

# SUSTAINABILITY REPORT 2020 FORBO FLOORING SYSTEMS

The principles of the circular economy are at the heart of our renewed Sustainability Strategy on which this report provides further detail and explanation. In order to make sure that our Sustainability Strategy does not just project far horizons, we have created a five year program with clear goals and objectives we aim to reach by 2025. This endeavor is not limited to just looking at the way our products are manufactured or raw materials are being sourced and harvested. It is a program which goes well beyond the cradle to gate stages of the product life cycle, and includes our ambitions on reuse and recycling as well as take back schemes and pilots for retrieving post-consumer floor coverings.



# ABOUT THIS REPORT

**The 2020 report is our ninth consecutive Sustainability Report and, as previously, is based on GRI's sustainability reporting framework. The report provides a transparent overview of our ecological, social, and economic performance, as defined by the Global Reporting Initiative. We see the compilation of this report not only as a reporting tool, but also as a way to account for our activities, that are derived from our renewed Sustainability Strategy which was introduced in this unusual year, and which helps us to improve our overall sustainability performance in every detail.**

## THE FLOORING SYSTEMS 2020 SUSTAINABILITY REPORT

This report provides an overview of Forbo Flooring Systems' performance for the 2020 calendar year, in line with our financial reporting cycle. The 2020 financial report of the Forbo Group, with specific detail on the Flooring Systems division is available at [www.forbo.com/en/investors](http://www.forbo.com/en/investors). Please feel free to let us know your thoughts about this 2020 Sustainability Report; you can do so by contacting us at [question@forbo.com](mailto:question@forbo.com). Finally, we would like to thank our stakeholders and everyone who helped with the compilation of this report. Your contributions have been invaluable.

## REPORT BOUNDARY

Unless otherwise stated, environmental data published in this report is limited to our 11 floor covering manufacturing sites in the United Kingdom, the Netherlands, Russia, France, and Switzerland, as these entities are considered the most material in terms of environmental impact.

The environmental data in this report does not cover our worldwide sales offices and warehouses in Europe, North and South America, Russia, and Asia/Pacific. Unless otherwise stated, the social and economic information within this report covers all sites and offices worldwide. There have been no changes from the previous reporting period in the scope, boundary, or measurement methods applied in this report other than those that are new elements in our renewed Sustainability Strategy.

Unless otherwise stated, Forbo Flooring Systems' building & construction adhesives activity, including its three manufacturing sites, do not form part of this report.

# MESSAGE FROM JEAN-MICHEL WINS

EXECUTIVE VICE PRESIDENT FORBO FLOORING SYSTEMS

**In 2020, in the midst of the pandemic which after three months at the start of the year governed our daily life in business as well as socially, we renewed our Sustainability Strategy. This time with an even closer focus on the principles of the circular economy. Where circularity is a buzz-word that is quite often used to claim a positive environmental profile for a product, we have taken an approach which takes into account the entire life cycle which goes far beyond everything we manufacture and sell. Our product design, sourcing, manufacturing, care, maintenance and repair as well as takeback of installation waste, reuse and recycling are an integral part of our renewed strategy.**

2020, the year under review, was dominated by far reaching COVID-19 challenges that tested us various times and with varying degrees of severity all over the world. As Flooring Systems we had to act fast and remain flexible: we adjusted internal operating procedures to protect our employees while at the same time taking steps to optimize communication with customers and suppliers and to organize the smooth functioning of supply and procurement chains.

According to the planning, in our overall strategy 2020 was also identified as the year which we used to calibrate our Sustainability Strategy. Overall, our long term objective to ultimately becoming a zero waste company which fully embraces and executes the guiding principles of the circular economy remains unchanged. What has been added to our strategy is a five year program which we are running under the name 'Sustainability 2025'. We do this to make sure that long term objectives are not remaining on a horizon that shifts further every year we go forward, but that we really plan, schedule and execute our activities where and when possible.

In our five year program we focus on our business units; linoleum, vinyl, textile and building and construction adhesives, where we concentrate on the way products are developed and produced. Next to this, we also see a clear role for our sales organizations as they connect our organization to our customers. The market where our products are installed, where they fulfil their function and where they perform to the satisfaction of our customers is a

relative new responsibility as far as the concept of ownership is concerned. Taking back installation cut-offs as well as the consideration of end of life scenarios is where we see a joint responsibility in finding circular solutions.

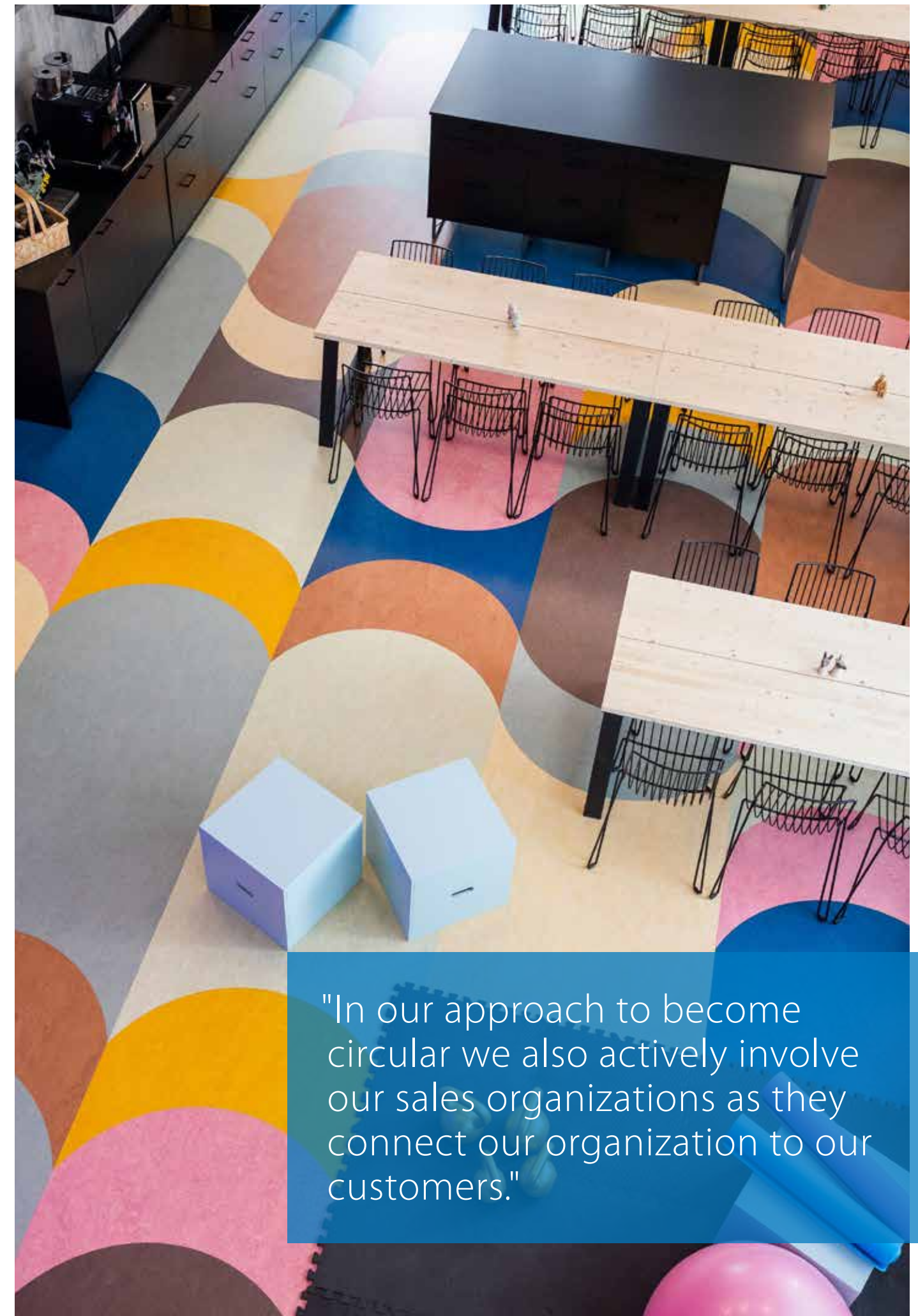
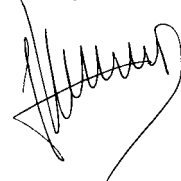
The circular economy challenges are by definition a joint challenge. No one can fix the circular economy by one self. Collaboration is required between stakeholders in the building and construction industry as well as between floor covering manufacturers in particular. For us, this is why we actively support and contribute to such organizations as the European Resilient Flooring Manufacturers Institute (ERFMI), the European Floor Covering Association (EuFCA) as well as similar associations for textiles (ECRA) and modular floor coverings (MMFA). It is here where with joint forces and support from the European Union that progress can be made towards reuse and recycling of our products.

Our Sustainability Strategy focusses on becoming a zero waste company. This is a high level concept which in essence means that we are open to new approaches in the way we manufacture our products. One example is the energy transition. We are already using 100% of green electricity in all of our business units. To also rid ourselves of fossil fuel we aim to find alternatives for natural gas. We have started on our own to experiment with biogas which is a test we are expanding. But in order to fully make the switch, we again do require collaboration with our stakeholders in order to provide the infrastructure that helps us to play our part.

In this report, again this year, you will see that we have succeeded to make advancement in all three business units: linoleum, vinyl and textiles. We do this by using our 4R's-principle of reduce, renewable, reuse and recycle, which in essence is expressed by the circular economy principles.

I am pleased with the results that have been made over 2020, which was a special year and recommend you our Sustainability Report as a means to inform you on our progress.

Sincerely,



"In our approach to become circular we also actively involve our sales organizations as they connect our organization to our customers."



# OUR BUSINESS ENVIRONMENT

## MARKET DEVELOPMENTS AND TRENDS

**The year 2020 was dominated by the economic and social effects of the COVID-19 pandemic. The first signs and negative effects were seen in our Asian markets, successively spreading to Europe and shortly thereafter the America's region, adversely affecting our business activity toward the end of the first quarter. Some markets showed clear signs of recovery towards the end of the year.**

### THE BUSINESS YEAR 2020

After getting off to a gratifying start in the reporting year, we were impacted in the spring – especially at production sites in Europe – by the rapid spread of the COVID-19 pandemic. Flexibility was essential – we needed to decide and act fast by adjusting operating processes, especially for the health and protection of our employees, and by devising new and creative communication channels with our customers. We also had to take action on the cost side owing to the sudden slump in demand, which was significant at times, in order to bring operating and cost structures into line with the situation. The benefit was felt increasingly in the second half. Nevertheless, we held on to our planned investments, continued with strategic projects, and launched attractive collections.

### MIXED SALES TRENDS

While some markets closed out the year at or even above the previous year's sales level, all three regions together posted a decline in sales revenue. The Americas were hardest hit, Europe and Asia/Pacific less so.

The European markets showed a very mixed trend. Our core markets France and the United Kingdom bore the brunt of the slump in demand, which was steep at times. Spain, Italy, and Portugal were also seriously affected. Sales in Switzerland, Poland, and in some Scandinavian countries also declined, but not to the same extent. By contrast, some of our key markets such as Germany and the Netherlands remained practically at the year-back level. Russia posted above-average growth.

In the Americas region, the main market, the USA, reported a decline in sales in line with the division as a whole. Canada, where we grew strongly the previous year, was hit very hard by lengthy building freezes especially in the key regions Quebec and Toronto. Brazil and other, smaller, markets in South America also reported sales decreases.

The picture in Asia/Pacific was just as mixed. In China, demand dropped significantly at times, which was due mainly to project postponements. Most markets in Southeast Asia and Turkey were also weaker. Japan maintained its good performance from the previous year. Australia reported solid growth, as did the growth market South Korea.

### ATTRACTIVE NEW COLLECTIONS

In the year under review, despite the exceptional circumstances, we developed and launched attractive, high-quality collections.

In the linoleum unit, we supported the collection launched the previous year with a global online campaign that underlined sustainability and CO<sub>2</sub> neutrality in particular. At the same time, we worked on various attractive innovations that will be incorporated into future collections. Our greatly expanded 'Allura' collection of luxury vinyl tiles offers new color ranges, trendy designs, sound-absorbing versions, and additional formats that enable us to meet the growing demand for simple floor-laying options. There are three different installation methods: fully adhered, click systems, or loose lay. This maximizes flexibility for attractive



design and rapid installation especially in retail, hospitality and office buildings. In our new collection 'under control', for the first time we are offering an all-round solution of homogeneous vinyl floor coverings that dissipate or remove electrostatic charges. In textiles, Flotex Naturals – our washable, high-tech floor covering – convinces with new, high-quality wood designs in digital printing quality. Two new carpet tile collections – Tessera Earthscape with a comfortable pile and Struktur 1, based on an innovative micro tufting technology – are designed primarily for the office segment.

### VARYING DEVELOPMENT AMONG PRODUCT GROUPS

In line with the sales trend, the different product groups also reported lower sales, though to differing degrees. Linoleum floor coverings and the versatile and application-specific vinyl floor covering collections posted smaller sales decreases than textile floor coverings did. Homogeneous vinyl floor coverings developed positive; having recorded steady growth since their introduction over the last three years, their sales in 2020 were on a par with the previous year.

### TARGETTED INVESTMENTS IN DIVERSE AREAS

In addition to numerous initiatives to enhance the product portfolio, we invested in renewals at various production plants with the aim of developing new products and promoting innovations but also of modernizing and streamlining production processes. This invariably also involved ecological improvements. The linoleum drying kilns at the production plant in the Netherlands were renewed by means of a sustainable ventilation system that further reduces both energy consumption and CO<sub>2</sub> emissions. Each drying room is 50 m long, 5 m wide and 20 m high and lends the freshly produced floor coverings the right hardness and flexibility in accordance with the product specifications. At the same time, various process control systems were modernized with the latest

technologies, and the coating plants at the facilities in the Netherlands and in Scotland underwent technological renewals.

