



Forbo Flooring Systems Sustainability Report

2012

creating better environments



FLOORING SYSTEMS

Statement GRI Application Level Check

GRI hereby states that **Forbo Flooring Systems** has presented its report “Sustainability Report 2012” to GRI’s Report Services which have concluded that the report fulfills the requirement of Application Level C.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 30 August 2013



Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world’s most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 25 August 2013. GRI explicitly excludes the statement being applied to any later changes to such material.

Content

Preface	4
Message from Matthias Huenerwadel Executive Vice President	5
ORGANISATIONAL PROFILE	
Forbo Flooring Systems' Sustainability Policy	7
About this report	9
Governance	11
Market Place	13
Manufacturing	15
ENVIRONMENT	
Caring for our environment	19
Sustainable buidlings	28
PEOPLE	
Inspiring our people	31
Health and safety	34
Employee training	37
Working with the community	39
ECONOMIC	
Our economic impact	43
GRI content index	45

Preface

Forbo Flooring Systems, part of the Forbo Group, a global leader in flooring* and movement systems, offers a full range of flooring products for both commercial and residential markets. Forbo Flooring Systems manufactures and supplies high quality linoleum, vinyl, textile, flocked and entrance flooring products combine functionality, colour and design, offering total flooring solutions for any environment.

As a global leading floor-covering manufacturers, we have an obligation to provide high quality products that are produced responsibly. Our customers, employees and the wider community want to be sure that the decisions we make in operating our business take into consideration and respect the needs of our generation *without impinging on the needs*

of future generations. We continue to work diligently to minimise our impact on the environment and deliver positive economic and social contributions to the communities in which we operate.

In March 2012, the Forbo Group sold its industrial adhesives activities, including synthetic polymers, which was part of the Bonding Systems division. The remaining Bonding Systems activity, building and construction adhesives, will now operate as part of the Forbo Flooring Systems division.



FLOORING SYSTEMS

* Flooring is the general term for the materials from which a floor is made as well as for a floor itself. Floor covering is a term used to describe any generic finishing material that is applied to a floor structure to provide a walking surface. Both terms are used interchangeably.

Message from Matthias Huenerwadel

One clear link that I have found between the organisation and operations of Forbo Flooring Systems since I joined in my new position is the commitment to sustainability and how it creates a sense of community between our employees and our stakeholders. This likeminded vision not only creates an opening for a discussion on past accomplishments, but it also provides a platform to incorporate sustainability as a key element into our future goals and strategic plan.

In 2012, Forbo Flooring Systems continued to concentrate on our commitment to sustainability and our goal to reduce our environmental impact by 25% as measured by Life Cycle Assessment. This ambitious goal is an example of our philosophy that long-term business success is compatible with being environmentally friendly and socially responsible. Looking to the future, we want to do an even better job of communicating, both internally and externally, in an effort to become truly open and transparent on all levels.

To close the year, we made three major commitments to our road map for sustainability. First, we will adopt SA8000 across the organisation. SA8000 is an auditable certification standard that encourages organisations to develop, maintain and apply socially acceptable practices in the workplace. Second, we will submit our 2012 Sustainability Report to GRI (Global Reporting Initiative) certification. And third, we created a new function – Head of Sustainability – to support our organisation worldwide in creating one message for all our products, factories and business units.

Our future focus will be on the customer and on innovation. The Forbo brand is all about reliability, performance and trust. With stakeholders increasingly demanding sustainability, we know that we must focus on the next generation of flooring products.

Products that not only offer superior performance and lower cost of ownership, but also have the smallest environmental footprint while emphasising human health and safety. We want to lead by example on the issue of openness and transparency as this is the only means for our customers to be able to compare products and make healthier choices about the products they are exposed to at home and at work.

I hope you will appreciate the format of this report and the openness with which we have tried to share data and stories within. I want to thank all those who made this report possible – and I look forward to fulfilling our goals for 2013. I am always open to your suggestions and comments. You can email me at contact@forbo.com

Kind regards,

Matthias Huenerwadel

Executive Vice President
Forbo Flooring Systems



Organisational profile



Our Sustainability Policy

Forbo underwrites the broad and all-inclusive definition of sustainable development as accepted by the United Nations Commission on Environment and Development, General Assembly Resolution, 1987:

“Developments that meet present needs without compromising the ability of future generations to meet their needs”

The United Nation's definition of sustainability recognises three individual dimensions that together make up a sustainable policy. These are:

- **The Environmental dimension** – Planet: the way in which measures specific to improving the environmental impact of the processes and products of the company are regulated and executed.
- **The Social dimension** – People: the way in which social equity and corporate governance are defined and followed within the company.
- **The Economic dimension** – Profit: the way in which the company organises its position in the market place to actively develop its sustainable profile by using its economic stability and profitability for continuous improvement.

As a global leader in flooring systems, we have a responsibility, to all our stakeholders, to create a

better environment. The way we serve and drive the market sets the pace and standard for world-class flooring solutions. Sustainable development and 'creating better environments' is an integral part of all of Forbo Flooring Systems' activities.

Linoleum was the first product to be made by the companies that would go on to become Forbo. As a natural product made from renewable natural raw materials that are fully biodegradable and environmentally friendly, we have been at the forefront of sustainable awareness for over 150 years. This global awareness regarding sustainability has grown over the last few decades as it has become more and more clear that global warming and the depletion of natural resources mean we cannot continue as we have in the past if we are to fulfil our obligations to future generations. As a company, we are committed to meeting our obligations to future generations and in doing so acting as a sustainable enterprise.

Our Sustainability Policy

Forbo Flooring Systems supports the three dimensions in a constructive and consistent manner through the following principles:

- “Compliance Plus” – a commitment to go above and beyond government regulations and requirements;
- Integrating sustainability considerations into all our business decisions;
- Regular monitoring of progress on and review of sustainability performance
- Commitment to continuous improvement;
- Promoting Sustainability throughout our value chain, and expecting our suppliers and customers to comply with this;
- Ensure that all staff are fully aware of our Sustainability Policy and are committed to implementing and improving it.



About this report

In 2009, we published our first Sustainability Policy, based on the United Nations resolution. The report covers the reconciliation of environmental, social equity and economic demands – the “three pillars” of sustainability. In more popular terms: People, Planet, Profit.

Between 2009 and 2011, we published annual Environmental Reports. These Environmental Reports will now be replaced by an annual Sustainability Report. This, our 2012 Sustainability Report, is the first of these and is aligned with the Global Reporting Initiative's (GRI) sustainability reporting framework. We have prepared this report in accordance with GRI Level C reporting requirements, and as such, it is a work in progress.



Based on GRI's sustainability reporting framework, this report aims to provide a transparent overview of Forbo Flooring Systems' 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 be accountable for our activities, and as a measure to improve our performance over time. This report provides an overview of Forbo Flooring Systems' performance for the 2012 calendar year, in accordance with our financial reporting cycle.

We would like to thank everyone who participated in the compilation of this report. It could not have been written without their assistance and input. Finally, we invite you to let us know your thoughts about our 2012 Sustainability Report. You can do so by contacting us at contact@forbo.com.

Scope and materiality

The basis for our sustainability reporting is a materiality analysis to identify those aspects that are of significance to Forbo Flooring Systems and its stakeholders. This analysis includes the principles of the Social Accountability standard SA 8000 and the environmental improvement target, to which Forbo Flooring Systems has committed itself. The stories and the content we provide are selected and included because the work they reflect is material to both our sustainability strategy and direction, and more specifically to our operations.

About this report

Report boundary

Unless otherwise stated, environmental data contained in this report is limited to our 12 floor covering manufacturing sites in the United Kingdom, the Netherlands, Russia, France and Switzerland, because these entities are considered the most material in terms of their 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. Unless otherwise stated, social and economic information within this report covers all sites and offices worldwide.

Furthermore, the Forbo Flooring Systems division building and construction adhesives activity and its three manufacturing sites is not part of this report, unless otherwise stated.

No limitations exist regarding the scope or boundary of this report as is clearly summarised in this section or in the scope and materiality component of the report. No restatements are necessary as this is Forbo Flooring Systems' first GRI-aligned report.

Stakeholder consultation

Stakeholder engagement is a long-term undertaking at Forbo Flooring Systems. We engage with stakeholder groups that we have dealt with for many years to ensure we maintain our social license to operate. 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 regularly consult local and national environmental government organisations, because of the material impact of our environmental activities.

Likewise, the social and economic dimensions of our business lead us to include floor-covering-industry-related organisations as well as unions.

