

# SUSTAINABILITY REPORT 2022 FORBO FLOORING SYSTEMS

creating better environments

**forbo**

FLOORING SYSTEMS

# SUSTAINABILITY REPORT 2022 FORBO FLOORING SYSTEMS

**'Going Round, Moving Forward', is the credo of our Flooring Systems' sustainability campaign for all of our products, featuring the values of the Forbo brand with a clear determination to create the circular economy model for our business activity. We often think of progress as a leap forward; as a straight line to success. And from a certain perspective it's true: You arrive at a better place than where you started. But sometimes the best thing is to arrive exactly where you started. To go round in order to move forward. To think in circularity. There is power in making the right flooring choices. At Forbo Flooring Systems, we believe it means considering the full, circular perspective. Three words are at the foundation of everything we do: transparency, circularity and renewability. By centering what we do around these values, we ensure that everything that comes from Forbo Flooring Systems delivers value to both people and the planet.**

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# MESSAGE FROM JEAN-MICHEL WINS



## EXECUTIVE VICE PRESIDENT FORBO FLOORING SYSTEMS

‘Going round, moving forward’ is the central theme of our new sustainability initiative, launched in 2022. The campaign promotes Forbo’s goal of becoming the greenest flooring company.

There are three pillars which play a central role for us, these are transparency, circularity and recycling. With transparency we fully disclose the impact of our products to the environment, for circularity we are creating a closed loop for all of our products and in operations. With recycling we close the loop by reusing post-consumer floor covering in all of our products. These three focus areas have clear goals and are the foundation of our ‘sustainability 2025’ program, which runs in its third year. Next to this we also consider key markers such as 2030, and beyond within our overall sustainability strategy.

The strategy sets the direction and our strategy execution program makes it effective. All leaders in our organization have clear goals on sustainable actions to deliver the strategy. The program is reviewed with the management on a three monthly basis. This way we keep in touch with the market, the opportunities and the progress that is made. It is thanks to this that our overall sustainability achievements for 2022 show again a positive result.

This is also why you see that in this report we are successful where for example energy reduction and energy transformation is concerned. We increase our levels of recycled content in our product portfolio to above 25%, far beyond the goals we set ourselves. At the same time when looking at for example taking back cutting waste from our installed flooring on a world wide scale or when it comes to reusing old floors we tackle the practicalities and obstacles we encounter. Overall, in all areas in scope 1, 2 and 3 we show better results than before and our overall CO<sub>2</sub> contribution per m<sup>2</sup> again improves over all previous years.

This reporting year, for the first time we also include some of the data and results from our building and construction adhesive business unit, where this is available. As this industry, where adhesives, primers and leveling compounds are produced for installing all types of floor and wall products, is quite different from the way we produce and sell floor coverings, the numbers do not always add up in a logical manner. As far as our social parameters are

concerned, building and construction adhesives and its employees are fully included, this also is the case when we cover our chapter ‘governance’. For next reports the inclusion of the building and construction adhesives activity will be specified to greater detail.

I very much hope you will enjoy reading this report, for me having seen the 2022 results, I am eager to continue the path that leads to become the greenest flooring company!

**Jean-Michel Wins**  
Executive Vice President  
Flooring Systems

A handwritten signature in black ink, appearing to read 'JM Wins', with a stylized flourish at the end.





# KEY ACHIEVEMENTS FOR 2022



## 102 MILLION

'Going round, moving forward' our 2022 sustainability and brand campaign has been viewed by over 102 million people. The campaign introduces Forbo's endeavor to become the greenest flooring company.



## 100,000m<sup>3</sup>

Linoleum is cured in stoves which are heated by natural gas. Clever engineering in 2022 reduced the requirement of natural gas by 100,000m<sup>3</sup>. A special energy-team focused on all aspects of the Assendelft operation and concluded that further savings until 2025 will be realized.



## 55.3%

In 2022, our use of renewable energy sources increased to 55.3%, this is a remarkable improvement more because at the same time we decreased our use of natural gas to 41%.



## 50

In 2022 we reached a new milestone in our recycled material data as 50% of our modular floor covering solutions and 30% of our sheet products contain more than 30% recycled content. In 2022, overall recycled content in our portfolio exceeds 25%.



## 100%

In the building and construction adhesive business unit, all of the plastic buckets and containers for holding and packaging the products have been converted to recycled plastic, instead of virgin material.



## 4,000 TON CO<sub>2</sub>

Replacing two out of three after-burners in the Forbo Novilon Coevorden by a state of the art ingenious filter system, not only reduced the plants' CO<sub>2</sub> emissions by almost 40% but is also brought back the requirement for natural gas by 50%. In 2023 the last remaining burner will be replaced leading to CO<sub>2</sub> reduction of approximately 60%.

## CRADLE TO CRADLE TO FLOOR

Old, and used Marmoleum floor coverings from the Technical University in Delft (NL) was skillfully removed and in agreement with the linoleum factory in Assendelft shipped and reprocessed to become raw material for a new Forbo linoleum floor that was installed again in a professional environment in Amsterdam. The Heineken experience centre now features the first fully recycled linoleum floor.

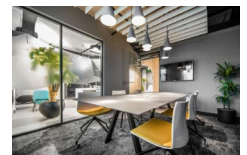
## 192,000m<sup>2</sup>

In 2022 Forbo issued CO<sub>2</sub> neutral certificates for 62 projects in 9 markets to customers, with a total of 192,000m<sup>2</sup> that were officially declared to not add any CO<sub>2</sub> to the built environment.



## < 1Kg CO<sub>2</sub>/m<sup>2</sup>

Our CO<sub>2</sub> emissions measured per square meter produced came to an all time low of 0.88 kg, a reduction of 74%.



## 75%

For 2022 our ultimate recycling champion in our carpet tile offer is the new Tessera Create Space collection, with 75% of recycled content. Many steps in the value chain for the product have been engineered to achieve this result. Both yarn and backing are created in a closed loop zero waste process. Using an ultrasonic tile cutting machine reduces tile waste by 80% compared to traditional press cutting methods.



# GENERAL

Sustainability, functionality, and attractive designs are a high priority in the development of our floor coverings. These create spaces with a comfortable ambience and scope to realize creative ideas. In our production processes, we take care to use environmentally compatible materials, renewable energy, and smart logistics to ensure the best possible eco-balance. Next to a broad portfolio of vinyl and textile floor coverings as well as building and construction adhesives, Forbo Flooring Systems is also the world's leading manufacturer of linoleum, a floor covering that is produced completely CO<sub>2</sub> neutral, biodegradable and made from natural materials.

Scope of the report

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Company description

Sustainable financial performance

Materiality analysis



## SCOPE OF THIS REPORT

The environmental data published in this report concern our 11 floor covering manufacturing sites in the United Kingdom, the Netherlands, Russia, France, and Switzerland. This year we also consider our three building and construction adhesives (B&C) operation sites in the Netherlands, Germany and Russia. Where this is not the case this is mentioned in the data. All of the above entities are considered the most material in terms of the environmental impact of our business.

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 our locations and offices worldwide, including those of our building and construction adhesive offices.

Compared to the previous reporting period in the scope, boundary, or measurement methods applied in this report we have now added the data and performance of building and construction adhesives business to those of our floor covering activities.

# ABOUT THIS REPORT

**The 2022 report is our 11th 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 sustainability strategy as well as our 'Sustainability 2025' program, which helps us to improve our overall sustainability performance in every detail, moving forward step by step with a focus on the circular economy for our business.**

## THE FLOORING SYSTEMS 2022 SUSTAINABILITY REPORT

This report provides an overview of Forbo Flooring Systems' performance for the 2022 calendar year, in line with our financial reporting cycle. The 2022 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).

You are invited to let us know your thoughts about this 2022 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.



*"Moving forward step  
by step with a focus on  
the circular economy  
for our business."*



# DESCRIPTION OF OUR COMPANY

## Flooring Systems

Forbo Flooring Systems has 14 production facilities in seven countries, plus distribution companies in 27 countries. The division has sales offices in Europe, Americas as well as Asia/Pacific. The headquarters of the Flooring Systems division is in Assendelft, the Netherlands.