A new building was erected at the manufacturing site for vinyl floor coverings in France; it brings together under one roof all quality control and research & development operations with labs, test rooms and offices and it serves at the same time as a global center of excellence for vinyl floor coverings. New equipment for special embossing effects for vinyl floor coverings at the Netherlands site will increase efficiency since in future it will save one entire process step. At the building and construction adhesives production site in Russia, a new plant for the manufacture of reactive adhesives was built; these adhesives are used for installing wood and sports flooring as well as artificial turf. Furthermore, we continued to pursue targeted growth opportunities by founding a sales company in Ukraine and opening a new warehouse in Poland.

### GOOD FOUNDATION FOR RENEWED GROWTH

In addition to the known challenges and volatile market conditions brought about by COVID-19, we will also have to deal in particular with the consequences of Brexit. As we are directly affected by reason of our production setup in the United Kingdom, we have made extensive preparations in order to minimize negative consequences from Brexit. Our focus is on ensuring global availability of a varied product portfolio with attractive and some new collections for 2021, combined with a reliable customer and delivery service as the basis for sustainable growth. At the same time, we must remain flexible through prudent cost management that is adapted to the current circumstances.

# ORGANIZATIONAL PROFILE

**Forbo Flooring Systems has 15 production facilities in seven countries, plus distribution companies in 27 countries. The division has sales offices in Europe, North, Central, and South America as well as Asia/ Pacific. The headquarters of the Flooring Systems division is in Assendelft, the Netherlands. The Flooring Systems division includes a building & construction adhesives activity with production facilities in three countries and sales activities concentrated in Europe.**

## A GLOBAL PLAYER

The Flooring Systems division is close to dynamic markets, making it the first choice as a local partner for customers that have similar global requirements. The quality, longevity and performance of our products and services reflect the quality and stability of our relations with our business partners.

## MARKET SECTORS

Flooring Systems produces floor coverings, building and construction adhesives and leveling compounds for the commercial (professional) market. A part of the product portfolio is also suitable for use in the residential consumer market and is sold via retailers for floor coverings and interior decoration.

For the commercial market, Flooring Systems offers a full service portfolio of floor covering products which is capable of decorating buildings in all types of market segments according to their requirements. The product portfolio consists out of natural linoleum and vinyl resilient floors, as well as a collection of textile floor coverings such as carpet tiles, flocked flooring, and needlefelt. All products have multiple formats and are available in rolls (sheet) and in tile or plank as modular formats. All products in our portfolio are easy to install, and are offered in varieties ranging from dry-back (glue down) to loose lay and click system installation options.

The activities of Flooring Systems are spread over a wide range of buildings that are common in our society and that are part of our daily life. They include public buildings, schools, offices, hospitals and care facilities, leisure and hospitality spaces such as hotels, restaurants and

entertainment locations. Forbo also furnishes private homes and residential accommodations. On top of this, the division produces special floors for the high-tech industry and IT market segment and there is a product offer for transport vehicles such as coaches, railway carriages and ships. For all these market sectors - in addition - Flooring Systems offers a comprehensive range of textile and ridged aluminum entrance flooring systems protecting the indoor environment from dirt and moist being carried into the building and thereby taking care of a clean and hygienic indoor environment.

## PRODUCTION

All our 11 floor covering production sites in the Netherlands, United Kingdom, Russia, France, and Switzerland that are considered most material in terms of their environmental impact and accounted for in this report are ISO-9001 and ISO-14001 certified.

## LINOLEUM, A SUSTAINABLE EVERGREEN

Flooring Systems leads the world linoleum floor coverings market with its Marmoleum brand and world market share of about 70%. Linoleum is made from natural raw materials, such as crops and plants that can be harvested on an annual basis or trees that are grown in certified production forests. The product is over 150 years old after first being invented by Frederik Walton. At the time linoleum was the first resilient floor covering that was used on an industrial scale and produced in production locations all over the world. The focus at the time, as replacement for stone, wood or textile flooring was on hygiene and durability.

These qualities still exist today in even higher measure, however now it is the sustainable character of the products that make the most impression. In fact, it was said that when there would a search for a resilient and sustainable floor covering today, the outcome would probably be linoleum. Measured along the CO<sub>2</sub> emission ladder Forbo produces its Marmoleum under such conditions and circumstances that the end result is a CO<sub>2</sub> negative product. There is so much CO<sub>2</sub> captured in the plants, trees and crops that this outweighs the amount of CO<sub>2</sub> that is needed to produce the product.

## MANY YEARS OF INNOVATIVE DEVELOPMENT

Linoleum when first produced was a product with a gauge of 3 to 4 mm, heavy, requiring special skills to install. The product was available in a limited range of colors which all where dark and marbled. Special block printing techniques and inlays were used to make the product more attractive. Linoleum today is not a very different product when the production process or the raw material are concerned, but it displays a world of difference when the available product varieties are considered. The sheet gauge today varies from 2.0 to 2.5mm. Next to 2m wide sheet the portfolio also offers tile and plank formats including a linoleum loose lay click system. The structure of the linoleum visual appearance has widened and opened up to intricate marble patterning, a linear and a speckled variety as well as newer versions of the classic uni-Walton colors. Color as such has become a dominant feature, moving from the original beige, brown and grey varieties to well over 300 colors and structures in which Marmoleum collections are available today. One special novelty that is conquering ground based on its sustainable profile in the world of luxury vinyl tiles is the Forbo linoleum Impresa range. Impresa is a linoleum plank with a core of light colored linoleum pressed on a glass fiber backing which is printed with a natural wood décor which is protected by a finish layer. Visually and performance wise, there is no difference between the LVT offer available in vinyl or that which is offered as the Impresa collection, but ultimately the choice is between a ‘plastic’ and a natural product. It is progress like this for which Flooring Systems is known for, for many years.

Another innovative linoleum application is Furniture Linoleum which is used as a natural and high-end surfacing material for furniture, cabinets, doors and partition walls. Furniture Linoleum acquires a beautiful natural patina over time and is warm to the touch. In line with the use of linoleum as a sourcing material Flooring Systems also produces Bulletin Board. This is a sound absorbing soft and open linoleum that can be used for pinboard applications or vertical wall applications. Both products are made from natural linoleum and possess the same environmental characteristics and positive attitudes as linoleum that is made for floor covering.

Flooring Systems’ linoleum is produced in the Netherlands in Assendelft and Scotland in Kirkcaldy. Forbo’s key linoleum brands are **Marmoleum** for sheet, tile, and plank options, **Marmoleum Click** for floating floors in the residential and semi contract market. **Marmoleum Sport** for indoor sports floors, **Marmoleum Ohmex** for anti-static floor panels, **Furniture Linoleum** - a surfacing material - and **Bulletin Board** used for pin wall/pinboard applications. A special collection in our linoleum offer is **Impressa**, a linoleum which is printed with a wood or concrete décor.

## A STATE OF THE ART VINYL PORTFOLIO

For our vinyl operations locations, focus in 2020 was on the concept of ‘Easyvation’ as introduced in the 2019 report. It concerns the type of innovation that directly benefits the customer and end user. Loose lay floor coverings which do not require time consuming skilled installation and provide safe and professional results are also beneficial to the environment as the floor can easily be removed at the end of its lifetime. Loose lay floors in 2020 gained attention because of the many temporary COVID-19 facilities that were erected towards the summer and autumn of last year. Flooring Systems offers loose lay resilient floor coverings both in tile and plank format, but with Modul’up had a unique solution in loose lay sheet on offer as well. Advanced technology is key to improvement in all 3 pillars of our Sustainability Strategy in which the social, ecological and economic dimension go hand in hand. We manufacture the majority of our products on 4m wide production lines on which the product is later commoditized in 2m wide rolls or tiles and planks, this means that we reduce cut-off waste as well as energy. In our processes we are feeding back industrial processing waste of our vinyl products as well as returned cut-off material coming from flooring installations from projects where we are involved. Using recycled content in the backing substrate of our vinyl product portfolio is an essential feature of the sustainable character of our vinyl products. Also in terms of the formulation and chemical composition of our vinyl products we deliver a state of the art performance by complying to the international REACH standards and to go beyond were we see an opportunity. An example is the absence of phthalates in our products which still today is the largest offer of phthalate free vinyl products in the market.

“If a sustainable floor covering was invented today the outcome probably would be linoleum”



COLLABORATION

Vinyl floor coverings are a category in resilient flooring not unique to Forbo as there are many companies involved in the manufacturing of these types of floors. It is also through active collaboration by Flooring Systems and participation in international alliances that we seek to improve our environmental performance and help find solutions to those topics that are addressed though the Paris Climate Agreement and the European Green Deal. This concerns research on post-consumer recycling of vinyl floor covering products as well as investigating the possibilities of collection and sorting schemes for floor coverings that have reached their end of life stage.

Our vinyl portfolio is produced in Reims (France), Coevorden (the Netherlands), Kaluga (Russia) and Giubiasco (Switzerland). Forbo vinyl brands comprize **Allura** and **Effekta** for luxury vinyl tiles and planks, **Eternal** for heterogeneous vinyl, **Sphera** and **FabScrap** for homogeneous vinyl, **Step** for slip resistant vinyl, **Sarlon** for acoustic vinyl, **Modul'up** for loose lay vinyl sheet, **Colorex** for static dissipative vinyl floors, and **Novilon** for residential applications in vinyl flooring.

A TEXTILE PORTFOLIO THAT IS UNIQUE

Textiles at Flooring Systems include carpet tiles, were we offer a comprehensive collection of loop pile, cut pile and intricate combination of these two techniques. A such Forbo's Tessera carpet tile brand stands for on-trend collections made from regenerated yarn and making use of modified bitumen backing and recycled content. On average we can claim the highest percentage of recycled content by weight going up to as high as 56%. Our carpet tile collections cover the market demand and styles that are in vogue and that we are able to adapt whenever new demands are gaining ground, limiting our collection offer to it essential core. Such is the domain of carpet tiles that allows for in demand design trends.

Apart from carpet tiles, Forbo's textile offer has a much wider scope. As market segments we cover office and leisure applications, but also healthcare and public buildings can be served with our textile portfolio. A particular mention for the year 2020 is the introduction of Tessera Struktur 1 collection which is an innovative micro tuft extremely low 'low-level loop' technology which creates a very flat textile tile. Material use, compared to conventional carpet tile is minimal. As such Struktur 1 is a good example of sustainable green design.

For high traffic areas, and areas where frequent cleaning and maintenance are needed to ensure a hygienic environment, carpet tiles are not always the ideal solution. In those cases we advise our Flotex flocked floor covering. Flotex is a high-density, high-tech product made of millions of fine nylon fibers that are injected into an impermeable vinyl base. Because of this, Flotex can be scrubbed and cleaned using a little detergent and water. Flotex floor coverings dry quickly, ensure maximum use time. The Flotex portfolio received a positive sustainable boost by launching zero emission Flotex flocked flooring for its sheet products where after 28 days non detectable emission values were realized on component level as well as on overall TVOC values.

A MUST-HAVE FOR EVERY PROJECT

Finally, our textile floor covering offer includes a range of high quality tufted and rigid strip aluminium entrance flooring systems. Coral, our brand for textile entrance flooring systems, combines brush and scraper yarns with moist-absorbing open yarns. Together, they remove 95% of all dirt and moisture walked into a building before people arrive at the main floor covering. This keeps the building cleaner and more hygienic, and reduces slip accidents. Coral uses various recycled yarns, including recycled aluminum for ridged entrance floors. We also offer an easy to install click system which are tiles that are easy to install and fitted and cut to size on-site. The click tiles are strong, durable and an alternative for all those areas where ridged aluminium strip entrance floors are problematic to install.

Our textile floor coverings are produced in Bamber Bridge, Telford and Ripley (United Kingdom), in Krommenie (the Netherlands) and in Reims (France). In the United States, a digital printing facility for High Definition print Flotex is available.. Brands are: **Tessera** for tufted carpet tiles and planks, **Flotex** for flocked flooring in sheet, tile or plank formats, **Forte** for needlefelt, **Coral** for textile entrance floors, and **Nuway** for ridged entrance floors.



15 MANUFACTURING SITES IN 7 COUNTRIES  
LOCAL ENTITIES IN 27 COUNTRIES







# OUR SUSTAINABILITY POLICY AND STRATEGY

**Flooring Systems' mission statement: 'In the flooring industry, we are the world-leader in creating value for all our stakeholders and admired for providing superior products and service solutions. We create better environments in all spaces where people work, live, interact, relax, heal, learn and play'.**



## OUR SUSTAINABILITY POLICY

Flooring Systems has a long history in designing and producing state of the art floor coverings that are long lasting, functional and sustainable. Linoleum, the original start of our portfolio of resilient floor covering products, is made from renewable natural raw materials that are fully biodegradable and environmentally friendly. As such we have effectively been at the forefront of sustainability since the 1899.

Our Flooring Systems tagline, 'creating better environments,' expresses the awareness, commitment and effort we make to contribute to a better world for people and the environment in which we live. As a company, we are committed to meeting our obligations to future generations. We do this by acting as an environmental responsible company. Forbo underwrites the broad and all-inclusive definition of 'sustainable development' as accepted by the United Nations Commission on Environment and Development in the General Assembly Resolution in 1987, which states that sustainable developments are those that are 'meeting the needs of the present without compromising the ability of future generations to meet their own needs'.

Flooring Systems has issued a Sustainability Policy document since 2009, in which stewardship towards the environment based on the UN declaration of 1986 is confirmed. The policy includes the notion of the so-called triple bottom line of 'people', 'planet' and 'profit', expanding the traditional reporting framework, taking into account social and environmental performance in addition to financial performance. Under the triple bottom line we have been running various programs and activities. They are:

- **People: the social dimension.** Flooring Systems has chosen to benchmark the SA8000 standard. The SA8000 standard is based on the conventions of the International Labor Organization (ILO) of United Nations, international human rights standards, national legislation.
- **Planet: the environmental dimension.** Flooring Systems is reducing environmental impacts by using the 4 R's: reduce, renewable, reuse, recycle. These 4 R's are still key in setting our yearly improvement targets in the business units where our products are produced.
- **Profit: the economic dimension.** The way Flooring Systems organizes its position in the market place to actively develop its sustainable profile by using its economic stability and profitability for continuous improvement. Business integrity, risk management and risk assessment are an integral part of Forbo's organizational processes, and are included in every decision-making process.