Our stakeholder engagement during 2012 involved a range of activities:

- **Internal stakeholders** – through regular meetings
- **Customers** – through customer feedback mechanisms and surveys
- **Government (state and local)** – through representation on committees and other regular contact regarding environmental and safety compliance
- **Environmental non-governmental organisations** – 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 manufacturing plants and involvement with charities and schools
- **Industry associations** – through membership and representations in committees

The insights gained from these activities indicated a need to increase the level and quality of our engagement with stakeholders. In 2013, we will employ a more coordinated and formal stakeholder engagement process, to more adequately identify and prioritise the opinions and needs of our key stakeholders.

Governance

Forbo Flooring Systems is part of the Forbo Group headquartered in Baar, Switzerland. The Forbo Group, with its two divisions Flooring Systems and Movement Systems, employs over 5,000 people and has an international network of 24 production and distribution companies, six fabrication centres and 37 sales organisations in 34 countries worldwide.

At Forbo, the concept of corporate governance encompasses the entire set of principles and rules on organisation, conduct and transparency designed to protect shareholders' 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 Organisational Regulations and the regulations of the committees of the Board of Directors. The 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 Corporate Governance Report SIX Swiss Exchange. The Forbo Corporate Governance Report is available on our corporate website www.forbo.com.

Forbo Code of Conduct

The Forbo Code of Conduct sets out our most important business principles and basic values for our employees. The Code of Conduct is central to the way we protect and develop our reputation. It is built on the principles of integrity, transparency and fairness and describes our responsibilities and behaviour.

The Code of Conduct not only ensures but goes beyond compliance with the laws and regulations wherever we run our business. It demonstrates 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.

Forbo Core Values

Part of our core values and based on our Forbo Group culture we have initiated our Forbo Way to Win values programme. We have defined three core values that 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

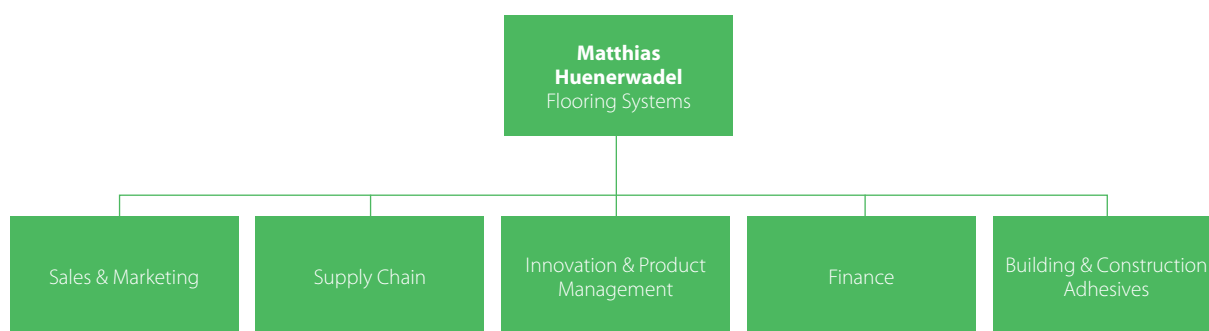


Governance

Forbo Flooring Systems company structure

Forbo Flooring Systems has 12 production facilities in five countries and distribution companies in over 20 countries. The business has sales offices in Europe,

North, Central and South America as well as Asia/Pacific. The headquarters of the Forbo Flooring division is in Assendelft, the Netherlands. The Forbo Flooring division includes an activity called Building and Construction Adhesives.



OUR BOARD
FORBO FLOORING SYSTEMS ORGANISATION



The Management Team Flooring is led by Matthias Huenerwadel, Executive Vice President Flooring Systems.

Market Place

Organisational structure

Our flooring products are divided into product categories that include linoleum, project vinyl, cushion vinyl, entrance flooring, flocked flooring, carpet tiles and needlefelt. Each sales entity defines the product mix for the country or region it represents. The focus is to sell all products worldwide, with local adaptations.

Forbo Flooring Systems distributes its products worldwide and so has a strong international focus. Although Europe remains the largest market for Forbo Flooring Systems. Our strategy to accelerate our expansion in growth markets has resulted in strong growth in Brazil and Russia.

Public versus Private

Since Flooring Systems' main customer segments are Health Care and Education - i.e., schools, hospitals, retirement homes and public buildings - the division is highly dependent on public sector spending for its flooring business. Efforts to adjust the strategy to the changed circumstances - by reinforcing distribution channels and entering new customer segments in the private sector, such as shop fittings, offices, hotels and restaurants - are beginning to show results. In addition we also sell linoleum, cushion vinyl and entrance flooring to home owners for residential areas.

The expansion of activities in growth markets will remain important in 2013. The division expects additional sales growth as a result of greater penetration of the North American market and its direct market engagement in Canada following the acquisition of the business operations of Phoenix Floor & Wall Products Inc., our previous distribution partner.

Product categories

Forbo Flooring Systems has defined six product categories: linoleum, vinyl, flocked flooring, carpet tiles, needlefelt and entrance flooring.

Linoleum

The Flooring Systems linoleum brand Marmoleum stands for versatility, sustainability and durability. It combines ecological and economic values that help bring modern and contemporary architecture to life. All Marmoleum floors now include Topshield2, a waterborne UV-cured urethane-acrylate hybrid dispersion finish that results in the lowest lifecycle costs. Marmoleum is a natural floor created from all natural ingredients. It is the most sustainable floor in the resilient flooring category.

Our brands: **marmoleum*** **marmoleum*^{elick}**

The Unexpected Nature of linoleum **touch*** **bulletin board***
furniture linoleum **marmoleum*^{sport}** **marmoleum*^{dual}**
marmoleum*^{decibel} **marmoleum*^{ohmex}** **corklinoleum**

Vinyl

Our vinyl product category contains all variants for the commercial market. These range from sheet, tile and plank to loose-lay options. As well as these variants, we offer functional products, safety flooring and acoustic flooring right through to specialised ESD flooring, which is specifically designed to control static discharge in sensitive areas such as clean rooms, operating theatres and the electronics industry. For the consumer market, we offer a broad range of cushion vinyl.

Our brands: **eternal** **allura** **colorex*** **flex^{design}**
novilux* **novilon*** **sarlon*** **step**

Market Place

Flocked Flooring

Flotex combines the practicality of a resilient flooring with the slip resistant and acoustic properties usually associated with textiles. Being completely water-proof, Flotex is also the only truly washable textile floor covering. Flotex is available in a large variety of designs. Alongside our traditionally printed designs, we can digitally print any desired design, so offering our customers truly tailor-made flooring.

Our brands: **flotex**® **flotex**®_{tiles} **flotex**®_{sotssass}

Carpet tiles

Modular floors like carpet tiles can be quickly adapted to new needs, so reducing the cost of change and allowing great design flexibility. Tessera and Westbond are two brands of carpet tiles, one tufted and the other fusion bonded. The Tessera ranges offer a variety of pile heights and directional or non-directional designs. The Westbond collection offers freedom in design and colour in nylon and wool.

Our brands: **tessera** **westbond**®

Needlefelt

The robust, hard-wearing properties of needlefelt make it ideal for flooring installations in high-traffic areas and areas where chairs with castors are likely to be used, such as in offices, retail shops and hotels. The textile look and choice of colours blend harmoniously into any interior design scheme.

Our brands: **forte** **markant** **akzent** **tenor**

Entrance flooring

Entrance flooring systems are fundamental to modern building design – minimising cleaning costs, maintaining the building's appearance throughout the day and protecting its flooring and environment from pollutants and dirt. With both textile (Coral) and rigid (Nuway) entrance systems in our portfolio, we offer entrance solutions for every situation.

Our brands: **coral**® **nuway**®



Marmoleum Marbled collection

Manufacturing

All 12 Forbo Flooring Systems manufacturing facilities are ISO 9001 and ISO 14001 certified

Linoleum

Driven to a significant degree by Forbo Flooring Systems and the creation of our Marmoleum brand, the craft of manufacturing linoleum has evolved over the past 150 years. The production of linoleum starts by growing flax, which produces linseed. When pressed, the linseed produces linseed oil, the basic ingredient of linoleum. The linseed oil is then mixed with gum rosin from pine trees, heated and converted using oxygen into a binder called linoleum cement. The cement is mixed with wood flour, limestone and pigments to create granules that are pressed onto a (jute) backing using a calander.

From the calander, the continuous linoleum sheet is transported to massive drying rooms where it is cured at high temperature to create a hard and flexible product. This is finished by applying a protective Topshield2 finish before it is cut into rolls or tiles.

Vinyl

Flexible vinyl floor is made of PVC mixed with plasticiser and mineral filler. The vinyl collections from Forbo Flooring Systems are produced using different techniques: coating, pressing and calendering. These different techniques enable us to produce products with different but still very functional properties. Colours and designs are either made by colouring the PVC paste (in the case of pressing and calendering) or printing the layer underneath a transparent wear layer in the coating process. Pressing is used to produce homogeneous ESD tiles and the calendering and coating processes are used to make the different layers for our wide range of heterogeneous vinyl.