World-wide, 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 as well as our focus on offering sustainable and circular solutions, reflect the quality and stability of our relations with our business partners.

## Market sectors

Flooring Systems produces linoleum, vinyl and textile floor coverings, as well as a range of building and construction (B&C) adhesives and leveling compounds for the commercial project market. A limited part of the products are also available for use in the residential consumer market, these products are sold via retailers for floor covering and interior decoration. Part of the building and construction adhesives product offer is also available via DIY stores and in general is sold under the brand Eurocol.

With its product portfolio Flooring Systems offers a complete, and ready to install solution for buildings all over the globe. Over the years billions of square meters of our floor coverings have been installed in public buildings, education facilities, health care institutions where they perform year on year on their functional and durable characteristics that apply to each of the specific sectors.

Today our floor coverings also find its way into areas such as retail, hospitality and leisure and commercial offices, where using a combination of different types of floor coverings that can be designed to the orientation of the customer are becoming ever more popular. Finally there are specific market sectors such as the high-tech industry with data centers, IT and pharma environments, or the transport sector in which the railways, automotive and marine sector use our products for their carriages, coaches and vessels.

Building and construction adhesives is active in all of the above mentioned market sectors. In addition Building and construction adhesives also produces adhesives for ceramics (both floor and wall applications), parquetry and wooden floor coverings. Sports floor installation material for indoor and outdoor sports are also part of the portfolio.

## Market developments

For an update of the market developments for Flooring Systems in the year under review, please refer to the Forbo Group annual report 2022.

## Our products

The Flooring Systems division offers a broad and attractive range of environmentally friendly natural linoleum. Flooring Systems' linoleum is produced in the Netherlands (in Assendelft) and in 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.

Flooring Systems also offers a state of the art, innovative and in-house designed collection of heterogenous (multi-layer) and homogenous (single layer) vinyl floor coverings. Our vinyl portfolio is produced in Reims (France), Coevorden (the Netherlands), Kaluga (Russia) and Giubiasco (Switzerland). Forbo vinyl brands comprise **Allura**® and **Effekta**® for luxury vinyl tiles and planks, **Eternal**® for heterogenous vinyl, **Sphera**® for homogenous vinyl, **Step**® for slip resistant vinyl, **Sarlon**® for acoustic vinyl, **Modul'up**® for loose lay vinyl sheet, **Colorex**® and **Sphera**® for static dissipative vinyl floors, and **Novilon**® for residential applications in vinyl flooring.

The Flooring Systems textile floor covering offer is broad and unique in that, next to carpet tiles and entrance floors, Flooring Systems also offers Flotex, a washable high-tech carpet made from densely packed 6.6 nylon fibers which make this floor covering indestructible as well as easy to clean. 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, **Forté**® for needlefelt, **Coral**® for textile entrance floors, and **Nuway**® for rigid entrance floors.

The building and construction adhesives portfolio consists out of a large range of waterborne adhesives for all types of floor coverings and construction applications, leveling compound and water barriers under the brand **Eurocol**® as well as a range of so-called liquid floor coverings under the brands of **Liquid Design**®, **Beton Design** and **Deco Design**® which can be used both as floor covering and as wall covering.

## Production

All our 15 floor covering production sites in the Netherlands, United Kingdom, Russia, France, Germany, Russia 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.



## The Forbo Group

Forbo is a leading producer of floor coverings, building and construction adhesives, as well as power transmission and conveyor belt solutions. Forbo's linoleum floor coverings are made from natural raw materials. They are biodegradable and carbon-neutral (cradle to gate), without off-setting. In the manufacture of its heterogenous vinyl floor coverings, Forbo uses phthalate-free plasticizers of the latest generation. Vinyl floor coverings also contain up to 25% recycled material in relation to their total product weight. The BioBelt™ is a biologically degradable conveyor belt made largely from renewable, plant-based materials. The AmpMiser™ conveyor belt enables energy savings and therefore also a reduction in CO<sub>2</sub> emissions of up to 50%.

For Forbo as a responsible manufacturer, the careful use of all resources for a sustainable future is a guiding principle.

Forbo employs about 5,400 people and has an international network of 25 sites with production and distribution, 6 fabrication centers, and 49 sales organizations in a total of 39 countries around the world. The company generated net sales of CHF 1,293 million in the business year 2022. Forbo is headquartered in Baar in the canton of Zug, Switzerland.

Forbo Holding Ltd is listed on SIX Swiss Exchange (security number 354151, ISIN CH0003541510, Bloomberg FORN SW, Reuters FORN.S).

## **Sustainable financial performance**

Forbo is recognized for its strong profitability and solid balance sheet. This is a prerequisite for the development of a sustainable organization, be it towards its employees, other stakeholders and in particular with regard to limiting the impact on the environment. At the same time, we are convinced that superior performance in terms of sustainability will lead to improved financial performance and vice versa. We offer products and services as superior sustainable solutions and thus are very well positioned within the relevant industry.

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 in compliance with international law and regulations.



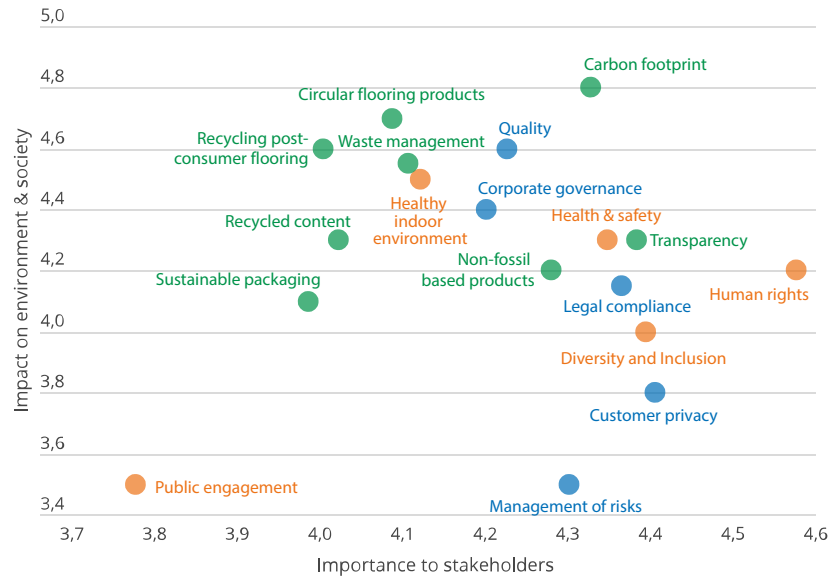
## **Materiality analysis**

Effective and ongoing stakeholder engagement is the foundation of our business and is part of our sustainability reporting initiatives such as this annual report. 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 environmental, social and governance aspects as valued by our stakeholders. In a broader sense our stakeholder engagement involves a range of activities, they are;

- Our employees– through regular meetings and surveys and audits
- Customers – through customer feedback mechanisms and satisfaction surveys
- Suppliers – through regular meetings and audits
- Policy makers (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
- 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.

### **DOUBLE MATERIALITY ASPECT**

A Flooring Systems working group for this report confirmed the sustainability topics that had been identified as specific to Flooring Systems based on written questionnaires that have been sent out. In our materiality assessment for 2022 focus was on the three pillars of the environmental, social and governance (ESG) rating, involving our stakeholders (employees, customers, suppliers investors, policy makers and partners). After this an assessment was made on our success of each of the sustainability topics in relation with our society and the environment as such confirming the so-called double materiality of our matrix.



● Environmental ● Governance ● Social

**ENVIRONMENTAL**

- E1. Producing products that are non-fossil based
- E2. Established waste management in our operations
- E3. Using sustainable packaging for our products
- E4. The carbon footprint of our products and our operations
- E5. The amount of recycled content in our products
- E6. Offering recycling services for our installation and post-use flooring material
- E7. Transparency on the environmental impact of our products and the raw materials we use
- E8. Offering truly circular flooring products

**SOCIAL**

- S1. Securing diversity, equity, and Inclusion within the company
- S2. Offering products that contribute to a healthy indoor environment
- S3. The company's public engagement and social involvement
- S4. Protecting human rights across our value chain
- S5. A focus on the health & safety of our employees and third parties

**GOVERNANCE**

- G1. Quality and endurance of the product portfolio
- G2. Management of (climate) risks and opportunities by the company
- G3. Legal compliance of the company
- G4. Corporate governance and business ethics pursued by the company
- G5. Securing customer privacy and data protection

THE MATERIALITY MATRIX

The plotted matrix based on the response of our stakeholders confirms our endeavor in pursuing our sustainability strategy. Of course all aspects fall with the highest category on importance, none of the ESG questions lack relevance in the eyes of our stakeholder. However it is very satisfying to see that the circular economy, a low carbon profile as well as the quality of the portfolio, a starting point a our business, rank amongst the highest criteria.

