

SUSTAINABILITY REPORT 2017 FORBO FLOORING SYSTEMS



**COMMITTED
TO THE HEALTH
OF ONE**

With this program we express our ambition in creating floor covering that is to the benefit of each individual by providing safe, hygienic and comfortable living and working spaces that make a positive contribution to the quality of the indoor environment

creating better environments

forbo
FLOORING SYSTEMS

ABOUT THIS REPORT

The 2017 report is our sixth 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 and as a support to help us improve our sustainability performance over time.

This report provides an overview of Forbo Flooring Systems' performance for the 2017 calendar year, in line with our financial reporting cycle. The 2017 financial report is available at www.forbo.com/en/investors. Please feel free to let us know your thoughts about our 2017 Sustainability Report; you can do so by contacting us at contact@forbo.com. Finally, we would like to thank 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

With two Red Dot design awards and an iF product design award for our new linoleum Cocoa an Slate collections in 2017 we have clearly shown that a sustainable product at the same time can be a beautiful and innovative solution.

Now that we enter the execution phase of the Paris Agreement that in the end will lead to lower CO₂ emissions worldwide we are making big steps forward in offering a floor covering solution that can boast a CO₂ negative status after it has been produced in our factories in Assendelft and Kirkcaldy. As such our linoleum floor covering offer is a sustainable champion with a bonus to the environment.

At the same time also our vinyl products in 2017 showed remarkable innovative progression in delivering a new concept under the name Modul'up, which is a collection of acoustic and compact vinyl sheet that can be loose laid without the use of adhesives. This takes care of a quick and easy installation as well as a sustainable solution as the floor covering can be easily removed and recycled after it's useful lifespan.

The textile 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 in TVOC.

In entrance flooring a new click system was launched as alternative for ridged aluminum strip floors. Coral click is a durable solution that is easily installed in areas where conventional entrance systems are not always possible.

I am happy with these new initiatives as it shows that also in the floor covering industry there is room for innovation and for a higher sustainable profile in which

we take a leading position not only with our products but also with our operation which by now all run on 100% green electricity and where investments are done in new technologies which result in even better products.

For the coming years, focus will be on creating a circular material base as our part in creating circularity in the building and construction environment. We also see an important challenge in expanding our takeback and recycling schemes of which the 'back to the floor program' in the UK and the cut-offs recovering scheme in the Netherlands are some examples.

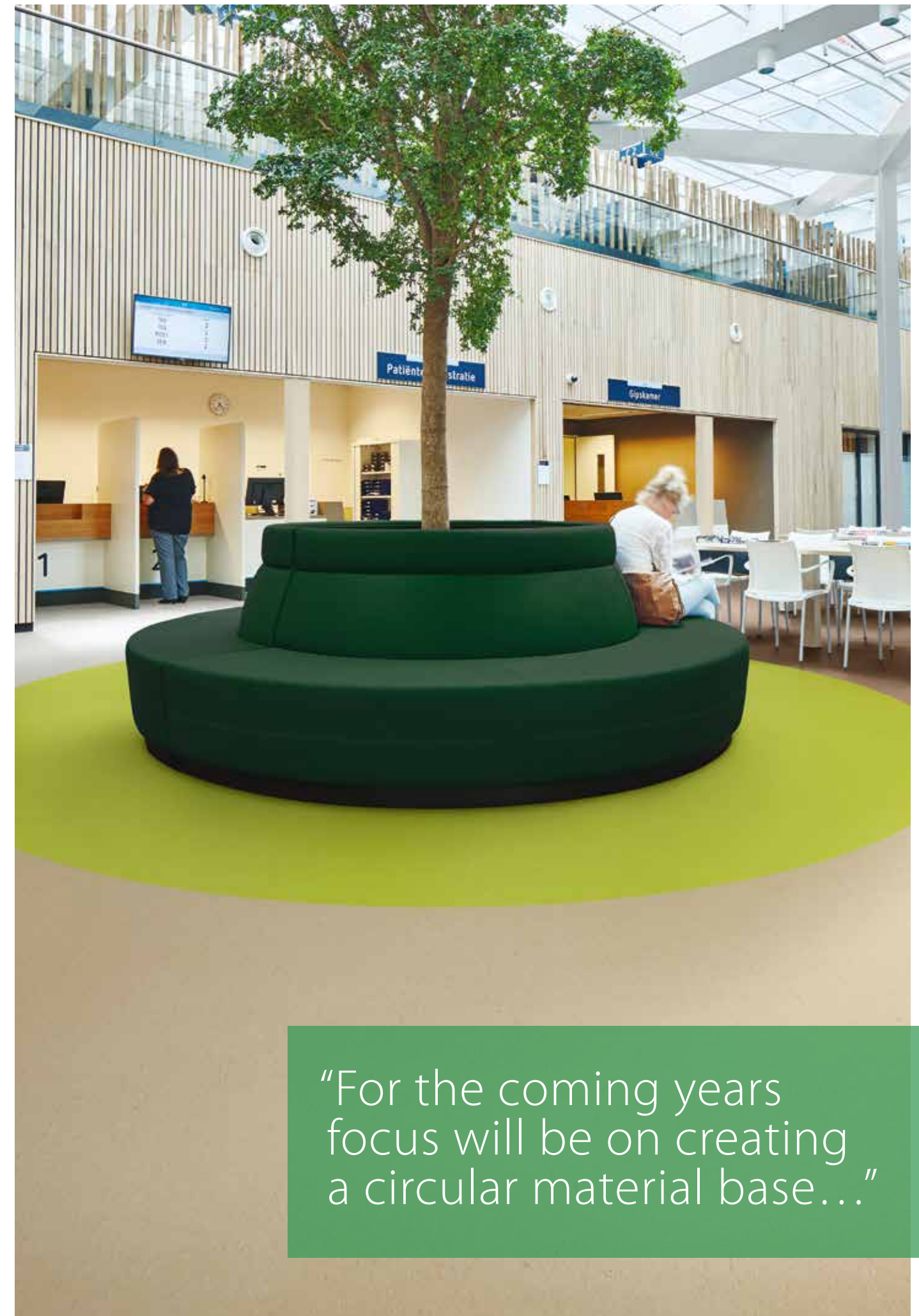
Forbo Flooring Systems also actively participates in a number of European based programs that take care of post-consumer (after use) floor covering waste as we believe it is important to seek alliances and cooperation's in line with the assignment that lies ahead of us.

The future of our products and the sustained environmental character of our operations in today's world are crucial to us.

With this report we are pleased to inform you of our progress and activities in 2017.

Jean-Michel Wins

Executive Vice President
Forbo Flooring Systems
(as of January 2018)



"For the coming years
focus will be on creating
a circular material base..."

OUR BUSINESS ENVIRONMENT

MARKET DEVELOPMENTS AND TRENDS

Over the year 2017, once again we added new elements to our product offering and enriched our collections with attractive new products in all categories. A special highlight was the launch of three collections from the new line of high-end homogenous vinyl floor covering.

Our growth initiatives included selectively building up distribution resources for the private sector commercial segment, reinforcing our teams in growth markets, raising the service level, and thereby increasing our customer focus. We invested in technological innovations in a large number of operational areas, carried out expansion projects, and in this way streamlined our processes. Thanks to our attractive product portfolio and clearly defined market strategies, we further strengthened our position as a leading systems supplier in the commercial segment.

SOLID SALES GROWTH

All three regions contributed to this solid sales trend. Most European markets, especially our core markets in France, Germany, and the Netherlands, reported moderate to above-average growth.