Heterogeneous vinyl is a multilayer vinyl product with a non-woven glass fleece carrier. Employing one or more foamed layers, as in cushioned vinyl, can add functional properties such as acoustic and underfoot comfort. The factory finishes applied make the products easy to clean, so helping to ensure they stay in prime condition, even under heavy traffic conditions. Depending on the product and application, vinyl is produced in sheet and/or tile.

Manufacturing

Flotex

Flotex is a heavy-duty, electrostatically flocked contract carpet that has been developed for the general contract and residential markets. It is produced in sheet and tile. Flocking is the application of fine fibers to PVC-coated surfaces. This is done by applying a high-voltage electric field. In a flocking machine the “flock” is given a negative charge whilst the PVC-coated substrate is earthed. Flock material flies vertically onto the substrate where it bonds to previously applied PVC-coating. The flocked surface is printed using roller printers or digital print equipment.

Carpet tiles

Tessera carpet tiles are produced by tufting nylon fibres on a non-woven support. In addition, the length of the loop can be varied and the loop itself cut. The tufted substrate is then coated with a polymerised bitumen mix backing and cut with a special cutting machine.

Our other carpet tile, Westbond, is produced using with a special fusion-bond process in which the individual yarn pile is implanted onto a backing material. This gives Westbond the highest possible density and is the perfect way to produce tiles, as there is no tension or curving. The fusion-bond sheet is laminated on a PVC backing.

Needle felt

Needle felt carpet is produced by intermingling and felting individual polyester fibers using barbed and forked needles forming an extremely durable carpet. Needle felt carpet is produced in several stages starting with the needle punching of the under layer. The top layer is needle punched with the same technology. These two layers are needle punched together. Depending on the product the next stage is printing a design on the surface with environmentally friendly water-based inks. The last stage in the production process is finishing the product with a latex backing using a two cylinder calender to ensure good penetration of the latex.



Manufacturing

MARMOLEUM



MARMOLEUM, FLOTEX



MARMOLEUM, VINYL, CARPET TILES, CORAL, NUWAY, FLOTEX



Awards

Since beginning to publish annual Environmental reports, in 2010, we have been recognised in several countries for our commitment to the environment, to employees, to the community and to our customers. In 2011, our Dutch site that produces vinyl floor covering won the energy saving award from the Dutch Plastic and Rubber Association. In 2012, all our manufacturing sites in Switzerland, the Netherlands, the United Kingdom and France were awarded national certificates that recognise that all (100%) of their electricity needs are met from renewable sources.



Environment People Economic

1

Caring for our environment

We believe investments in people, processes and products that further improve our environmental performance are an investment for our future, not a cost of doing business.

We are committed to creating a sustainable future by constantly seeking ways to minimise the environmental impacts of our products over their whole life cycle, from raw material extraction to end of life. And while we evaluate all LCA impact categories, we place a particular focus on reducing CO₂ emissions and the related irreversible climate change caused by global warming.

We shall succeed by:

- Maximising the efficient use of raw materials by reducing, re-using and recycling;
- Reducing the use of energy in all production and business processes, and with all efforts to switch over to renewable energy;
- Applying green design principles to all our new

- product and innovation development programmes;
- Promoting environmental responsibility towards all our stakeholders;
- Only supporting LCA-based environmental labelling and certifications developed in an open and transparent consensus process and validated through a third-party process.

Our main goal

To continuously minimise the environmental impact of Forbo Flooring Systems by 25% before the end of 2015 (versus 2009), as measured by the weighted categories in our independently verified Life Cycle Assessment measurement system.

The LCA is calculated for one square metre (1m²) of installed floor covering from cradle to installation. This means that we consider every environmental impact in the supply chain:

>>



Caring for our environment

- > • The extraction and production of the raw materials
- Transportation of the raw materials
- The production of the floor covering
- The transportation of the floor covering to the installation site
- The installation of the floor covering

The environmental impacts of our division are calculated using the LCA model of mass weighted mix for all products produced. This involves calculating all environmental impacts from cradle to installation. We also include the energy consumption of all our offices and Forbo-owned warehouses worldwide.

We further take into account the following environmental impact categories:

• Acidification Potential

The acidification of soils and waters predominantly occurs through the transformation of air pollutants into acids. This leads to a decrease in the pH-value of rainwater and fog which damages ecosystems, whereby forest dieback and fish dying in lakes are the most well-known impacts.

• Eutrophication Potential

Eutrophication includes all impacts due to a too high level of macro-nutrients in the environment. Nitrogen (N) and phosphorus (P) are the most important eutrophication elements. This enrichment may cause an undesirable shift in the composition of a species and an increased production of biomass within aquatic and terrestrial ecosystems. In addition, high nutrient concentrations can also make surface waters unacceptable for drinking water supply.

• Ozone Layer Depletion Potential

The problem of the breakdown of stratospheric ozone is a result of human emissions. Because of the thinning of the ozone layer, a larger fraction of

the sun's UV-B radiation reaches the earth's surface. This can have harmful effects on human health, animal health, terrestrial and aquatic ecosystems, biochemical cycles, as well as on materials.

• Photo Oxidant Creation Potential

Photo-oxidant formation, also called summer smog, is the formation of reactive substances mainly ozone, which are injurious to human health and ecosystems, and which may damage crops. Despite playing a protective role in the stratosphere, at ground-level ozone is classified as a damaging trace gas. High concentrations of ozone are toxic to humans.

• Abiotic Depletion Potential

Abiotic resources are those that come from non-living, non-organic material. Abiotic depletion includes depletion of nonrenewable resources, i.e. fossil fuels, metals and minerals.

• Global Warming Potential

Emissions resulting in a rise in the earth's temperature. This is popularly referred to as the "Greenhouse effect". The global warming potential is calculated in CO₂ equivalents. This means that the greenhouse potential emission is given in relation to CO₂.

We strongly believe that creating better environments means reducing all environmental impacts – not only Global Warming. We therefore weight all six impact categories equally and express them in one index figure.

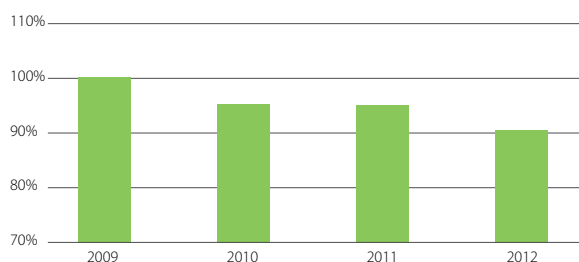
Caring for our environment

Supplier participation

When we began informing our suppliers of our goal to reduce environmental impact by 25% compared to 2009, we found that most of them either already had similar projects in place or indicated that they cared about the environment.

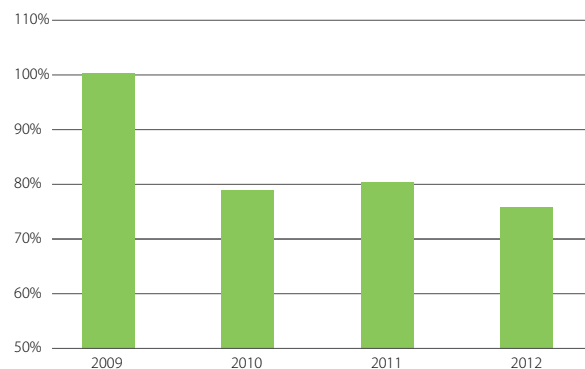
In our previous annual Environmental Reports, we took into account results relating to the actual development and production of our floor coverings. For our 2012 Sustainability Report, we have begun to start integrating the results of our main raw materials' suppliers. The first two raw materials to be evaluated were wood flour and PVC. To do so, we took into account any changes in raw material use, yields, waste recycling or reuse, energy and water consumption. The results for both raw materials are very positive as in both cases the environmental footprint improved compared to 2009. This was achieved by the wood-flour suppliers to our Assendelft operations changing over to green electricity based on biomass or wind energy. Furthermore, the PVC supplied to all our sites was produced using less energy. The weighted energy consumption for the PVC was reduced by 5% compared to 2009.

LCA INDEX
Environmental footprint



Our environmental footprint index shows an improvement in 2012. The biggest average contribution to our goal came from including the improvements made by our wood flour and PVC suppliers. However, many of our manufacturing sites also made a positive contribution: reducing energy use, increasing the recycled content of the products produced and reducing the use of raw materials. All these improvements are also reflected in the reduction of our carbon footprint, as shown in the Global Warming Potential graph.