In Flooring Systems' Sustainability Policy document the principles of 'people, planet, profit' have been aligned with the current Sustainable Development Goals of the United Nations as well as with the ratified Paris Climate Agreement, both of which identify the direction and the key actions to be undertaken by nation states and companies alike. Based on this we have defined our strategic direction as follows:

1. Transforming the linear economic business model to the **circular economy model principles** of decreasing material use, resource optimization, increasing the use of recycled material, develop take back programs and recycling possibilities at end of life.
2. Contribute to creating better indoor environments and **healthier buildings** by designing products and collections with a focus on human health, supplying floor coverings that are functional, safe, comfortable and environmental friendly.
3. Supporting **social equity** and fair treatment of employees in the supply chain through SA8000.

## A CALIBRATED SUSTAINABILITY STRATEGY

Flooring Systems has an important legacy in being the first in environmental initiatives which is something to keep living up to. Our newly calibrated Sustainability Strategy is raising the bar to make a difference in sustainability.

### THE ANALYSIS

In the process of developing a sound new strategy, choosing the right strategic directions, a wide group of colleagues from the business units and the sales regions contributed to making a situation appraisal and SWOT analyses on all aspects of sustainability. Several environmental and circular concepts were analyzed, always linking them to the Flooring Systems business. Additionally, the major trends in the circular building and construction environment and in circular design were reviewed. The analysis also included what our industry is doing in relation to sustainability and the circular economy. Furthermore, the most important environmental policies from the EU and the countries where Forbo's key markets and factories are located, were analyzed. In this process, the country representatives in particular have also been asked to provide input on customer demands they are faced with. There is no doubt that today more than ever sustainability is a key part of our business profile and an important attribute to the Forbo brand.

## THE STRATEGY

The new Sustainability Strategy builds on what has been done before and keeps the three P's (people, planet, profit) as a base line. It was also built on our principle of the four R's (reduce, reused, renew and recycle) as well as the successful efforts of creating healthy environments for our customers and supporting SA8000 for our employees in the supply chain. The new strategy includes efforts to adapt products and business models towards circular economy models.

In order to implement this new strategy and assuring that the related strategic goals are achieved, a new sustainability program under the name Sustainability 2025 is being rolled out. Becoming circular is a challenge, and by no means easy. But it will no doubt support our sustainable image, heritage, stewardship and leadership, with the ultimate aim to grow our business in a sustainable way.



## THE SUSTAINABILITY 2025 PROGRAM

Over the next five years we have the ambition to achieve the following goals:

### Reducing the carbon footprint

- *Achieving reduction of on-site CO<sub>2</sub> emission*

### Using renewable energy

- *Achieving total renewable electricity usage*
- *Achieving reduction of fossil gas usage*

### Becoming a zero waste company

- *Reuse and recycling of product waste*
- *Reuse/recycling of office waste*

### Actively contributing to the circular economy

- *Recycling post-consumer floor coverings in pilot projects*
- *Recycling post installation waste*
- *Reusing loose-lay floor covering products in pilot projects*
- *Design for recycling: increase the recyclability of the products*
- *All products have to contain recycled content (preferable post-consumer)*

### Ensuring ethical and sustainable supply chain management

- *Suppliers have a sustainability program to decrease their environmental footprint*
- *Materials procured to have recycled or bio-based content*

### Ensuring that all employees are involved in sustainability

- *Training to all employees*
- *Pursuing a non-fossil car policy*
- *Sustainability part of the organization structure*

### Ensuring that Flooring Systems is a socially responsible and diverse company with talented employees

- *Gender, age, cultural and physical background diversity*
- *Maintaining and improving our SA8000 certified social accountability management system*

Implementing this program means that Flooring Systems will be ready for the circular economy and more carbon neutral than ever before, whilst further improving the social conditions and sustainability knowledge of suppliers and employees.



MATERIALITY ANALISYS

Every year effective and ongoing stakeholder engagement is the foundation of our business and our sustainability reporting initiatives. We engage with our stakeholder groups on an ongoing basis to ensure we maintain our social license to operate both within our operations locations as well as in our marketing and sales organizations. The selection of stakeholders with which we engage, reflects the relevance of those things that have a direct or indirect impact on our everyday business. In particular, we consult local and national government environmental organizations regularly, because of the material impact of our environmental activities. Like- wise, the social and economic dimensions of our business mean we talk with unions and organizations related to the floor covering industry. Our stakeholder engagement involves a range of activities:

- Internal stakeholders – through regular meetings and surveys and audits
- Customers – through customer feedback mechanisms and surveys
- Government (national, state, and local) – through representation on committees and other regular contact regarding environmental and safety compliance
- Environmental non-governmental organizations – through meetings, representation on committees, and other regular contact
- Suppliers – through regular meetings and audits
- Unions – through meetings and representation on committees
- Communities – through representation on committees, open days at our production plants, and involvement with charities and local sponsorship activities
- Industry and trade associations – through meetings, representation on committees, and other regular contacts

STAKEHOLDER ENGAGEMENT AND IDENTIFIED MATERIAL ASPECTS FOR 2020

Reconfirmation of our materiality assessment was conducted in 2020. Focus was on the three pillars of our sustainability document that covers the material aspects of the circular economy, healthy buildings and social equity. For the 2020 report, we repeated the assessment with a broad group of employees from our production locations and sales organizations, a group composed of senior people from relevant disciplines with knowledge of, and access to, data on stakeholder priorities.

THE WORKING GROUP:

- Confirmed the sustainability topics that had been identified as specific to Flooring Systems
- Confirmed the main stakeholder groups that had been identified

- Assessed the level of stakeholder concern per sustainability topic for main stakeholder groups based on:
  - Data (feedback, complaints, questionnaires, global media)
  - Internal or external surveys or interviews
  - Own experience
- Assessed the impact on Flooring Systems’ success (essential to fulfilling our strategy) for each of the sustainability topics based on previous sustainability reports and Forbo Group and Flooring Systems’ principles and strategies.

The following sustainability themes and related topics were confirmed for 2020:

PROMOTING HEALTH AND WELL-BEING

- A positive contribution to the health and well-being of users of our products
- Health, safety, and well-being of our employees
- Health, safety, and well-being in the supply chain

REDUCING ENVIRONMENTAL IMPACT

- Health and safety ‘compliance plus’ for our operations
- Reducing the environmental footprint of our products
- Employing the ‘4R’s: reduce, renewable, reuse, recycle

ORGANIZATIONAL DEVELOPMENT

- Sustainable financial performance
- Learning organization

SOCIAL RESPONSIBILITY

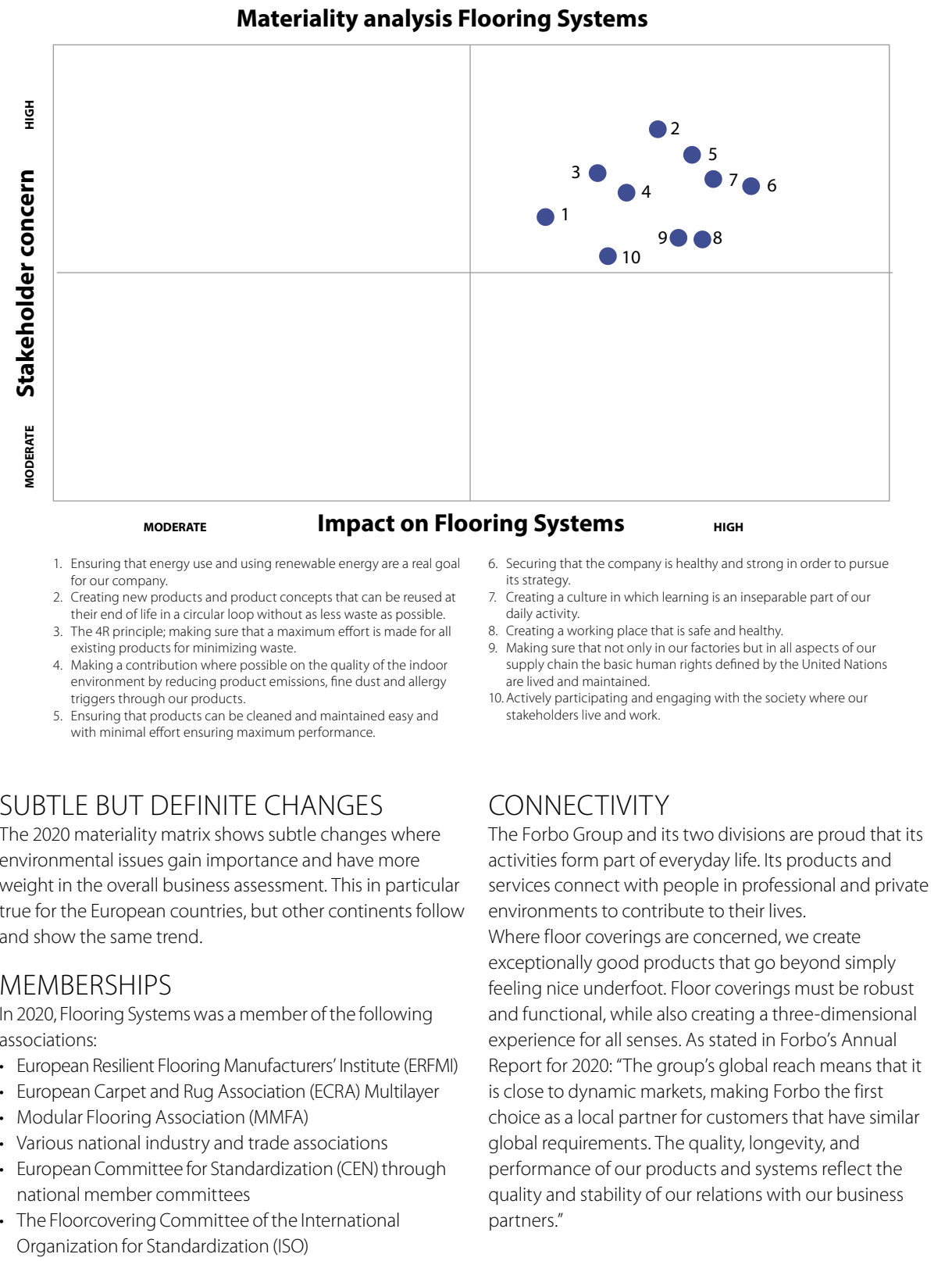
- Product transparency
- Social equity and labor rights (SA8000)
- Working with the community



We have identified our material sustainability topics by analyzing the resulting data and assessing the topics that are most important to our stakeholders and to Flooring Systems’ business. The analysis for 2020 will help us to further

develop and execute our Sustainability Strategy and reporting in the coming year and further in the future. This report includes a significant focus on all material issues as mapped in the materiality matrix.

MATERIALITY MATRIX



SUBTLE BUT DEFINITE CHANGES

The 2020 materiality matrix shows subtle changes where environmental issues gain importance and have more weight in the overall business assessment. This in particular true for the European countries, but other continents follow and show the same trend.

MEMBERSHIPS

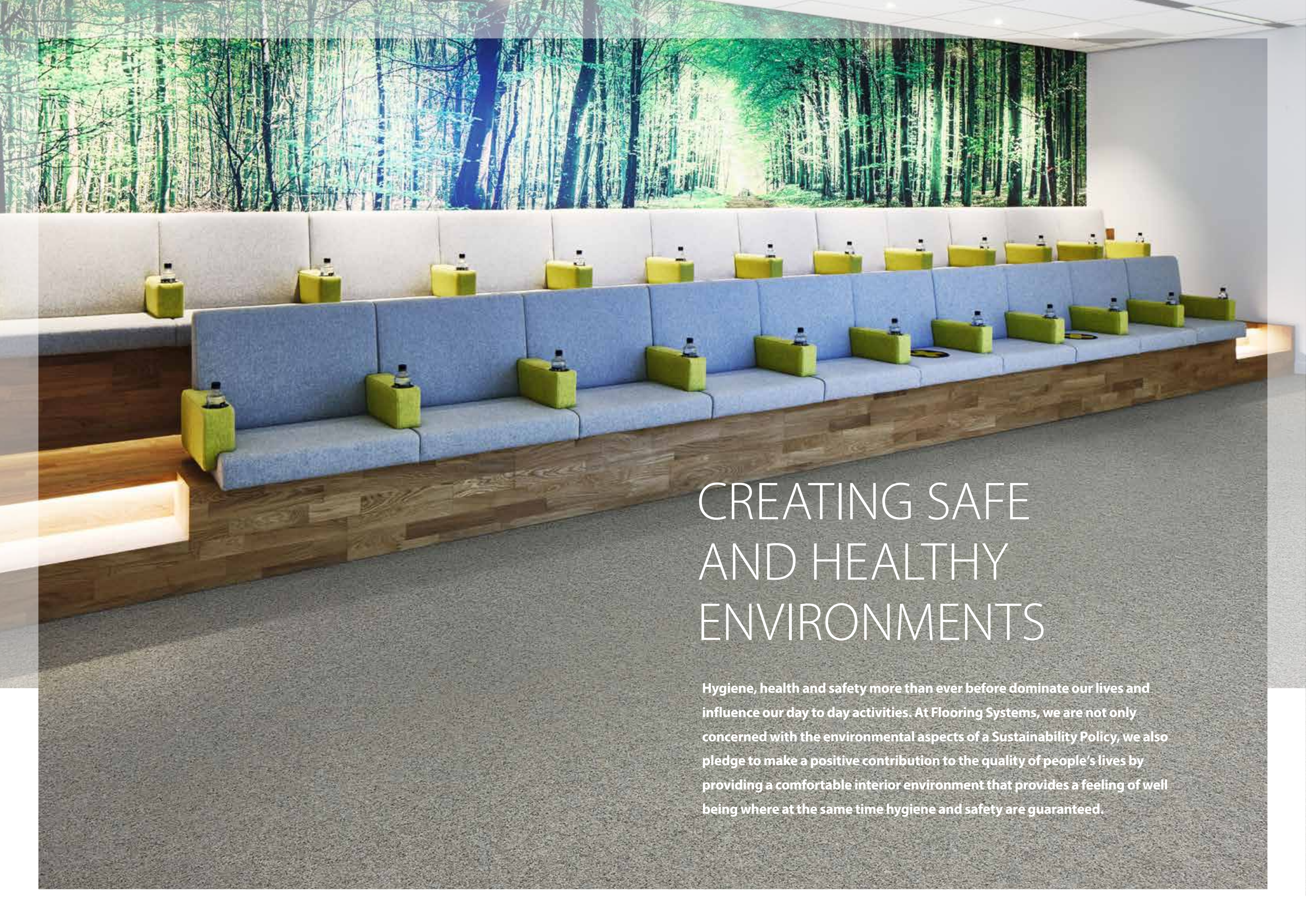
In 2020, Flooring Systems was a member of the following associations:

- European Resilient Flooring Manufacturers’ Institute (ERFMI)
- European Carpet and Rug Association (ECRA) Multilayer
- Modular Flooring Association (MMFA)
- Various national industry and trade associations
- European Committee for Standardization (CEN) through national member committees
- The Floorcovering Committee of the International Organization for Standardization (ISO)

CONNECTIVITY

The Forbo Group and its two divisions are proud that its activities form part of everyday life. Its products and services connect with people in professional and private environments to contribute to their lives. Where floor coverings are concerned, we create exceptionally good products that go beyond simply feeling nice underfoot. Floor coverings must be robust and functional, while also creating a three-dimensional experience for all senses. As stated in Forbo’s Annual Report for 2020: “The group’s global reach means that it is close to dynamic markets, making Forbo the first choice as a local partner for customers that have similar global requirements. The quality, longevity, and performance of our products and systems reflect the quality and stability of our relations with our business partners.”





# CREATING SAFE AND HEALTHY ENVIRONMENTS

Hygiene, health and safety more than ever before dominate our lives and influence our day to day activities. At Flooring Systems, we are not only concerned with the environmental aspects of a Sustainability Policy, we also pledge to make a positive contribution to the quality of people's lives by providing a comfortable interior environment that provides a feeling of well being where at the same time hygiene and safety are guaranteed.



# HEALTH, WELL-BEING, AND SAFETY OF OUR EMPLOYEES

## COVID-19 PANDEMIC

Based on the fast-paced global spread of the COVID-19 virus on all continents as of March, Flooring Systems took measures to protect our employees and to safeguard the supply chains. During March we implemented minimum global instructions following general Group and divisional rules which were applicable to each employee and all local sites of Flooring Systems.

Prerequisites was to follow strictly the local government instructions and to protect our employees even better. Additional rules and instruction concerning health and safety, travel restrictions, visitors and remote working were implemented. Each site worldwide appointed a COVID-19 security officer to enforce the rules and regulations.

We took extra measures to ensure all sites worldwide were equipped and supplied with mouth masks, gloves, forehead thermometers, disinfectants and hand wash facilities and to make sure that safety distancing was made possible in all places, and marked accordingly or supported by placing plexiglass protection barriers. Appropriate work instructions to ensure safety distancing and protocols for quarantine measures, in case an employee or an external contact of an employee was infected, were implemented.

If we make a balance over 2020, we conclude that all instructions and measures prevented the spread of COVID-19 on our premises.

## GENERAL

Our Sustainability Policy document, besides looking at the transformation to the circular economy and our contribution to healthy buildings, also is concerned with our labor force and those working in the supply chain. Safety is paramount. While we invest resources to improve our work systems and upgrade equipment, we also recognize that behavioral factors often cause accidents. Attention to sustainable behavioral change is therefore key to our long-term occupational health and safety strategy, and the focus of many of our training programs. All our sites continuously operate safety awareness programs to reduce the number of accidents. The key indicators of our safety performance are:

- Total accident frequency rate
- Lost time accidents
- Lost days injury
- Safety concerns frequency rate

These key performance indicators are measured and reported at all sites every month.

Flooring Systems is also committed ensuring employees workplace well-being, by fostering a positive working environment and focusing on creating a workplace culture in which everyone feels included, valued and respected. Creating a climate of mutual respect and dignity fostering improved working relationships is contributing to productivity and business performance. To further improve employees well-being Flooring Systems adopts the SA8000 ethical standard, to meet its commitments in relation to employees expectations.

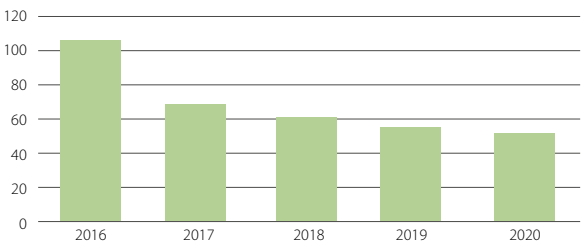
## TOTAL ACCIDENT FREQUENCY RATE

Total accidents are defined as all accidents with injuries. A safety concern is defined as all reported unsafe situations and near misses. These two indicators are reported to senior management every month to improve our overall safety performance.

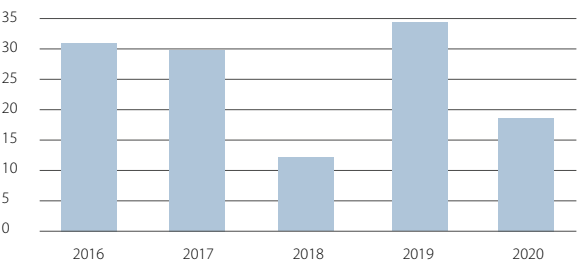
The growing safety awareness of our workforce is key to lowering the total accident frequency rate. 2020 shows a continuation of a satisfying trend.

We consider the consolidated reporting of gender-specific data on safety incidents to be immaterial from a safety management point of view in our operations; also because of privacy reasons we therefore do not compile such figures centrally or include them in our divisional figures. In addition to the safety aspects mentioned above, we also take care of the physical and emotional well-being of our employees by stimulating active working for desk workers, lunchtime walking exercise, and offering organized sports, fitness for all employees, in which we support a discount at local work-out centers. We also promote leisure activities and cultural programs for our employees. These activities are also offered for our pensioners.

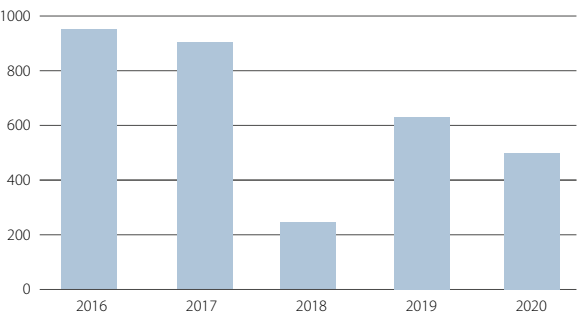
TOTAL ACCIDENT FREQUENCY RATE



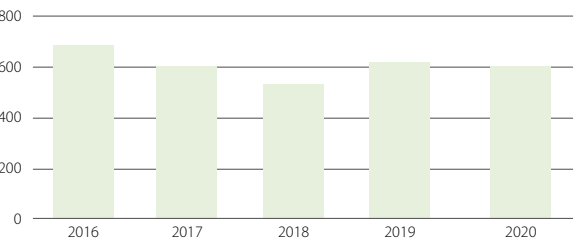
LOST TIME ACCIDENTS



LOST DAYS INJURY



SAFETY CONCERN FREQUENCY RATE



## JOINT MANAGEMENT-WORKER HEALTH AND SAFETY COMMITTEES

All our manufacturing sites have joint management and worker health and safety committees that help monitor and advise on health and safety programs in which they are often assisted by external experts. Our sales entities in Europe, Australia, and Russia also have similar committees. Altogether, these committees and their activities covered around 90% of our employees at the end of 2020.

## OFFERING HEALTH IMPROVEMENT PROGRAMS

Although it is imperative to have a good absenteeism protocol, prevention and promotion of good and healthy life style is increasingly important too. We therefore run a number of programs to promote the health and well-being of our employees. These may differ per entity and/or country. Some examples of healthy life style programs are:

- Stop-smoking programs
- Sponsored fitness activities
- Facilitating sports activities
- Promoting healthy food
- Sportive staff association activities

In addition to this we are regularly monitoring and reviewing the well-being of our employees:

- Offering regular medical check-ups and assessments for well being
- Employee surveys
- Concerns and grievances reporting procedures





## CONCERNS AND GRIEVANCES PROCEDURE

By continuing third party certified compliance with the Social Accountability Standard SA8000 in the Netherlands, France, the United Kingdom, Russia, and Switzerland, at least 85% of our employees and all of our employees in the production entities are covered by a grievance procedure. This provides a way for employees to report, anonymously or otherwise, any concerns or examples of non-conformance to the social performance team. The social performance team consists of a balanced representation of worker representatives and management. This team ensures that complaints or non-conformances are dealt within a timely manner. SA8000 therefore provides another confidential means of communication that fosters exchanges on issues which are sensitive or hard to express. This approach is only sustainable if every single concern or non-conformance is addressed quickly and systematically. In order to do so, we have implemented a standardized procedure to handle complaints. It is important to note that this SA8000 procedure is not intended to replace other legal committees or procedures. In countries not yet covered by the SA8000 certification, other legal and voluntary procedures are sometimes available that are not covered in this report.

## HEALTH, WELL-BEING, AND SAFETY IN THE SUPPLY CHAIN

We purchase a wide range of raw materials, products, and services to support our business locally, regionally, and globally. These raw materials and products include our principal constituents – linseed oil, gum rosin (for linoleum), PVC dry blend (for vinyl), and nylon yarn (for carpet and flocked floor covering) – as well as other materials and services such as chemicals, fillers, energy, fuels, spare parts, maintenance, logistics, and IT services. Our supply networks encompass various kinds of suppliers from small-scale local service providers to large multinational companies. All substances are compliant to the REACH regulations.

"Already in 2012, we launched our supplier requirements program to build further on the sustainability requirements"

## RESPONSIBLE SOURCING

For Flooring Systems, responsible sourcing means showing true commitment to global responsibility, addressing the concerns of our key stakeholders, complying with regulatory frameworks, adhering to best practices, and managing supply risks. Already in 2012, we launched our supplier requirements program to build further on the sustainability requirements that were already in place. These requirements are an integral part of the contract between Flooring Systems and our suppliers, and require the management and control of:

- Quality
- Environmental impacts
- Anti-corruption
- Human rights
- Health and safety
- Social Accountability (SA8000 standard)
- Community relations
- Financial risk

The requirements related to quality, environment, and responsible sourcing practices are regularly reviewed and updated.

## SOCIAL ACCOUNTABILITY – SA8000

Flooring Systems expects its business partners to commit to the SA8000 social accountability requirements. We not only require a written commitment; local audits can also form part of our supplier approval procedures. In fact, suppliers in countries with weak labor protection are always monitored via local audits.

We treat the SA8000 standard as the key performance indicator for measuring our progress in responsible sourcing. Our supplier requirements program imposes minimum requirements on our suppliers as a legally binding document. However, our approach also involves close cooperation with individual suppliers. This is realized through meetings, on-site visits, and supplier assessments that involve audits conducted by our purchasers or Quality, Health, Safety and Environment managers. These assessments ensure that our suppliers properly observe human and labor rights, occupational health and safety requirements, environmental performance goals, and responsible business practices in their daily business. In practice, our responsible sourcing work is implemented by our purchasers, who meet suppliers regularly to discuss related issues. As part of our supplier requirements program, our purchasers also visit our suppliers' production sites to see where the products we use actually come from, and to get a first-hand impression of suppliers' operations.



## SUPPLIER ASSESSMENTS AND AUDITS

In our range of products in resilient and textile floor coverings we have many suppliers for many different ingredients for our products. In particular for linoleum production we are in contact with suppliers from around the world. In addition to conducting regular supplier visits, we evaluate and monitor our suppliers electronically and via audits.

Supplier companies are selected for auditing based on a pre-evaluation of their social and environmental risk profile, taking into account their geographical location, the nature of their own supply chain, the product category, our purchasing power, and the spend volume. In 2020, as a result of the COVID-19 pandemic locally performed audits with respect to the supplier requirement program were limited to a minimum and when possible done virtual. The audits did not reveal any major non-conformances relating to occupational health and safety in particular, as well as working hours, safety procedures, and environmental performance. Audits also indicated that none of the suppliers' own management systems were inadequate.

The conclusions, minor findings and recommendations of all audits each time were reported to the suppliers management involved and, when deemed necessary, discussed with them. None of the non-conformances identified during these audits involved child labor or forced labor. These reports and discussions resulted in corrective action plans, specific schedules for the implementation of the necessary improvements, and agreements on any practical support that the supplier might need to undertake remedial actions.

The progress made on implementing corrective action plans is followed up by our purchasing department and, if it is felt to be appropriate, we conduct a follow-up audit. If we find that a supplier is failing to meet our requirements and expectations, we first offer guidance specifying which issues need to be corrected or improved. The supplier must then take the corrective actions requested by Flooring Systems. During 2020, all the suppliers we assessed either complied directly with our requirements, or did so after taking corrective actions.



The image shows a long, modern museum gallery. The ceiling is made of horizontal wooden slats with recessed lighting. The walls are dark grey, and the floor is a neutral carpet. On the left, there are large windows with horizontal blinds and a black radiator. The right wall features a series of framed historical photographs and documents, with the year '1950' visible. In the center, there are several glass display cases on stands, some containing historical artifacts like a mannequin in a uniform and various documents. A metal railing runs along the right side of the display cases.

