

# SUSTAINABILITY REPORT 2018 FORBO FLOORING SYSTEMS

Creating better environments is more than just a tag-line, it is our program to change our current organization into a circular platform for both products and processes. It is our goal that customers experience healthy buildings with our floor coverings on which they work, live, interact, relax, heal, learn and play. We do so by creating an organization together with our suppliers where we respect human values for our workers and those working in our worldwide supply chain, whereby we subscribe to the Sustainable Development Goals of the United Nations.

# ABOUT THIS REPORT

**The 2018 report is our seventh consecutive Sustainability Report and, as previously, is based on GRI's sustainability reporting framework. As a result, it provides a transparent overview of our environmental, 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, our sustainability program 'creating better environments' and as a support to help us improve our general sustainability performance in every detail.**

This report provides an overview of Forbo Flooring Systems' performance for the 2018 calendar year, in line with our financial reporting cycle. The 2018 financial report is available at [www.forbo.com/en/investors](http://www.forbo.com/en/investors). Please feel free to let us know your thoughts about our 2018 Sustainability Report; you can do so by contacting us at [contact@forbo.com](mailto:contact@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 12 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. Unless otherwise stated, Forbo Flooring Systems' building & construction adhesives activity, including its three manufacturing sites, does not form part of this report.

# MESSAGE FROM JEAN-MICHEL WINS

## EXECUTIVE VICE PRESIDENT FORBO FLOORING SYSTEMS

**In 2018, we have made important steps in addressing the Forbo Flooring Systems' sustainability strategy considering the issues where we identify the touch points with our customers and stakeholders. Our corporate social and environmental responsibility is an important part of our strategy.**

The ratification of the Paris Climate Agreement and the United Nations Sustainable Development Goals, both are seen as important messages which urge governments and companies to act and to take their responsibility. At Flooring Systems we have always been very prudent and careful when considering the selection of our raw materials as well as the production method and energy sources we are using in our production processes. Chemical safety is assured by complying to both the REACH standard as well making sure we are not using products that are part of the regulatory list. Also we aim at making a positive contribution to the concepts of healthy buildings by offering products that are low on TVOC's, supply comfort and wellbeing and prevent allergies or fine dust building up in the indoor environment. In addition we continue our efforts in monitoring labor standards in our supply chain which is SA8000 certified by an independent auditor.

Our Sustainability Policy is still based on the original sustainability principle of the United Nations; "...meeting the needs of the present without compromising the ability of future generations to meet their own needs". To further reduce Flooring Systems' environmental impact we are transforming our business model from a linear to a circular economy model as a life cycle system that takes the re-usability of products and raw materials and the restoring capacity of natural resources as a starting point. We do this by making sure that our products keep their added value over their long life time and by looking into ways to re-use and recycle our products after their useful life. In a number of markets we have started with pilots for collection and recycling. Our innovation processes not only focus on green design, but also aim at making our products last longer, easier to install, maintain and remove. Our focus on loose lay products such as the Modul'up series of sheet vinyl from our French operation site in Reims is a good

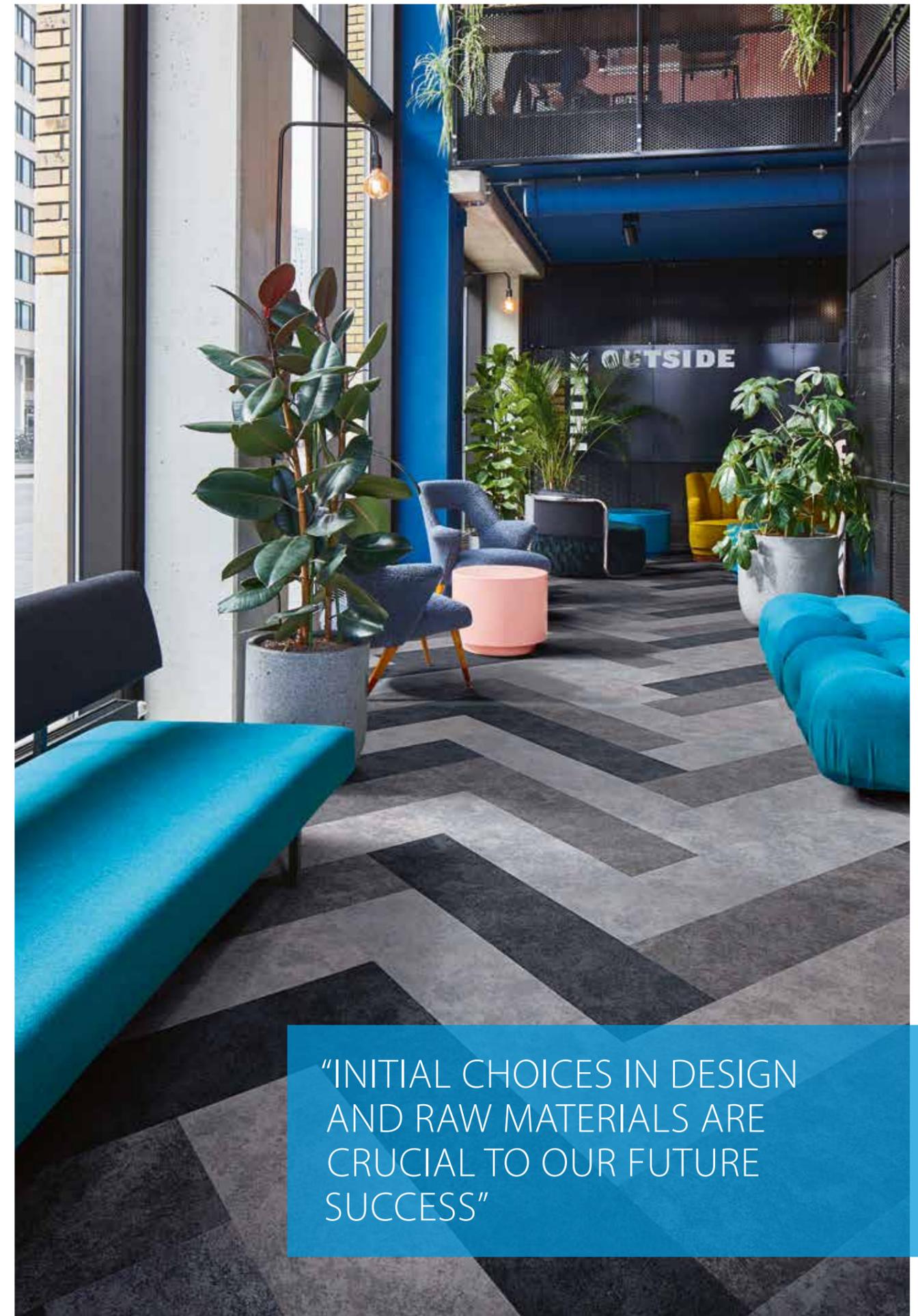
example of this as are the various loose lay LVT products that we manufacture in Coevorden in the Netherlands. Linoleum remains our sustainable champion, not only we are using natural materials that result in a CO<sub>2</sub> neutral product (cradle to gate) but also by innovating the product category and making it a true alternative to all other resilient floors available in the market. Finally we are an active participant in various local and international (European) activities where solutions to the end of use phase of floor covering product is concerned through the various international associations we are part of.

During 2018, we have been engaging in various internal working groups to assess our position and opportunities with respect to the components of circular economy models. In addition, we have reviewed our product portfolio and processes to see in which we can reduce energy, make further use of renewable energy sources and to see in which way we can make further improvements in the sustainable profile of our products as we believe that the initial choices in design and raw materials are crucial to our future success. For 2019, our field work will be expanded in a dialogue with our customers with the aim to come to a sustainability program with an initial horizon for 2025.

The future of our products and services and the sustained environmental character of our operations are something we take care of keeping 'creating better environments' in mind.

With this report we are pleased to inform you of our progress and activities in 2018.

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



"INITIAL CHOICES IN DESIGN  
AND RAW MATERIALS ARE  
CRUCIAL TO OUR FUTURE  
SUCCESS"

# OUR BUSINESS ENVIRONMENT

## MARKET DEVELOPMENTS AND TRENDS

**Over the year 2018, we launched innovative and top-quality collections in all of our 3 product groups linoleum, vinyl and textiles. We focused on our global key account activities in the private commercial segment such as shop fittings, office facilities, railway companies as well as hotels and restaurants, where we have strengthened our position.**

We also expanded our distribution structure for the various segments as well as for development in growth markets. On the operational side we invested in a range of technological improvements designed to increase both efficiency and capacity. Overall, with our attractive product portfolio, we have further strengthened our position as a leading supplier in the commercial segment.

### STRONG AND SOLID SALES DEVELOPMENT

The European markets showed a very mixed trend. Our important core markets France and the Netherlands recorded moderate growth, whereas Germany reported growing demand and registered strong growth, also due to the changed market situation. Southern and eastern Europe posted a gratifying trend, as did Switzerland, which successfully adapted its business model to the changed market structure. Apart from Norway, demand in northern Europe declined slightly on the whole. Great Britain reported a downturn in sales owing to the uncertainties surrounding Brexit and the recession in the construction industry.

The Americas region posted a significant increase in sales primarily due to the recovery in the main market, the United States, and in Canada. The upswing was driven by successful projects with increasing modular flooring solutions plus rising demand in the healthcare and nursing care segments. Brazil and other, smaller markets in South America turned in a positive performance after a rather restrained development in previous years.

The Asia/Pacific region, Japan, South Korea, and Turkey made an above-average contribution to the sales upturn. Various growth initiatives drove this gratifying trend, and it was supported by the completion of some major projects in the healthcare, education, office facilities and airports segments. China and Australia also contributed to this big jump in in growth despite weakening demand.

The building and construction adhesives activity overall reported solid and strong growth in sales, due in particular to Russia – mainly driven by the expansion of the do-it-yourself business – and the Netherlands, where demand for liquid floors increased. Based on a streamlining of the offer, Germany reported a slight downturn in sales amid fierce market competition.

### NEW AND INNOVATIVE COLLECTIONS IN ALL PRODUCT GROUPS

In the year under review, we introduced attractive and top-quality collections in all product groups that achieved significant sales success regionally and globally. Many of these new developments are geared to the private commercial segment and combine trendy designs, varied color palettes plus new production technologies and new effects employing sustainable materials.

For our new Flotex collection – our washable high-tech textile flooring – the successful French designer Philippe Starck created a range of design variations that show their full effect in large-scale installations. We enlarged the carpet tile range with a collection for the



office facilities segment; the design is inspired by clouds, and the carpet tiles use an innovative yarn in order to achieve this effect.

For the newest collection of luxury vinyl tiles, we combined the arrangement of several material layers with a special printing technology to generate unique gradients and a wide range of surface designs. The use of refurbished rest material from our homogeneous vinyl production has given rise to a very trendy, colorful, and new collection of this product line.

The new global broadloom linoleum collection 'Marmoleum marbled' has been prepared for launch in early 2019 in five updated design types and varied color shades and thicknesses, and features sound absorbing properties.

### ABOVE-AVERAGE GROWTH IN VINYL FLOOR COVERINGS

Our application-specific and versatile vinyl flooring collections all made their presence felt, posting solid growth rates. The homogeneous vinyl flooring product line, introduced the previous year, has become firmly established, and the luxury vinyl tiles still report growth rates well into the double-digit range. Acoustic floor coverings, primarily for social housing, have sold well, as have antistatic high-tech floorings for special applications in industry and hospitals. Linoleum floor coverings reported solid growth in all different styles and formats. The textile floor coverings – carpet tiles, Flotex, and needlefelt floor coverings – made a larger contribution to sales growth due to increased private sector activities. Sales of the entrance matting systems remained at about the previous year's level.