Demand was very buoyant in southern and eastern Europe, and somewhat more muted in northern Europe. Sales in the UK declined slightly owing to the economic environment and the resulting atmosphere of restraint. The Americas region reported marginal sales growth, due mainly to the stabilization and gradual recovery of the growth markets in South America. The main market, North America, reported sales on a par with the previous year. In the Asia/Pacific region, China, Japan, and South Korea made an above-average contribution to the sales upturn. This gratifying trend was driven by various growth initiatives and the completion of some major customer projects.

After a number of difficult years during the down cycle, the building and construction adhesives activity

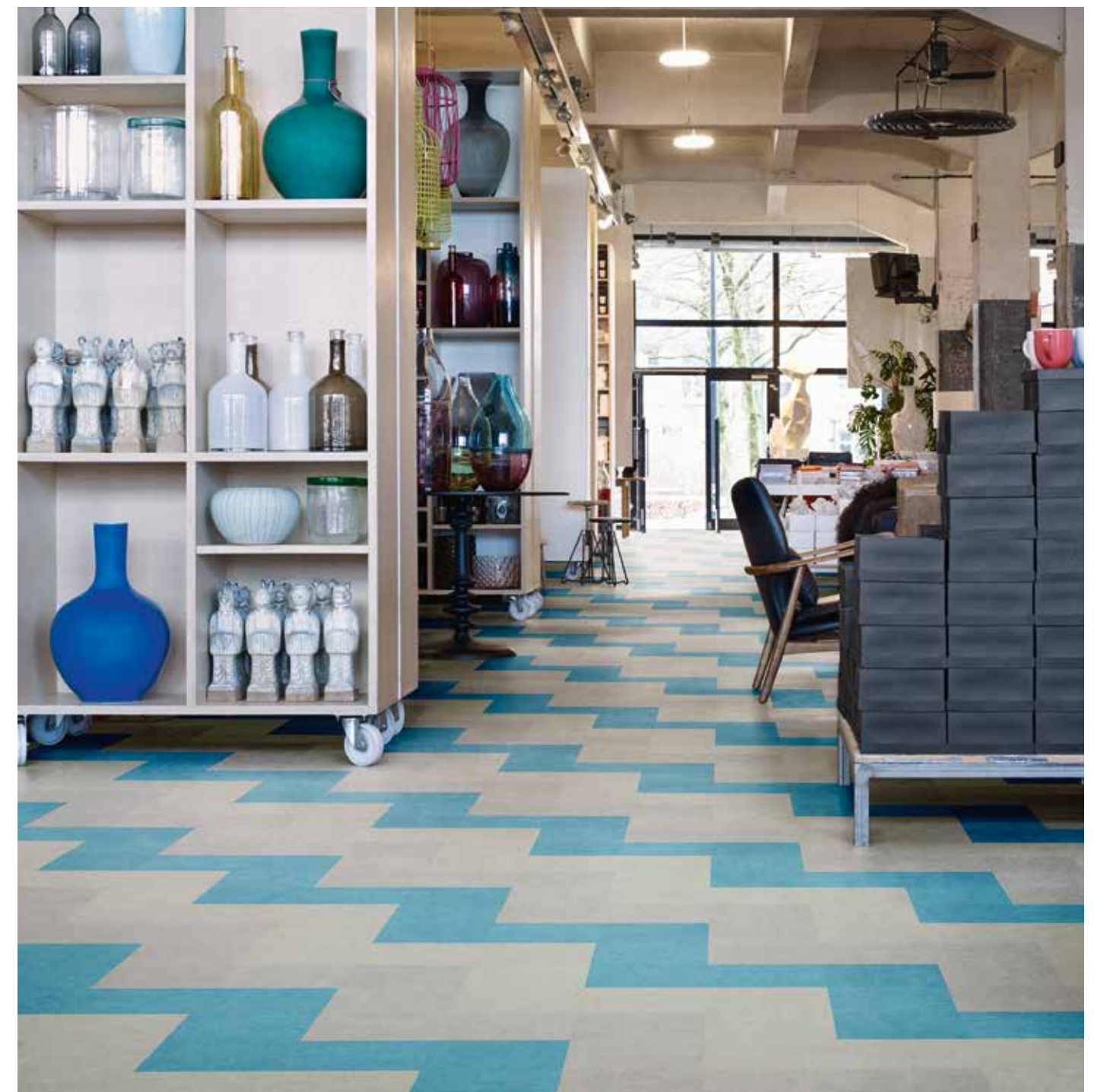
recovered and reported very satisfactory sales growth overall. Russia and the Netherlands in particular made an above-average contribution to these gains.

VERSATILE AND ON-TREND COLLECTIONS ENHANCE THE PRODUCT PORTFOLIO

The division continued to expand its offering for private sector customers by launching new and innovative collections in the year under review. The range now features new formats, a broad spectrum of color and design options, new effects and materials, and advanced functionalities and floor-laying options.

We kicked off 2017 by very successfully launching a host of attractive linoleum collections along with luxury vinyl tiles and a completely new product line of homogenous vinyl floor coverings. We followed this up by focusing on compelling collections in the textile flooring range, in particular for modular applications, in the second half of the year. We also rolled out various new collections of the Flotex product line in the second half of 2017.

Flotex is our high-tech textile flooring that can be cleaned using a pressure washer. It is installed primarily in care facilities, leisure centers, hotels, restaurants, and offices, where its robust durability, good hygiene features for allergy sufferers, and its ease of care make it invaluable. The high-end 3-D digital printing options opened up by the newly installed facility in Château-Renault, France, are promising – the ultra-modern designs and special features of both broadloom and modular tile and plank formats it enables are creating exciting opportunities.



We added attractive collections to our range of high-end Tessera carpet tiles, which are in especially great demand for office premises. They are influenced by strong design and color trends from the world of architectural décor that we reinforce with fashionable colors and motifs plus new plank formats that are closely coordinated with our new collections of luxury vinyl tiles.

The modular Coral entrance floor covering launched the previous year are now available in a click floor-laying option that greatly simplifies installation – a welcome addition especially in the retail segment.

The homogenous vinyl flooring line that was launched with its three inspiring collections in the year under review met with an enthusiastic response internationally,

and customers, especially in healthcare, were excited by its designs and material features.

The luxury vinyl tiles again reported double-digit growth in a highly competitive market and impressed customers with a wide range of design and application options. In the linoleum segment, demand for innovative special collections and revitalized furniture linoleum was gratifying.

Demand for linoleum in traditional broadloom form was close to the previous year's level. The other product groups – project vinyl, entrance matting systems, carpet tiles, Flotex, and needle felt floor coverings – also contributed to the sales growth.

ORGANIZATIONAL PROFILE

Forbo Flooring Systems has 12 production facilities in six 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 manufactures floor covering 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 covering or 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 covering such as carpet tile and flocked floor covering. All products have multiple formats and are available in rolls (sheet) and tiles and planks (modular). Products are easy to install, environmentally sound and available as loose lay or click varieties, which are installed without using adhesives, or as fully adhered floors.

The portfolio of Flooring Systems serves a wide range of market sectors and applications from more institutional buildings such as health care institutions, schools and government buildings to private commercial buildings such as hotels, offices, shops 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 12 Flooring Systems production facilities are ISO-9001 and ISO-14001 certified.