THE CIRCULAR ECONOMY MODEL

# A FOCUS ON THE CIRCULAR ECONOMY

Flooring Systems actively explores the transformation of its linear production and business model to that of one which supports the circular economy. Having a broad portfolio of product solutions and using a large amount of natural renewable raw materials give us an advantage in progressing towards circularity.



CIRCULAR ECONOMY

A circular economy is often defined as a system that takes the reusability of products and raw materials and the use of renewable resources as a starting point and minimizes value loss in the total system and creates value in every link of the life time of the product.

In addition, the circular economy requires focus on the design (construction) of the product to allow better reuse, repair in the reuse-phase and recycling of installation and post- consumer waste.

In the use-phase, reuse, repairability and/or long lifetime of our products are pre-requisites to create and preservation value for the relevant stakeholders to guarantee possible economical circles to be closed.

In a circular economy there are two loops: one with technical materials and one with bio-based materials. To prevent waste, it's important to keep the two loops separated. As can be seen in the figure that is often used to visualize a circular economy by the Ellen MacArthur Foundation, they both have different strategies. The smaller the circle in figure, the higher the value conservation of the product.

The bio-based economy is an economy where food or agricultural resources (crops or residual flows) are used to create materials, but also to make chemicals, fuel or energy. Bio-based materials, therefore, are materials based on

renewable resources. Bio-based materials can, however, often follow the strategies of the technical material loop as well, considering that bio-based products can also be redesigned, reused, recycled, etc.

THE ENVIRONMENTAL IMPACT OF OUR PRODUCTS

We also use the life cycle assessment (LCA) methodology as our main standard for measuring our environmental performance. In our LCA calculation of the environmental footprint from cradle to gate, we take two kinds of results into account: the development and production of our floor coverings, and the production of the raw materials. In this, we take into account:

- Any changes in the use of raw materials
- Changes in yields
- The recycling or reuse of waste
- The energy usage of all our suppliers of those

The results for most of our raw materials has very positively developed over the last years helping to improve our environmental footprint. Main contributors were woodflour, PVC and plasticizer suppliers. Woodflour is produced using green electricity generated from biomass or wind and the PVC and plasticizer supplied to all our sites is produced using less energy.

CIRCULAR ECONOMY: NEW STRATEGY

To make the shift from a linear economy towards a circular economy a new strategy was implemented. In 2020, we finalized revising our Sustainability Strategy with the main objective 'how to transfer our linear economic business model to the circular economy model principles'. The following strategic direction to achieve this are:

- Actively contribute to the circular economy
- Produce carbon neutral products
- Use only renewable energy
- Zero waste company
- Ensure ethical and sustainable supply chain management
- All employees are involved in sustainability

A sustainability program called Sustainability 2025 including challenging goals to start the transition to a circular economy was rolled out.

CIRCULAR ECONOMY: DESIGN AND INNOVATION

We believe that circular economy starts with the creation of new products or re-designed products, new innovative approaches in construction and design and working together with other stakeholders and our customers. This includes possible different business models for the use phase and the end of life of the product.

To measure performance in environmental terms, the LCA result is leading in steering towards the best (improved) circular solutions. LCA most often is approached in a way that one looks back, sets a baseline, and then trust that the improvements that are made will have a positive impact. Flooring Systems takes a different view, something that can be seen in the emphasis we place on green design and innovation. We recognize that we have to do things differently if we are to achieve our goals of becoming a sustainable and environmental leader.

CIRCULAR ECONOMY: PRODUCTION PHASE

In the production phase the circular economy principles are currently still covered by the 4R's program.

The 4R's principle lies at the heart of our endeavor to reduce our impact on the environment of the products we manufacture as well as during their performance and at the end of life phase. As such they are important indicators in our quest to continuously improve on our sustainable profile linked to the complete life cycle of our products.

The 4R's help us to consciously point out where sustainable choices can be made in each of the stages of the life cycle of our products. This already starts in the conception and design phase of a product. In using 'green design' principles concerning the choice and amount of raw materials used in a product and finding alternatives lie at the very start of a sustainable life cycle that minimize the impact on the environment without compromising on the functionalities and performance during the use-phase of the product. As such, already at the starting point we aim to reduce the raw materials required to create the product. In cases where we have to use raw materials, the preference and goal is to opt for either natural renewable materials, or materials that are both abundantly available but not used for any other primary purpose, such as feeding people or animals. In the production phase, we aim both to not create any waste and to ensure that any waste that is generated is reused in the composition of the product.

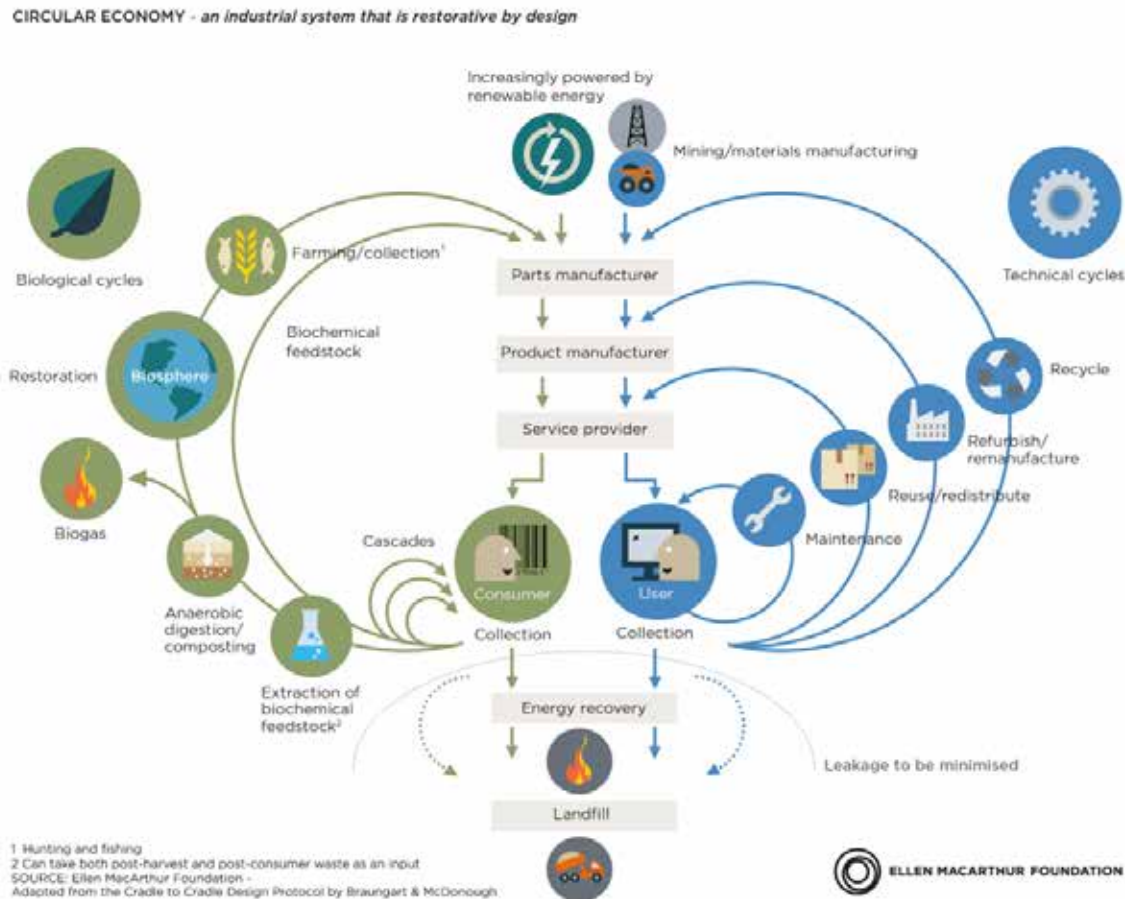
Recycling can be facilitated by identifying other products that could use the waste material generated during the production of the original manufactured good. This can also be taken a step further to include the recycling of left-over material (cut-offs) from flooring installations, and even the post-consumer recycling of old floors that are being replaced.

EMPLOYING THE 4R's: REDUCE

We consider 'reduce' to be the most important within the 4R's principle, as reducing our consumption of materials, energy as well as waste has the biggest impact in closing the loop in a circular economy model and both environmentally and financially. In particular, reducing the amount of raw materials used and the improvement in waste reduction are the two factors that significantly impact and reduce our overall environmental footprint right down to the end of life phase of our products. Many of our manufacturing sites made a positive contribution in 2020 by reducing raw material use and packaging, and increasing the recycled content of our products.

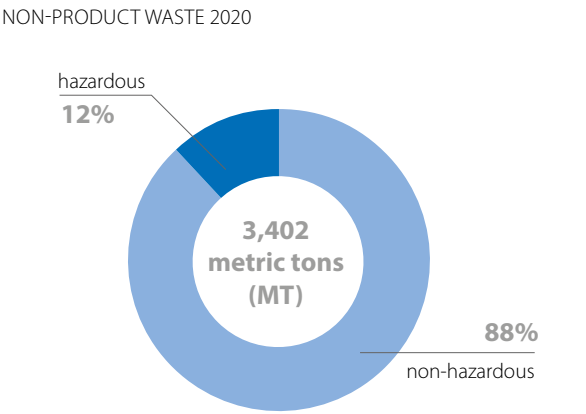
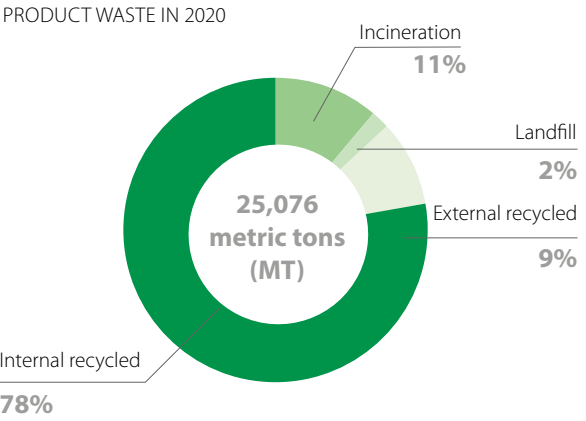
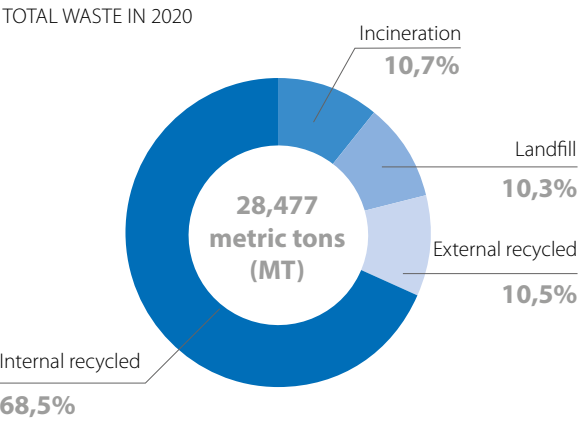
REDUCE MANUFACTURING WASTE

The main target for all our manufacturing sites is to reduce waste by maximizing yields and maximizing the reuse of product. Most sites began doing this more than 10 years ago. In 2020, the total amount of waste we created decreased compared to 2019. This was mainly caused by slightly decreased volume produced as result of the COVID-19 pandemic.





If any waste is produced, the strategy is to first maximize reuse and recycling within Flooring Systems and, secondly, to then maximize external recycling. In 2020, we have seen a small increase in reuse and recycling of the total from 78.7% to 79.0%. Landfill was higher, mainly caused by new regulations concerning incineration.



### ALTERNATIVE ADHESIVE CONSUMPTION

Measured by material weight, the adhesive used to install a floor covering makes a proportionally large contribution to the environmental footprint of one square meter of flooring. In our product offer we see a growing share of so called loose lay products that require no other adhesives than a tackifier, examples are our carpet tile offer and Allura Flex. Our Allura Ease, Click and Puzzle, tile and plank offer, as well as our Modul'Up loose lay vinyl sheet offer do not require any adhesives. Where adhesives are used as part of the floor covering installation, we are continuously developing and introducing new flooring installation systems at our Forbo Eurocol plants. These are based on new techniques, plus new types of adhesives that improve the installation sustainability of our floor coverings.

As part of our Sustainability 2025 program, we take care that these new types of adhesives, primers, and leveling compounds show low or no emissions into the indoor air of buildings and are in compliance with EMICODE® EC1PLUS.

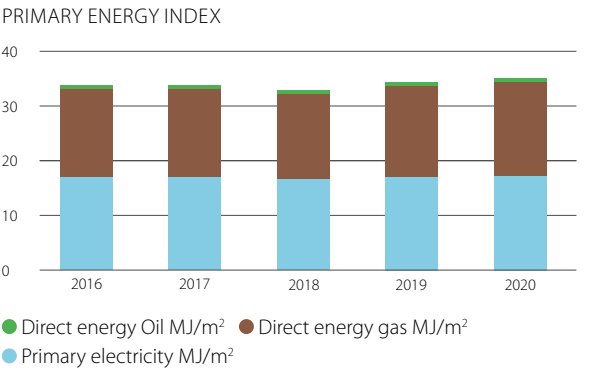
Forbo Eurocol produces and sells adhesives, primers, and leveling compounds that comply with EMICODE® EC1PLUS – the highest class. Our leveling compounds also have very low dust emissions. Also see: [www.emicode.com/en/](http://www.emicode.com/en/), [www.forbo.com/eurocol/en-gl](http://www.forbo.com/eurocol/en-gl) and [www.forbo.com/flooring/en-us](http://www.forbo.com/flooring/en-us).