GLOBAL WARMING POTENTIAL
Carbon Footprint



Floor-covering installation

By material weight, the adhesive used to install a floor covering makes a big contribution to the environmental footprint of 1m² of flooring. During 2012, we started to introduce a new adhesive for Marmoleum. This features an improved environmental footprint because of a much lower application weight and releases no emissions into the indoor air. We will evaluate the new adhesive's contribution to our LCA index in our 2013 report.

Caring for our environment

Reduce, Renewable, Reuse, Recycle

These 4 R's are at the heart of our efforts to reduce our impact on the environment and are important indicators in our quest to become a more sustainable company. With a publicly stated objective of reducing our LCA by 25% by 2015 versus 2009, it is important to view how we are progressing in each aspect as each will have an impact on our overall performance target.

Reduce

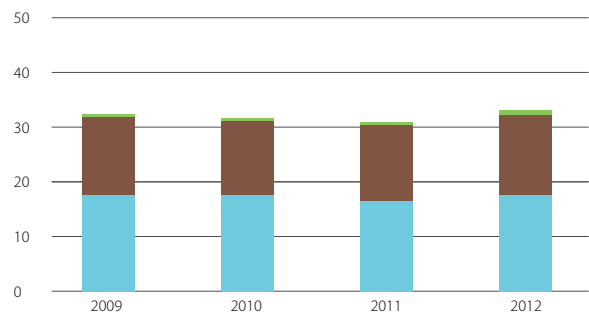
We consider this the most important R – reducing our consumption of materials, energy and waste has the biggest impact both environmentally and financially. Reducing consumption and waste will have a significant impact in reducing the environmental footprint.

ENERGY

We are seeing an upswing in our energy consumption. This is caused by lower product volumes, which leads to less efficiency in our production, plus a change in our sales towards more commercial products. Commercial product on average has a higher square meter weight requiring more energy to produce.

PRIMARY ENERGY INDEX (all energy)

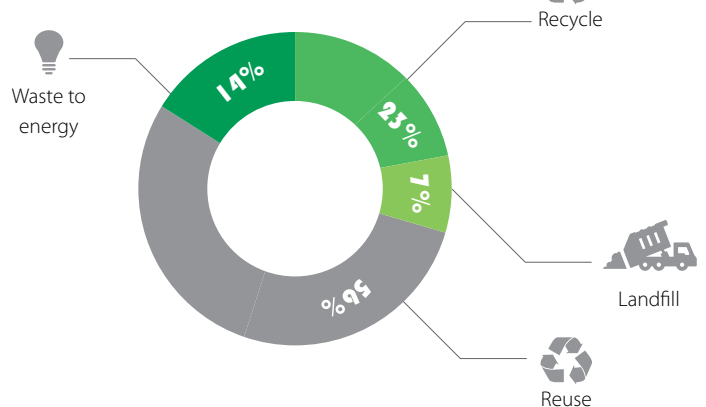
● Direct Energy: Oil MJ/m² ● Direct Energy: Gas MJ/m²
● Indirect Energy: Electricity MJ/m²



WASTE

The total amount of material that was sent to landfill sites increased slightly compared to 2011.

PRODUCT WASTE BREAKDOWN



Caring for our environment

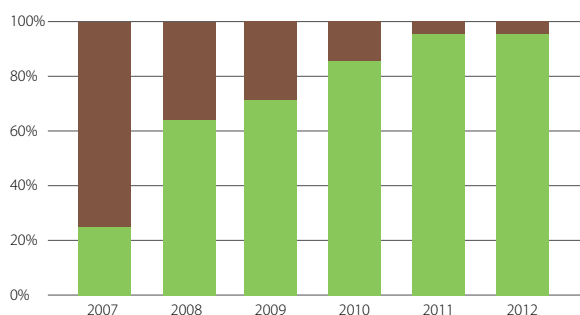
Renewable

ENERGY

We have an ongoing policy of sourcing our electricity supplies from renewable sources. In 2012, renewable supplied 97% of all the electricity consumed in our manufacturing facilities. This in turn is helping to reduce our carbon footprint by eliminating CO₂ emissions to the environment. We continue to believe that limiting the environmental impact at source is far better than offsetting

ELECTRICITY MIX

● % Renewable energy ● % NON renewable energy

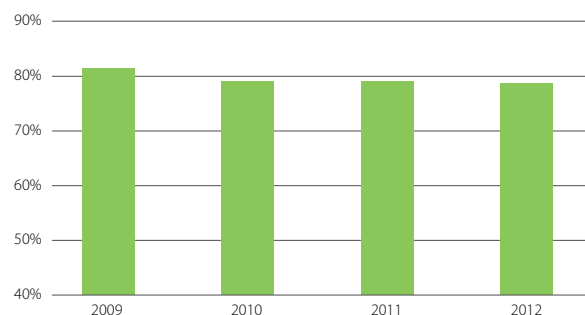


Reuse and recycling

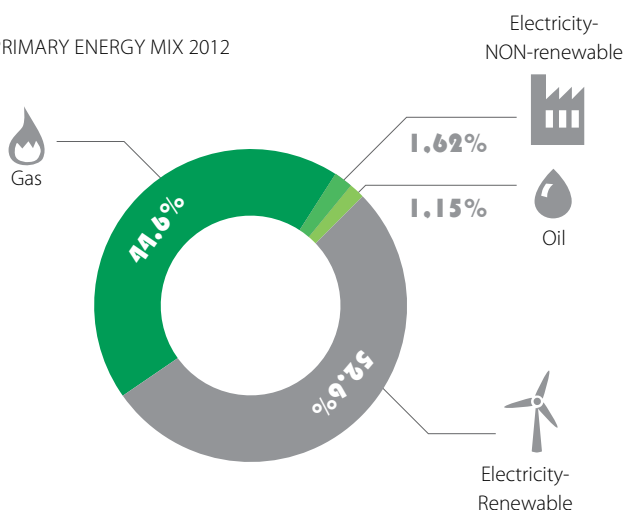
Firstly, we must explain what we mean by reuse and recycling. Forbo defines reuse as being “waste generated that after reprocessing can be fed back as a raw material into the same manufacturing processes”. Our definition of recycling is “material diverted from the waste stream during a manufacturing process that is sent to a third party (other Forbo Flooring Systems sites or external recyclers) for them to use as a raw material”.

In 2012 we reused and recycled more than 79% of our product waste.

% REUSED & RECYCLED PRODUCT WASTE



PRIMARY ENERGY MIX 2012



Caring for our environment

In 2011 and 2012, the weighted average amount of recycled and reused content in our products came to over 24%. This is positive in every respect. Marmoleum has long contained the most reused and recycled material of all resilient floor coverings. Today, our focus is on finding further innovative solutions aimed at reusing and recycling waste in our other products. As a result, we now have a wide portfolio of products with recycled content and this portfolio will continue to grow in the years ahead.

Carpet: Tessera is available in 100% post-consumer recycled yarn and Westbond tiles have a recycled PVC backing.

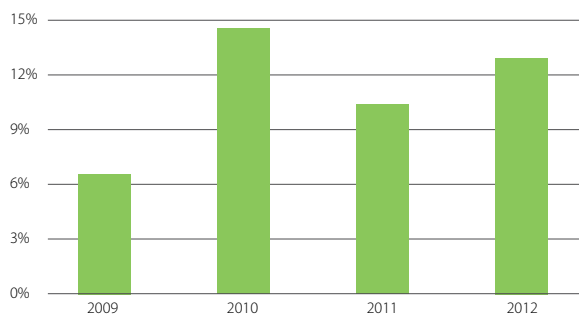
Flotex tiles: The most sustainable carpet tile, it features a recycled and reused content of up to 58%.

Entrance Systems: Coral Welcome is available in 100% post-consumer recycled yarn.

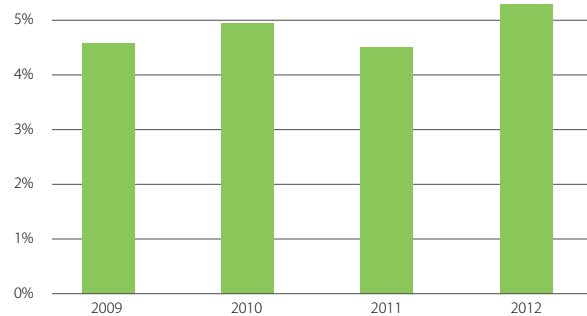
Vinyl: Vinyl is available with up to 45% recycled content in the backing.

Marmoleum: Marmoleum is almost a 'closed-loop' product and contains up to 43% recycled and reused content.

