR and Legal 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 Group Legal and all information will be kept strictly confidential.