### EFFICIENCY-ENHANCING AND SUSTAINABLE INVESTMENTS

In addition to the numerous activities to enrich our product portfolio, we invested in a range of improvements at our production sites. Of particular note were the oven presses with reduced energy consumption, the modernization of the heating plants, exhaust air systems and filter installations, plus additional silo's and tanks for more efficient processing of incoming raw materials.

For our luxury vinyl tiles, we installed a new digital printer facility with UV ink technology that creates additional capacity and at the same time offers options for customized design flexibility. We installed a new needle punch machine for the production of carpet tiles that reduces yarn consumption and also enables the manufacture of novel carpet tiles. A large press for the production of Flotex was replaced that recycles waste material into granules in order to produce new backings for modular floor coverings.

The ongoing expansion into growth markets took many forms. In China we increased the density of our distributor network in large cities by gaining new distribution partners; in South Korea we expanded our presence in the pharmaceutical segment; in Poland and Russia we began covering new areas outside Warsaw and within Moscow and we now service the Ukraine and Kazakhstan markets directly.

# ORGANIZATIONAL PROFILE

**Forbo Flooring Systems has 16 production facilities in seven countries, plus distribution companies in 26 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.**

## MARKET SECTORS

Flooring Systems produces floor coverings for the commercial professional (contract) 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 portfolio of both natural linoleum and vinyl resilient floors, as well as a collection of textile floor coverings such as carpet tiles and flocked flooring. All products have multiple formats and are available in rolls (sheet) and tiles and planks (modular). All products in our portfolio are easy to install, environmentally sound and available as glue down, loose lay or click varieties.

The collections of Flooring System serve a wide range of market sectors and applications, from institutional buildings such as government buildings, health care institutions, education facilities and other publicly used utility buildings, to private commercial buildings such as commercial offices, shops, hotels restaurants and leisure facilities. Special floors are produced for the industry and IT market segment as well as for transport vehicles such as coaches, railway carriages and ships. For all these market sectors Flooring Systems also manufactures a comprehensive range of textile and ridged aluminum entrance flooring systems making sure that dirt and moisture stay outside resulting in a safe and hygienic indoor environment.

## MANUFACTURING

All our 12 floor covering manufacturing sites in the United Kingdom, the Netherlands, Russia, France, and Switzerland that are considered most material in terms of their environmental impact are ISO-9001 and ISO-14001 certified.



## MARMOLEUM AN ENVIRONMENTAL EVERGREEN, CO<sub>2</sub> NEUTRAL (CRADLE TO GATE)

Flooring Systems leads the world linoleum floor coverings market with its Marmoleum brand and market share of about 70%. Flooring Systems is universally recognized as the linoleum innovator when it comes to 'creating' the category, providing a versatile floor covering solution in all types of flooring applications, in every market sector worldwide.

Linoleum was invented and produced for the first time in the century before last. At that time Linoleum floor coverings were a real innovation in an era where wood, natural stone and carpets were the common floor covering. Linoleum was immediately valued as a hygienic and durable solution for health care institutions, schools and public buildings. In itself it is remarkable that in today's world - where the health care and education environment both have changed so much - it still considers linoleum floor coverings as its preferred solution.

Today Forbo's linoleum floors, presented under the brand name Marmoleum, come with a bonus to the environment. Every square meter of linoleum sheet produced results in a negative contribution in CO<sub>2</sub> emissions of 4 grams per square meter. The natural raw materials (plants, trees and annual crops) out of which Forbo's linoleum is made, during their lifetime take-up and absorb such an amount of CO<sub>2</sub> that this exceeds the CO<sub>2</sub> emissions during the production process. It results in a CO<sub>2</sub> neutral product (cradle to gate). As such linoleum is making a valuable contribution to the desired outcome of the Paris Climate Agreement.

A popular linoleum solution is Desktop 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 2018, our furniture linoleum sales exceeded all previous years and gained the interest of large international furniture manufacturers and distributors with well-known brands in the industry. Also here, as is the case for our Marmoleum brand, furniture linoleum can claim a 'cradle to gate' CO<sub>2</sub> neutral status.

"Linoleum a sustainable evergreen for this generation and the next ones to follow"

Flooring Systems linoleum is produced in the Netherlands and Scotland. 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 new collection in our linoleum offer is **Impressa**. This is a linoleum variety of - and alternative for - the popular luxury vinyl tile product. In the case of Impressa a plank shaped floor covering with a linoleum core is finished with a woodprint and wear layer giving an identical look and feel as the vinyl tile, only this time the product content is made of environmentally friendly linoleum.

## VINYL COLLECTIONS INNOVATIVE, PHTHALATE FREE AND LOW TVOC'S

Our vinyl collections in 2018, again showed a positive development when it comes to the assessment of its environmental profile. Sphera our homogeneous sheet collections experienced double digit growth figures. The production process of Sphera allowed us to reuse rest material from which we created a modern and colourful collection under the brand name FabScrap. We also extended our Modul'up collections, a range of heterogeneous sheet collections produced in our Reims (FR) facilities that can be installed loose laid and that are very successful. Flooring Systems also has a range of loose lay Allura luxury vinyl tiles which prove to be very popular as floor covering in the office and leisure sectors.

For Flooring Systems it is common practice to re-use its waste material in the backing of our products. Our vinyl products are phthalate free, this is also the case for the



recycled content that is part of these products. Overall, we can claim that we have the largest phthalate-free vinyl portfolio in the industry.

Our manufacturing sites are modern, run on over 95% green electricity, and are close to achieving zero waste. In nearly all cases, we use waste material to make the backing of our products. Where we cannot use this waste as a backing material (as with our vinyl portfolio), we direct waste streams to our textile operations, where they are used to make a tile backing material for our flocked flooring portfolio. Another way we reduce waste is through precision and accuracy. Our increasingly popular Allura luxury vinyl tiles are produced from a 4-meter-wide calandered sheet that is cut to size by ultrasonic knives. This reduces waste offcuts to an absolute minimum and so reduces overall waste streams.

Our 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** and **Novilux** for residential applications in vinyl flooring.

### OUR TEXTILE OFFER, HIGH IN RECYCLED CONTENT, EFFECTIVE FOR A HEALTHY INDOOR CLIMATE

Whether in product-type or application, Flooring Systems offers a wide choice of textile floor coverings. For office and leisure applications, our Tessera and Westbond carpet tile collections are presented in a broad range of colors and designs, that allow for mixing and matching. Through this, we can offer customers an extensive choice without having to manage a very large number of individual collections that risk going out of fashion and so going to waste. We use yarns that are upcycled from old fishing nets for a number of our collections. On average we can claim the highest percentage of recycled content by weight going up to as high as 56%.

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 advice 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 with a little detergent and water and dried without effort, 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.

Complementing our textile product offer we have a number of Needlefelt collections which are used in the office and education segment. A special fine-fiber needlefelt is offered for the leisure market.

Finally, our textile floor covering offer includes a range of high quality tufted and rigid strip aluminum 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 produce ridged entrance floors that combine aluminum or bamboo scraper bars with buffed or unbuffed prime rubber and polyamide fiber composite wiper strips. We also offer an easy to install click system that are easy to install and fitted on-site. The click tiles are strong, durable and an alternative for all those areas where ridged aluminum strip entrance floors are problematic to install.

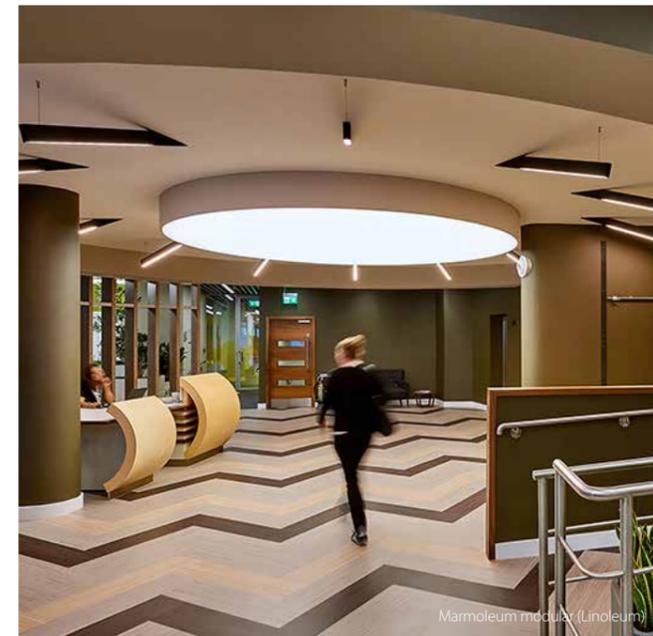
Our textile floor covering brands are: **Tessera** for tufted carpet tiles and planks, **Westbond** for fusion-bonded carpet tiles, **Flotex** for flocked flooring in sheet, tile or plank formats, **Forte** for needlefelt, **Coral** for textile entrance floors, and **Nuway** for ridged entrance floors.



Allura Flex luxury vinyl tile



Tessera and Westbond carpet tiles



Marmoleum modular (Linoleum)