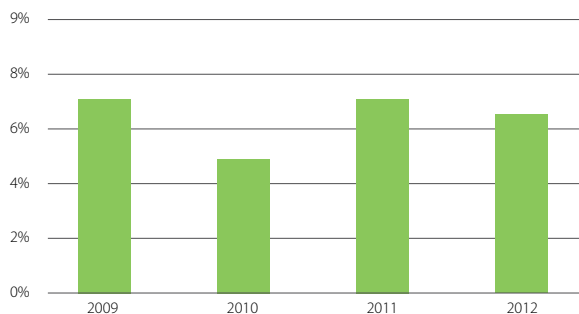
CARPET - % RECYCLED & REUSED



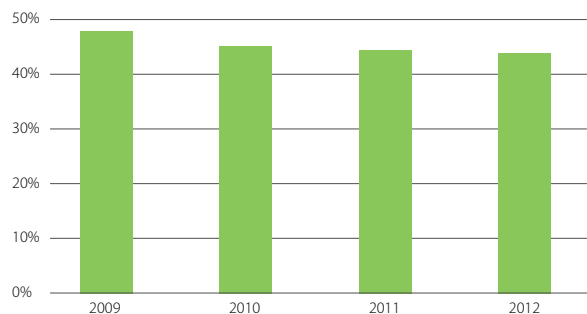
ENTRANCE SYSTEMS - % RECYCLED & REUSED



VINYL - % RECYCLED & REUSED



MARMOLEUM - % RECYCLED & REUSED



Caring for our environment

Post-installation waste recycling

In the last years, manufacturers have begun to pay great attention to post-industrial waste and have invested heavily to reduce, re-use and recycle waste generated in the manufacturing process. Installation waste, however, has continued to be neglected both as waste and as a potential resource. As we invest in internal recycling solutions coupled with the increasing cost of raw materials, we are now turning our attention to installation waste (which can account for up to 6% of an installation). From a recycling perspective, it is as good to process as post-industrial waste because we know what it contains and as long as it is free of contaminants. The difficulty has always lain in creating a sustainable logistics infrastructure to make the collection of post-installation waste economically viable.

In 2010 and 2011, we participated in installation-waste take-back programmes when we supported schemes for Vinyl, in Sweden, and Linoleum in the USA and the Netherlands. In September 2012, we began developing a "Back to the Floor" scheme in the UK that involves reprocessing installation off-cuts of Flotex, smooth sheet vinyl, cushion vinyl and Marmoleum back into new Forbo Flooring products. This year, we will start a similar programme in France, for Vinyl.

During 2012, we reused a 81 tons of installation waste in our manufacturing processes:

- 27 tons of Marmoleum in the Netherlands
- 51 tons of vinyl in Sweden
- 3 tons of Flotex in the UK

In addition, we recycled and composted a further 65 tons of Marmoleum in the USA. Our target is to grow this take-back programme substantially, to at least double the total in 2013.

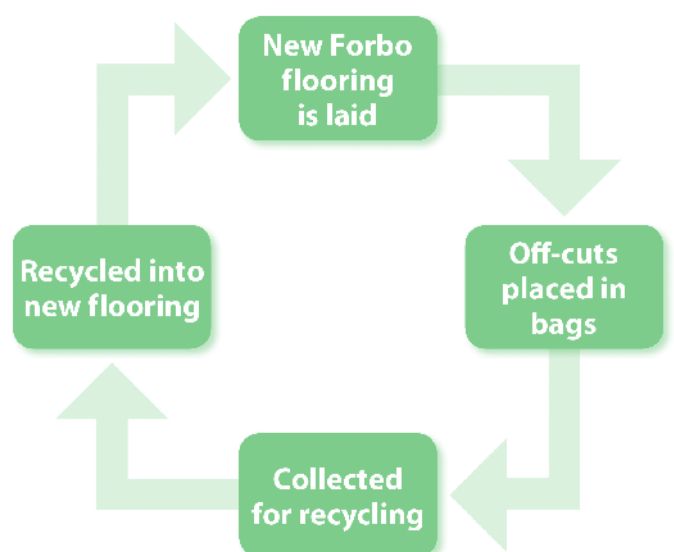
Post-consumer waste recycling

Forbo Flooring Systems is participating in various recycling initiatives all over Europe. These include CRUK in the United Kingdom, GBR in Sweden and SFEC in France. Forbo Flooring Systems is also a founding member of EPFLOOR.

EPFLOOR membership comprises all the major Western European vinyl flooring manufacturers, representing over 90% of the vinyl produced in Europe. Since 2001, EPFLOOR members have provided increasing funds for supporting the recycling of post-consumer waste. Whilst the first years were mainly concentrated on R&D, since 2004, increase of collection has been a priority, resulting in over 2000 tons of recycled waste in 2012.

<http://www.epfloor.eu/>

CLOSING THE LOOP



Caring for our environment

Composting Marmoleum

Forbo Flooring Systems North America continued to develop its composting programme for Marmoleum during 2012. The programme started in US warehouses in 2008 when a project team designed and built containers out of reused lumber and cardboard from pallets and shipping braces. These containers of reused lumber and cardboard, along with the Marmoleum scrap they hold, are grounded up with public yard waste to make compost. The compost is suitable for use in farmers' fields, vegetable gardens, and home flowerbeds.

Building on this, we have started to collect and compost installation waste as well. The waste is collected by Forbo Flooring Systems North America delivery trucks as part of their routine schedules. This involves dropping off a scrap container when we make a delivery to a Forbo Flooring Systems dealer, and collecting it during a future delivery, when the container is full or near full. This way, we don't require extra truck movements, which means we are not adding to the transportation burden.

Composting Marmoleum is closing the loop: natural renewable raw materials like flax, jute, rosin and wood are recycled back to nature – field to field. In 2012, Forbo Flooring Systems North America composted another 132 tons; 65 ton of installation waste and 67 ton of warehouse scrap.



Caring for our environment

Environmental Product Declaration – EPD

Forbo Flooring Systems began publishing Environmental Product Declarations for our individual floor covering products in 2012. Today, two of our products have an EPD certificate and we are committed to carrying on until all our products are certified in 2013.

An EPD presents quantified environmental data for a product, based on information from a life cycle assessment (LCA). An EPD is a third-party-verified report that summarises and explains the data generated from an LCA.

Our EPDs are based on the Product Categories Rules set out in EN 15804 and the NSF standard. Product Category Rules define how to conduct a life cycle assessment for a product group and what data to include in the resulting report.

In principle, the benchmark when using EPDs to compare products is the contribution they make to the environmental performance of a building. Consequently, the comparisons of the environmental performance of competitive floor covering products using EPD information is based on a product's use in a building and the impact it has on the building.

www.ul.com/global/eng/pages/offerings/businesses/environment/databasesearch/iframe/

UL CERTIFIED
Environmental Product Declaration

EPD Transparency Summary

Forbo Flooring Systems
Resilient Floor Covering
Alkea 57

Alkea 57 is a resilient floor covering consisting with all components of EN 15804:2012 Resilient Floor Covering. Heterogeneous colored resilient floor covering – Castellation. Key raw materials include Poly. propylene, Mineral Filler, Fibers and glass fiber.

Product Category Rules (PCR)
Flooring
CEN EN 15804:2012 – 20120901

Environmental Impact
GWP: 10.000 kg CO₂ eq/m²

Environmental Impact Categories
The product has impacts (and risks) on the environment throughout its product life cycle, including production, distribution, use, and end-of-life.

Category	Impact	Value	Unit
Global Warming	Global Warming Potential (GWP)	10.000	kg CO ₂ eq/m ²
Acidification	Acid Equivalency Potential (AEP)	1.000	kg SO ₂ eq/m ²
Eutrophication	Eutrophication Potential (EP)	0.100	kg P eq/m ²
Depletion of Abiotic Resources	Depletion of Abiotic Resources (DAR)	0.010	kg Sb eq/m ²
Depletion of Fossil Resources	Depletion of Fossil Resources (DFR)	0.010	kg Oil eq/m ²
Depletion of Non-Fossil Resources	Depletion of Non-Fossil Resources (DNFR)	0.010	kg Gas eq/m ²
Depletion of Metal Resources	Depletion of Metal Resources (DMR)	0.010	kg Cu eq/m ²
Depletion of Non-Metal Resources	Depletion of Non-Metal Resources (DNMR)	0.010	kg Zn eq/m ²

Additional Environmental Information

Energy

Manufacturer Contact Info

Standards

Certifications

Sustainable buildings

Forbo Flooring Systems is a member of Green Building Councils and Sustainable Building organisations around the world – and in many cases, we are a founding member.

Buildings are the largest contributor to greenhouse gas emissions. Buildings use enormous amounts of energy and water, and are huge contributors to waste. Green Building is the practice of creating structures and using processes that are environmentally responsible and resource-efficient throughout a building's life cycle, from location to design, construction, operation, maintenance, renovation, demolition and end of life.

We actively support organisations involved in the built environment in their efforts to design sustainable buildings with lower environmental footprints. Moreover, we offer products that contribute to the



overall reduction of the built environmental footprint helping to create sustainable buildings.