*The EMICODE® classification system makes it possible to compare and evaluate the emission characteristics of flooring installation products. This trademark-protected classification system has become the key international quality benchmark for a wide range of product groups. Since EMICODE® was introduced in 1997, more than 4,500 products from all over the world have been awarded the EMICODE® label. It offers consumers, craftspeople, and architects guidance to decide which materials offer maximum security against indoor air pollution, guaranteeing the best health protection and high environmental compatibility. To receive the EMICODE® label, manufacturers need to submit their products for extensive testing at recognized institutions. Based on scientifically determined measurement data, EMICODE® categorizes flooring installation materials, adhesives, and building products into three emission classes: •EMICODE® EC1PLUS, •EMICODE® EC1, •EMICODE® EC2.*



### REDUCE ENERGY

Electricity is transformed from various primary energy sources such as coal, oil, natural gas, and wind. We use an energy index to measure our energy consumption per square meter of floor coverings produced. This energy index calculates the primary energy consumption for all energy carriers.



We have seen an almost equal level in our energy consumption over the years 2016 to 2020. This is actually a good result considering our gradual shift in sales from consumer towards more commercial products. On average, commercial product has a higher square meter weight, which in turn requires more energy to produce. Considering the combined weight throughput in our manufacturing sites we managed to reduce our average energy consumption by implementing better monitoring systems and energy saving programs.

### REDUCE ENERGY IN TRANSPORTATION TO THE CUSTOMER

One of our goals when it comes to logistics is to continuously create more efficient transport flows: between plants; from plants to our overseas distribution centers; from our overseas distribution centers to our end-customers. To enable better and increased cross docking of our products in boxes the warehouse capacity in Assendelft was extended in 2019 and taken into use by the start of 2020.

In this case, ‘more efficient’ means combining different products in one truck so that, in total, fewer trucks are used. Using cross-dock locations in Assendelft (NL), Reims (F) and Ripley (UK) combining these product flows improves overall lead times and reliability, and makes it easier to plan full trucks with more frequent deliveries. Combining different products in one truck also means that the customer receives (and therefore has to handle) one Flooring Systems delivery instead of several by different trucks.

From our main cross-dock center in Assendelft, shipping containers to the ports of Rotterdam or Antwerp by barge instead of truck is preferred to optimize CO<sub>2</sub> emissions.



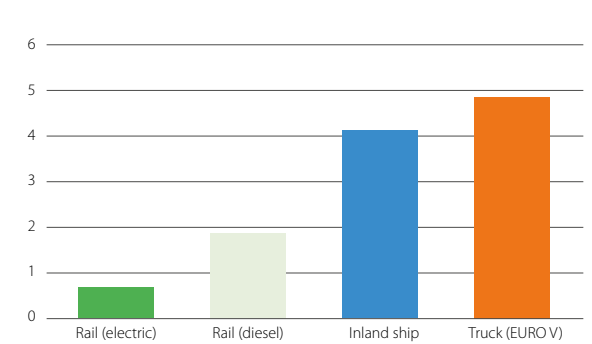
GREEN DEAL CIRCULAR PROCUREMENT

During 2020, Flooring Systems was taking part in the Dutch program the Green Deal Circular Procurement, in which public and private organizations work together to professionalize and scale up circular procurement in the Netherlands. One of our programs is to reduce CO<sub>2</sub> emissions of transport by changing from trucks to rail transport. This program was successfully started in 2019 transport by rail from our Coevorden plant to our Swedish warehouses. Rail transport in general has much lower CO<sub>2</sub> emissions than truck transport but the tracks to the Swedish warehouses are not only electrified but also in the countries that are passed through the railways are using renewable electricity, e.g. solar, water, wind.

Renewable electricity railways:

- NS – The Netherlands: 100%
- DB – Germany: 60%
- DSB – Denmark: 50%
- SJ – Sweden: 100%

TONS OF CO<sub>2</sub>



EMPLOYING THE 4R's: RENEWABLE

Renewable raw materials are (nearly) inexhaustible natural resources that can be replenished, generation after generation. Renewable energy is a natural resource or source of energy that is not depleted by use, such as water, wind, or solar power.

RENEWABLE RAW MATERIALS

Better yields and more recycling and reuse and the COVID-19 pandemic resulted in a slight decrease in the overall amount of raw materials used in 2020.

Raw materials	tons
Renewable (inclusive recycled)	41.599
Non-renewable	108.318
Non renewable: recycled & reused	26.695

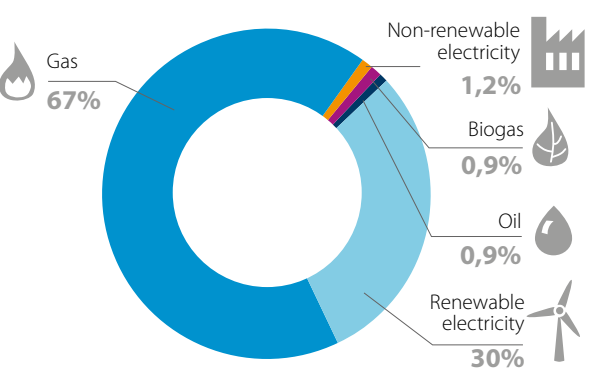
Packaging	tons
Renewable	7232
Non-renewable	154

RENEWABLE ENERGY

In line with less volumes produced as result of the COVID-19 pandemic, the energy consumption was lower than in 2019. The energy used per square meter slightly increased due to efficiency loss related to less volume produced. In the mix, the volume of the renewable sustainable energy consumption remained the same share.

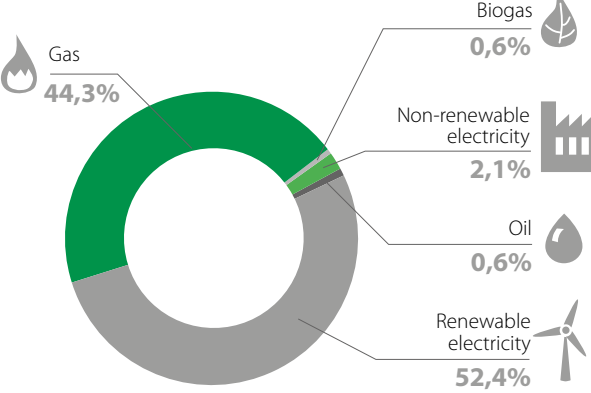
Renewable electricity	319.182 GJ
Non-renewable electricity	12.775 GJ
Gas	713.796 GJ
Biogas	10.080 GJ
Diesel	10.028 GJ

ENERGY CONSUMPTION IN 2020



We have an ongoing policy of obtaining electricity from renewable sources. In 2020, we continued our pilot using biogas in one of our manufacturing sites, Bamber Bridge. In 2020, renewables accounted for 53% of all the energy consumed in our manufacturing facilities, almost equal to our 2019 consumption. This in turn is helping us to reduce our carbon footprint by reducing the amount of CO<sub>2</sub> we emit into the environment. We continue to believe that limiting environmental impact at source is far better than offsetting.

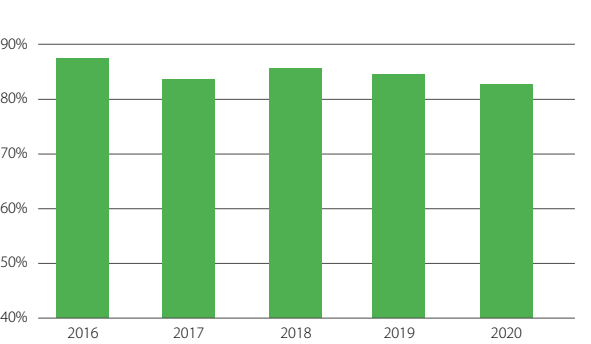
PRIMARY ENERGY MIX 2020



EMPLOYING THE 4R's: REUSE AND RECYCLING

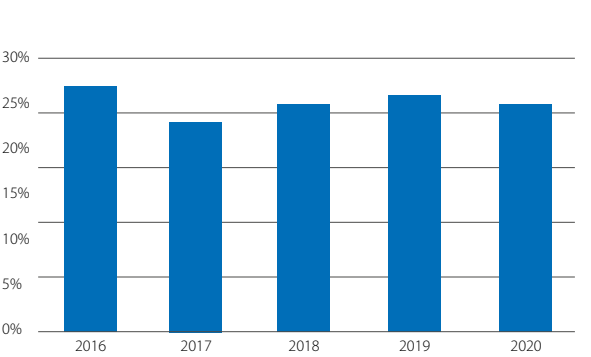
Forbo defines reuse as 'waste that, after reprocessing, can be fed back as a raw material into the same manufacturing processes.' Our definition of recycling is 'material diverted from the waste stream during a manufacturing process that is sent to a third party for them to use as a raw material after reprocessing'. That third party can be another Forbo operations site or external recyclers.

% REUSED AND RECYCLED PRODUCT WASTE



The total amount of product waste reused and recycled in 2020 slightly decreased because of reduced possibilities to recycling at third parties. In 2020, the weighted average amount of recycled and reused content in our products was 26%. This is positive in every respect. Linoleum has long contained the most reused and recycled material of all resilient floor coverings, which slightly decreased in 2020. In 2020, our focus on reusing and recycling waste led to very good results by again increasing the recycle content in our carpet and vinyl product ranges. We have a broad portfolio of products that contain recycled content.

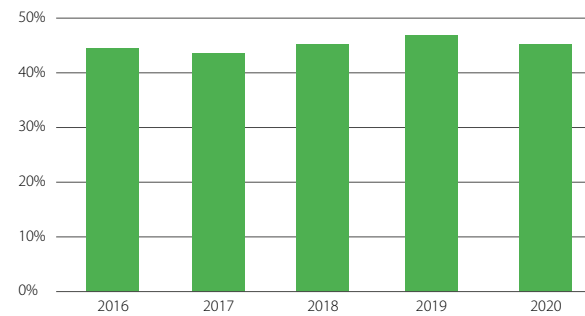
% RECYCLED AND REUSE IN FLOORING SYSTEMS PRODUCTS



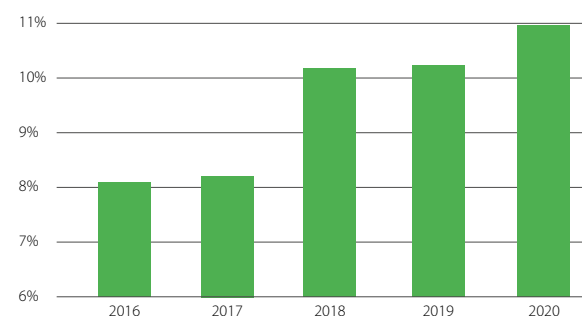


## REUSED AND RECYCLED MATERIAL PER PRODUCT LINES

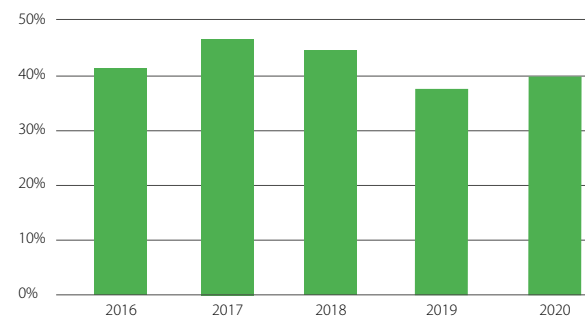
LINOLEUM - % RECYCLED AND REUSED



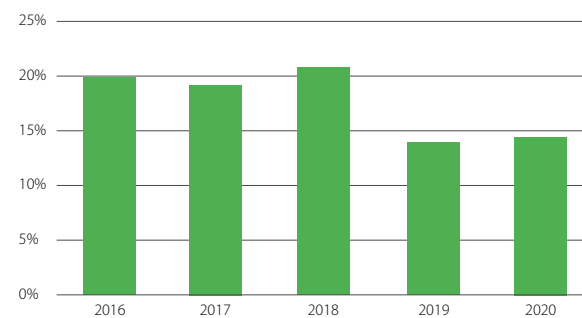
VINYL - % RECYCLED AND REUSED



CARPET - % RECYCLED AND REUSED



ENTRANCE FLOORING SYSTEMS - % RECYCLED AND REUSED



## POST-CONSUMER WASTE

Over the last years, manufacturers have begun to pay significant attention to pre-consumer waste. They have invested heavily to reduce, reuse, and recycle waste generated in the manufacturing processes. So far, post-consumer waste was not often considered as a potential resource. Not only collection and transport is a challenge but also selection, sorting and processing is more difficult. Given that we already have invested in internal recycling solutions, we are now turning our attention to taking back post-consumer waste for recycling.

## TAKE-BACK PROGRAM: BACK TO THE FLOOR

Flooring Systems has its own take-back programs and is also participating in different European programs for enabling recycling of post-consumer vinyl floor coverings. To facilitate better post-consumer recycling Flooring Systems has developed loose lay vinyl sheets next to our loose lay plank and tile offering. Installation waste can account for up to 6% of an installation. Moreover, from a recycling perspective, it is as good to process as post-consumer waste because we know what is in it and it is clean and safe to use. The difficulty has always lain in creating a sustainable logistics infrastructure to make the collection of post-consumer waste economically viable. We have schemes for post-consumer waste recycling for linoleum, carpet and vinyl in the Netherlands, Sweden, France, the UK and the USA.

Collected and recycled post-consumer waste in 2020:

- 27 tons of linoleum and 32 tons of vinyl in the Netherlands
- 80 tons of vinyl in Sweden
- 160 tons of vinyl in France
- 8 tons of linoleum and 1 ton of vinyl in the UK
- 5 tons of carpet in the USA

## CIRCULAR FLOORING PROJECT

Flooring Systems is an active participant in the EU funded Circular Flooring project which, together with the Fraunhofer Institute and other partners, aims at developing a pilot of the proven vinyl dissolution concept developed by the Fraunhofer Institute that enables the recycling of post-consumer vinyl waste into recovered PVC.

Circular Flooring aims to establish a circular recycling process for plasticized PVC from post-consumer waste flooring. In order to avoid the loss of valuable resources, increased CO<sub>2</sub> emissions and other environmental burdens of waste disposal, it is necessary to establish closed recycling loops for various material streams, as for example PVC floor coverings. Therefore, the Circular Flooring consortium is further developing the CreaSolv® Recycling Process to separate the PVC-resin in post-consumer floor coverings from legacy plasticizers (phthalic acid esters) that are not conform to today's EU REACH-Directive.