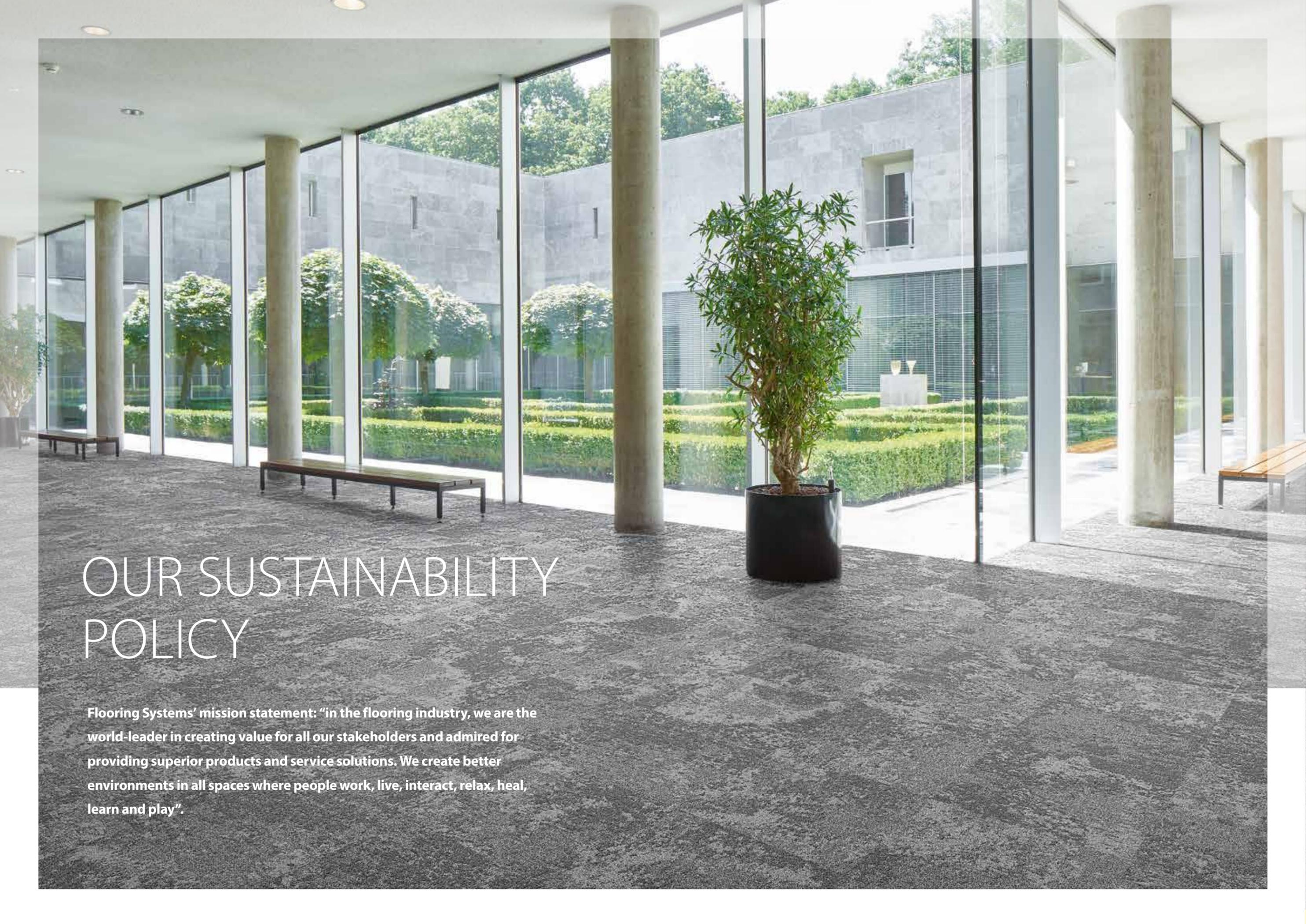
Fabscrap homogeneous vinyl



Flotex HD tiles & planks (Flocked Flooring)



Nuway and Coral entrance flooring systems



# OUR SUSTAINABILITY POLICY

**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 manufacturing sustainable floor covering solutions. In fact, our legacy goes back 150 years, with linoleum the first product to be made by the companies that over time established the Forbo brand.

Linoleum the start of our collection of resilient floor covering products, is a product made from renewable natural raw materials that are fully biodegradable and environmentally friendly, we have effectively been at the forefront of sustainability since the 1860s. 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 a sustainable 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 it confirms stewardship towards the environment based on the UN declaration of 1986. 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.
- **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 the 2018 Flooring Systems' Sustainability Policy document 'people', 'planet' and 'profit' have been aligned with the recently published 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, increasing the use of recycled material, develop recycling possibilities at end of life (EOL) and resource optimization.
2. Contribute to **healthier buildings** by creating a better indoor environments by designing products and collections with a focus on human health and improvement of the quality of the indoor environment.
3. Supporting **social equity** and fair treatment of employees in the supply chain through SA8000.

"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"



## WHERE FLOORING SYSTEMS MAKES A DIFFERENCE.

*Both the UN Sustainable Development Goals (SDG) and the Paris Climate Agreement are instrumental to the actions that national governments worldwide - and the EU in particular - in order to meet the agreed levels of CO<sub>2</sub> reduction by 2020, 2030 and 2050.*

*As far as the SDG are concerned, Forbo as a manufacturer can influence a number of the 17 articles mentions. Our focus in particular is on: Clean water and Sanitation (Goals no. 6), here we support the communities in Bangla-Desh and India. Affordable Clean Energy (Goal no. 7), here we use green electricity for over 95% of our operations facilities and deliver energy by solar power. Responsible production and consumption (Goal no. 12), Forbo follows the 4 R principle of reduce, reuse, recycle and renew which covers our production and use stages. And Climate Action (Goal no. 13), where we transform our linear models into those supporting the circular economy and by reducing the CO<sub>2</sub> emissions of our products and processes.*

*As far as the Paris Climate Agreement is concerned the buzz word used is 'the circular*

*economy'. Contrary to what is commonly understood, the concept of circularity is not limited to recycling or reuse of products, circularity already starts in the design phase of a product. What raw materials are being used, in what way is a product designed to use less raw materials, in what way is the product produced with how much energy? And with what type of energy? How much value is created by constructing the product? How much value is destroyed during the use phase of the product, can the product be repaired? How can the product be maintained to extend its use phase? All this is part of a circular economy model. In using our 4 R principles of reducing, reusing, recycling and renewing. When this is done right, product emissions go down, healthier products are being created and lower CO<sub>2</sub> rates are being achieved.*

*Both Linoleum which is a CO<sub>2</sub> neutral product looking at its cradle to gate stages as well as Flotex which is a hygienic washable textile with the durability of 4 times that of an ordinary carpet tile are good examples of our efforts.*

## STAKEHOLDER ENGAGEMENT AND IDENTIFIED MATERIAL ASPECTS

Effective and ongoing stakeholder engagement is the foundation of both 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. Likewise, 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.

The materiality assessment was conducted for the first time in 2015. For 2018, we focused on the three pillars of our sustainability document that covers the material aspects of the circular economy, healthy buildings and social equity. For the 2018 report, we conducted the assessment with the same internal working group composed of senior people from relevant disciplines with knowledge of, and access to, data on stakeholder priorities.

### THE WORKGROUP:

- 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 2018:

### 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

- HSE 'compliance plus' for our operations
- Reducing the environmental footprint of our products
- Employing the '4R's: reduce, renewable, reuse, recycle

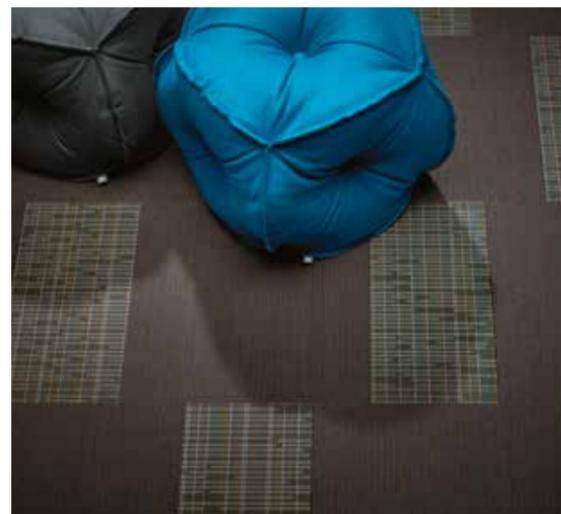
### ORGANIZATIONAL DEVELOPMENT

- Sustainable financial performance
- Learning organization

### SOCIAL RESPONSIBILITY

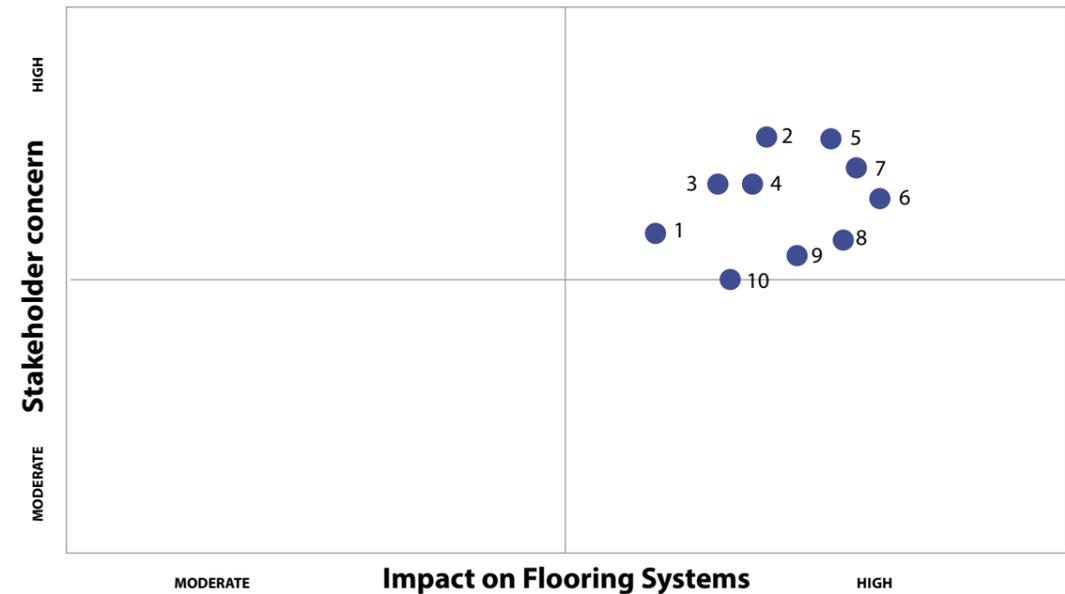
- Product transparency
- Social equity and labor rights (SA8000)
- Working with the community

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. This analysis will help us to focus our sustainability strategy and reporting in the coming year and further in the future. This report includes a significant focus on those material issues as mapped in the upper right quadrant of the materiality matrix.



## MATERIALITY MATRIX

### Materiality analysis Flooring Systems



1. Ensuring that energy use and using renewable energy are a real goal for our company.
2. Creating new products and product concepts that can be reused at their end of life in a circular loop without as less waste as possible.
3. The 4R principle; making sure that a maximum effort is made for all existing products for minimizing waste.
4. Making a contribution where possible on the quality of the indoor environment by reducing TVOC's, fine dust and allergy triggers through our products.
5. Ensuring that products can be cleaned and maintained easy and with minimal effort ensuring maximum performance.
6. Securing that the company is healthy and strong in order to pursue its strategy.
7. Creating a culture in which learning is an inseparable part of our daily activity.
8. Creating a working place that is safe and healthy.
9. Making sure that not only in our factories but in all aspects of our supply chain the basic human rights defined by the United Nations are lived and maintained.
10. Actively participating and engaging with the society where our stakeholders live an work.