In 2008 we published an interview with Mario Cucinella, a famous architect from Bologna in our Archidea magazine. With Mario we talked about sustainable buildings.

Mario Cucinella, architect

'SUSTAINABILITY IS A WONDERFUL CHANCE FOR A CHANGE'

'It is an ethical position to approach buildings in relation to the environment. Buildings count for 50% of all human energy consumption, so we have to be much more energy-efficient. To me, beauty is not only in the shape but also in the environmental performance of a building. I would call it a new frontier. About 40 years ago, we started thinking about how technology can add to the beauty of a building. Now we face a new stage in the definition of beauty: how a building is embedded in the environment and related to the climate.

'This approach brings back content into architecture. Don't misunderstand me: aesthetics is very important. A building is something you have to look at every day. But I think we went too far in our focus on form and aesthetics. Architecture is nowadays often produced with the idea of selling the building or looking good in architecture magazines. It has become virtual; it is not related to reality but mainly to communication. It is much too easy to generate images, but they have no relation with the environment. Architecture is not only an industrial product, it is also a social product. A building has to be useful. Usefulness means providing comfort. Comfort is not merely a consequence of the design of a building, something that comes in later, but an essential concern during the whole design process. An interesting shape doesn't necessarily provide comfort. Good space and a good quality of air have to receive attention from the very beginning of the process. By usefulness, I also mean that we have to deal with

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Sustainable buildings


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the impact of a building beyond its perimeter, in the way it relates to its environment: its emissions and use of energy. That implies taking a much wider view of what a building is.

'The sustainable approach may be considered a revolution in architecture – much more interesting than the modernist movement. Modernism resulted in the International Style, and as a result you see the same buildings everywhere. But the sustainable approach forces you to respect local conditions. A building has to engage in dialogue with its local climate. It is very different challenge to design a building in the North or the South of Italy, in Paris or in Kuala Lumpur. I don't say we have to go back to vernacular architecture with Swedish architects designing in wood and Swiss architects in stone, for example. I just mean that climatic conditions have to be taken into account from the start of the design process. We have to move away from an international style to an environmental style. Climate conditions present a great opportunity to make buildings in a different way, to allow more sunlight in or less, to make a massive or a light building. The sustainable movement is a wonderful chance for change.

'This doesn't mean that buildings will look more like machines. Technology is only one aspect of sustainable architecture. In the '80s we believed in technology. We thought that we could make any building with technology and we would be able to live in a machine. That dream is over; in recent years we have come to realise that it's impossible to create a building that functions like a machine, full of glass and air conditioning. You cannot artificially create good conditions. It results in sick building syndrome, people living in uncomfortable spaces, the consumption of a lot of energy; it is like keeping a very sick person alive artificially – take away the machine and he will die.

'We have learned that gradually. But now we have an interesting opportunity to take account of ventilation, heating and cooling from the start of the design, by modifying the shape, the mass and the orientation of the building. You can have technology at the end of the process, of course. In the end it is all about priorities; here, in our office, we put environment at the top of the list, not a fabulous shape or a glamorous building.'



Centre for Sustainable Energy Technology, Ningbo, China



Environment People Economic



Inspiring our people

Forbo Flooring Systems has long been committed to ethical trading, based on the belief that business can be both profitable and responsible. We believe that building meaningful long-term relationships with employees, customers, suppliers and communities is good business practice for us and is what our customers expect of us. This is, and always has been, the founding principle of our commitment to Social Equity.

Forbo Flooring Systems is firmly committed to the adoption and integration of the following International Labour Organisation conventions throughout our global supply chain and into our core business activities.

- Employment is freely chosen
- Freedom of association and the right to collective bargaining
- Working conditions are safe and hygienic
- Child labour shall not be used
- Remuneration shall meet at least the minimum legal or industry standard
- Working hours are not excessive
- No discrimination is practiced
- Regular employment is provided
- No harsh or inhumane treatment is allowed

Our commitment to our community

Forbo Flooring Systems recognises its corporate responsibility to five main groups in its community. We are committed:

To employees: To respect the rights of all employees, whether directly employed or sub-contracted.

To customers: To win and retain customers who adhere to business principles consistent with our own by developing and providing services that offer value in terms of price, quality, safety and environmental impact. To be responsive to customer comments and complaints.

To shareholders: To build shareholder value by consistently increasing earnings. To conduct our operations in accordance with accepted principles of good corporate governance. To provide timely and accurate information to all shareholders on our activities and performance.

To suppliers and business partners: To seek mutually beneficial relationships with suppliers and joint venture partners. To require that, as far as is practicable, all of these adhere to business principles consistent with our own.

To the wider community: To conduct business as responsible corporate citizens, to give proper regard to the health, safety and the environment of local communities, and to be sensitive to and supportive of local cultural, social, educational and economic needs.

Inspiring our people

Our people are an important core value of Forbo Flooring Systems. They are the ones who make and sell our floors, see the potential, have the ideas, talk things through with colleagues and clients, do things as well as they know how – and then find ways of doing them better.

We nurture their potential by encouraging self-reliance and initiative, both as individuals and in teams, through training and a management approach that doesn't just connect people through hierarchy, but interconnects them through dialogue.

We invest in our people and try to offer them a stimulating working environment. We want our people to be the most knowledgeable, skilled and trusted partners in the industry and with them we focus on education as well as a safe and pleasant working environment.

We recognise that by looking after our employees, our business operates more successfully across the world. Our workforce includes those from our head office in Assendelft, the Netherlands, everyone in operations and warehousing, and all our sales and marketing offices worldwide. At the end of 2012, our total workforce amounted to 3.034 people.

Strategic workforce planning

Although 2012 was a challenging year economically, Forbo Flooring Systems was able to maintain overall employee numbers at the same level as 2011.

Turning to our sales organisations, the growth here was fully aligned to our Flooring Systems strategy of concentrating on emerging and growth markets and exploring private sector opportunities. Our sales organisation in Brazil was one of our fastest growing organisations in 2012.

Despite the lower demand for linoleum, Forbo Flooring Systems made a strategic choice to invest heavily in our innovation and development capabilities. As a result, our Innovation department will gather, explore and funnel ideas that will make new and better product proposals. The Development department will take these initiatives and work with the production sites to make these innovations ready for production.

Inspiring our people

Social Accountability 8000 – Forbo Flooring Reims certified

The International Labour Organisation conventions form a main part of our sustainability policy. We have therefore embraced the SA8000 standard as a means to integrate the International Labour Organisation (ILO) conventions throughout our global supply chain and into our core business activities.

During 2012, we ran a pilot project at Forbo Flooring Systems Sarlino, in Reims, France. The SA8000 management standard challenged us to classify and organise existing Human Resource Management documentation differently. The certification process involved proving we conformed to the standard in our daily practises and communication, but our biggest challenge was to view all stakeholders as part of our social responsibility, especially our suppliers.

SUPPLIER REQUIREMENTS

We are now using this standard not only to benchmark our own activities, but, especially, to ensure that our worldwide suppliers are committed to social equity for their employees, too. We ask all our suppliers to confirm that they support the ILO conventions and to strive for compliance if this is not the case. The next step in the SA8000 project will be to certify our other French site, which produces Flotex, at Chateau Renault.

Employee development and reward

In developing our people we are in effect developing our organisation, and vice versa, and it is with this in mind that the core of our performance management system is an active and rigorously applied employee

development programme. Every individual deserves to be recognised for their contribution and our performance appraisal system is the formal process by which this recognition is established. The performance appraisal forms the starting point for further development actions, such as training, coaching or job enlargement. The performance appraisal is also used for our internal succession planning process. In 2012, the performance appraisal completion rate was 86%, versus a target of 95%.

Forbo Flooring Systems is strongly focused on offering flexibility in relation to employees being able to balance work and family responsibilities. Flexibility around start and finish times, part-time work and return to work after parental leave are all part of the way we ensure that work-life balance is integral to working life at Forbo Flooring Systems.

Our reward system is based on our belief that people should be fairly rewarded for their individual contribution. Our staff employee remuneration is graded against the Hay Group job evaluation process, and is influenced by the financial performance of the company and remuneration specialist surveys and reviews. An annual salary review process is in place in which salary survey and economic data is taken into consideration.

LOCAL HIRING

Forbo Flooring Systems has no personnel policy or employment practices that provide for preferential treatment of persons from local vicinities in connection with the hiring of members of management for the respective country organisations.

Health and safety

The safety of our employees is our top priority across Forbo Flooring Systems. Many employees at our manufacturing and distribution sites work with complex machinery in busy environments, so stringent adherence to our occupational health and safety strategy is essential. Our Assendelft site in the Netherlands and our Reims site in France are already OHSAS 18001 certified and we are now introducing this safety management system at our other main manufacturing sites as we are convinced this will contribute to a safer working environment.