In the course of the project, waste floor coverings will be collected and shredded into smaller particles before they are treated in the CreaSolv® Recycling Process that separates PVC from plasticizers. The extracted legacy phthalic acid esters will subsequently be deactivated by catalytic hydrogenation, which allows for recycling into REACH-compliant alternatives. The recovered PVC will then be further upgraded with tailored additives before it can be reused in new floor coverings and re-enter the market. As a result, Circular Flooring contributes to a circular European economy and a sustainable, holistic resource recovery at technological scale.







# ORGANIZATIONAL DEVELOPMENT

## SUSTAINABLE FINANCIAL PERFORMANCE

**Maintaining a strong financial position is central to our objective of being a sustainable organization and therefore part of the triple bottom line, next to the social and ecological dimension of sustainability. The financial dimension is enhanced by continuous improvement and innovation in the design, service, performance, scope, and quality of our offer to all stakeholders. We aim to achieve this while respecting the responsibilities covered by corporate governance, risk and crisis management, code of conduct, and compliance with international law and regulations.**



BUSINESS INTEGRITY

Flooring Systems insists on integrity, honesty, and equality in all aspects of our business and we seek the same from those with whom we do business, directly and indirectly. No employee may directly or indirectly offer, pay, solicit or accept a bribe or other such payment that may be construed as such, in any form. Forbo's Code of Conduct applies to all our employees and clearly stipulates that the company will not engage in or tolerate any questionable or corrupt business practices. The Code of Conduct is part of Forbo's education program and is a mandatory training for all relevant employees.

RISK MANAGEMENT

Risk management and risk assessment are an integral part of Forbo's organizational processes, and are included in every decision-making process. Periodically, financial and hazard risks are identified and assessed internally or by third parties. Once risks have been identified and assessed, we manage the risk by applying techniques that fall under one or more of the following major categories:

- Avoidance (eliminate)
- Reduction (mitigate)
- Sharing (outsource or insure)
- Retention (accept and budget)

RISK ASSESSMENT

Forbo Group conducts an annual risk assessment that analyses all the business areas within the company for the divisions. The assessment covers internal controls and business risk, and includes targeted questions concerning fraud and corruption and is supported by independent third party assessment. An additional and more focused risk assessment devoted entirely to fraud and corruption, is conducted annually with key executives and senior management. This risk assessment addresses corruption in business areas on a materiality basis.

RISK AND OPPORTUNITIES DUE TO CLIMATE CHANGE

Due to the energy-intensive nature of the operations in our supply chain, we are subject to risks related to climate change and to costs related to energy and climate regulations. Global efforts to combat climate change also present certain strategic opportunities for Flooring Systems. Our linoleum products are based on renewable materials with a zero-carbon footprint, which helps our customers and society at large to reduce CO<sub>2</sub> emissions by providing a favorable alternative to floor coverings based on fossil fuels and non-renewable materials. The European Union (EU) is pursuing its climate targets through a combination of financial incentives and

regulations. The EU countries are also required to support renewable energy sources such as wind, solar and biomass to reach the EU's green energy targets. The EU's Emissions Trading System (ETS) is a cornerstone of the EU's efforts to combat climate change, and a key tool for the cost-effective reduction of industrial greenhouse gas emissions. The ETS in effect imposes a cost on Flooring Systems' CO<sub>2</sub> emissions within the EU, and indirectly increases energy generation costs for our electricity suppliers and the cost of our raw materials. EU member states also have binding annual greenhouse gas emission targets for 2021-2030 for those sectors of the economy that fall outside the scope of the ETS

OUR ECONOMIC PERFORMANCE

Significant indicators covering the generation and distribution of value, plus the organization's total capitalization, with breakdowns in debt and equity can be found in Forbo's Annual Report 2020: [www.forbo.com/investors](http://www.forbo.com/investors)



CREATING BETTER ENVIRONMENT PROGRAM

Flooring Systems' environmental footprint reduction programs was started in 2004. The program was aiming at improving the environmental footprint in all aspects with special focus on reducing the carbon footprint. The carbon footprint during the last 16 years was reduced mainly by investments and measures to reduce the energy consumption, increase recycling options in our products and changing to green energy.

CARBON FOOTPRINT

The carbon footprint is calculated using lifecycle analysis (LCA) for the products we market from 'cradle to grave' for all of our products. This includes the entire chain from raw material extraction and processing, transportation to the manufacturing site, manufacturing and finishing the product, transport to the customer's site and installation on the floor, customer use and cleaning at the end of life treatment.

THE GREENHOUSE GAS PROTOCOL

The Greenhouse Gas (GHG) Protocol ([www.ghgprotocol.org](http://www.ghgprotocol.org)) is a multi-stakeholder partnership of businesses, non-governmental organizations (NGOs), governments, and others convened by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). Launched in 1998, the mission of the GHG Protocol is to develop internationally accepted greenhouse gas accounting and reporting standards and tools, and to promote their adoption in order to achieve a low emissions economy worldwide.

The carbon footprint declared in accordance with the 3 scopes as defined by the GHG Protocol is:

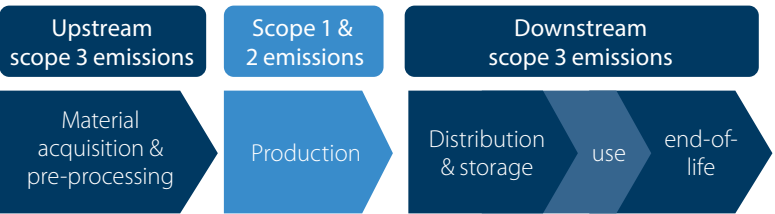
Scope 1 and 2 emissions:	52.269 ton
Upstream scope 3 emissions:	609.218 ton
Downstream scope 3 emissions:	206.253 ton

Scope 1 and 2 emissions are the direct and indirect carbon emissions, calculated as CO<sub>2</sub> equivalents, caused by the energy used during production of our floor coverings. Since the start of our creating better environment program in 2004 we reduced the carbon emissions from our production by 73%.

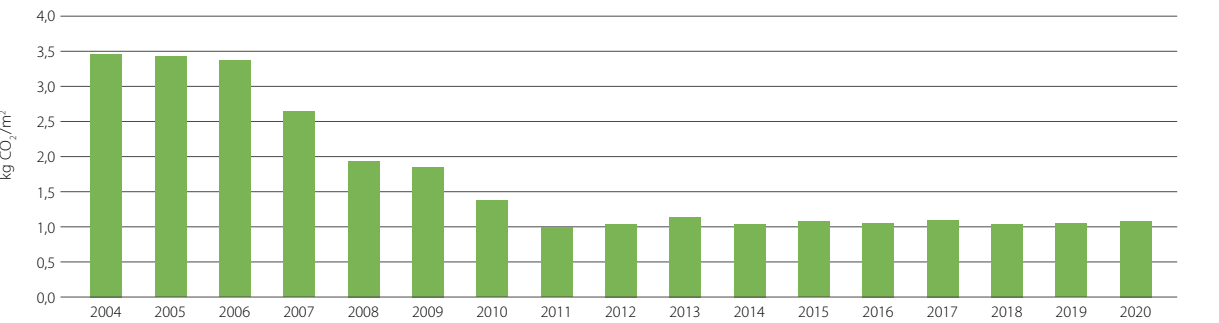
Raw materials contribute in 2020 for 75% to scope 3 emissions. Carbon emission results for most of our raw materials have positive developed over the last decade and have helped to improve our carbon footprint. Nevertheless we will continue to challenge our suppliers globally to reduce their environmental impacts through our responsible sourcing program.

SCOPE 1 AND 2 CO<sub>2</sub> EMISSION FROM MANUFACTURING

The CO<sub>2</sub> emission on our manufacturing sites is one to one related to energy used during manufacturing. The average CO<sub>2</sub> emission per square meter product produced dropped from 3.44 in 2004 to 1.09 in 2020, a reduction of 68%. Major improvement started in 2007 when we began to buy renewable electricity. Market requirement for more thicker and heavier products flattened the improvement of our energy saving programs during the last years. With our renewed creating better environment program we implemented ambitious goals for further improvement.



FLOORING SYSTEMS KG CO<sub>2</sub> PER SQUARE METER PRODUCED







## EMPLOYEE TRAINING

The division-wide annual performance review provides a starting point and an appraisal for training. In this appraisal, individual training requirements are matched with the training needs indicated in the Flooring Systems strategy as well as any legal training requirements that are in place. Flooring Systems operates a wide range of training formats, from management development to the enhancement of factory floor skills. For specialist training, our employees can attend seminars and conferences, or follow one of the educational courses offered by expert institutions and learning centers. Finally, on-the-job training for our production and warehousing operators includes:

- Site and company introduction
- Hazard identification, control, and risk assessment
- Job safety analysis
- Job-specific training

Several local and international training programs are in place. The development of learning and training programs is evaluated every year, with improvements implemented whenever we see opportunities to do so.

The in-person training programs were placed on hold due to COVID-19 and at the same time we have seen a rapid increase of hosted online training sessions/webinars, where we have benefitted from the online tools that were already in place. A webinar training program was established on various marketing topics followed-up with sessions to increase product knowledge on the different product categories. The new e-learning development software that

was implemented at the end of 2019 facilitated the development and translation / localization of online training programs.

## E-LEARNING USAGE IN 2020

- 1,789 Flooring Systems' users accessed our learning management system
- 3,744 completions were made

Usage of e-learning is world-wide and has increased by over 22% in 2020.

## GLOBAL PROGRAMS

### CODE OF CONDUCT

The Forbo Code of Conduct 'full program' e-learning module is part of the introduction program for new employees. A refresher program was repeated during 2020.

### ANTI-CORRUPTION

This existing program was completed in 2020 for all new employees that belong to the target group.

### COMPETITION LAW

This existing program was rolled-out to new members of the defined target group in 2020.

### IT SECURITY

The IT security training program is part of the introduction program for new employees.

## SA8000

The SA8000 e-learning module was developed earlier to improve our understanding of the SA8000 standard, its people focused management system, and to help answer questions. People are our most valuable asset and this standard and module are centered on our employees and how we treat them within the workplace. At sites with SA8000 certification in France, the Netherlands and the UK this module is part of the induction program for all employees.

## STRATEGY EXECUTION

A strategy execution e-learning module was further rolled out in 2020 to support the execution process of the various projects of our overall Flooring Systems' strategy.

## NEW SUSTAINABILITY PROGRAM 2025

Following-up on webinars, an e-learning module was developed to support the introduction of our new Sustainability Strategy and initial 5 year sustainability program.

## PRODUCT KNOWLEDGE

In addition to the webinars that were hosted for each of the product categories, new e-learning modules were developed and rolled-out covering the new collections. Moreover, a linoleum CO<sub>2</sub> neutral e-learning module was rolled-out to transfer the knowledge to promote CO<sub>2</sub> neutral Marmoleum portfolio made from natural raw materials.

## EXTENDING OUR AUDIENCE

### PRIMARY SCHOOL STUDENTS

During the first lockdown, when many pupils were taking online classes from their homes, we developed a "Do you know what linoleum is?" e-learning module targeted to primary school children. The module also explained that Marmoleum is taking care of the environment and what CO<sub>2</sub> neutral means. The online training was offered through our website and placed in the online curriculum of many schools.

### CUSTOMERS

In 2020 our (e-)learning platform welcomed additional external learners from different parts of the world, mainly our customers, who received access to several product related e-learning modules.

### (INTERIOR) ARCHITECTS AND DESIGNERS

In September 2020 we hosted our first external global webinar 'A peak into the future of CO<sub>2</sub> neutral buildings' for (interior) architects and designers.

## FUTURE ORIENTATION

In the Flooring Systems strategy, the people objectives include programs to:

- Continuously improve and standardize knowledge and skills in the division, as well as
- Reducing time to knowledge for new employees, with focus on sales.

In 2021, in addition to new/updated content on product knowledge in line with new collection introductions, we will focus on:

## SALES SKILLS

Sales skills matrices have been developed and will be introduced and implemented into the sales organizations.

## LEADERSHIP PRINCIPLES

The Flooring Systems leadership principles will be further introduced through an e-learning module and implemented and embedded into our organization during workshops and meetings.

## CYBER SECURITY

The basic IT Security e-learning module will be followed-up with a series of refresher e-learning modules. The e-learning program on Cyber Security aims to create awareness and understanding within Flooring Systems IT users, thereby preventing damages and losses as a result of Cyber Security incidents.

## FORBO ACADEMY LEARNING PLATFORM

In addition to expanding our learning offer, we will also upgrade our learning platform and include and promote learning journeys for the different global and local, internal and external audiences.



The background image shows a spacious, modern interior, likely a cafe or a common area in a corporate building. The ceiling is high and features exposed metal ductwork and a network of steel beams. Several industrial-style pendant lights hang from the ceiling. The floor is made of light-colored wood. On the left, there are rows of brown tufted leather booths with wooden tables. A few people are seated at these tables, some working on laptops. On the right, there is a long wooden counter with high stools. Large windows on the right side of the image provide a view of the outdoors, where some trees and buildings are visible. The overall atmosphere is bright and airy.

# SOCIAL RESPONSIBILITY

## PRODUCT TRANSPARENCY

**The way we run our factories, how we select our raw materials and create our recipes, in short; the way we make our floor coverings, all are part of how we meet our ambition of contributing to 'healthy buildings' by providing a good indoor quality through our products.**

**People on average spend a very large proportion of their time indoors and as such it makes sense to provide a high quality and healthy indoor environment. We focus on all aspects that contribute positively to the safety, hygiene and well-being of our customers, supplying floor coverings with low emission, the use of safe raw materials, allergen free and state of the art cleaning and maintenance properties.**



# RAW MATERIAL SAFETY AND CHEMICAL SAFETY

Ensuring the safety of our products starts with the purchase of raw materials and their subsequent processing and manufacture. We only use raw materials that have been specifically approved for purpose in our production, and we always check their safety and legal compliance. In this, we follow relevant legislation including the European Union's REACH regulations and building regulations. These regulations have been designed to protect public health and the environment by comprehensively identifying the safety properties of chemical substances and determining how chemicals can be used safely.