## MEMBERSHIPS

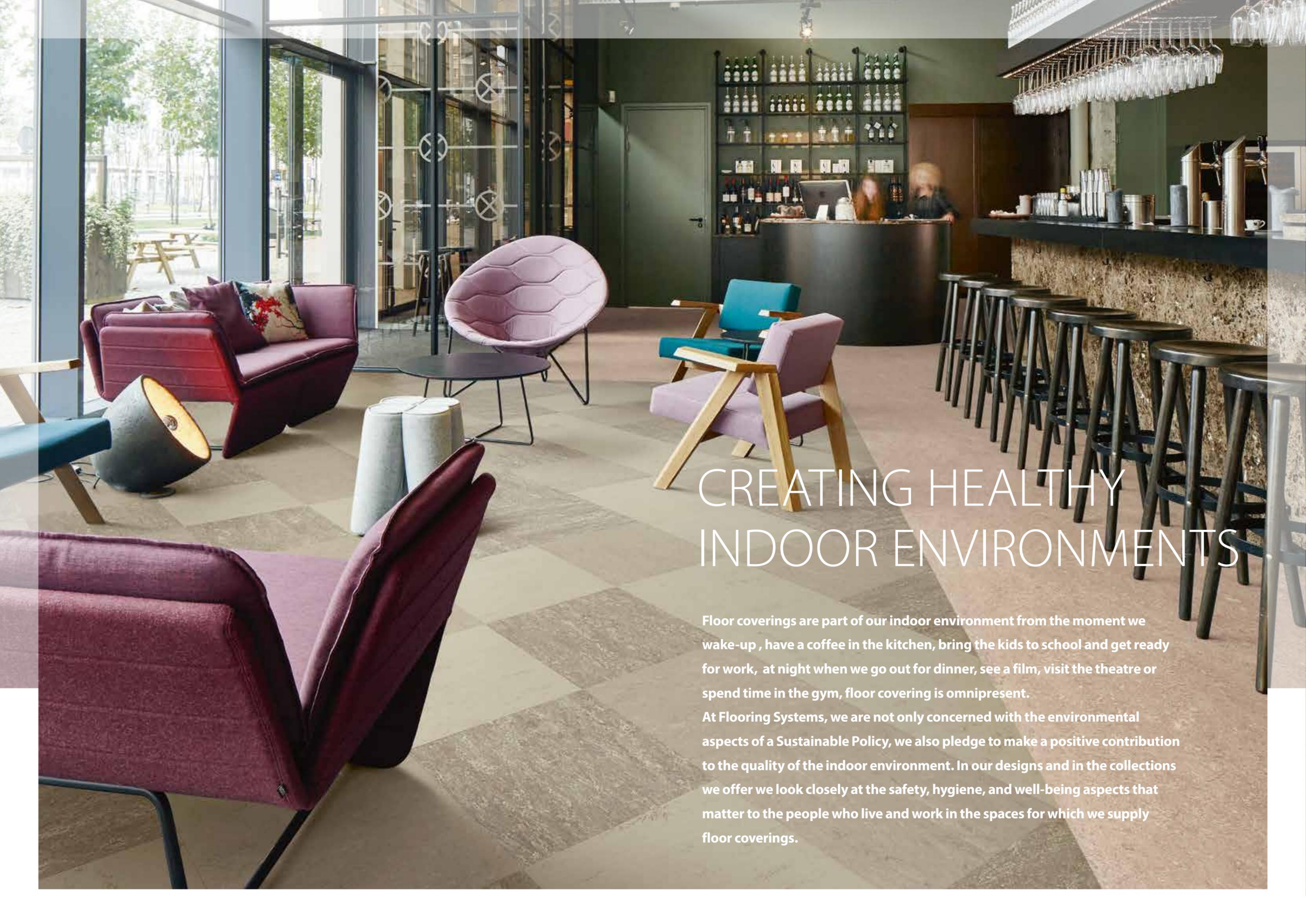
In 2018, Flooring Systems was a member of the following associations:

- European Resilient Flooring Manufacturers' Institute (ERFMI)
- European Carpet and Rug Association (ECRA)
- Multilayer Modular Flooring Association (MMFA)
- Global Reporting Initiative (GRI)
- 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 organization 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 2018: "A responsible attitude toward the management of resources in all dimensions is one of the fundamental values at Forbo. We are committed to protecting the environment and continuously investing in a sustainable future. As a manufacturer and employer conscious of its responsibilities, Forbo sets very high standards for health, safety, the environment, and quality."



# CREATING HEALTHY INDOOR ENVIRONMENTS

Floor coverings are part of our indoor environment from the moment we wake-up , have a coffee in the kitchen, bring the kids to school and get ready for work, at night when we go out for dinner, see a film, visit the theatre or spend time in the gym, floor covering is omnipresent.

At Flooring Systems, we are not only concerned with the environmental aspects of a Sustainable Policy, we also pledge to make a positive contribution to the quality of the indoor environment. In our designs and in the collections we offer we look closely at the safety, hygiene, and well-being aspects that matter to the people who live and work in the spaces for which we supply floor coverings.

## COMFORT AND WELL-BEING

Flooring Systems' tag-line 'creating better environments' is linked to our product portfolio and the way it fulfils its function in the indoor environment. When using a finishing material like floor covering, the type of floor, the way it looks and feels, its performance, as well as functional aspects such as noise reduction, preventing allergies, capturing fine dust and offering an aesthetic pleasing atmosphere, are all part of the performance of a floor in the indoor environment.

To establish the effect of and learn from the experiences resulting from different types of floor coverings in the indoor environment Forbo, together with Senta Sensory Consulting (NL) in 2018, conducted a study on the sensory experience of indoor spaces when they are furnished with a variation of interior materials and attributes. People were asked to experience 5 different room-sets in one single building. All rooms were identical in their architecture, size and access to exterior lighting, but all furnished with a different type of floor coverings and fitting attributes. The tests were done by candidates using neuro research where brain activity of the test persons was measured when experiencing the different environments. The research turned out that floor coverings and the type of floor that is used, have a proportionally higher effect on the way the atmosphere and quality of an interior space is experienced than other finishing's. Floor coverings, whether in a modern concrete design, a warm homely wood decor, a contemporary all-over design, or comfortable carpet tiles in natural colours literally create the bases for the experience of the quality of the indoor

space where indeed the choice of the floor covering has a dominant effect on the way spaces are experienced.

Our research was triggered by the fact that the concept of well-being is today being brought forward in all those locations that hitherto laid more value on the function of the interior rather than the atmosphere that was transmitted. Hospitals, schools, offices today are being equipped with different types of floor coverings - often a combination of textile and resilient floors. Indoor spaces of public buildings have become more diverse and offering a number of functions and activities. A health care environment today often comes with a restaurant, lounges and fitness centers. But also for hospital staff areas, where the relation with the work environment is no longer visible and rather more personal and homely, there often is an alternative flooring solution.

## 5 DIMENSIONS OF A BUILDING

Our design teams have started to work around the concept of a building and the way this experienced by people. We call it: "the five dimensions of a building" where we distinguish different zones that are experienced in all larger and mid-sized commercial and public buildings, they are: 'receiving', 'moving', 'connecting', 'concentrating' and 'recharging'. Each of the five concepts come with specific characteristics that can be translated in design. Reception areas for example should be welcoming, attractive, light, open and re-assuring, making a connection between the inside

and the outside. The 'moving' concept takes a visitor to a location in the building, here orientation, and zoning become important design factors. We have noticed that our designers now work more as a well coordinated team, designing collections comprising different materials and making specific designs for the office or health care environments by creating concepts that are understood by architects and interior designers.

## DESIGNING FOR DEMENTIA ENVIRONMENTS

One area where indoor design has become science is when homes for patients suffering from dementia are concerned. Together with the Stirling University in Glasgow we have been working on interiors using different types of floor coverings that are considered suitable, calming and recognizable designs. Woods are fine as long as the visual pattern is calm, without any clearly visible knots and color contrast. The contrasts between the color of the floor covering and the wall is also measured to be within certain light reflection scales. As such, we have managed to design and select a floor covering collection for dementia environments and are we able to advise on the flooring possibilities for these environments.

## SAFETY AND HYGIENE

There are various ways in which floor coverings can demonstrate safety as a component of the interior design concept. For example by demonstrating the use of safe chemicals and those which have proven low product emissions - at times even close to zero. Also in their design using the right kind of floor covering can help reduce and prevent accidents that would otherwise arise from slipping and tripping. Our Step safety vinyl ranges offer various degrees of slip resistance so that even on ramps and in places where spillages can occur, like professional kitchens, the floor remains slip-proof. Preventing dirt coming into a building is also a safety measure, as slip accidents occur in dry as well as wet conditions. A dry floor that is covered with fine sand and dust can be as treacherous as a wet floor. In health care, manufacturing, and technology, safe floors are essential for operating theaters, clean rooms, and IT environments, for example, with the definition of safe ranging from hygienic or non-slip, to conductive flooring systems that prevent short circuits and equipment malfunctions. In patient rooms and corridors, naturally bacteriostatic linoleum floors prevent the growth of bacteria such as MRSA. This same property also creates floors that are safe to play on in kindergartens and day care centers. Our floor covering products are constructed in such a way that coatings and lacquering systems repel dirt and resist scratches and scuffs. Resilient floors such as linoleum and vinyl are easy to clean through daily or weekly cleaning cycles, either manually or mechanically.

Resilient floors are also advised when allergies such as asthma or other dust mite related allergies are an issue. Our flocked floor covering range is a special product that feels like a carpet but performs like a resilient floor when it comes to cleaning and maintenance. All our floors maintain their appearance for a long time when cared for under a regular cleaning cycle. Such cycles also promote good looking and hygienic environments. We also take care to ensure that the cleaning and maintenance properties of a floor are always the first concern when developing the look and feel of a new product. All our embossing techniques, for example, whether wood, stone, or all-over embossing, are designed to avoid creating dirt-trapping grooves or cavities on the surface. A simple cleaning action with a broom, mop, and detergent should always deliver a clean floor.

## FEELING GOOD

Without being regarded as such a floor can help you feel good in various ways:

**Good acoustics:** Using the right type of floor covering can help control and reduce noise, whether it is contact noise from the floor above, or ambient sound created in the space itself. Textile flooring obviously generates lower noise levels than hard floors, but even our resilient floors can be equipped with sound-dampening qualities in their backing or sublayers.

**Comfort:** Floors offer comfort, they merge with the function of the space in which people live and work. They can be warm underfoot and soft to the touch, like is the case with textiles, or they can be resilient and hard facilitating walking, moving traffic and heavy loads.

**Light:** Floor coverings have the capacity to reflect natural light, making spaces feel open and bright. For each of our collections we supply both NCS colour codes as well as light reflection data so that designers can easily mix and match between colours and materials.

**Design:** This is one of the most important factors when it comes to creating a sense of well-being. Floor designs not only express the image and dynamics of a work or living space, design can also be used to make institutional buildings look and feel more like a home. When an age care facility looks like home, people are more likely to feel well. When a school looks fresh and bright, it inspires learning. Workplaces can be designed for concentration or for conversation, and the type of floor covering design you choose can play a major part in creating these spaces. And, as mentioned earlier, design plays an important role in special environments like those for dementia patients.

**Personal:** Digital printing techniques allow us to make special floor covering productions where design colour and format of the floor can be created according to the customers specifications, this way spaces can be personalized and become a valuable aspect of the indoor environment.



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

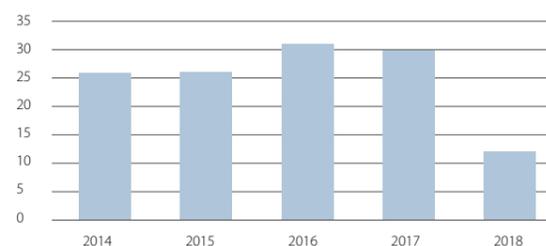
Our Sustainability Policy document, besides looking at the transformation to the circular economy and our contribution to health buildings, also is concerned with our labor force and those working in the supply chain. Safety is paramount. While we invest resources to improve our work systems and upgrade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

The key indicators of our safety performance are:

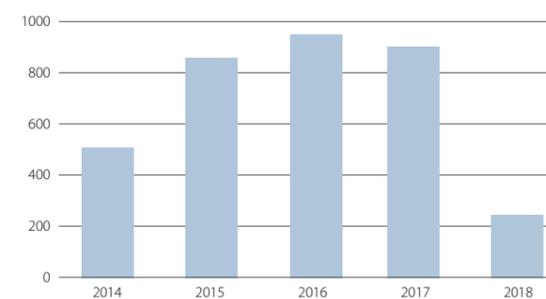
- Lost Time Accidents
- Lost Days Injury
- Total Accident Frequency Rate
- Safety Concerns Frequency Rate

These key performance indicators are measured and reported at all sites every month. The number of Lost Time Accidents decreased in 2018, so did the Lost Days Injury Rate.