LINOLEUM, A SUSTAINABLE CHAMPION

Flooring Systems leads the world linoleum floor covering market with a market share of about 70%. Flooring Systems is universally recognized as the linoleum innovator when it comes to making the category a versatile solution in all types of flooring applications in every market sector worldwide. Linoleum floor covering was invented and produced for the first time in the century before last. Then, a real innovation in an era where wood, natural stone and carpets were the common floor covering, linoleum was recognized as a hygienic and durable solution for health care institutions. In itself it is remarkable that today where the health care and education environment has changed so much, linoleum still is a preferred floor covering solution. Linoleum floors come with a bonus to the environment. Every square meter of linoleum sheet results in a negative contribution in CO₂ emissions. The plants and tree from which the raw material for linoleum is extracted during their lifetime take up and absorb such an amount of CO₂ that exceeds the CO₂ emissions during the production process (documented in the linoleum environmental product declaration 2017). As such linoleum can claim a CO₂ neutral status, which is real and not a result of a commercial

off-set program. The Paris climate agreement of 2015 stipulates that all markets who ratified the agreement will reduce their CO₂ emissions, a first milestone is set for 2030, with 2050 as a and ultimate goal to reduce current CO₂ levels by 50%.

Less known, but becoming very popular again is the use of furniture linoleum as a high-end surfacing material for furniture, cabinets, door and partition walls. Furniture linoleum over time acquires a beautiful natural patina and is warm to the touch. In 2017 our furniture linoleum sales achieved a very positive growth with more and more interior decorators brands showing an interest in the material. Also here, like with our sheet linoleum, furniture linoleum can claim a CO₂ neutral status.

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 floor panels, **Marmoleum Sport** for sports applications, and **Marmoleum Ohmex** for anti-static floors. **Furniture Linoleum** is a surfacing material and **Bulletin Board** is used for pin wall/pinboard applications.

VINYL COLLECTIONS AND INNOVATION

Our vinyl collections in 2017 again showed a positive development when it comes to the assessment of its environmental profile. Sphera, the new homogeneous collections which are produced in a zero waste environment in a new production line can claim a near to zero emission level. Next to Sphera we have invested in creating a range of heterogeneous sheet collections that can be installed without adhesives. Flooring Systems already has a range of loose lay vinyl tiles which prove to be very popular as floor covering in the office environment, but loose lay floor covering in sheet format is a novelty. The collection, under the name of Modul'up, is produced in France and offers both a so called compact version, as well as an acoustic version.

For Flooring Systems it is common practice to re-use its waste material which finds its way back into the backing of our products. When our vinyl products carry the claim to be phthalate free, this is then also the case for the recycled content 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 100% 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 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 comprise **Allura** for luxury vinyl tiles and planks, **Eternal** for heterogeneous vinyl, **Sphera** for homogeneous vinyl, **Step** for slip resistant vinyl, Sarlon for acoustic vinyl, **Colorex** for static dissipative vinyl floors, and **Novilon** and **Novilux** for residential applications in vinyl flooring.

OUR TEXTILE OFFER, MORE THAN JUST CARPET TILES

Whether in product type or application, Flooring Systems offers a wide choice of textile floor covering. For office and leisure applications, our Tessera and Westbond carpet tile collections offer 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 huge number of collections that risk falling out of fashion and so going to waste.

Another way we avoid waste in our carpet tile portfolio is to use it – waste – by employing yarn regenerated from old fishing nets and PET bottles. As a result, our portfolio has, measured by weight, the highest content of recycled material at over 56%.

For high traffic areas, and areas where frequent cleaning and maintenance are needed to ensure a hygienic environment, carpet tiles are not the solution. In those cases Flotex is! 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 dries quickly. This in turn means it can be scrubbed and cleaned with water and returned to use quickly to 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 in overall TVOC values.

Finally, our textile floor covering offer encompasses a range of high quality tufted and rigid aluminum strip 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. Alternatively, we can deliver ridged entrance floors that combine bamboo scraper bars with buffed or unbuffed prime rubber and polyamide fiber composite wiper strips. For 2017 we have added Coral click as an easy to install intermediate roll able floor surface entrance floor. The click tiles are strong, durable and easy to install 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.



OUR SUSTAINABILITY POLICY

In the Flooring Systems mission we state that, "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 Flooring Systems' activities.



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 would become Forbo. As a natural 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, General Assembly Resolution, 1987, which states that sustainable developments are those: The United Nations' definition of sustainability recognizes three individual dimensions that together form 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 organizes its position in the market place to actively develop its sustainable profile by using its economic stability and profitability for continuous improvement.

Flooring Systems supports these three dimensions, also called the 'triple bottom line' or 'people, planet, profit,' 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
- Regularly monitoring and reviewing progress in sustainability performance
- A commitment to continuous improvement
- Promoting sustainability throughout our value chain, and expecting our suppliers and customers to comply with this
- Ensuring that all staff are fully aware of our sustainability policy and are committed to implementing and improving it
- 'Committed to the health of one' – our focus on the health and well-being of the individual.

CREATING BETTER ENVIRONMENTS AND COMMITTED TO THE HEALTH OF ONE

In what way can a floor covering company 'create a better environment?' Floor coverings are the basis of every interior space, as such they are omnipresent when it comes to our private and public buildings. Floor covering come in many types and varieties, hard, soft, natural, synthetic, colourful or non-obtrusive. In all cases a floor complements the design and atmosphere of the indoor environment. As such they contribute to the comfort and well-being of the individual. Floors also have functional qualities; they can contribute to a better indoor air quality, they can enhance the natural light level, they can control fine dust levels and allergens. In our assortment of floor covering we always assure that we are able to create safe and hygienic spaces, that will last over time and that are easy to clean and maintain. In this sense we not only create a better environment, but we also take care of the health and safety of the individual. Committed to the health of one, is our commitment when creating new floors from the start in design until the final installation on your floor.

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.

THE PARIS AGREEMENT, THE UNITED NATIONS 17 SUSTAINABILITY GOALS & CIRCULARITY

In many ways the Paris agreement of 2015 laid the foundation for a new era on in which the world turned a corner and made the promise to be serious about climate change. The agreement which by now has been ratified by all the countries in the world including a large number of US American individual states has an ambition that sets a sustainable standard for the decades to come. The ultimate goal is to stop global warming and setting a limit on the rise in temperature that has been taken place for the last decades. In order to make this happen the so called greenhouse gas emissions need to be reduced. It is an ambitious horizon but one that is worth working towards.

Reducing CO₂ and greenhouse gas emissions are not a goal by itself but they are a target which is achieved only when we change our way of producing and using products. The choices that have to be made involve the entire life cycle process of a product and all aspects that are a part thereof. Raw material sourcing, production, use and end of life are the four aspect in the life span of any product.

In the past and until now much emphasis has been laid on the first two stages of the life-span – the raw materials and production stages - in the new world the latter two aspects – use and end of life – gain importance. The life cycle process is captured under the umbrella of the circular economy. In that sense floor covering are a valuable resource, one that fulfils a functional and durable function throughout its useful life phase, often exceeding 20 to 30 years. The challenge for the coming years for all producers of B2B durable consumer goods will lay in creating a circular movement which involves the collection and recycling of post-consumer waste. Flooring Systems engages in a number of initiatives and pilot projects worldwide to explore the possibilities and opportunities. We believe that this can only be done when the building and construction industry joins forces and unifies its efforts.

“For our industry, following the Paris agreement and focus on circular materials and healthy buildings are key elements in meeting the UN sustainability goals”



Our stakeholder engagement involves a range of activities:

- Internal stakeholders – through regular meetings and surveys
- 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 schools
- Industry and trade associations – through meetings, representation on committees, and other regular contacts.