Our safety performance

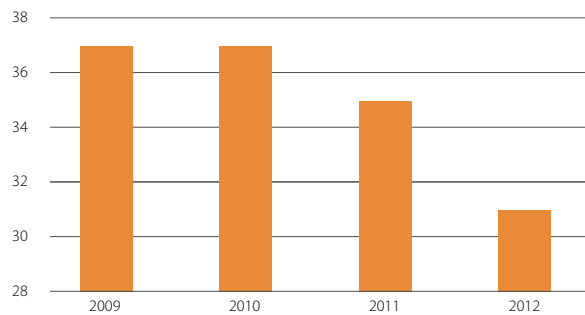
The key indicators of our safety performance are:

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

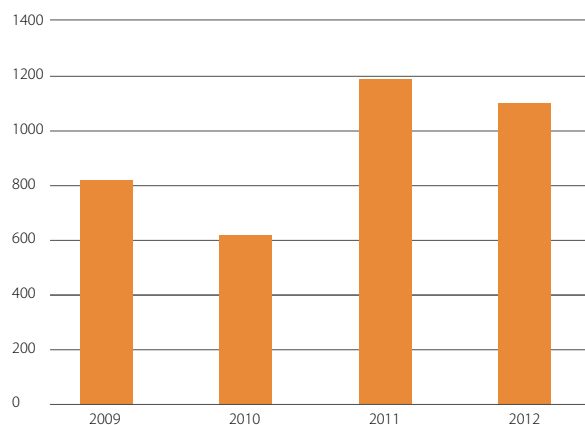
These key performance indicators are measured and reported monthly at all sites. In 2011 and 2012, all sites developed and executed safe awareness programmes to reduce the number of accidents. In 2012, we saw a drop in lost time accidents but a rise in lost days. We expect the figures for 2013 to benefit from the training programmes we ran in 2012.

We started to report our Total Accident Frequency Rate and Safety Concern Frequency rate in 2012, with results for the year coming in at 83 and 404 respectively. 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.

LOST TIME ACCIDENTS



LOST DAY INJURY



Health and safety

Our safety initiatives

Site policy and procedures across all of our operations cover the following areas to ensure employee safety:

- Provision of personal protective equipment
- Joint management/employee health and safety committees
- Participation of worker representatives in health and safety inspections, audits and accident investigations
- Training and education
- Safety concerns reporting mechanisms
- Periodic site inspections

While we are investing significant resources to improve our work systems and upgrade equipment, we also recognise that variability in safety performance can often be attributed to behavioural factors. Sustainable behavioural change is therefore key to our long-term OHS strategy and the focus of many of our training programmes.

Although it is very important to have a good absenteeism protocol, prevention is increasingly important, especially with an ageing workforce in our production facilities.

We therefore have a number of initiatives to promote the health and wellbeing of our employees. For example:

- In the Netherlands, we have several programmes, such as increasing preventive medical check-ups and a healthy lifestyle programme – Forbo in Balance – that promotes the consumption of healthy food in the company's restaurants and fitness activities.
- Our Ripley site, in the United Kingdom, has a "Clinch an Inch" programme under which employees' weight and BMI are measured and information is provided on healthy food. If wanted, employees can also get advice on target weight, diet and exercise.

A photograph of a factory interior. In the foreground, a worker in a white shirt and blue trousers is walking towards the right. In the background, another worker is visible near a conveyor belt system. The text "Inspiring our people: Knowing what matters and focusing on it" is overlaid on the image in a large, white, serif font.

*Inspiring
our people:*
Knowing what matters
and focusing on it

Health and safety

Health & Safety e-learning



Brent Greenway, Director Operations Ripley, UK

'At Ripley, the Health and Safety Committee identified that the majority of accidents, and the more serious accidents, occurred during non-standard working and when several unusual events occurred together. Each accident was highly individual. Therefore, we decided that the only way to combat this was to ensure that people did regular training to maintain awareness. We therefore chose to implement a web-based training system.'

'The provider and system we chose allows for each individual on site to have an online account showing training that is due, overdue and a complete history of training taken previously. Topics are of an interactive basis, which keeps the individual interested, or hopefully interested all the way through the hour-long course. At the end of this a series of questions are asked on the subject that has just been taught and currently Ripley has the pass/fail mark set at 80%, although we have full access to change this should we in future wish to.'

'Two other offerings that our system allows are, first, asking a series of H&S questions at the end of the training course, giving the management team feedback on how the H&S message is getting across to the workforce, and, secondly, we can take "Classroom" training sessions using hand-held devices for participants to use when answering questions. This option gives managers a chance to get their teams together and attempt to put across a subject that is often thought of as boring in a rather more light-hearted way, hopefully helping the topics to sink in a little better.'

'We as a management team believe that this training is keeping H&S at the forefront of people's thoughts and has been a positive step forward in seeing our accident data show both a downward trend and an increased level of activity in reporting possible near misses and safety concerns, all preventative and good practice.'

Employee training

The starting point for training is the annual performance appraisal, in which individual training requirements are matched with the training requirements indicated in the organisation's strategy as well as the legal training requirements that are in place.

Forbo Flooring Systems conducts a wide range of training, from management development to factory-floor skills' enhancement, and a number of professional employees have been supported in obtaining post-graduate qualifications such as Master's degrees. Other specialist employees are given the opportunity to attend seminars and conferences.

On-the-job training for Forbo Flooring Systems 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 programmes are in place. In 2012, the following international programmes were provided:

- Forbo leadership & management courses
- Flooring management training programmes (see below)
- Project management training
- Sales training programme
- Product training programme
- Prevention of corruption training

The above programmes will continue in 2013. In addition, a LEED (Leadership in Environmental and Energy Design, a Green Building rating system) training programme will be started and the Forbo Sustainability e-learning programme will be further rolled-out.

The Flooring management training programme was conceived by the Management Team Flooring (MTF) in 2011. The overall objective of the training programme is to facilitate participants in further contributing to the delivery of the Flooring Systems Strategy.

In 2012, 97 employees completed one or more modules in this training programme. The modules are:

- Strategic sales and marketing & building strategies
- Innovation as a competitive advantage
- Finance for non-financial managers
- People management
- Sustainability and the environment
- Principles of Lean management



Employee training

Lean concepts in Sales

We have embraced the “lean management” concept as a means order to improve our Sales & Service organisation. A concept that originates from manufacturing appeared to be very useful for our sales organisation.



Udo Weijkamp – Director Sales & Marketing the Netherlands

“Give the customer what they want, when they want it in the most efficient way!” is the motto and has become the driver for eliminating inefficiencies in our processes so we can continuously increase capacity and flexibility to respond to our customers’ changing needs.

With a focus on developing a culture for improvement, the starting point is to always understand customer value and demand. The customer defines demand and we have to look at processes through the customer’s eyes. Customers do not care about departments and that’s why it is vital to describe the customer’s process through the “whole Forbo system” rather than just one functional area.

Value Stream Mapping is a useful tool used in the Lean management concept to describe this crossing of functional borders to create one process as “it is today”, and helps us to see improvements in new ways. The critical success factors are to get departments to work together make workflows, reduce inefficiencies, build in quality, simplify and standardise processes and take action. Our experience is that the Lean concept creates many “Aha!” effects. This moment is the start of lean learning and the start of the creation of a learning organisation.

For us Lean is:

A way of thinking..... not a set of tools.

Adding value for your customers..... not trimming the fat.

About engaging and empowering..... not command and control.

Simple..... but not easy.

A journey..... not a project.

Working with the community

Forbo Flooring Systems takes an active role in the communities in which we operate. We conduct a stakeholder analysis at all production companies as part of environmental management, in accordance with ISO 14001.

Through proactive engagement, we support each respective local economy and contribute to the social environment. Forbo Flooring Systems understands that in order to operate in these communities, we must minimise any potential negative impact of our operations. We do this by operating and communicating transparently within these communities, mitigating our environmental impacts where possible, monitoring our environmental performance and engaging in community consultation.

One example of community engagement is the “open factory days” we hold to ensure open communication with our neighbours. In 2012, we held open days at our factories in Krommenie and Coevorden, the Netherlands.

Employees and society

Forbo Flooring Systems is keen to make a sustainable contribution to improving people's quality of life. To this end, various social-aid projects are supported on site with products, expertise and financial contributions. The focus is on small, locally initiated projects and partnerships. Some examples from 2012 are:

Ronald McDonald foundation – the Netherlands

There are currently over 320 Ronald McDonald's Houses in 52 countries. Ronald McDonald Houses offer a place to stay for families whose children are receiving treatment in hospital. Every night, Ronald McDonald's Houses provide over 7,200 bedrooms to families around the world.