LOST TIME ACCIDENTS



LOST DAYS INJURY

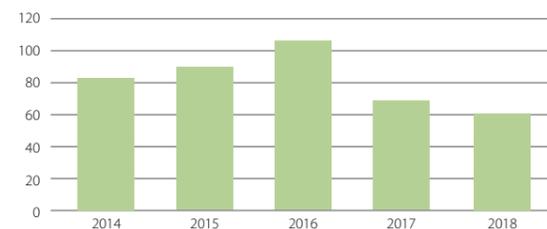


## TOTAL ACCIDENT FREQUENCY RATE

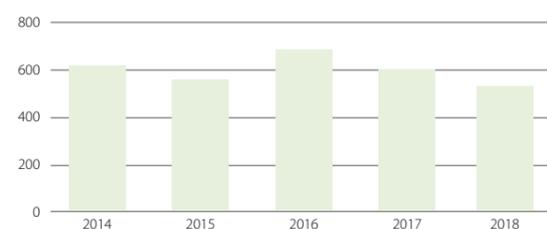
Total accidents are defined as all accidents, including those with no injuries. A safety concern is defined as all reported unsafe situations and near misses. These two indicators are reported to management every month to improve our overall safety performance. The growing safety awareness of our workforce is key to lowering the Total Accident Frequency Rate. Also here, 2018 shows a continuation of a satisfying trend.

Better reporting of safety concerns also supports a safer working environment. 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.

TOTAL ACCIDENT FREQUENCY RATE



SAFETY CONCERN FREQUENCY RATE



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 in which we support a discount at local work-out centers. We also promote and leisure activities and cultural programs for our employees. Activities are also open to join for our pensioners.

## 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 2018.



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 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 components are compliant to the REACH hazardous substances list.

## 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, especially with an aging workforce in our production facilities. 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:

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

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

With the rolling out of the SA8000 accountability standard 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 now 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 with in a timely manner.

## 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. 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
- Environment
- Anti-corruption
- Raw materials
- Social accountability (SA8000 standard)
- Community relations

The requirements related to quality, environment, and responsible sourcing practices were also reviewed and updated.

## SOCIAL ACCOUNTABILITY

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, onsite visits, and supplier assessments that involve audits conducted by our purchasers or QHSE 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. Again like in previous years, at the end of 2018, all our regular and multiple use suppliers have been assessed.

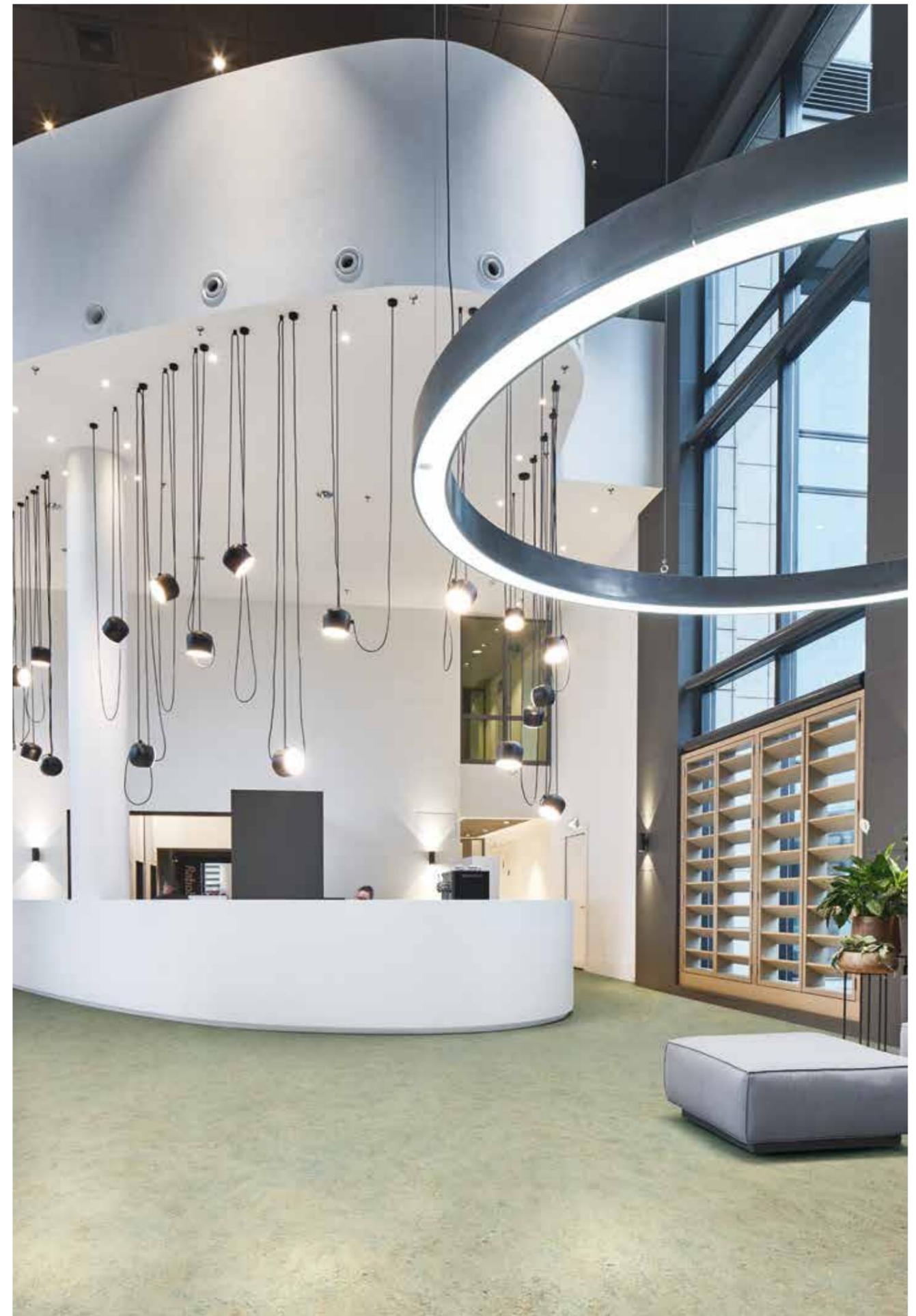
The SA8000® standard is the leading social certification standard for factories and organizations across the globe.

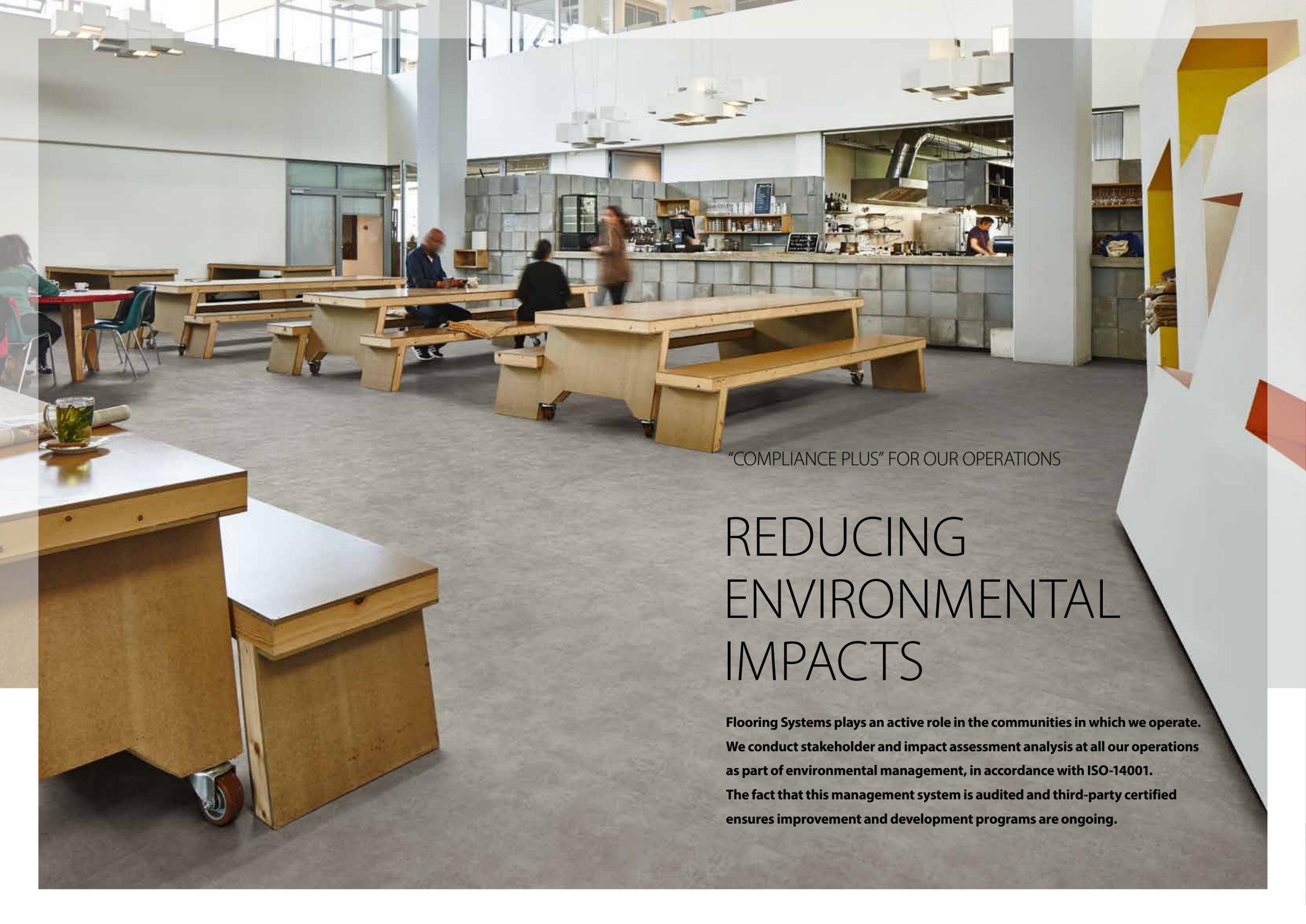
## SUPPLIER ASSESSMENTS AND AUDITS

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 2018, all new raw material, packaging, and product suppliers, plus a selection of existing suppliers, were assessed and/or audited in accordance with the Supplier Requirements program. For 2018, 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. None of the non-conformances identified during these audits involved child labor or forced labor.

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. 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 2018, all the suppliers we assessed either complied directly with our requirements, or did so after taking corrective actions.





"COMPLIANCE PLUS" FOR OUR OPERATIONS

# REDUCING ENVIRONMENTAL IMPACTS

**Flooring Systems plays an active role in the communities in which we operate. We conduct 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 audited and third-party certified ensures improvement and development programs are ongoing.**

## REDUCING ENVIRONMENTAL IMPACTS

A circular economy is defined as a system that takes the re-usability 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 the production phase the circular economy principles are currently covered by the 4 R program. In addition, the circular economy requires focus on the design

(construction) of the product to allow better re-use, repair in the re-use-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.

We use the Life Cycle Assessment (LCA) methodology as our main standard for measuring our environmental performance.



## THE ENVIRONMENTAL IMPACT OF OUR PRODUCTS

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 materials

We have integrated the raw material results. 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 wood-flour, PVC and plasticizer suppliers. Wood-flour 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: EMPLOYING THE 4R's - REDUCE, REUSE, RECYCLE & RENEW

The 4 R 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 four R'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 re-used 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.