The materiality assessment was conducted for the first time in 2015. Our goal was to validate the importance of specific sustainability topics and examine the relevance of these topics for our stakeholders. For the 2016 as well as for the 2017 report, we repeated 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 same sustainability themes and related topics as in 2016 were confirmed for 2017:

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

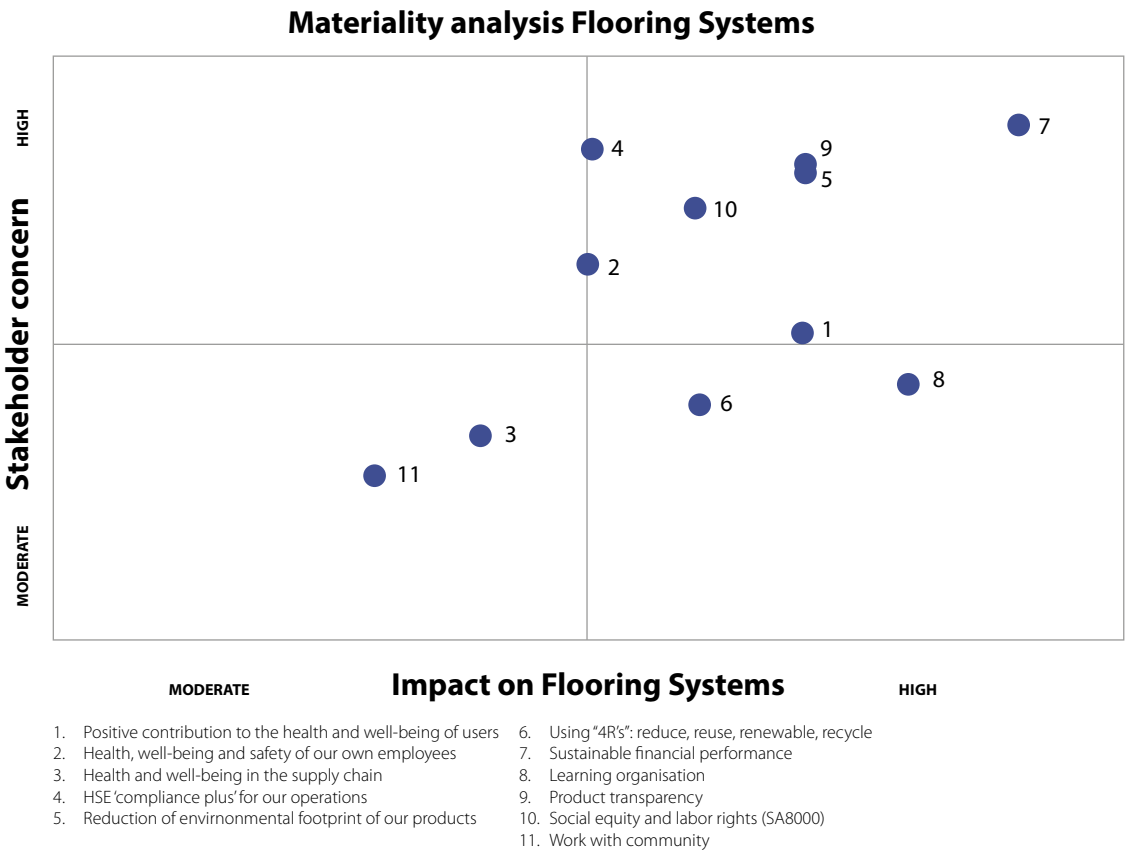
- Product transparency
- Social equity and labor rights (SA8000)
- Working with the community

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. For 2017, the materiality matrix was confirmed as being unchanged.

1. Positive contribution to the health and well-being of users
2. Health, well-being and safety of our own employees
3. Health and well-being in the supply chain
4. HSE ‘compliance plus’ for our operations
5. Reduction of environmental footprint of our products
6. Using “4R’s”: reduce, reuse, renewable, recycle
7. Sustainable financial performance
8. Learning organization
9. Product transparency
10. Social equity and labor rights (SA8000)
11. Work with community



MATERIALITY MATRIX



In 2017 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 covering is concerned, we create exceptionally good products that go beyond simply feeling nice underfoot. Floor covering must be robust and functional, while also creating a three-dimensional experience for all senses. As stated in our annual report for 2017, where sustainability is concerned, Flooring Systems is committed to the triple bottom line of people, product, and profit.



PROMOTING HEALTH AND WELL-BEING

HEALTH AND WELL-BEING OF OUR END-USERS

Floor covering is an indispensable part of the indoor environment and forms the basis of every space our customers occupy. 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. A program developed in 2015 looks 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.

SAFETY

Floor covering products can help promote safe environments by, for example, showing reduced product emissions that are well below official limits – at times even close to zero. 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.

Safety can also be created through design, as is the case with our collection which is designed for dementia patient environments. Here colour and non-disturbed optical floor solutions are required. Flooring Systems in this case has worked closely together with the Stirling University (Scotland) and their dementia experts.

HYGIENE

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 when it comes to cleaning and maintenance. All our floors maintain their appearance for a long time when cared for under a regular cleaning regime. Such regimes 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.

WELL-BEING

A third aspect, related to our ‘committed to the health of one’ program, concerns well-being. When an indoor environment ‘feels good,’ people are more productive, more comfortable, and happier. A floor can help in various ways.

Noise: 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.

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.

Comfort: Floors offer comfort, they agree 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.

DESIGN PHILOSOPHY

All these aspects are brought together under our ‘committed to the health of one program’ that considers not only green design principles, but also the role and function of a particular environment or space.

Design at Flooring Systems follows trends as well as focuses on the needs of the specific segment for which a floor covering is to be used, such as in retail or care environments, for example.

Today, we see that environments that once had their own particular character are increasingly borrowing ideas from elsewhere. Shops are increasingly becoming ‘experience environments,’ with the in-store running track in a sports store as common as the café in a bookstore.

The same is true of hospitals and offices as reception areas morph into open public spaces and receiving areas whose role is to guide people to other parts of the building. Considered this way, design forms part of whatever activity is taking place, rather than simply a backdrop to it. It’s no longer about designing for a segment, but designing for usage.

Receiving, moving, connecting, concentrating, and relaxing are key words we have created around people behavior and the indoor experience. The result is that the user and end-use scenarios inspire and shape what ‘committed to the health of one’ means in any given context from the moment we start designing a new collection.



HEALTH, WELL-BEING, AND SAFETY OF OUR EMPLOYEES

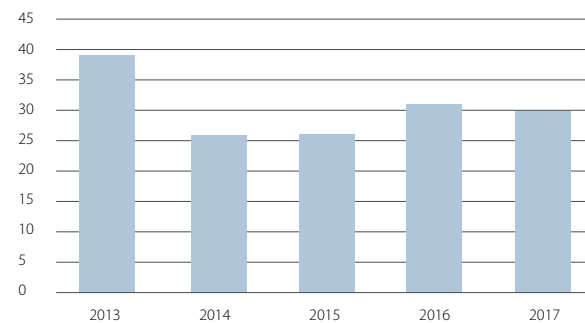
The 'committed to the health of one' program also covers our own employees. Safety is paramount. While we invest resources to improve our work systems and upgrade equipment, we also recognize that behavioral factors often cause accidents. Sustainable behavioral change is therefore key to our long-term 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:

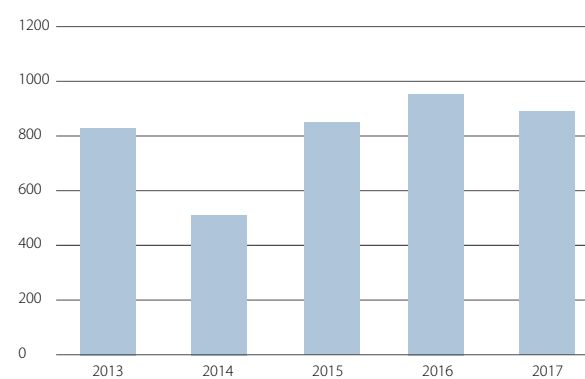
- Lost Time Accidents
- Lost Days Injury
- Total Accident Frequency Rate
- Safety Concerns Frequency Rate

These key performance indicators are measured and reported at all sites every month. The number of Lost Time Accidents decreased in 2017, so did the Lost Days Injury rate.