# ENVIRONMENTAL

Our sustainability strategy has a clear focus on the results we want to achieve with our Sustainability 2025' program, and thereafter the years 2030 and 2050 in which all that we strive for, becoming a zero waste company is achieved. As the 2022 results show we are on the right track, some improvements are impressive, others are more complicated to achieve, but on the whole the trend is in the right direction, certainly when it comes to achieve our initial landmarks, those of the 'Sustainability 2025' program.

## Methodology

Circular economy for our Flooring systems business units  
Focus on methodology  
Focus on the 5R methodology

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## Results 2022

Scope 1, 2, 3 explained  
Reporting on energy  
Raw materials usage  
Success stories

# ENVIRONMENTAL Methodology

In this section our understanding of the circular economy is explained and our methodology with regards to our Life Cycle Analyses history, our Environmental Product Declaration portfolio as well as our working practice of the 5R program is laid out.

## Our business units

### THE CIRCULAR ECONOMY

A circular economy can be 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 order to make this happen, 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 circular economy model of the Ellen Macarthur foundation – the model we prefer to use – there are two loops, operating in their own sphere: one with technical materials and one with bio-based materials.

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



### THE SUPPLIERS' IMPACT ON OUR RAW MATERIALS

By far the largest effect of our environmental impact lies with our suppliers of raw materials. For some of our products this effect is up to 70%. We therefore actively engage with our suppliers to achieve a lower environmental footprint and select those supplier who have an active environmental impact reduction program as part of their strategy. The results for most of our raw materials (i.e. PVC and wood flour) has very positively developed over the last years helping to improve our environmental footprint.

### SOME EXAMPLES AND SUCCESS STORIES

With linoleum we successfully closed the loop in a full circle cradle to cradle process whereby we retrieved old obsolete linoleum floor covering from the Technical University in

Delft (NL) and from that material created new linoleum floors that were installed in the Heineken experience center in Amsterdam. Pilot projects as these are a promising development in creating circular solutions for our linoleum floors.

In our Coevorden and Reims factories, where we produce vinyl floor covering, we successfully recycled post-consumer installation waste, which is collected from our installations, and reused into our products. We have set-up such take back schemes in the Nordic markets, The Netherlands, Belgium, France and the UK.

## Focus on the methodology

### LIFE CYCLE ASSESSMENT

Our first Life Cycle Assessment (LCA) was conducted in 1996 in cooperation with the Leiden University (Netherlands) and concerned our linoleum portfolio. At the time looking at the effects of the entire life cycle of a product to measure its environmental footprint was quite novel. Today LCA is a common way to assess the environmental impact of products, whatever they are. LCA calculations typically are made for an entire product category, such as linoleum, rubber or homogenous vinyl. For each to so called impact categories are calculated and weighted this results in a ranking in which different types of products can be compared.

At Flooring Systems we use life cycle assessment (LCA) not only to identify, but also to continuously improve our sustainability performance. In addition 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 all our floor covering LCAs. In 2022, we remained the only flooring company in the world to include these impacts in our environmental product declarations. We use the internationally recognized USEtox<sup>®</sup> method to calculate and assess our products' toxicity performance.

### ENVIRONMENTAL PRODUCT DECLARATION

An environmental product declaration (EPD) presents quantified environmental data about a specific product. It is based on information from a LCA done for a product category. 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

An EPD is transparent and specific, it communicates verifiable, accurate, and non-misleading environmental information for products and their applications. An EPD 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 all of its individual floor covering products. By the end of 2022, 47 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 LCA 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.



## Focus on the 5R principle

### THE 5R PRINCIPLE

At Flooring Systems we employ the 5R principle. They are the 4R's, commonly known in the production phase: reduce, reuse, recycle and renew, whereby the starting point of setting up a circular economy has been added as a fifth 'R': Re-design. In particular this concerns designing with circularity in mind. Meaning that products can be constructed in such ways that the individual components can be recycled using available technologies. As such the design phase becomes an important element of the production phase.

The 5R'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.

### RE-DESIGN: LOOSE LAY

Loose lay floor coverings already exist for some time, however very often this concerns plank and tile formats that still need to be adhered with a so called tackifier (a release able adhesive). To develop a loose lay sheet format that can be applied in commercial environments really is an innovation which not only makes the floor covering more easy to install, but it can also be removed at it's end of life phase with out picking up glue and screed, leaving a clean sheet that can be recycled into raw material and reused.

### REDUCE: RAW MATERIAL USE

Of all of the 5R principles, we consider 'reduce' to be the most important, as reducing our initial consumption of materials, energy as well as waste has by far the biggest impact in closing the loop in a circular economy model and both environmentally and financially. Many of our manufacturing sites made a positive contribution in 2022 by reducing raw material use and packaging, and increasing the recycled content of our products. Please find our reporting statistics reduction of energy, water, waste and raw material use in 2022 on page 19 of this report.

### REUSE: THE INTERNAL LOOP

Forbo defines reuse as 'waste that, after reprocessing, can be fed back as a raw material into the same manufacturing processes.' As such not only our production waste is recycled internally, which is the case for all our product categories – linoleum, vinyl and textile – we increasingly reuse the cut-offs of product that is returned to the factories after installation of a project. For every project this amounts to around 6% of the installed floor. Take-back schemes that are part of our 'back to the floor' program are active in our European and North American markets. Our results for 2022 can be found on page 23.

### RECYCLING: MOVING TOWARDS CRADLE TO CRADLE

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 Flooring Systems operations site or external recyclers. In 2022 we invested in third party cooperation for waste recycling in the Netherlands and in France. At the same time, schemes to increase the amount of recycled content in all of our product categories are part of our 'Sustainability 2025' program. This is where old floors become the base for the composition of new flooring products. The 2022 results can be found on page 23.

### RENEWABLE: OUR 2030 CHALLENGE

Renewable raw materials are (nearly) inexhaustible natural resources that can be replenished, generation after generation. They grow in nature and can be harvested as annual crops, or otherwise are available in abundant quantities in nature. Renewable energy is a natural resource or source of energy that is not depleted by use, such as water, wind, or solar power. With all of our manufacturing sites in Europe these energy sources are becoming ever more readily available. Our 2022 results can be found on page 21.



# ENVIRONMENTAL

## Results 2022

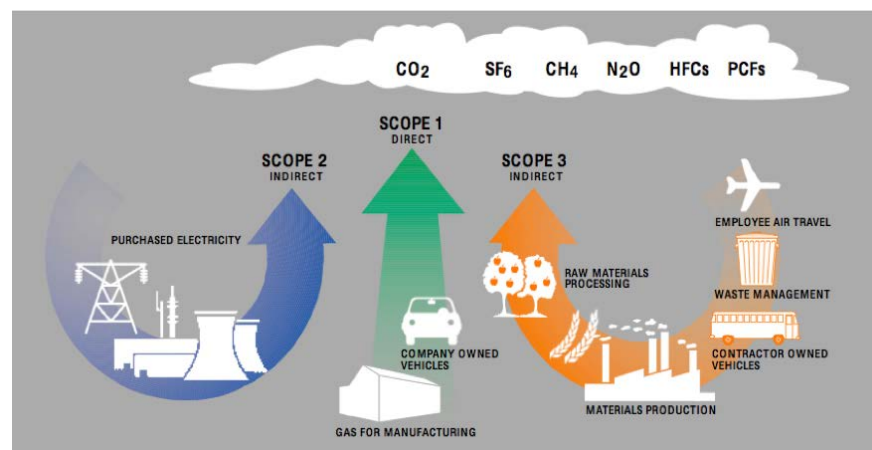
In this section of the Flooring Systems sustainability report we share our data and achievement over the reporting year, 2022. In the graphs we show our development over the past 5 years and explain the trend that can be observed.