## REDUCE

We consider "reduce" to be the most important within the 4 R principle, as reducing our consumption of materials, energy as well as waste has the biggest impact 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 2018 by reducing raw material use and packaging, and increasing the recycled content of our products

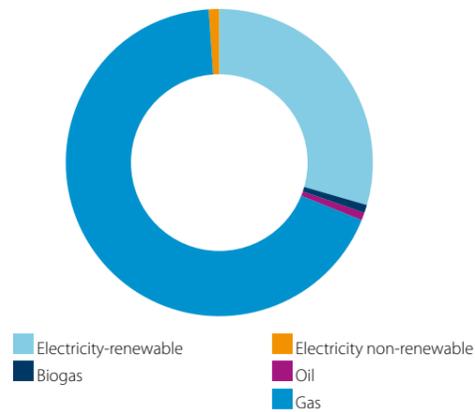
## CIRCULAR ECONOMY: DESIGN AND INNOVATION

We believe that circular economy starts with the creation of a new product and the choice for new innovative approaches in construction and design. 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. Simply put, we recognize that we have to do things differently if we are to achieve our goals of becoming a sustainable and environmental leader.

## ENERGY AND RAW MATERIAL CONSUMPTION

In 2018, we introduced biogas as a renewable energy source as a pilot in our operation site in Bamber Bridge (UK).

ENERGY CONSUMPTION IN 2018



The increase of our product sales resulted in a slight increase in the overall amount of raw materials used in 2018. The relative share of the various raw materials categories remained more or less unchanged compared to 2017.

Renewable (inclusive recycled)	44,308
Non-renewable	127,487
Recycled	13,069
Reused	18,879

Packaging	
Renewable	6,628
Non-renewable	453

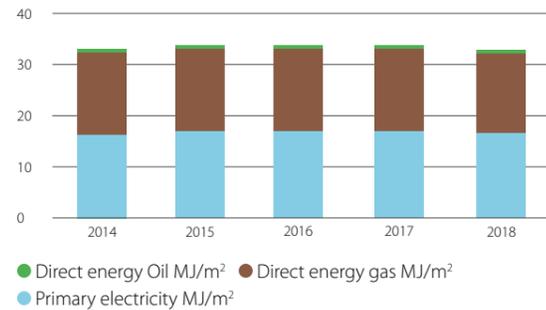
In line with our higher production volumes the energy consumption was a little higher than in 2017. In the mix, the volume of the renewable sustainable energy consumption had a slightly higher share.

Renewable electricity	368,908 (GJ)
Non-renewable electricity	13,731 (GJ)
Gas	818,829 (GJ)
Biogas	8,404 (GJ)
Diesel	9,492 (GJ)

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 covering 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 2014 to 2018. This is actually a good result considering higher volumes sold and 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.

PRIMARY ENERGY INDEX



## REDUCE ENERGY USED 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.

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.

Cross-docking also means that the customer receives (and therefore has to handle) less truck deliveries and further helps the overseas distribution centers to optimize their incoming containers. Instead of shipping small volumes from each manufacturing site, volumes are combined to create full trucks and container loads. By monitoring all the shipping volumes of each plant and comparing prices and shipping lead-times, we can determine the optimum cross-docking warehouse and harbor to use to get the container onto the ship.

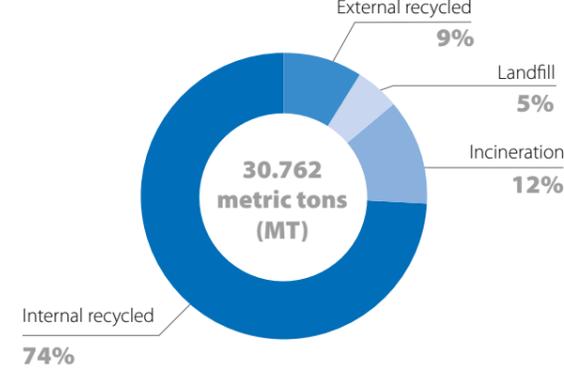
From our main cross-dock center in Assendelft, shipping containers to the ports of Rotterdam or Antwerp by barge instead of truck, is preferred to optimize energy consumption.

## REDUCE MANUFACTURING WASTE

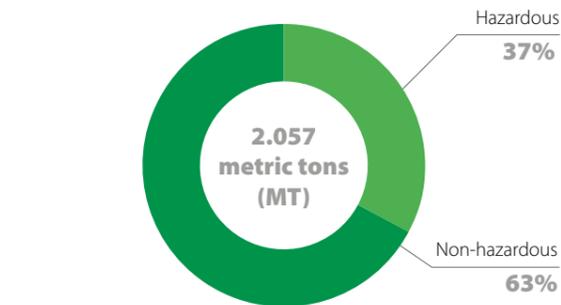
The main target for all our manufacturing sites is to reduce waste by maximizing yields and maximizing the re-use of product. Most sites began doing this more than 10 years ago. In 2018, the total amount of waste we created slightly increased compared to 2017. This was mainly caused by the growth in sales volumes.

If any waste is produced, the strategy is to first maximize re-use and recycling within Flooring Systems and, secondly, to then maximize external recycling. In 2018, we have seen a 9% less reuse of products and the total amount of waste that was incinerated or landfilled raised by 4%. This was mainly caused by starting up a new production line in Coevorden.

PRODUCT WASTE IN 2018



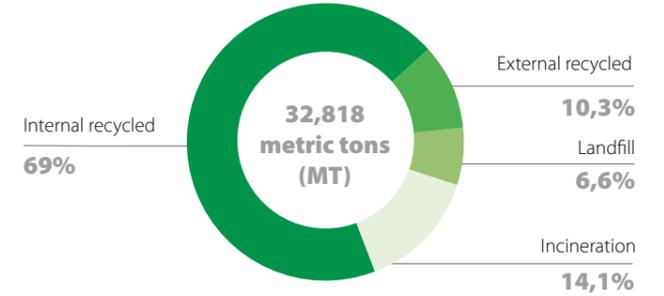
NON-PRODUCT WASTE IN 2018



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.

Forbo Eurocol produces and sells adhesives, primers, and levelling compounds that comply with EMICODE® EC1PLUS – the highest class. Our levelling 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).

TOTAL WASTE IN 2018



## ALTERNATIVE ADHESIVE CONSUMPTION

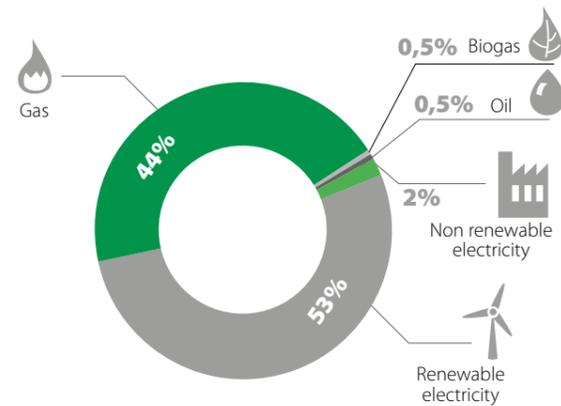
Measured by material weight, the adhesive used to install a floor covering makes a proportionally large contribution to the environmental footprint of one square meter of flooring. In our product portfolio we see a growing share of so called loose lay products that require no other adhesives than a tackifier. Examples are our carpet tile offer, our Allura flex tile and plank offer as well as our Module'up loose lay vinyl sheet offer, all of which will 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 'committed to the health of one' program, we take care that these new types of adhesives, primers, and levelling compounds show low or no emissions into the indoor air of buildings and are in compliance with EMICODE® EC1PLUS.

## RENEWABLE ENERGY

We have an ongoing policy of obtaining electricity from renewable sources. During 2018, we started a pilot using biogas in one of our manufacturing sites, Bamber Bridge. In 2018, renewables accounted for 53% of all the energy consumed in our manufacturing facilities, equal to our 2017 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 2018

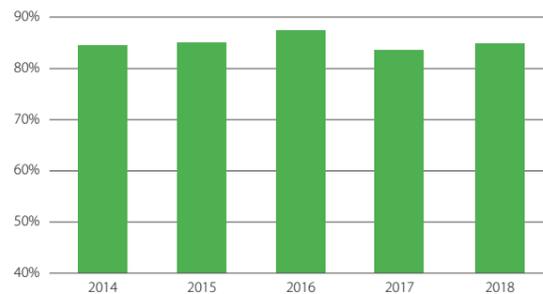


## REUSE AND RECYCLING

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." That third party can be another Forbo operations site or external recyclers.

Having completed all our quick wins by upgrading our state of the art processes, we have in 2018 increasingly found ourselves needing again to take measures to increase product re-use for our newly installed production lines. We have therefore invested in equipment that makes it possible to re-use more product waste.

% REUSED & RECYCLED PRODUCT WASTE



In 2018, the weighted average amount of recycled and reused content in our products was more than 25%. This is positive in every respect. Linoleum has long contained the most reused and recycled material of all resilient floor coverings. In 2018, our focus on reusing and recycling waste led to very good results by again increasing the recycle content in our Allura and Eternal product ranges. We have a broad portfolio of products that contain recycled content.



**Flotex:** The most sustainable floor covering textile in sheet and tile format. Flotex features a recycled and reused content of up to 52%.



**Entrance Flooring Systems:** Coral Welcome, Coral Welcome Brush Blend, and Coral Welcome Brush Pure are available in 100% post-consumer recycled yarn. Coral Duo is available in 75% post-consumer recycled yarn.



**Tessera and Westbond carpet tiles:** Tessera is available in 100% post-consumer recycled yarn and with a backing of 78% recycled and reused content. Westbond tiles have a recycled PVC backing, resulting in the highest % in total weight compared to other carpet tiles.



**Vinyl:** Vinyl is available with up to 48% recycled and reused content in the backing, both in sheet and in tiles and plank formats.



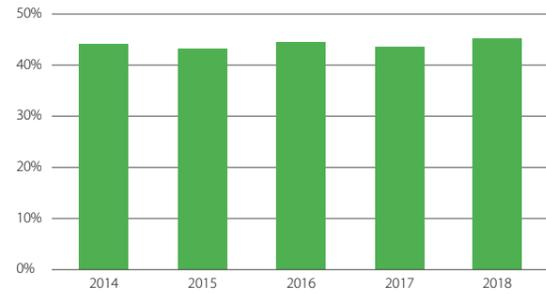
**Luxury Vinyl Tile (LVT):** Allura is available with up to 20% recycled and reused content in the backing.



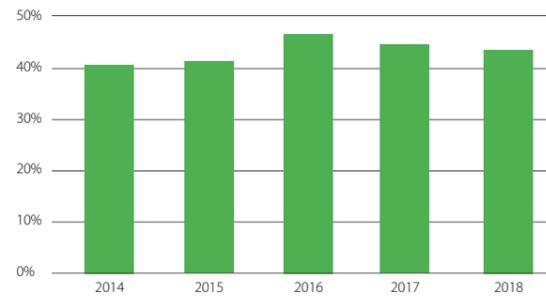
**Linoleum:** Marmoleum, our linoleum brand, contains up to 43% recycled and reused content.