LOST TIME ACCIDENTS



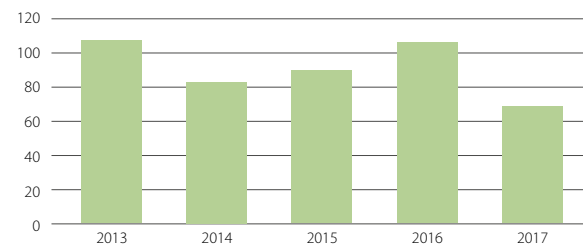
LOST DAYS INJURY



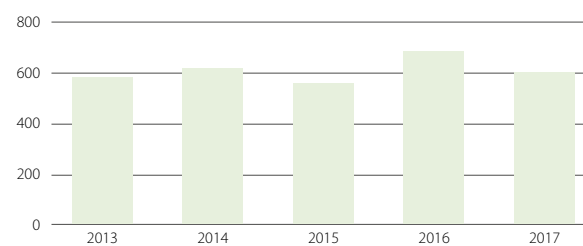
TOTAL ACCIDENT FREQUENCY RATE

We began reporting our Total Accident Frequency Rate and Safety Concern Frequency Rate in 2012. 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. 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; 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 organized sports and fitness in which we support a discount at local work-out centers.

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. Our sales entities in Europe, Australia, and Russia also have similar committees. Altogether, these committees covered around 90% of our employees at the end of 2017.



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.

INTERNATIONAL 'COMMITTED TO THE HEALTH OF ONE' CONTEST

As part of the 'committed to the health of one' program, in which we demonstrate our ambition to contribute to creating better indoor environments, including our own working and living environment, an international 'committed to the health of one' contest was organized. There are many ways that can create a better indoor environment, therefore we have challenged all our employees to be creative and come up with ideas that can make their day to day working environment at Flooring Systems an even better place to be.

All ideas, brought in by our employees, were gathered and local HR decided first on the best ideas coming from their own organization which in turn were implemented and rolled out in the summer of 2017. The next step up was a collection of all awarded local initiatives, from 13 different countries, and to make the overall prize winning selection. The following evaluation criteria were taken into account: a clear connection to 'committed to the health of one', beyond legally required, unique and for everybody, a novelty, a successful roll-out, and the possibility to use / roll out the idea in other departments and countries.

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.

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

OFFERING HEALTH IMPROVEMENT PROGRAMS

Although it is imperative to have a good absenteeism protocol, prevention 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, Russia, and the UK, at least 80% of our employees 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.

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

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. At the end of 2017, all our regular and multiple use suppliers have been assessed.

SUPPLIER ASSESSMENTS AND AUDITS

In addition to conducting 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 2017, 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. The audits revealed non-conformances relating to occupational health and safety in particular, as well as working hours, safety procedures, and environmental performance. In some cases, they also indicated that suppliers' own management systems were inadequate. None of the non-conformances identified during these audits involved child labor or forced labor.

The conclusions and recommendations of all audits were reported to the suppliers 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 2017, all the suppliers we assessed either complied directly with our requirements, or did so after taking corrective actions.



The background image shows a modern interior space set within a rustic, industrial environment. On the left, there is a white, modern-style chair with a yellow cushion. Next to it is a black floor lamp with a long, adjustable arm and a conical shade. In the foreground, a roll of light-colored flooring material is partially unrolled. The background features a wall made of weathered, light-colored wood or concrete with various metal fixtures and a small arched window. To the right, a metal staircase with red railings leads to an upper level. The floor is made of dark wood planks.

REDUCING ENVIRONMENTAL IMPACTS

COMPLIANCE PLUS FOR OUR OPERATIONS

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.

REDUCING ENVIRONMENTAL IMPACTS

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. In 2017, our production units' environmental management systems across Flooring Systems recorded a total of six stakeholder complaints. With the stakeholders, we investigated the complaints and identified the root cause. All topics were solved.



REDUCING THE ENVIRONMENTAL IMPACT OF OUR PRODUCTS

In calculating our environmental footprint from cradle to gate, we take two kind of results into account: the development and production of our floor covering, 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 have very positively developed over the last years helping to improve our environmental footprint. Main contributors were wood-flour, PVC and plasticizer supplier. 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. Within the last years, all in all the weighted energy consumption for the production of PVC fell by 11% and energy consumption for the production of plasticizer was reduced by 6%.

EMPLOYING THE 4R's: REDUCE, REUSE, RECYCLE, RENEW AND INTRODUCING A 5TH ONE: RE-DESIGN

The 4R principle to most is well known lies at the heart of our drive to reduce the environmental impact of our products both during their working life and at the end of life phase. As such, the four R's are important indicators in our quest to continuously improve our sustainable profile through the complete lifecycle of our products. The four R's help us to identify where we can make sustainable choices in each stage of the product lifecycle.

In fact there is a fifth 'R' which has an autonomous position and helps us to rethink the entire life cycle of a product. In the conception and design phase, 'Green Design' principles to help us choose types and quantities of raw materials, and find alternatives re-designing the product by using circular materials that reduce the product's environmental impact without compromising functionalities and performance.

Where we use raw materials, the preference and goal is to opt for either natural renewable materials, or materials that are both abundantly available and not used for any other primary purpose, such as feeding people or animals. In the production phase, we aim to not create any waste and to ensure that any waste that is generated is reused in our products. Recycling can be facilitated by identifying secondary products that could be made using waste material generated during the production of the original product. This can also be taken a step further to include the

recycling of left-over material from flooring installations, and even the post-consumer recycling of old floors that are being replaced.

RE-DESIGN AND INNOVATION

We mainly use the LCA methodology to measure our environmental performance. We believe that, in environmental terms, the starting point for the creation of a new product and the adoption of new and innovative approaches in construction and design play a very important role in improving our LCA result. This way we approach LCA with a methodology that tries to improve the environmental performance at the cradle of the design of the product and the production process. We recognise that we have to do things differently if we are to achieve our goal of becoming a sustainable and environmental leader.

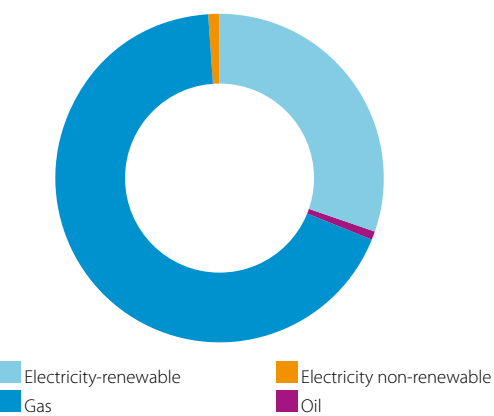
In re-designing our products we lay focus on the circularity principles of the raw material that we use. As such we have a portfolio that can boast these principles, for example in

1. the yarns used for our textile entrance flooring systems and in our carpet tile portfolio
2. the natural renewable materials used for the manufacturing of natural linoleum and
3. recycling and re-use options for our vinyl collections.