### **Scope 1, 2 and 3 explained and reported as appropriate**

#### SCOPE 1, 2 AND 3

Proper reporting on the impact of a product, its production method, its life cycle and the end of life stage can only be done when all aspects (scopes) of all elements that are required to come to a proper calculation are included.

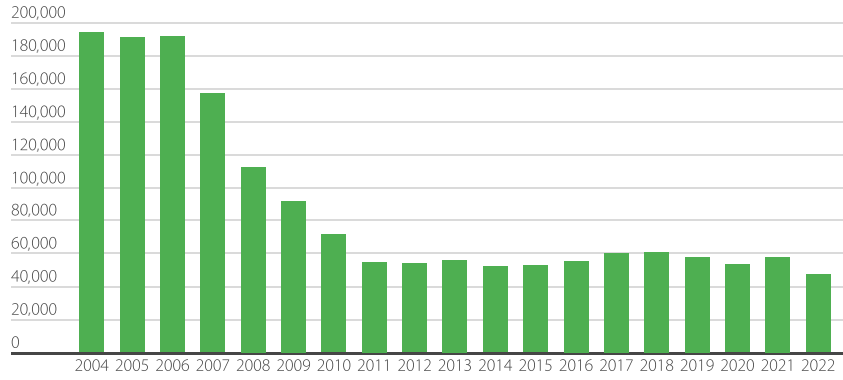
The terminology is derived from the Greenhouse Gas Protocol, which is the world's most widely-used greenhouse gas accounting standard. The three scopes are a way of categorizing the different kinds of emissions a company creates in its own operations as well as in its wider value chain (involving both suppliers and customers).



#### SCOPE 1 AND SCOPE 2

Essentially scope 1 and scope 2 are those emissions that are owned or controlled by the company, whereas scope 3 emissions are a consequence of the activities of the company but occur from the sources not owned or controlled by it. Scope 1 covers emissions that an organization owns or controls directly, for example running machinery to make products, driving vehicles, or just heating buildings and powering computers. Scope 2 covers emissions that a company causes indirectly when looking at the type of energy that is purchased. Installing solar panels or sourcing renewable energy would cut a company's scope 2 emissions. For Flooring Systems our scope 1 and 2 emissions have developed as follows:

SCOPE 1 AND 2 (TONS)



These data exclude our building and construction adhesives activities.

SCOPE 3

In determining scope 3 emissions all emission that are not produced by the company itself, and are not the result of activities from assets owned or controlled by the company, but are all those that the company is indirectly responsible for, up and down the value chain, for example products or raw materials we buy from suppliers.

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

- Scope 1 emissions: 45,406 tons
- Scope 2 emissions: 1,043 tons
- Upstream scope 3 emissions: 283,461 tons
- Downstream scope 3 emissions: 235,400 tons

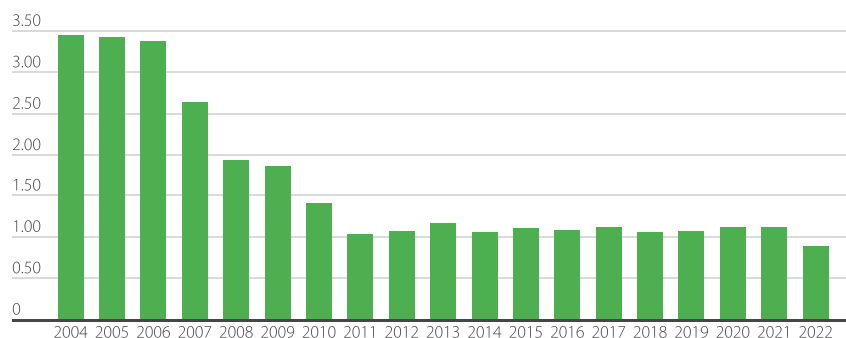
These data exclude our building and construction adhesives activities.

Since the start of our creating better environments program in 2004, we reduced the carbon emissions from our production by 73%. Raw materials contribute in 2022 for 94% of the upstream scope 3 emissions.

The CO<sub>2</sub> emissions on our manufacturing sites are 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 0.88 in 2022, a reduction of 74%. 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 'Sustainability 2025' program which was started last year we implemented ambitious goals for further improvement.

Our overall impact is as follows:

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



These data exclude our building and construction adhesives activities.



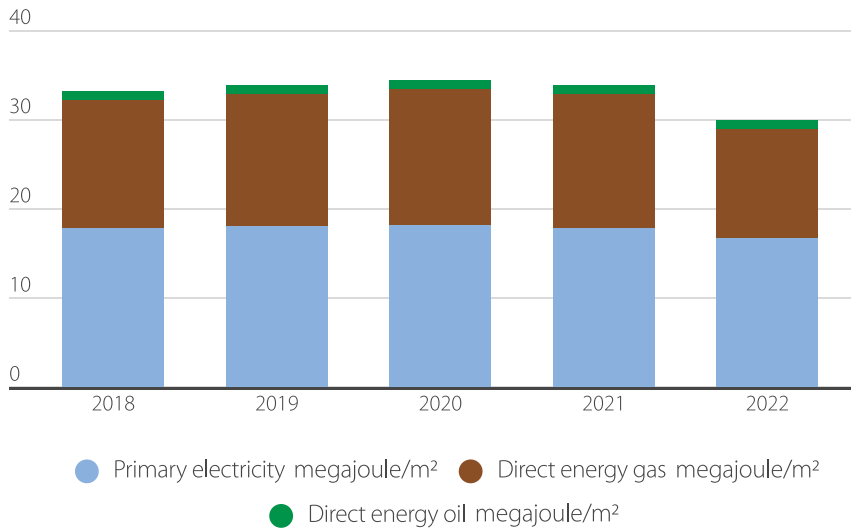
**Reporting on energy, waste and water usage**

**ENERGY, WATER, WASTE, REUSE, RECYCLING AND TAKE BACK**

In this chapter, we cover our 2022 results on all of the key indicators for our operations. We also show the results that have been achieved in our endeavor to create a circular loop by taking back post-consumer waste material.

**ENERGY INDEX**

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, these are the sources which transform their energy into electricity as well as the direct energy use (natural gas). Oil (diesel), remains a small and limited energy source, one that will be phased out in our 'Sustainability 2025' program.



These data exclude our building and construction adhesives activities.

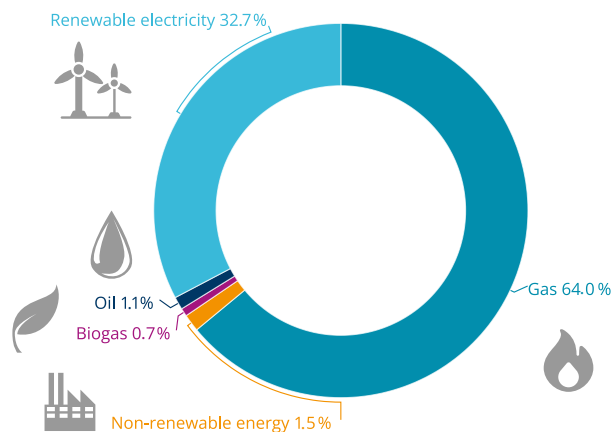
In 2022, we showed a good result considering our gradual shift in sales from consumer towards more and heavier commercial products, which in turn requires more energy to produce. Considering the combined weight throughput in our manufacturing sites, we managed to reduce our average energy consumption by implementing better monitoring systems and energy saving programs in particular in our Dutch linoleum and vinyl operations.

## ENERGY CONSUMPTION IN 2022

At Flooring Systems 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, and includes our building and construction adhesives activities. For 2022 we see a shift moving away from fossil fuels and increasing our renewable energy consumption, this is due to engineering improvements in both our vinyl and linoleum operations. Our use of bio gas continues to be successful and has the intend to be extended. Within the 'Sustainability 2025' program it is our goal to eliminate the use of diesel in our operations:

- Renewable electricity 341,722 gigajoule
- Non-renewable electricity 15,782 gigajoule
- Gas 673,367 gigajoule
- Biogas 7,759 gigajoule
- Diesel 11,442 gigajoule

Overall, our 2022 performance is a good result considering our gradual shift in sales from consumer towards more and heavier commercial products. On average, commercial products have a higher square meter weight, which in turn requires more energy to produce. Our building and construction adhesive results are included in the addition.