## REUSED AND RECYCLED MATERIAL PER PRODUCT GROUP

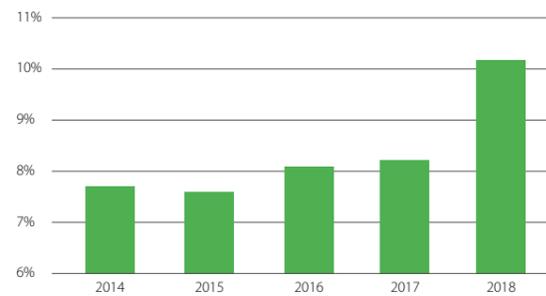
LINOLEUM - % RECYCLED & REUSED



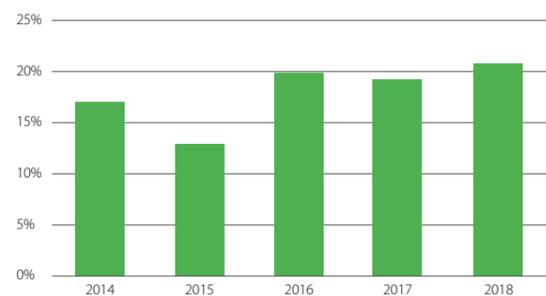
CARPET - % RECYCLED & REUSED



VINYL - % RECYCLED & REUSED



ENTRANCE FLOORING SYSTEMS - % RECYCLED & REUSED



## POST-INSTALLATION WASTE RECYCLING: TAKE-BACK PROGRAMS

Over the last few years, manufacturers have begun to pay significant attention to post-industrial waste. They have invested heavily to reduce, reuse, and recycle waste generated in the manufacturing process.

So far, installation waste was not often considered as a potential resource. Given that we already invest in internal recycling solutions – plus the increasing cost of raw materials – we are now turning our attention to taking back installation waste for reuse.

Installation waste can account for up to 6% of an installation. Moreover, from a recycling perspective, it is as good to process as post-industrial 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-installation waste economically viable.

Flooring Systems is participating in installation-waste take-back programs. We have schemes for vinyl in Sweden, the UK, and France, and for linoleum in the USA, the UK, and the Netherlands.

Collected and recycled installation waste in 2018:

- 25 tons of linoleum in the Netherlands
- 54 tons of vinyl in Sweden
- 4 tons of vinyl in France
- 11 tons of linoleum in the UK
- 2 tons of Carpet in the UK
- 7 tons of vinyl in the UK
- 32 tons of linoleum in the USA

## POST-CONSUMER WASTE

Post-consumer waste is an even greater challenge to recycle. Not collection and transport is a challenge but also selection and processing is very difficult. Flooring Systems is participating in different European programs for enabling recycling of post-consumer vinyl floor coverings. The main program is in the French market. For this program in France we are selling loose-lay acoustic vinyl that uses a tackifier adhesive solution that enables 'clean' post-consumer recycling. This is because using a tackifier means there will be no traces of glue on the back of the tiles should you remove them in the future.



# ORGANIZATIONAL DEVELOPMENT

## SUSTAINABLE FINANCIAL PERFORMANCE

Maintaining a strong financial position is central to our objective of being a sustainable organization. This is something that is enhanced by continuous improvement and innovation in the design, service, performance, scope, and quality of our offer to all our 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 laws 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.

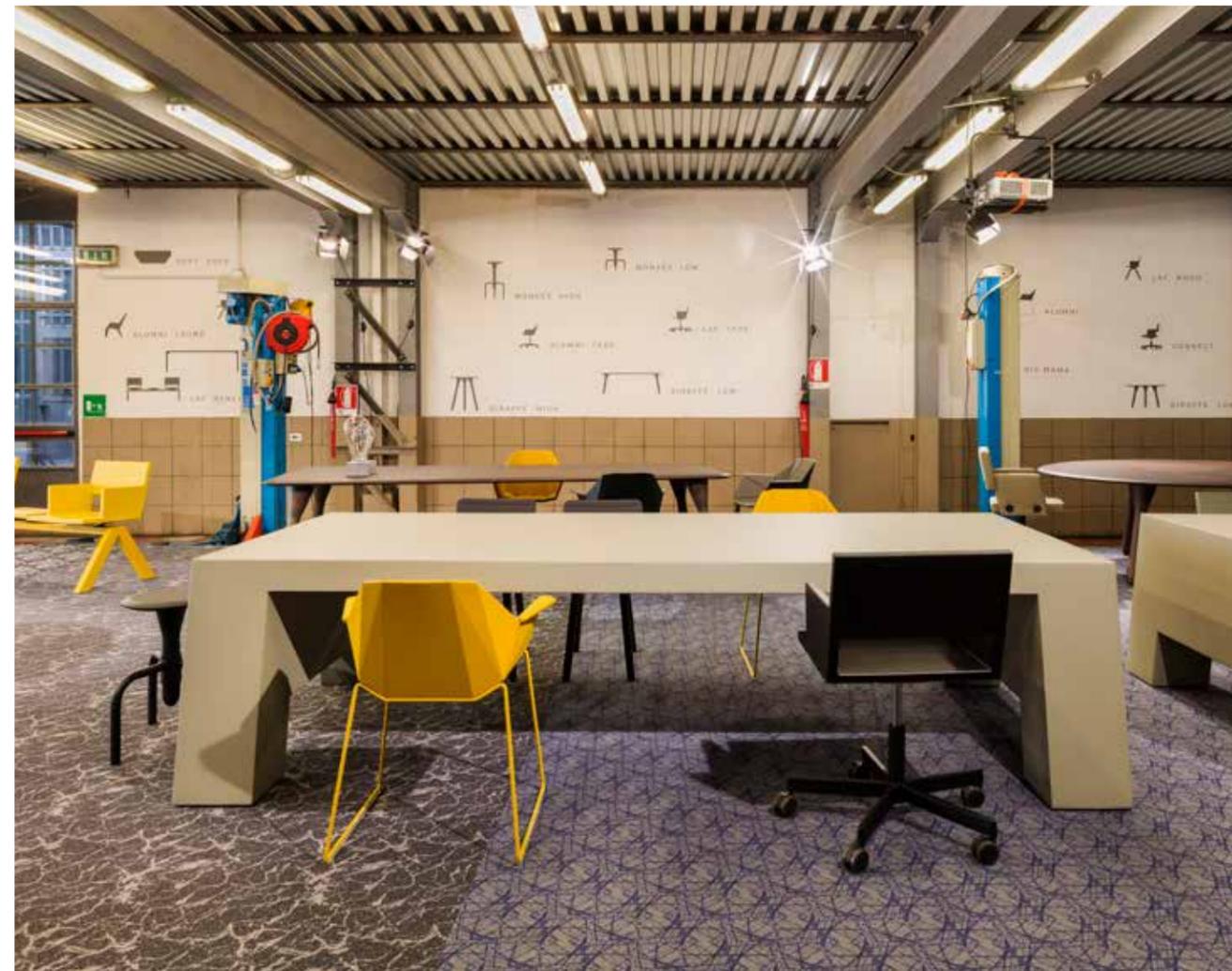
## RISK AND OPPORTUNITIES DUE TO CLIMATE CHANGE

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 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. Flooring Systems' environmental footprint reduction program has helped us reduce our energy and raw material consumption. This is both sustainable with respect to the environment and reduces our CO<sub>2</sub> emission and related taxation costs. We plan to further reduce the CO<sub>2</sub> emission of our entire product portfolio in the years ahead by means of challenging conventional production methods and focusing on innovation at each production location.

## 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 2018: [www.forbo.com/investors](http://www.forbo.com/investors)

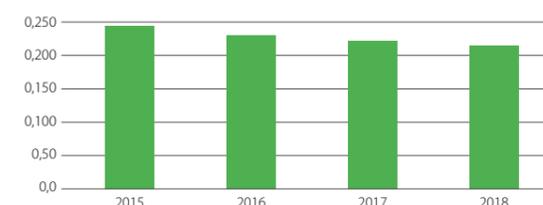
Our energy saving program with a focus on CO<sub>2</sub> reduction step by step leads us to the results we are aiming for..



## TOTAL DIRECT CO<sub>2</sub> EMISSION FROM MANUFACTURING

The CO<sub>2</sub> emission on our manufacturing sites is one to one related to energy production. Almost all this energy is produced with natural gas. In 2015, we started an energy savings program with focus on CO<sub>2</sub> reduction. Energy savings were realized by efficiency improvement, investing in innovative processes and partly changing to bio based gas resulting in more than 10% reduction in 2018. We are targeting an reduction of 20% in 2025 compared to the 2018 result.

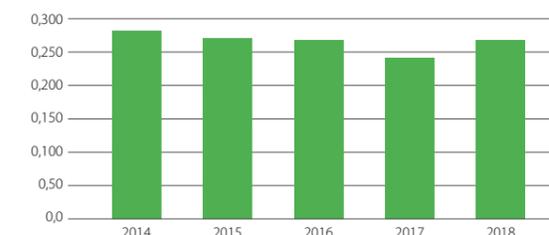
KG CO<sub>2</sub>-EMISSION PER KG RAW MATERIALS PROCESSED



## TOTAL DIRECT AND INDIRECT GREENHOUSE GASES "CRADLE TO GATE"

Total greenhouse gas emissions are calculated using lifecycle analysis (LCA) for the production stage from 'cradle to gate' 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 to the point it is ready to ship to our customers.

AVERAGE KG CO<sub>2</sub> PER KG PRODUCED PRODUCT





## 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. In 2018, we provided the following international programs:

- Forbo (Group) leadership and management courses
- Forbo (Group) anti-corruption, competition law compliance and IT security training
- Divisional Flooring Systems sales training programs
- Divisional Forbo Academy product/segment training programs/meetings
- Induction training: introduction to Flooring Systems and its portfolio

The development of learning and training programs is evaluated every year, with improvements implemented whenever we see opportunities to do so.

## E-LEARNING USAGE IN 2018

- 1,204 Flooring Systems' users accessed our learning management system
- 1,540 completions were made

## CODE OF CONDUCT E-LEARNING

The Forbo Code of Conduct 'full program' e-learning module is now part of the introduction program for new employees. A refresher program was set-up in 2018 for roll-out in 2019.

## ANTI-CORRUPTION E-LEARNING

In addition to the new employees that belong to the target group for this training, all employees who had previously completed the anti-corruption e-learning module had to complete this program again in 2018.

## COMPETITION LAW E-LEARNING

A new online compliance training program on competition law was rolled-out to the defined target group.

## IT SECURITY E-LEARNING

An IT security training program was developed in 2018 to introduce our employees to the risks and good practices related to IT security. Rollout has started-up in 2018 and will be completed in the first half of 2019. This program also becomes part of the introduction program for new employees.

## SA8000 E-LEARNING

The SA8000 e-learning module was developed 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. The module has been introduced in Russia as well.

## 'HEALTH BUILDINGS' E-LEARNING

The 'healthy buildings' e-learning module provides information on our ambition and commitment to make a positive contribution to the quality of the indoor environment and our focus on the health and well-being of the individual. The module was rolled-out before 2018 and is now part of the introduction program for new target group employees.

## OFFICE ERGONOMICS E-LEARNING

The office ergonomics e-learning module that was offered provides information to reduce and/or eliminate risk factors for injury to the musculoskeletal system (muscles, tendons, skeleton, cartilage, ligaments and nerves).

## PRODUCT E-LEARNING

The majority of product e-learning modules completed, dealt with the new Marmoleum Modular and Modul'up (vinyl) collections.

## NEXT STEPS

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

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

Together with the Flooring Systems Divisional Board, the new training academy set-up was defined, including a definition of different knowledge levels. In 2019, several strategy & implementation related modules will be developed and rolled-out in addition to the new modules as part of the ongoing product training program.

A modern office lobby with a colorful floor in shades of orange, yellow, and blue. Several pillars are wrapped in bright orange and grey paper, featuring illustrations of people. A woman in a red coat is walking in the foreground, slightly blurred. In the background, there are windows, chairs, and a reception desk.