REDUCE

We consider 'reduce' to be the most important within the four 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 is 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 production sites made a positive contribution in 2017 by reducing raw material use and packaging, and increasing the recycled content of our products.

ENERGY CONSUMPTION IN 2017



The increase of our product sales resulted in a slight increase in the overall amount of raw materials used in 2017. The share of the various raw materials categories remained more or less unchanged compared to 2016.

Renewable (inclusive recycled)	45,120
Non-renewable	104,900
Recycled	13,790
Reused	13,970
Packaging	
Renewable	5,780
Non-renewable	405

In line with our higher production volumes the energy consumption was a little higher than in 2016. In the mix the volume of the renewable sustainable energy consumption had a slightly higher share.

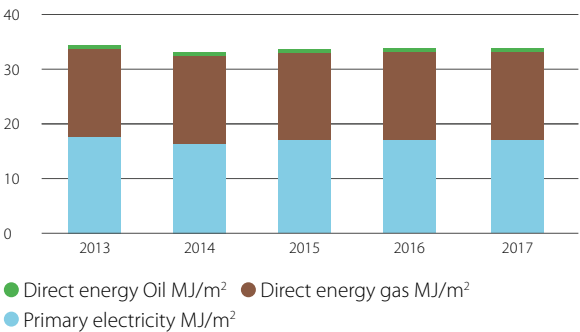
Renewable electricity	362,445 (GJ)
Non-renewable electricity	12,630 (GJ)
Gas	812,061 (GJ)
Diesel	9,382 (GJ)

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 2013 to 2017. 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 have a higher square meter weight, which in turn require more energy to produce. Considering the combined

weight throughput in our production 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 production 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.

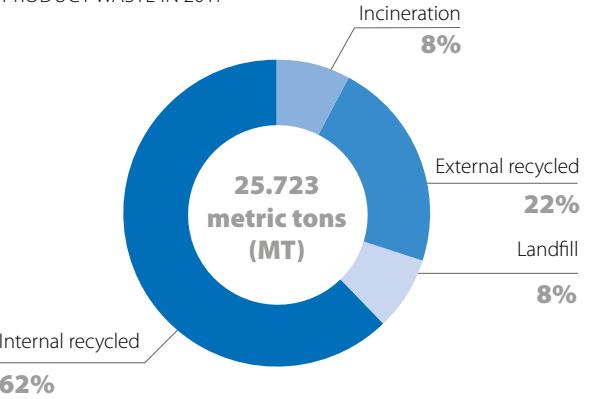
REDUCE MANUFACTURING WASTE

The main target for all our manufacturing sites is to reduce waste by maximizing yields and maximizing the reuse of product. Most sites began doing this more than 10 years

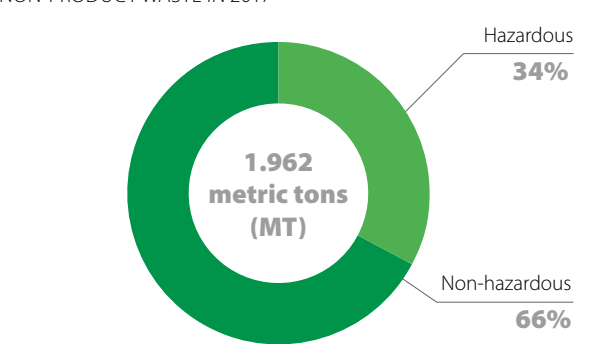
ago. In 2017, the total amount of waste we created slightly increased compared to 2017. This was mainly caused by the growth in sales volumes.

If any waste is produced, the strategy is to first maximize reuse and recycling within Forbo Flooring System and, secondly, to then maximize external recycling. In 2017 we have seen a 9% less reuse of product 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 2017



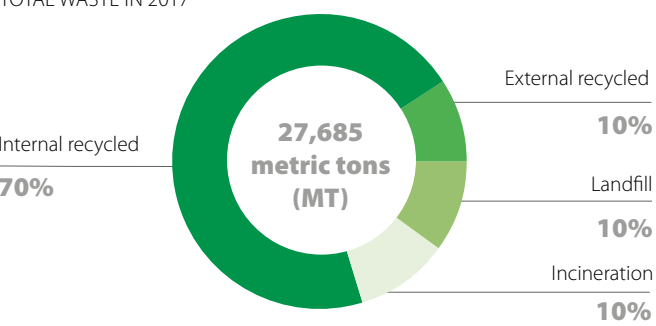
NON-PRODUCT WASTE IN 2017



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/ , www.forbo.com/eurocol/en-gl and www.forbo.com/flooring/en-us

TOTAL WASTE IN 2017



ALTERNATIVE ADHESIVE SOLUTIONS

Measured by material weight, the adhesives 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 tackified solution. Examples are our carpet tile offer, our Allura flex tile and plank offer as well as our Modul'up loose lay vinyl sheet offer, all of which will not quire 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 covering. 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.

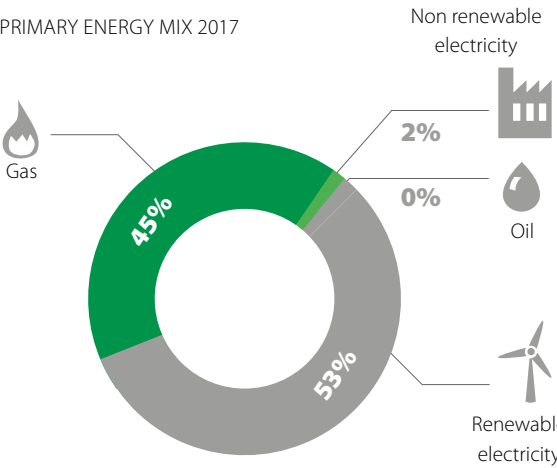
RENEW

Renewable sources used for raw materials and energy are key to the concept of circularity. For our linoleum production the renewable natural materials even go as far as that they help in creating a CO₂ neutral product which is ready for use in a 25 year-plus life cycle. As far as renewable energy is concerned, a program to turn to green has been in place for over 12 years.

RENEWABLE ENERGY

We have an ongoing policy of obtaining electricity from renewable sources. In 2017, renewables accounted for 53% of all the energy consumed in our manufacturing facilities, equal to our 2016 consumption. This in turn is helping us to reduce our carbon footprint by reducing the amount of CO₂ we emit into the environment. We continue to believe that limiting environmental impact at source by using renewable components is far better than offsetting one's environmental footprint by such actions as planting trees or buying a forest land.

PRIMARY ENERGY MIX 2017

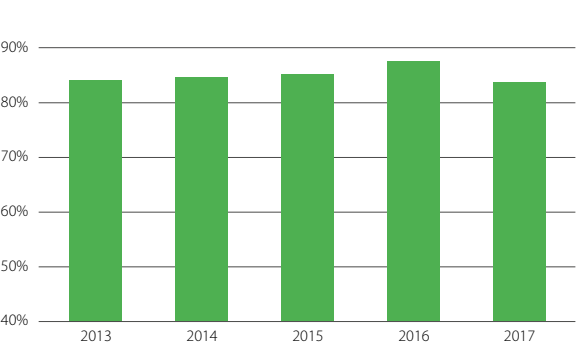


REUSE AND RECYCLING

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

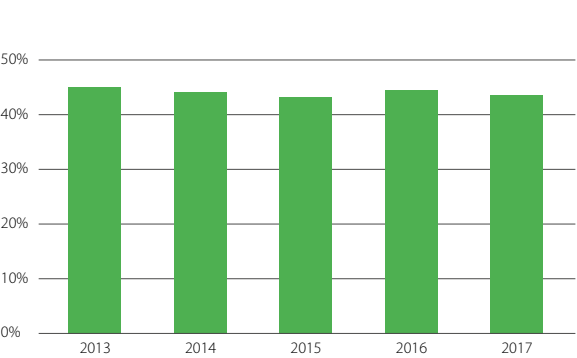
Having completed all our quick wins by upgrading our state of the art processes, we have in 2017 increasingly found ourselves needing again to take measures to increase product reuse for our newly installed production lines. We have therefore invested in equipment that makes it possible to reuse more product waste.