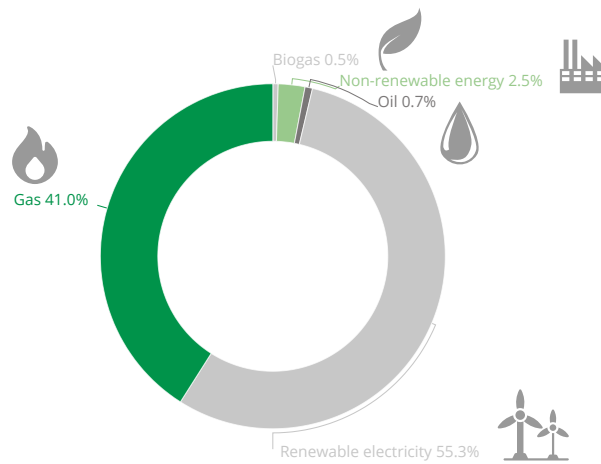


## REMARKABLE REDUCTION IN GAS USAGE

It is uncommon for energy data to vary from one year to the other, unless something unusual happens. In 2022, through innovation and engineering we managed to reduce a remarkable amount of just under 100,000 gigajoule in natural gas usage by replacing filter systems in Coevorden (NL) and various strategic energy projects in Assendelft (NL).

## PRIMARY ENERGY MIX 2022

We have an ongoing strategy of obtaining electricity from renewable sources. In 2022, we continued our pilot using biogas in one of our manufacturing sites, Bamber Bridge. This trial with green gas is functioning according to our expectation. In 2022, renewables increased to 55.3% of all the energy consumed in our manufacturing facilities, this is a remarkable improvement more because at the same time we decreased our use of natural gas to 41%. 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 believe that limiting environmental impact at source is far better than offsetting, which is a policy we do not use for any of our manufacturing sites. Data in our primary energy mix include our building and construction adhesives activities.



## 95% RENEWABLE ELECTRICITY

Already for some years Flooring Systems can boast the use of more than 95% renewable electricity for all of its production sites in Europe. This choice has been made already in the early years of 2010 when this opportunity arose. This also means that all of our calculations and improvements in recent years for the greenhouse gases protocol are the result of real innovations and alternative energy use and come without the help of this early achievement by shifting to green electricity, as the base year of 2019 already included our transition data. It is expected that within our 'Sustainability 2025' program we will achieve 100% of green electricity usage.

## WATER

The floor covering categories as we produce them are non-water intensive. As a matter of fact water is not used in the production of any of our linoleum and vinyl products. In our textile products the use of water is found in the scope 3 environment of the yarn production, where dyeing the yarn is concerned. Also in the production of needlefelt and Flotex water is used in the process, however in limited quantities.

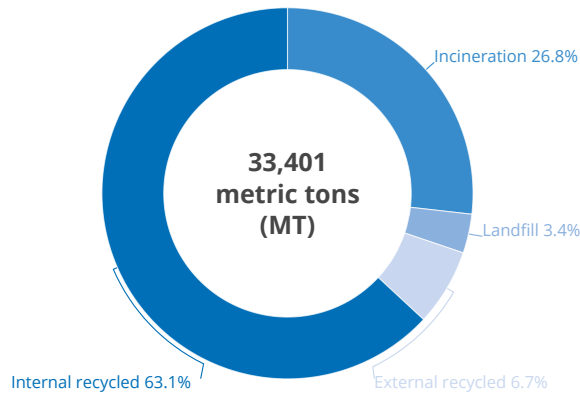
In our building and construction adhesive activities, which have been added in this report, water is part of the composition of the product and as such falls into scope 1.



## 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 2022, the total amount of waste we created was almost equal to that of 2021, the mix however changed in favor of the amount of recycled product and a decrease in landfill which also is the result of actions taken in our 'Sustainability 2025' program.

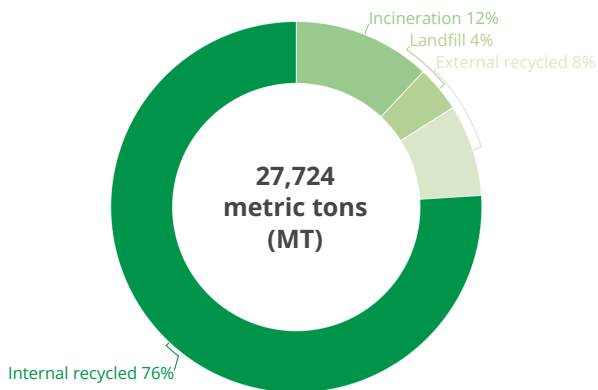
TOTAL WASTE IN 2022



These data exclude our building and construction adhesives activities.

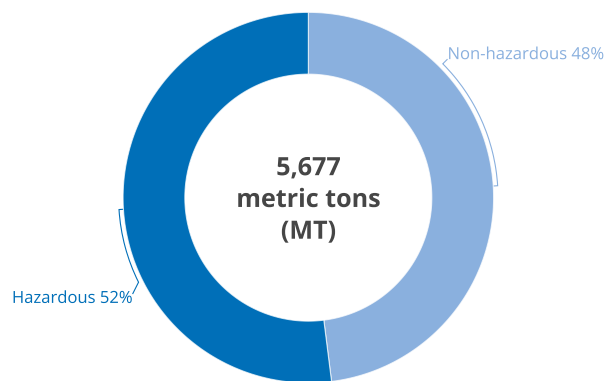
When looking at product waste we see a decrease in the overall amount of waste and a similar movement in that internal recycling is slightly increased, landfill is reduced and the amount of thermal recycled, (incinerated) product shows a slight increase.

PRODUCT WASTE IN 2022



These data exclude our building and construction adhesives activities.

NON-PRODUCT WASTE IN 2022



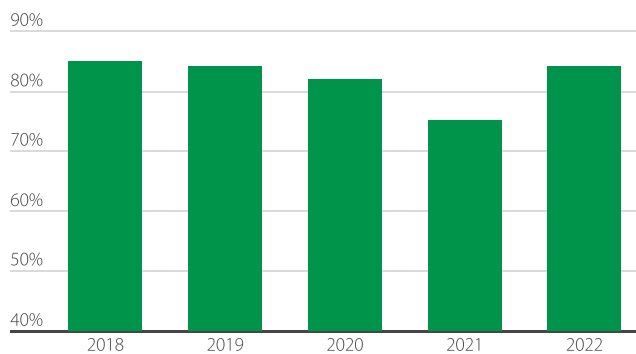
These data exclude our building and construction adhesives activities.

## REUSE AND RECYCLING

Flooring Systems 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 Flooring Systems operations site or external recyclers.

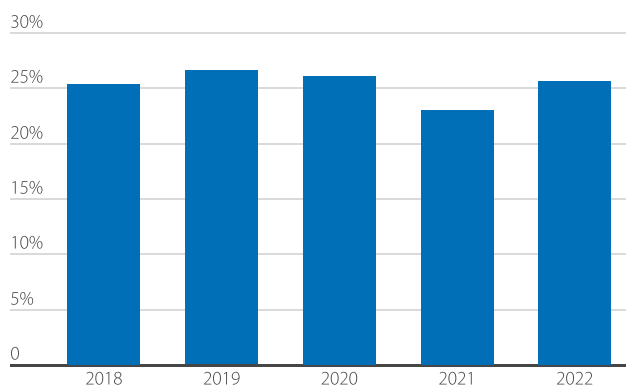
In 2022, because of further investments in our operation locations for our three product categories, our amount of reused and recycled product increased and is showing a positive upward trend. Our building and construction adhesive portfolio does not contain any recycled content by the nature of the products. Therefore all of the data below count as data for the overall Flooring Systems division.