# SOCIAL RESPONSIBILITY

## PRODUCT TRANSPARENCY

**From how we run our factories to how we choose our ingredients, the way we make our floor coverings are a big part of how we meet our ambition of contributing to “healthy buildings” by providing a good indoor quality through our products. Flooring System’s recognizes that 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 covering with low emission, the use of safe raw materials, allergen free and state of the art cleaning & maintenance properties.**

## RAW MATERIAL 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 2015, 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. At the end of 2018, we have succeeded to almost stop the use of all category 2 substances. Flooring Systems is committed to pursue this policy in the years to come to always guarantee safe products to our customers.

## INFORMATION ON SUSTAINABILITY 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 2018, 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 (EPD)

An EPD presents quantified environmental data about a product. It is based on information from a lifecycle assessment. The following lifecycle 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 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 lifecycle assessment. Flooring Systems continues to publish third-party certified EPDs for its individual floor covering products. By the end of 2018, 28 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).

## UN GLOBAL COMPACT PRINCIPLES

	Page
<b>Human rights</b>	
<b>Principle 1:</b> Businesses should support and respect the protection of internationally proclaimed human rights.	24-25
<b>Principle 2:</b> Businesses should make sure that they are not complicit in human rights abuses.	24-25
<b>Labor</b>	
<b>Principle 3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	24-25
<b>Principle 4:</b> Businesses should support the elimination of all forms of forced and compulsory labor.	24-25
<b>Principle 5:</b> Businesses should support the effective abolition of child labor.	24-25
<b>Principle 6:</b> Businesses should support the elimination of discrimination in respect of employment and occupation.	24-25
<b>Environment</b>	
<b>Principle 7:</b> Businesses should support a precautionary approach to environmental challenges.	29-35, 45
<b>Principle 8:</b> Businesses should undertake initiatives to promote greater environmental responsibility.	29-35, 45
<b>Principle 9:</b> Businesses should encourage the development and diffusion of environmentally friendly technologies.	29-35, 45
<b>Anti-corruption</b>	
<b>Principle 10:</b> Businesses should work against corruption in all its forms, including extortion and bribery.	24, 25, 39, 41, 51

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

### REIMS (FRANCE) HELPING UNEMPLOYED PEOPLE TO GET A JOB

Over the past 15 years, Flooring Systems in Reims has given unemployed people the opportunity to train as professional floor installers. This takes place during various sessions in an 18-month, work-linked apprenticeship training program. The program is open to people of all ages. Trainees receive a testimonial at the end of each session, and finishing the complete training course qualifies them for the title of 'floor installer.' This is the only title for this type of skill that is recognized by both the French state and the building industry. In 2017, an additional community partnership was established for the maintenance of the Sarlino site allowing participant in the local social workplace to take up this responsibility.

### ASSENDELFT (NETHERLANDS) HELPING DISABLED PEOPLE TO GET A JOB

De Bolder produces and supplies customers with tens of thousands of square meters of Forbo Quickfit every year. Forbo Quickfit are MDF panels that are produced from natural raw materials and which can be recycled easily. De Bolder is a sheltered workshop, one of 90 in the Netherlands. As such, it enables physically or mentally disabled residents of the community of Texel to get a job, something they cannot get at a regular company as they are too expensive to employ without subsidies.

Separately, we support a regional 'zero' waste project that involves supplying jute cut offs from the beginning and end of a production run from our linoleum factory in Assendelft. The jute cloth, which would normally be qualified as waste, as it cannot be recycled, is now being used to make durable multi-use carrier bags that provide an alternative to one-way plastic bags. The jute bags have become fashionable items that, bearing the logos of the stores that offer them, are seen as 'want to have, want to (re) use' items for daily use. The initiative for free-of-charge jute carrier bags is to be extended to fairs and exhibitions.

### VARIOUS SUPPORT MVO PARTNERSHIP

MVO stands for 'Responsible Communal Entrepreneurship', a movement supported by the Dutch government which promotes joint initiatives between businesses and the local community or charities and foundations. Various initiatives have been developed, from conducting masterclass sessions in linoleum cutting, the Zaandam regional theater community to make it possible for the elderly to visit the theatre and instructing Médecins Sans Frontières on installation techniques for operation theatre flooring.

### COEVORDEN (NETHERLANDS) EDUCATION AND ENTREPRENEURSHIP PROGRAM

Forbo Novilon BV is continuing its support and engagement in a regional program in Coevorden to help alleviate unemployment in the region. As part of the education program, pupils visit the factory to learn about the town's industrial capabilities and the working environment inside a modern production plant. Together with the province of Drenthe and the regional community three information sessions were set-up to discuss the opportunities for the circular economy opportunities in the region.



## 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.

### HABITAT FOR HUMANITY (GLOBAL)

In 2015, Flooring Systems started to work with Habitat for Humanity. Previously, we had made donations in kind to this worldwide organization. Today, Flooring Systems is part of the Habitat for Humanity Business Club in the Netherlands, and Habitat for Humanity is one of the charities we promote throughout our organization. Habitat strives to provide everybody with the basics of a 'roof and a floor.' The organization funds and builds affordable dwellings all over the world and each year organizes special house-building events. Flooring Systems actively supports the work of Habitat in the Netherlands, USA, Canada, and Australia.

### L'ASSOCIATION LAZARE (FRANCE)

In France, Flooring Systems teamed up with L'association Lazare to offer care for the homeless by providing the means and the materials to decorate newly built homes for the organization's at-risk occupants.

### UNHCR (NORWAY, SWEDEN)

In Norway and Sweden, Flooring Systems supported UNHCR in providing floor coverings for the premises used to care for the influx and relocation of migrants and refugees from Syria, Africa and Asia.



### RONALD MCDONALD HOUSE (USA, NETHERLANDS, SWEDEN)

The Ronald McDonald House provides support and housing for families with sick children. Flooring Systems continued its ongoing support in 2018 with donations in kind and financial contributions in the USA, the Netherlands, and Sweden.

### MARKLUND (USA)

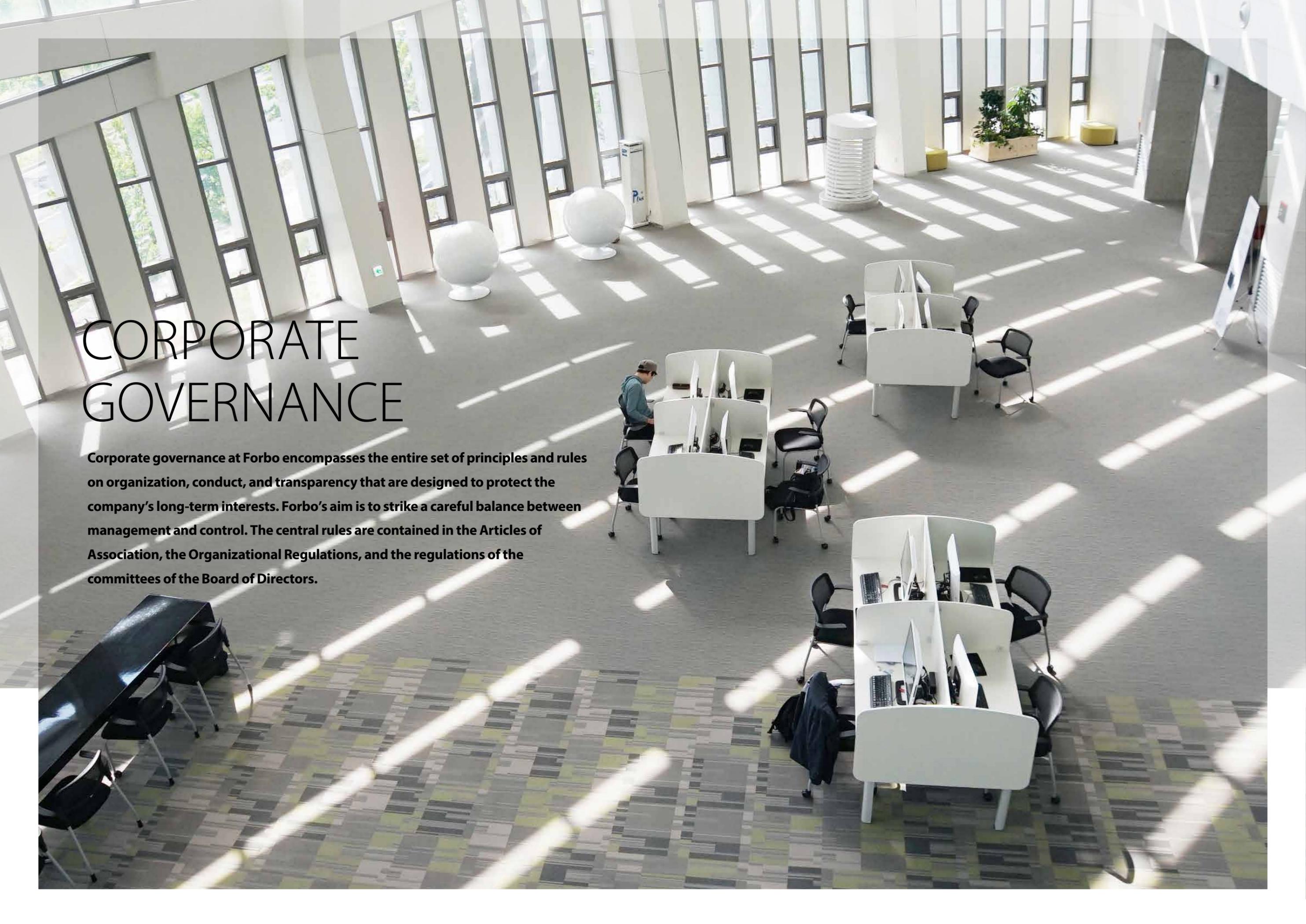
Marklund continued to be one of the major sponsorship activities of Flooring Systems in the USA. Marklund is a home and school non-profit organization that supports infants, children, teens, and adults with profound developmental disabilities and special health care needs.

### OUTWARD BOUND (UK)

Flooring Systems in the UK continued its long-standing sponsorship of the Outward Bound Trust. This educational charity helps young people in the UK to discover their potential by placing them in challenging yet supportive outdoor environments far away from home.

### 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. Six years ago, 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.



# 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 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 environmental, social, and economic aspects of sustainability, as described in this report. Our operations and sales organizations comply with both ISO-9001 and ISO-14001. As part of this, they are obliged to continually raise their sustainable performance by formulating annual programs for improvement. Goal-setting and improvement are measured internally by our Quality Assurance Director for the division.

Product management, which has the leading role in the development of new collections and products, has a clear directive to improve on the sustainable aspects of our products as part of a continuous process. This process is monitored by the Vice President Business Development who, together with internal stakeholders, approves the release of new collections. We also set goals for our R&D departments regarding product improvement programs based on the three fundamentals of our Sustainability Policy.

## 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, cushion vinyl, acoustic vinyl, luxury vinyl tiles, entrance flooring systems, flocked flooring, carpet tiles, and needlefelt. Each of our sales organizations defines the product mix for the country or region it represents. The focus is to sell a segment-oriented product portfolio worldwide, with local adaptations.

## MANAGEMENT TEAM

Flooring Systems comprises a nine-person management team who are responsible for Sales & Marketing, Supply Chain, Business Development, Human Resources, Finance & IT and Building & Construction Adhesives respectively. The management team is led by Jean-Michel Wins, Executive Vice President Flooring Systems.