% REUSED & RECYCLED PRODUCT WASTE

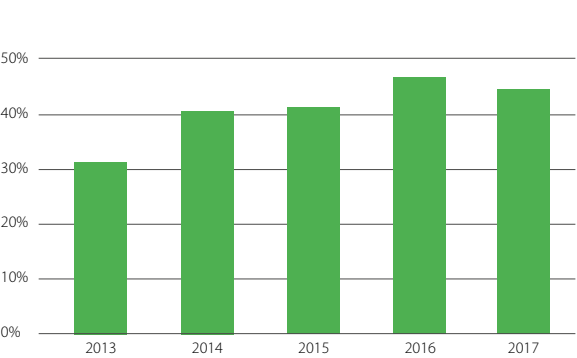


In 2017, the weighted average amount of recycled and reused content in our products was 25%. This is positive in every aspect. Linoleum has long contained the most reused and recycled material of all resilient floor coverings. In 2017, our focus on reusing and recycling waste led to very good results by again increasing the recycle content in our Allura and Eternal vinyl product ranges. We have a broad portfolio of products that contain recycled content.

LINOLEUM - % RECYCLED & REUSED



CARPET - % RECYCLED & REUSED



Flotex: The most sustainable floor covering textile in sheet and tile format. Flotex features a recycled and reused content of up to 59%.



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



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

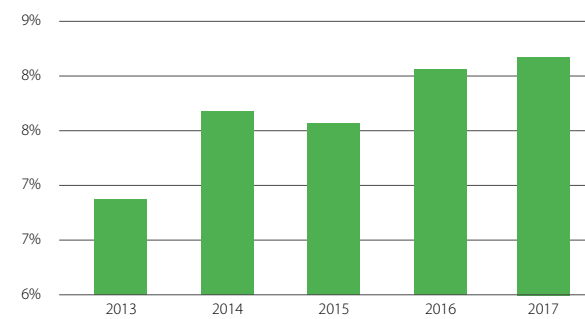


Luxury Vinyl Tile (LVT): Allura is available with up to 20% recycled and reused content in the backing.

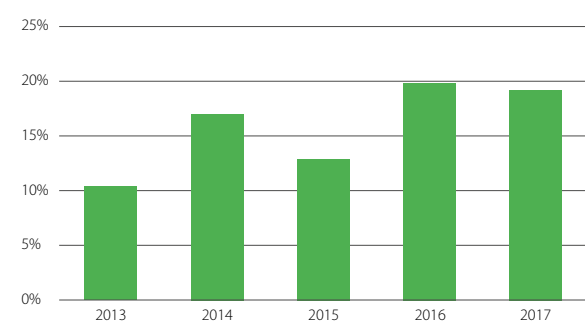


Linoleum: Marmoleum, our linoleum brand, contains up to 43% recycled and reused content.

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 production process.

Installation waste, however, continued to be neglected – as both waste and 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 installation waste.

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 its composition. The challenge so far has been in creating a sustainable logistics infrastructure to make the collection of post-installation waste economically viable.

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

Collected and recycled installation waste in 2017:

- 28 tons of linoleum in the Netherlands
- 53 tons of vinyl in Sweden
- 8 tons of vinyl in France
- 15 tons of linoleum in the UK
- 2 tons of carpet in the UK
- 14 tons of vinyl in the UK
- 110 tons of linoleum in the USA

A total of 230 tons, which is comparable to 2016.

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 to enable recycling of post-consumer vinyl floor covering. The main program is in the French market. For this program 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.



A modern office interior featuring light-colored wood paneling on the walls and ceiling. A reception desk with a yellow base and light wood top is in the center. To the left, there's a yellow shelving unit with books. A bulletin board with various papers is on the wall. A green chalkboard and safety signs are on the wall behind the desk. A clock is visible in the top right corner.

ORGANIZATIONAL DEVELOPMENT

SUSTAINABLE FINANCIAL PERFORMANCE

Maintaining a strong financial position is central to our objective of being a sustainable organization. This 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, both 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 mandatory training for all management staff.

RISK MANAGEMENT

Risk management and risk assessment are an integral part of our 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 analyzes all business areas within the company and its divisions. The assessment covers internal controls and business risk, and includes targeted questions concerning fraud and corruption. It is conducted 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. This helps our customers and society to reduce CO₂ emissions by offering them a favorable alternative to floor covering 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

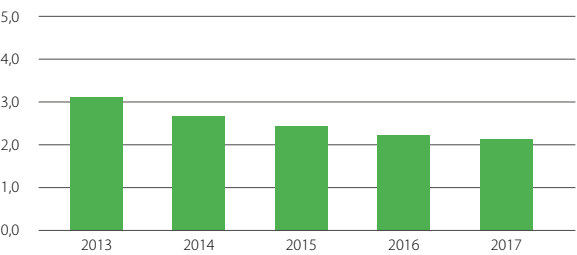
on Flooring Systems' CO₂ emissions within the EU, and indirectly increases the cost of our raw materials as well as energy generation costs for our electricity suppliers.

Our 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 CO₂ emissions costs. We plan to further reduce the CO₂ emissions of our entire product portfolio in the years ahead by challenging conventional production methods, looking for substitutions in adding even more circular materials in our products and focusing on innovation at each production location.

TOTAL DIRECT AND INDIRECT GREENHOUSE GASES BY WEIGHT

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, producing and finishing the product to the point it is ready to ship to our customers.

AVERAGE CO₂ PER KG PRODUCED



OUR ECONOMIC PERFORMANCE

Significant indicators covering the generation and distribution of value, plus the organization's total capitalization, with breakdowns in debt and equity in accordance with GRI requirements, can be found in the Forbo Group Annual Financial report 2017: www.forbo.com/investors

LEARNING ORGANIZATION

We support our employees in realizing their potential and exceling in their work. We do this by helping them to continuously improve their knowledge, skills, and abilities. Because we see developing our people as a way to develop our organization, we have made our active and systematic employee development program the core of our performance management system. Everybody deserves to be recognized for his or her contribution, and our performance appraisal system is the



formal process for doing so. The performance appraisal is 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 and is documented at both local and central level of the organization.

Flooring Systems is committed to offering flexibility so our employees can balance their work and family responsibilities. Flexible 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 being employed by Flooring Systems. Our reward system is based on our belief that people should be fairly rewarded for their individual contribution.

EMPLOYEE TRAINING

The division-wide annual performance appraisal 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 2017, we provided the following international programs:

- Forbo (Group) leadership and management courses
- Forbo (Group) anti-corruption training
- Divisional Flooring Systems management training programs
- Divisional Forbo Academy product training programs
- 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 2017

- 1,391 Flooring Systems' users accessed our learning management system
- 1,542 completions were made

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.