### % REUSED AND RECYCLED PRODUCT WASTE



The total amount of product waste reused and recycled in 2022 increased to above 25%, which also is an important goal of our 'Sustainability 2025' program and a target within the EU Green Deal policy for 2030. This is positive in every aspect. Linoleum has long contained the most reused and recycled material of all resilient floor coverings. In 2022, our focus on reusing and recycling waste led to very good results by again increasing the recycle content in our textile and vinyl product ranges and by broadening our installation cut-off take back schemes. Recycled content in our products is a key focus point in our sustainability strategy.

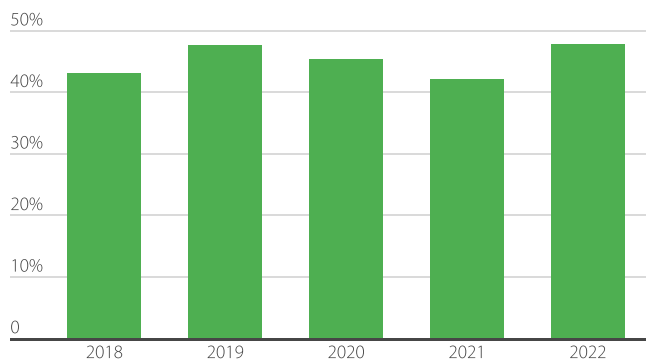
### % RECYCLED AND REUSE IN FLOORING SYSTEMS PRODUCTS



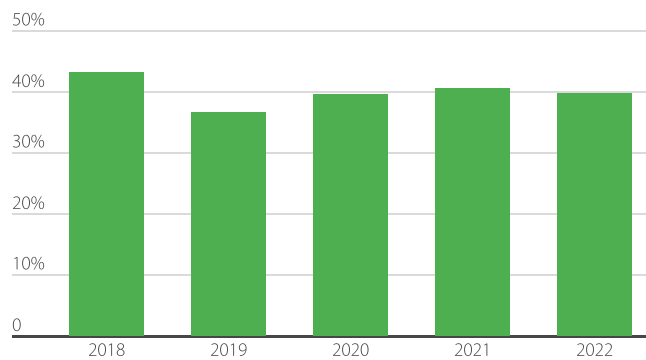
## REUSED AND RECYCLED MATERIAL PER PRODUCT LINE

When looking at the amount of reused and recycled material in our individual product lines we see very good results compared to 2021 in almost all categories. Our carpet category remained on par, however vinyl, linoleum and entrance flooring all showed double digit growth averages when it comes to the amount of reused and recycled content.

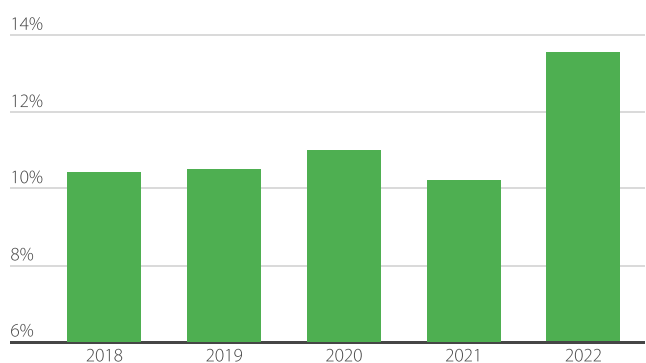
LINOLEUM – % RECYCLED AND REUSED



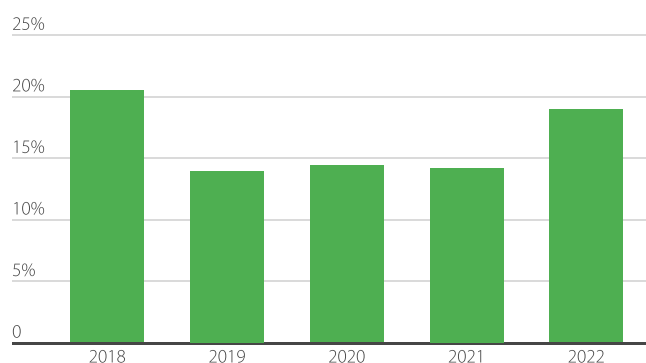
CARPET – % RECYCLED AND REUSED



VINYL – % RECYCLED AND REUSED



ENTRANCE FLOORING SYSTEMS – % RECYCLED AND REUSED



## TAKE-BACK: BACK TO THE FLOOR

Flooring Systems already for a number of years has been working with taking back cut-off and installation rest-material for both its vinyl and linoleum portfolio. In addition to this, Flooring Systems 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 challenge has always lain in creating a sustainable logistics infrastructure to make the collection of postconsumer waste economically viable. We have schemes for post-consumer waste recycling for linoleum, carpet and vinyl in the Netherlands, Finland, Denmark, Norway, Sweden, France, the UK and the USA.



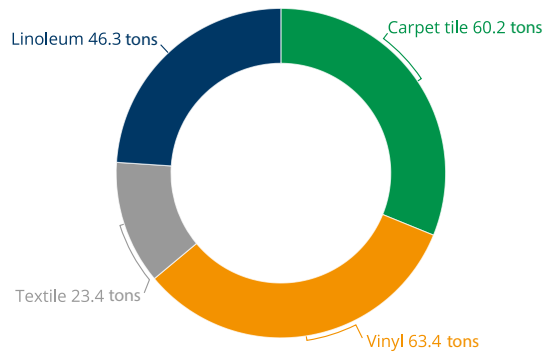
## POST-INDUSTRIAL AND POSTCONSUMER WASTE

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. One of our collections, Sphera homogenous vinyl even reduces its manufacturing waste to near zero which in the end should be the ultimate goal for any manufacturing process.

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. We are doing this for our linoleum, vinyl and textile product portfolio, produced in Western Europe. Collected and recycled post-consumer waste in 2022:

- 30 tons of linoleum and 32 tons of vinyl in the Netherlands
- 60 tons of vinyl in Sweden and 210 tons of vinyl in France
- 10 tons of linoleum, 15 tons of vinyl and 2 tons of carpet tiles in the UK
- 5 tons of carpet tiles in the USA

### TOTAL TAKEBACK 2022



### Raw materials usage and supply chain

#### RAW MATERIALS: TRANSPARENCY

The quality and safety of our products at the start is determined by 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. The exact origin of our raw materials and chemicals used can be found in our Environment Product Declarations (EPD) which we have available for all of our products.

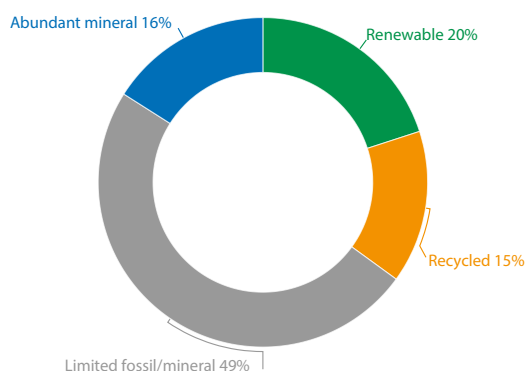
At Flooring Systems we have adapted our raw material policy not only limited to forbidden the use of category 1a and 1b regulated chemical substances, but also category 2 (suspicious chemical substances). We oblige our suppliers to comply with our requirements related to our raw material policy. One 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 TVOC emissions. Also easy to install loose lay solutions diminish the effect on the environment. Flooring Systems is committed to pursue this policy in the years to come to always guarantee safe products to our customers.