Forbo Flooring in the Netherlands supports the Ronald McDonald child fund financially and in other ways such as, for example, sponsoring the floor coverings in the Dutch Ronald McDonald houses.

The Ronald McDonald Child Charities in the Netherlands has 15 houses, two holiday sites and a sports location. Every house has two or three paid staff, but is further run mainly by volunteers. Furthermore, every house is independently financed and has its own governing board and, generally, its own “ambassador”, too.

Working with the community



Outward Bound – UK

Forbo Flooring Systems is involved with the Outward Bound Trust, an educational charity that helps young people to realise their potential through learning in nature. In addition to contributing to the cost of sending classes of school children away for week-long trips, Forbo Flooring Systems also asks employees to become involved as mentors.

This pretty much summed up the days ahead. During the week there were opportunities to build sea-going rafts, face down any fear of heights by jumping off a jetty into an estuary, build shelters solely from foraged materials, and to learn to read maps, explore caves and participate in many more group projects and problem-solving tasks.

***“Enjoy and achieve!”
they were told. “This is
not a school, but you will
be learning... it’s not a
holiday park, but you will
have fun... it’s not a boot
camp, but at times it will
be tough and challenging.”***

Working with the community

Garden project – Hazleton, Pennsylvania, USA

The Butler Township Community Garden is a great example of educating a community about sustainability like organic gardening, composting, box gardens, gardening in an urban environment and grow local by local, all to support the community in which you live. All educational programmes are free as the garden has a summer programme for kids and for those from the local assisted living homes. Community members can rent a small garden area for \$7 to \$15, depending on the size, for the entire

summer, making growing your own vegetables fun and inexpensive. On any weekend, you will see families together working their garden, garden classes well attended, and people helping people.

Forbo's involvement as founding member is not limited to sponsoring but also involves educating everyone taking part, employees and the wider community about how one can contribute to sustainability through recycling and composting. Not only was a system set up for composting organic office waste from the local county, but fertilizing is also done with compost from Marmoleum scraps. It's been a great education experience for our employees at the office and at home.





Environment

People

Economic

3

Our economic impact

Daring investments

Central to our objective in becoming a sustainable organisation is maintaining a strong economic position – something that will be enhanced by continuous improvement and innovation in the design, service, performance, scope and quality of our offer to all our stakeholders. Of course, we will achieve this while respecting the responsibilities covered by Corporate Governance, risk and crisis management, codes of conduct and compliance with international laws and regulations.

Business integrity

Forbo 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 disputable or corrupt business practices. The Code of Conduct is part of Forbo's education programme and is mandatory training for all relevant employees via, for instance, online training modules. To year-end 2012, more than 1,100 Flooring employees had successfully completed the programme.

Risk management

Risk management and risk assessment is an integral part of Forbo's organisational processes and is 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, all techniques to manage the risk fall into one or more of the following four 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 100% of the business areas within the company. The assessment covers internal controls and business risk, and includes targeted questions concerning fraud and corruption. An additional and more focused risk assessment devoted entirely to fraud and corruption is conducted annually with key executives. This risk assessment addresses corruption in business areas on a materiality basis.



Our economic performance

Forbo Flooring Systems' consolidated financial result for 2012 is including the division's new building and construction adhesives activity.

Significant indicators for the generation and distribution of value plus the organization's total capitalization with breakdown in debt and equity in accordance with GRI requirements can be found in the Forbo Group Annual Report:

www.forbo.com/en/Investor-Relations/Financial-Publications/Annual-Report-2012/

Selection of locally based suppliers

Forbo Flooring Systems pursues a procurement policy that focuses on low costs, safety and independence. Before a collaboration agreement can be concluded, a multiple-stage risk analysis and assessment – including environmental and social risks – is carried out for every new supplier (see also SA8000 section). Wherever possible, we buy goods and services from local businesses. However there are no directives regarding preferential treatment of local suppliers or from certain countries.

For more information on topics covered in this report, please contact Forbo Flooring Systems at contact@forbo.com

G3.1 Content Index

STANDARD DISCLOSURES PART I: Profile Disclosures

1. Strategy and Analysis

Profile Disclosure	Description	Reported
1.1	Statement from the most senior decision-maker of the organization.	5

2. Organizational Profile

2.1	Name of the organization.	1, 3
2.2	Primary brands, products, and/or services.	13, 14
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	12
2.4	Location of organization's headquarters.	12
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	12
2.6	Nature of ownership and legal form.	4, 11
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	13
2.8	Scale of the reporting organization.	12, 32, 44
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	4
2.10	Awards received in the reporting period.	17

3. Report Parameters

3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	9
3.2	Date of most recent previous report (if any).	9
3.3	Reporting cycle (annual, biennial, etc.)	9
3.4	Contact point for questions regarding the report or its contents.	9
3.5	Process for defining report content.	9
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	10
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	10
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	10
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	10
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	10
3.12	Table identifying the location of the Standard Disclosures in the report.	45

4. Governance, Commitments, and Engagement

4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	11, 12
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	12
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	12
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	12
4.14	List of stakeholder groups engaged by the organization.	10
4.15	Basis for identification and selection of stakeholders with whom to engage.	10

STANDARD DISCLOSURES PART II: Performance Indicators		
Economic		
Indicator	Description	Reported
Economic performance		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	44-P
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	NR
EC3	Coverage of the organization's defined benefit plan obligations.	NR
EC4	Significant financial assistance received from government.	NR
Market presence		
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	NR
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	44
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	33
Indirect economic impacts		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	NR
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	NR
Environmental		
Materials		
EN1	Materials used by weight or volume.	NR
EN2	Percentage of materials used that are recycled input materials.	24
Energy		
EN3	Direct energy consumption by primary energy source.	22
EN4	Indirect energy consumption by primary source.	NR
EN5	Energy saved due to conservation and efficiency improvements.	22, 23
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	NR
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	NR
Water		
EN8	Total water withdrawal by source.	NR
EN9	Water sources significantly affected by withdrawal of water.	NR
EN10	Percentage and total volume of water recycled and reused.	NR
Biodiversity		
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	NR
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	NR
EN13	Habitats protected or restored.	NR
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	NR
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	NR
Emissions, effluents and waste		
EN16	Total direct and indirect greenhouse gas emissions by weight.	21
EN17	Other relevant indirect greenhouse gas emissions by weight.	NR
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	19, 20, 21, 22
EN19	Emissions of ozone-depleting substances by weight.	NR
EN20	NOx, SOx, and other significant air emissions by type and weight.	NR

NR: Not Reporting P: Partial

Indicator	Description	Reported
EN21	Total water discharge by quality and destination.	NR
EN22	Total weight of waste by type and disposal method.	22
EN23	Total number and volume of significant spills.	NR
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	NR
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	NR
Products and services		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	27
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	NR
Compliance		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	NR
Transport		
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	NR
Overall		
EN30	Total environmental protection expenditures and investments by type.	NR
Social: Labor Practices and Decent Work		
Employment		
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	32-P
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	NR
LA3	Benefits provided to full-time employees that are NR provided to temporary or part-time employees, by major operations.	NR
LA15	Return to work and retention rates after parental leave, by gender.	NR
Labor/management relations		
LA4	Percentage of employees covered by collective bargaining agreements.	NR
LA5	Minimum NRice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	NR
Occupational health and safety		
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	NR
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	34
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	33, 37
LA9	Health and safety topics covered in formal agreements with trade unions.	NR
Training and education		
LA10	Average hours of training per year per employee by gender, and by employee category.	37-P
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	37
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	33
Diversity and equal opportunity		
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	NR
Equal remuneration for women and men		
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	NR
Social: Human Rights		
Investment and procurement practices		
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	NR

NR: Not Reporting P: Partial

Indicator	Description	Reported
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	NR
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	NR
Non-discrimination		
HR4	Total number of incidents of discrimination and actions taken.	NR
Freedom of association and collective bargaining		
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	NR
Child labor		
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	NR
Forced and compulsory labor		
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	NR
Security practices		
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	NR
Indigenous rights		
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	NR
Assessment		
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	NR
Remediation		
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	NR
Social: Society		
Local communities		
S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	39
S09	Operations with significant potential or actual negative impacts on local communities.	NR
S010	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	NR
Corruption		
S02	Percentage and total number of business units analyzed for risks related to corruption.	NR
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	NR
S04	Actions taken in response to incidents of corruption.	NR
Public policy		
S05	Public policy positions and participation in public policy development and lobbying.	NR
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	NR
Anti-competitive behavior		
S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	NR
Compliance		
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	NR
Social: Product Responsibility		
Customer health and safety		
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	NR
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	NR

NR: Not Reporting P: Partial

Indicator	Description	Reported
Product and service labelling		
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	NR
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	NR
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	NR
Marketing communications		
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	NR
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	NR
Customer privacy		
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	NR
Compliance		
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	NR