In 2013 we have started our 'compliance-plus' program in relation to chemical safety by starting to limit and stop the use of all regulated substances. For this reason we have adapted our raw material policy not only limited to forbidden the use of category 1a and 1b regulated chemical substances, but also category 2 (suspicious chemical substances). We oblige our suppliers to comply with our requirements related to our raw material policy.

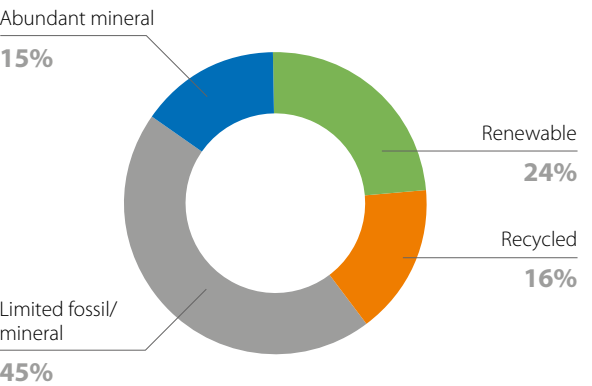
One of the results of this policy is the change to non-phthalate plasticizers in all our vinyl and textile products, another one is that all our products now have low to very low VOC emissions. Flooring Systems is committed to pursue this policy in the years to come to always guarantee safe products to our customers.



# RAW MATERIALS SCARCITY

Depletion of resources is an important topic in the circular economy. Using natural resources which renew themselves and that can be harvested as annual crops are the preferred solution by far. The linoleum portfolio is made from natural resources and has a CO<sub>2</sub> neutral footprint when its cradle to gate stages are concerned. The breakdown of all our raw materials used for our products is shown below.

BREAKDOWN OF RAW MATERIALS USED 2020



# LIFE CYCLE ASSESSMENT; TRANSPARENT INFORMATION ON SUSTAINABLE PERFORMANCE

We use life cycle assessment (LCA) to identify and continuously improve our sustainability performance. But while we perform our LCA calculations to international standards, we also believe that the element of human health and ecology should also feature in this assessment. In 2000, Flooring Systems was the first global floor covering company to commit to providing information about eco-toxicity and human toxicity impacts in our LCAs. In 2020, we remained the only flooring company in the world to include these impacts in our environmental product declarations. We use the internationally recognized USEtox method to calculate and assess our products' toxicity performance.

# ENVIRONMENTAL PRODUCT DECLARATION

An environmental product declaration (EPD) presents quantified environmental data about a product. It is based on information from a life cycle assessment. The following life cycle stages are assessed:

- Production stage (raw material extraction, transportation to manufacturing, and manufacturing)
- Transporting manufactured goods from factory gate to user
- Installation stage
- Use stage
- End-of-life stage

# UNITED NATIONS GLOBAL COMPACT PRINCIPLES

	Page
<strong>Human rights</strong>	
<strong>Principle 1:</strong> Businesses should support and respect the protection of internationally proclaimed human rights.	23-24
<strong>Principle 2:</strong> Businesses should make sure that they are not complicit in human rights abuses.	23-24
<strong>Labor</strong>	
<strong>Principle 3:</strong> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	23-24
<strong>Principle 4:</strong> Businesses should support the elimination of all forms of forced and compulsory labor.	23-24
<strong>Principle 5:</strong> Businesses should support the effective abolition of child labor.	23-24
<strong>Principle 6:</strong> Businesses should support the elimination of discrimination in respect of employment and occupation.	23-24
<strong>Environment</strong>	
<strong>Principle 7:</strong> Businesses should support a precautionary approach to environmental challenges.	26-34, 38, 43-44
<strong>Principle 8:</strong> Businesses should undertake initiatives to promote greater environmental responsibility.	26-34, 38, 43-44
<strong>Principle 9:</strong> Businesses should encourage the development and diffusion of environmentally friendly technologies.	26-34, 38, 43-44
<strong>Anti-corruption</strong>	
<strong>Principle 10:</strong> Businesses should work against corruption in all its forms, including extortion and bribery.	26-27, 39, 44, 49

An EPD communicates verifiable, accurate, and non-misleading environmental information for products and their applications, is third-party verified, and follows a uniform and internationally standardized format. EPDs are in increasing demand from architects and planners as they can be directly incorporated into sustainable building design tools, such as carrying out a building life cycle assessment. Flooring Systems continues to publish third-party certified EPDs for its individual floor covering products. By the end of 2020, 46 Flooring Systems products had been EPD certificated and published. All the LCA calculations were third-party verified by UL Environment. [www.forbo-flooring.com/epd](http://www.forbo-flooring.com/epd).

Our EPDs are based on the so-called product category rules (PCR) set out in the EN-15804, EN-16810 and ISO-14025 standards. Product category rules define how to conduct a life cycle assessment for a product group and what data to include in the resulting report, thereby supporting scientifically based fair choices and stimulating the potential for market-driven continuous environmental improvement. In principle, the benchmark when using EPDs to compare products is the contribution they make to the environmental performance of a building. As a result, using EPD information to compare environmental performance with that of alternative floor covering products reflects a product's use in a building and the impact it has on the building.

# SOCIAL EQUITY AND LABOR RIGHTS

Corporate sustainability starts with a company's value system and a principled approach to doing business. This means operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labor, environment, and anti-corruption. Responsible businesses enact the same values and principles wherever they have a presence and know that good practices in one area do not offset harm in another. Supporting the UN global compact principles, Flooring Systems supports the 10 principles of the UN Global Compact, a United Nations initiative to encourage businesses worldwide to embed responsibility into business operations. We respect and promote these principles throughout our operations. The table above lists the 10 principles and specifies where information on them can be found in this report.



## WORKING WITH THE COMMUNITY

We believe it is good business practice to build meaningful, long-term relationships with employees, customers, suppliers, and communities. This is, and always has been, the founding principle of our commitment to social equity. Flooring Systems plays an active role in the communities in which we operate. We conduct a stakeholder and impact assessment analysis at all our operations as part of environmental management, in accordance with ISO-14001. The fact that this management system is third-party-certified ensures improvement and development programs are ongoing.

Through proactive engagement, we support local economies and contribute to the social fabric. Flooring Systems understands that in order to operate in our communities, we must minimize any potential negative impact of our operations. We do this by operating transparently and communicating clearly with these communities, mitigating our environmental impacts where possible, monitoring our environmental performance, and engaging in community consultation.

All our production units register and monitor complaints received from stakeholders in relation to that unit's environ-

mental performance. This forms an integral part of their respective environmental management systems.

In 2020 the COVID-19 pandemic severely hampered active involvement with the community as most activities were cancelled or ruled out because of local health regulations.

## CHARITY

Flooring Systems wants to make a sustainable contribution to improving people's quality of life. We therefore support various charity projects with products, expertise, and financial contributions. The focus is on small, locally initiated projects and partnerships that are carried out locally by our sales and marketing organizations and the business units where the local factories support the local community. Most of the support is delivered 'in kind' where it concerns donations of floor covering material for local community facilities such as sports, culture, and community buildings.

In 2020, most of our special activities came to a standstill as lockdown policies and closure of locations and cancellations of activities were common place all over the world.

Were possible we contributed to the construction of temporary hospital locations, health test locations and vaccination centers.

## CHILDRENS CANCER ORGANIZATION (NORWAY)

In Norway, Flooring Systems supported the children cancer organization as part of their national community engagement.

## SANITATION AND WATER PROJECT (BANGLADESH)

Bangladesh and the Indian state of West Bengal together form the historic former state of Bengal, a distinct geographical and ethno-linguistic region in South Asia. Jute is an important crop for the farmers in this region, and the fibers of the jute plant are spun into yarn and woven into cloth locally; they are also used as backing for our linoleum products. Clean drinking water and good sanitation are essential for good health and preventing the spread of disease.

In 2010, we started a project with our local supplier, Janata jute mills, to give everyone who works in the mill a

domestic toilet, a water well for drinking water and in some cases both. Janata made all the local arrangements, such as hiring a contractor and inspecting the potential installation sites, and completed the installations.

## AWARDS

Flooring Systems was awarded the 2020 most sustainable company in the Netherlands by public vote. The award focused on companies' achievements in reaching a carbon neutral status within their product portfolio as well as having a strong focus on innovation and recycling of products at their end of live stage. Forbo's linoleum CO<sub>2</sub> neutral floor covering was set as an example where natural raw materials can be manufactured into high quality durable hygienic and simply beautiful floors. Forbo initiatives in recycling installation cut-offs as well as the companies' attempts to upcycle used linoleum floors into 3d designer products was also seen as a positive innovation.





A modern interior space featuring a large wooden wall on the left, a tall, narrow window in the center, and a staircase on the right. A potted plant with a tall, thin, light-colored trunk and a small green plant at the top sits on the floor in front of the window. The floor is made of light-colored tiles.

# CORPORATE GOVERNANCE

**Corporate governance at Forbo encompasses the entire set of principles and rules on organization, conduct, and transparency that are designed to protect the company's long-term interests. Forbo's aim is to strike a careful balance between management and control. The central rules are contained in the Articles of Association, the Organizational Regulations, and the regulations of the committees of the Board of Directors.**



The following information is set out in line with the Directive on Information relating to Corporate Governance (Directive on Corporate Governance 'DCG') and the relevant publications of the SIX Swiss Exchange. The Forbo corporate governance report is available on our corporate website [www.forbo.com/en/investors](http://www.forbo.com/en/investors)

## ORGANIZATION OF SUSTAINABILITY

Sustainability is one of the policies that governs our operations facilities within Flooring Systems as well as activities that are undertaken by our sales regions where they can contribute to our goal of complying to the circular economy principles. Our Sustainability Policy document, which is endorsed by the Flooring Systems' Executive Vice President, sets out the triple bottom line under which we strike a balance between the ecological, social, and economic aspects of sustainability, as described in this report. Our manufacturing plants comply with ISO-9001, ISO-14001 and SA8000 and our sales organizations comply with ISO-9001. As part of this, they are obliged to continually raise their sustainable performance by formulating annual programs for improvement. This practice is now captured in our Sustainability 2025 program which is part of our Sustainability Strategy. Goal-setting and improvement are measured internally by our quality assurance director for the division. The four business units, which have the leading role in the development of new collections and products, all have a clear directive to improve on the sustainable aspects of our products as part of a continuous process. This process is monitored by the Flooring Systems divisional Board who, together with the Executive Vice President Flooring Systems, the Vice President Business Development and internal stakeholders, approve the release of new collections. As a division we also set goals for our R&D departments regarding product improvement programs based on the three fundamentals of our Sustainability Policy. Our sales regions concentrate on programs and pilots in which installation cut-off material and in some cases post-consumer used floors are retrieved and processed for recycling.

## CODE OF CONDUCT

Throughout the reporting year, we maintained our efforts to further develop our conscious awareness of what we do. We did this by again repeating and reinforcing awareness of the contents of the Code of Conduct (by means of an e-learning module), competition law, and anti-corruption principles, and through the uncompromising implementation of the risk management process.

The Forbo Code of Conduct sets out our most important business principles and basic values. It is central to the way we protect and develop our reputation. It is founded on the principles of integrity, transparency, and fairness, and describes how we are to behave. It not only ensures compliance with the applicable laws and regulations wherever we do business, it also goes beyond compliance by demonstrating our commitment to acting ethically and with integrity in every situation, while at the same time respecting people's rights as individuals. We expect this of every single employee, everywhere, every day. We also expect this of all our business partners. High standards in our relationships are the foundation for lasting success.

## CORE VALUES

Forbo Group culture is embedded in the Forbo Way to Win values program. This covers the entire organization and has been developed by the senior management of the two Forbo divisions and Forbo headquarters. The program has been rolled out within the organization and today forms part of the induction program for new employees at Flooring Systems. In the Forbo Way to Win, we have defined three core values that each encompass three guiding principles:



### INSPIRING

- Developing ideas and seizing opportunities
- Knowing what matters and focusing on it
- Raising enthusiasm and convincing others



### DARING

- Taking bold and decisive action
- Giving our all with power and passion
- Achieving goals with determination and stamina



### CARING

- Challenging and encouraging oneself and others
- Taking responsibility and making a difference
- Leading by example to shared success

## ORGANIZATIONAL STRUCTURE

Our flooring products are divided into product categories that include linoleum, project vinyl (including acoustic vinyl, luxury vinyl tiles and ESD floor coverings), entrance flooring systems (textile as well as ridged) , flocked flooring, carpet tiles, and needlefelt. The development and production of the product portfolio is managed in four separate business units: Linoleum, Vinyl, Textile and Building and Construction Adhesives. The sales and marketing organizations are divided in 4 regions: North Central Europe, Southern Countries, North America and Asia/Pacific. Business units and sales regions work together in a matrix structure and are supported by a number of central functions such as Finance, IT, Global Procurement, Logistics, Quality, and Business Development.

The processes and strategy is developed according to the principles of 'creating products, making products and selling products'. Creation and production lies within the responsibility of the individual business units, whilst sales and marketing are the responsibility of the sales regions. Each one of the sales organizations defines the product mix for the country or region it represents in a dialogue with the business units. The focus is to sell a segment-oriented product portfolio worldwide, with local adaptations.

## MANAGEMENT TEAM

The Flooring Systems management is headed by Jean-Michel Wins as Executive Vice President. There are Vice Presidents for the four business units and the four sales regions. In addition there are Vice Presidents for Finance and IT, for Business Development as well as Directors for Global Procurement, Global Logistics and HR.





The 2020 Sustainability report is a publication of Forbo Flooring Systems. For any questions or remarks please contact [question@forbo.com](mailto:question@forbo.com)

creating better environments

**forbo**  
FLOORING SYSTEMS