## RAW MATERIALS USAGE

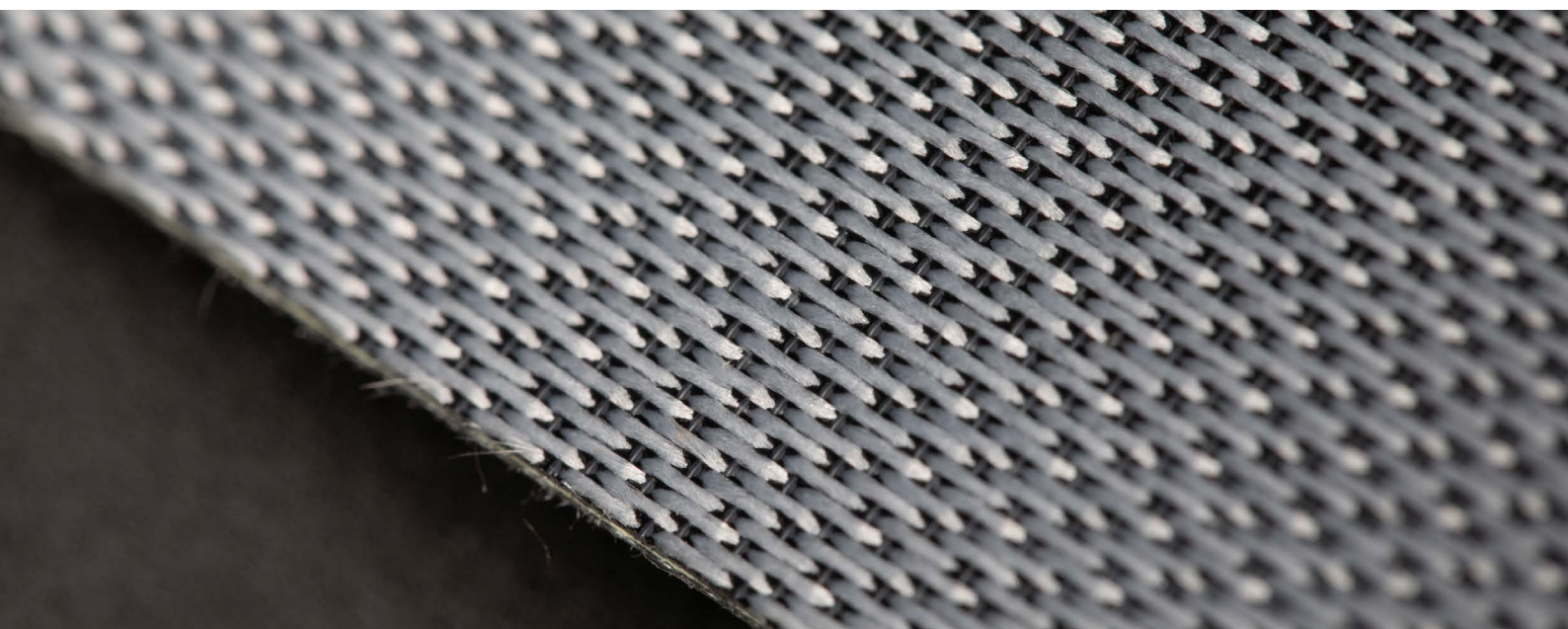
Raw materials, in particular when they are scarce, ultimately run a risk of depletion. Using natural resources which renew themselves and that can be harvested as annual crops are the preferred solution by far. Our linoleum portfolio is made from natural resources and has a CO<sub>2</sub> neutral footprint when its cradle to gate stages are concerned.

The breakdown of all our raw materials used for our products in 2022 is shown below. Growth in the volume of vinyl products against that of our linoleum portfolio led to minor changes (1% ratio) in the balance between the different sources of raw material extraction.

### BREAKDOWN OF RAW MATERIALS USED IN 2022



These data exclude our building and construction adhesives activities.



### 2022 ACHIEVEMENTS AND HIGHLIGHTS

Going round, moving forward perhaps does not sound very spectacular. Fact is that most improvements, or breakthroughs that lead to innovative solutions of new products are the result of laborious work carried out over years of research. When it comes to sustainability, we also very much depend on the day to day focus on our processes. Our needlefelt operation in Reims proves to be a good example.

#### NEEDLEFELT

In 2022, we have managed to reduce water consumption by over 25% as the printing process and recipes have been optimized. This in turn allowed us to reduce the gas consumption as the oven temperature was lowered for the latex curing. Next to this, the insulation of all the piping on the printing and impregnation lines helped to reduce thermal losses and we manage to re-use the heat generated by the air compressors.

#### LINOLEUM: CRADLE TO CRADLE AND BEYOND

One of the highlights in our linoleum operations was the controlled take-back and reprocessing of 12,000 m<sup>2</sup> linoleum from the Technical University in Delft (The Netherlands). Having installed this linoleum floor over two decades ago, we organized the take back of the old material before installing new floor covering in the building. The stripping, sorting and cleaning of the floor was carefully managed and the whole batch was reprocessed in our Linoleum factory. Out of this particular floor we managed to create a new batch of raw material from which a new linoleum floor could be produced. Rest material that did not end-up in the new floor found its way into the cement industry. The new linoleum floor that was produced was installed in the Heineken experience center in Amsterdam, and as such became a fully operational heavy duty flooring solution in an upmarket, highly frequented location. The controlled recycling process from one building site to a next building site helped us creating the cradle to cradle process for linoleum, something we now will apply and offer to all our European sales markets.

#### ENTRANCE FLOORING FROM REGENERATED YARN

Pet bottles and old fishing nets, when recycled can be used for a number of products, one of them is nylon yarn. The new Coral world series, a new collection of entrance flooring that came to the market at the start of 2022, features these recycled Econyle yarn, and thus gives products a second life. Coral entrance flooring in their own right already perform in their function: keeping dirt and moist out of the building, thereby reducing the amount of cleaning. Using recycled yarn makes the product range all the more sustainable.

#### ENERGY SAVINGS AND CO<sub>2</sub> REDUCTION

By far the biggest achievement when it comes to making progress towards our 'Sustainability 2025' goal, was made in our vinyl and linoleum operations in Coevorden and Assendelft, both in the Netherlands. The projects in both locations have an interesting spin off, because the technology to reduce natural gas (energy) and thus lower CO<sub>2</sub>, will be used in our factories in Krommenie (NL), Giubiasco (CH) and Bamber Bridge (UK).

In Coevorden a thermal filtering system for years took care that emissions stayed within the legal limits, at the same time thermal energy was reused for heating the factory and offices. The system, that functioned well for years, however became obsolete, due to new technologies and shifting parameters. In all this will reduce the amount of CO<sub>2</sub> emissions from the site by 60% in 2025 (measured against 2019). For 2022, the reduction of CO<sub>2</sub> of the Coevorden site came to minus 40%.



Coevorden, new filter technology installation.

In Assendelft, the 'energy team' considered all of the various options to reduce energy (natural gas and electricity) in our linoleum operations processes. Again, the project came across savings in the so-called after-burner technologies, which with lower temperatures are no longer required. In all we saved 50,000 m<sup>3</sup> gas consumption for this factory.

In the Coral plant, over 100 solar panels have been installed in 2022, as part of a scheme to become fully reliable on natural electricity.

The results of the efforts of the various manufacturing locations can be seen when looking at our energy use overview as shown in our 'facts & figures' section.

## TOPSHIELD PRO

Our new linoleum finish 'Topshield pro', introduced in 2021, performed well in this reporting year. The new top layer proves to be superior to anything applied before. A linoleum which is lasting longer, requiring less maintenance, staying free of scratches, prolonging the time between cradle and cradle.

# SOCIAL

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 sustainability and the circular economy, we also pledge to make a positive contribution to the quality of people's lives by providing a high quality, comfortable interior environment. One that provides a feeling of well-being where at the same time hygiene and safety are guaranteed.

- Social reporting
- Employee safety
- Employee health and well being
- Company culture
- Employee training
- Responsible sourcing and SA8000

# SOCIAL



## Employee safety reporting

### EMPLOYEE SAFETY

Our Sustainability Policy document also is concerned with our labor force and those working in our entire supply chain. Safety to us is of paramount importance. Besides investing in resources, improving work systems and upgrading equipment we in particular focus on the behavioral aspects within our working environment, as we recognize that it is in the daily routine where accidents often happen.

We stimulate our workers to report and inform about what they see as hazardous situations, however minor they might be. We use so-called 'stop-and go' cards whenever someone is in doubt whether a procedure or workflow is correct. We train and coach all of our employees both in the factory as well as in the office environment.

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 Flooring Systems sites world wide every month for individual feedback and measure on a yearly bases.

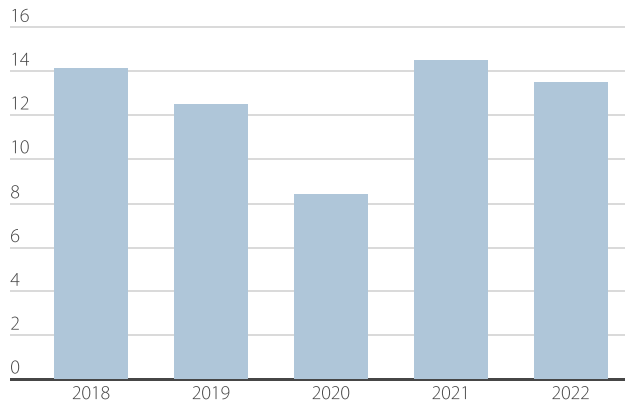
### GENDER

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.



## LOST TIME INJURY FREQUENCY RATE

The lost time injury frequency rate (LTIFR), is defined as the 'lost time accidents times 1 million, divided by total amount of hours worked'. This indicator is reported to senior management every month in order to improve our overall safety performance. The growing safety awareness of our workforce is key to lowering the total accident frequency rate. In 2022, after having lifted the most stringent Covid-19 limitations again, showed a downward trend in the total number of accidents which was also because of more intense safety management carried out by the team leaders in our operations.



These data exclude our building and construction adhesives activities.



## Employee health and well-being

### HEALTH AND WELL BEING

Taking care of the physical and emotional well-being of our employees, is as important as employee safety. 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; in 2022 all of our production sites in the Netherlands became 'smoke free', a measure taken for the entire premises.
- Sponsored fitness activities (indoors and outdoors) and facilitating sports activities by sponsoring Flooring Systems running, biking and tennis clubs.
- Promoting healthy food, served in our company restaurants
- 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 PROCEDURE

At Flooring Systems we are running an independent, 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.

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.

## Company culture

### COMPANY CULTURE

Forbo Group culture is embedded in the Forbo Way to Win (FWW) values program. This covers the entire organization and has been developed by the senior management of the two divisions, Flooring Systems and Movement Systems, and the Forbo Group. 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, daring and caring. 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.

With our Global reach and connection to local communities, we are proud to experience the longstanding relationship with our employees many of whom are part of our organization any where in the world for many years. We cherish the diversity of our organization and the inclusive culture we pursue.

### MEMBERSHIPS

In 2022, Flooring Systems was a member of the following associations:

- European Resilient Flooring Manufacturers' Institute (ERFMI)
- European Floor Covering Association (EuFCA)
- 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)

### ENGAGEMENT WITH THE COMMUNITY

We believe it is good business practice to build meaningful, long-term relationships with local Communities, similar to those with our employees, customers and suppliers. This is, and always has been, the founding principle of our commitment to social equity. Through proactive engagement, we locally support local economies and contribute to the social fabric of the local society.

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. All our production units register and monitor complaints received from stakeholders in relation to that unit's environmental performance. This forms an integral part of their respective environmental management systems.





## CHARITY

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. Other donations are in small financial contributions and sponsorships. This we do for our own employees whenever they participate in charity events or those of our employees' children, who we support in their sponsored charity activities for local or national causes.

## CONTINUATION OF THE 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. For over ten years now we are running 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. In 2022, we continued our involvement in the region in making sure that our project was kept in good working condition.



## Employee training and education

### TRAINING AND EDUCATION

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. 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. In 2022, we continued the use of e-learning modules which is an important element in our employee training. We also continued our Webinar learning sessions for our external audience.

In 2022, the following training programs have been conducted over the year:

- Leadership principles course for management
- Sales skill matrices have been part of our annual performance reviews
- Flooring Systems' STEP strategy execution process, to help and facilitate teams using this methodology
- SA8000 module in order to improve knowledge on this standard
- A sustainability training, supporting our 'Sustainability 2025' program as well as introducing our 'Going Round, Moving Forward' campaign on circularity
- Product knowledge programs for new collections, features and USP's
- Code of Conduct full program e-learning as part of the introduction program as well as a refresher course for all our employee
- A cyber security program for new employees and a number of follow-up modules for all employees in the target group
- Two new 'respect at work' program to all managers and HR employees world-wide.

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.

## Procurement

### 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. About 10 years ago, 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 according to legislation and steps made in implementing our sustainability strategy under the 'Sustainability 2025' program.

## SUSTAINABLE PROCUREMENT

In our endeavor to innovate and improve on our environmental footprint we also cooperate with our world-wide supplier network – as well as new suppliers – in order to find raw materials that provide an alternative for conventional virgin raw materials. Replacements with raw materials that are fully recycled or contain a percentage of recycled content are tested in our laboratories to find suitable use in our product recipes. Added to this is our quest for bio-based raw materials, for other products than our current linoleum portfolio as they promote the circularity of our portfolio.

## SOCIAL AND ENVIRONMENTAL RISK PROFILE

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 2022 audits 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. During 2022, all main suppliers we assessed either complied directly with our requirements, or did so after taking corrective actions.

## SA8000 STANDARD ON SOCIAL ACCOUNTABILITY

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 procurement department, who meet suppliers regularly to discuss related issues. As part of our supplier requirements program, our procurement managers 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.

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.

# GOVERNANCE

At Forbo, the concept of corporate governance 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 ('DCG') and the relevant publications of SIX Swiss Exchange.

Code of conduct  
Risk management  
Description of the organization

# GOVERNANCE

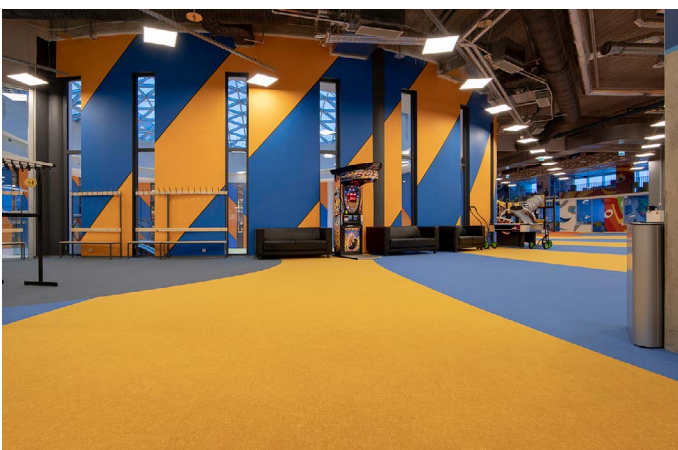


## Business principles

### THE FORBO CODE OF CONDUCT

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. The Forbo code of conduct is based on the guiding principles of the 'Forbo Way to Win'. 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.

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, competition law, and anti-corruption principles, and through the uncompromising implementation of the risk management process. All were conducted via mandatory e-learning modules for our senior management, middle management and responsible employees. The Forbo Code of Conduct is also part of our induction program for new employees, and can be found and downloaded on our corporate website.



## Risk management

### RISK MANAGEMENT & RISK ASSESSMENT

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. 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)

The 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.

Please read more about risk management and all that is associated with it in the Groups' Annual Financial Report.

### 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.



## Description of our organization

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, Americas and Asia/Pacific.

Business units and sales regions work together in a matrix structure. They are supported by a number of central functions such as finance, IT, global procurement, logistics, quality, HR and business development.

### CREATE, MAKE, SELL

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.

### ORGANIZATION OF SUSTAINABILITY WITHIN FLOORING SYSTEMS

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 Vice President business development. Sustainability is one of the policies that translates in our areas of action program, and is a mandatory category for our business units and sales regions, to check the progress of the 'Sustainability 2025' program on a monthly basis. 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. The newly introduced operational concept of 'Areas of Action' (AoA) for (among others) sustainability measures progress on the sustainability year plan secured for the business units, the sales regions and the central functions.

# UNITED NATIONS GLOBAL COMPACT PRINCIPLES

## Human rights

**Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights.

**Principle 2:** Businesses should make sure that they are not complicit in human rights abuses.

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## Labor

**Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

**Principle 4:** Businesses should support the elimination of all forms of forced and compulsory labor.

**Principle 5:** Businesses should support the effective abolition of child labor.

**Principle 6:** Businesses should support the elimination of discrimination in respect of employment and occupation.

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## Environment

**Principle 7:** Businesses should support a precautionary approach to environmental challenges.

**Principle 8:** Businesses should undertake initiatives to promote greater environmental responsibility.

**Principle 9:** Businesses should encourage the development and diffusion of environmentally friendly technologies.

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## Anti-corruption

**Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.