CODE OF CONDUCT E-LEARNING

After the 2016 rollout to all targeted employees, the Forbo Code of Conduct e-learning module is now part of the introduction program for new employees.

ANTI CORRUPTION E-LEARNING

An updated version of the anti-corruption e-learning module was introduced and rolled out for all management layers in the organization. The anti-corruption chapter is also highlighted in the Forbo Introduction training.

'COMMITTED TO THE HEALTH OF ONE'

Our 'committed to the health of one' program shows 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.

'COMMITTED TO THE HEALTH OF ONE' E-LEARNING

The 'committed to the health of one' module provides insight in the context and covers the essential information on this program. After the introduction in 2016, the 'committed to the health of one' e-learning module was further rolled out to a larger audience in 2017.

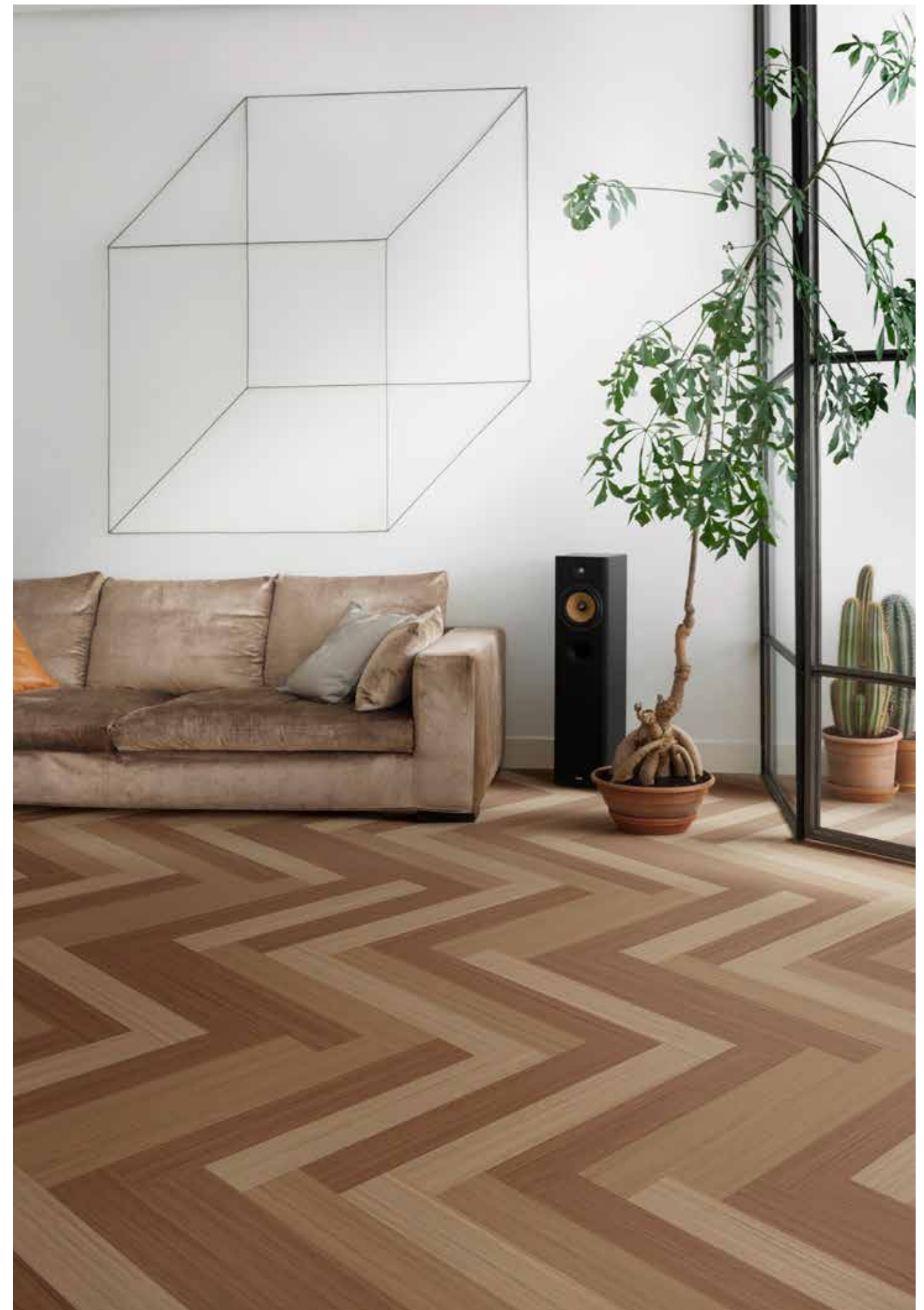
OFFICE ERGONOMICS E-LEARNING

The Office Ergonomics e-learning module is offered as part of the 'committed to the health of one' program. This e-learning module provides information to reduce and/or eliminate risk factors for injury to the musculoskeletal system (muscles, tendons, skeleton, cartilage, ligaments and nerves).

At many of our locations, office ergonomics is already implemented as part of local health & safety programs. For locations where this has not yet been implemented or when additional information and support is needed, the e-learning module rollout started at the last quarter of 2017 to the defined target audiences in Europe. Other regions are expected to follow in 2018.

PRODUCT E-LEARNING

The majority of product e-learning modules completed dealt with the new Marmoleum Solid and Sphera homogeneous vinyl collections.





SOCIAL RESPONSIBILITY

PRODUCT TRANSPARENCY

From how we run our factories to how we choose our ingredients, the way we make our floor coverings is a big part of how we meet our ambition of 'committed to the health of one.' Ensuring product safety, providing product information on sustainability performance, and promoting recycling schemes are key in our approach to product responsibility. Our raw material and product health, safety, and quality control systems cover all our processes from the product development stage through raw material sourcing to the delivery of the finished product. Our suppliers must also comply with our product safety requirements.

PRODUCT TRANSPARENCY

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.

INFORMATION ON SUSTAINABILITY PERFORMANCE

We use Lifecycle 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 2017, 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 2017, 21 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.

Our EPDs are based on the product category rules (PCR) set out in the EN-15804, EN-16810 and ISO-14025 standards. Product category rules define how to conduct a lifecycle 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 anticorruption. 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. Flooring Systems supports the 10 principles of the UN Global Compact, a United Nations

UN global compact principles

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

initiative to encourage businesses worldwide to embed responsibility into their business operations. We respect and promote these principles throughout our operations. The table below lists the 10 principles and specifies where information on them can be found in this report.

DOING BUSINESS SOCIALLY RESPONSIBLE

Flooring Systems has chosen for the SA8000 standard, a voluntary international standard, verifiable and certifiable by an external party, which encourages organizations to improve working conditions around the world. The SA8000 standard is based on the conventions of the International Labor Organization (ILO) of United Nations, international human rights standards, national legislation and the Guiding Principles on Business and Human Rights of the United Nations. SA8000 has been rolled-out in the Netherlands, France, Russia, and the UK.

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.

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.

ASSEDELFT (NETHERLANDS)
HELPING DISABLED PEOPLE TO GET A JOB

De Bolder produces and supplies its 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 mesh, 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-free-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 aged people 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. Participation in a networking water project 'Green drinks' with the community have been organized by Flooring Systems in 2017.

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 covering for the premises used to care for the influx and relocation of migrants and refugees from Syria, Africa, and Asia. In 2017 there was additional support in sponsoring the Children Cancer Society and the Unicef annual national Television campaign.

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 2017 with donations in kind and financial contributions in the USA, the Netherlands, and Sweden.

MARKLUND (USA)

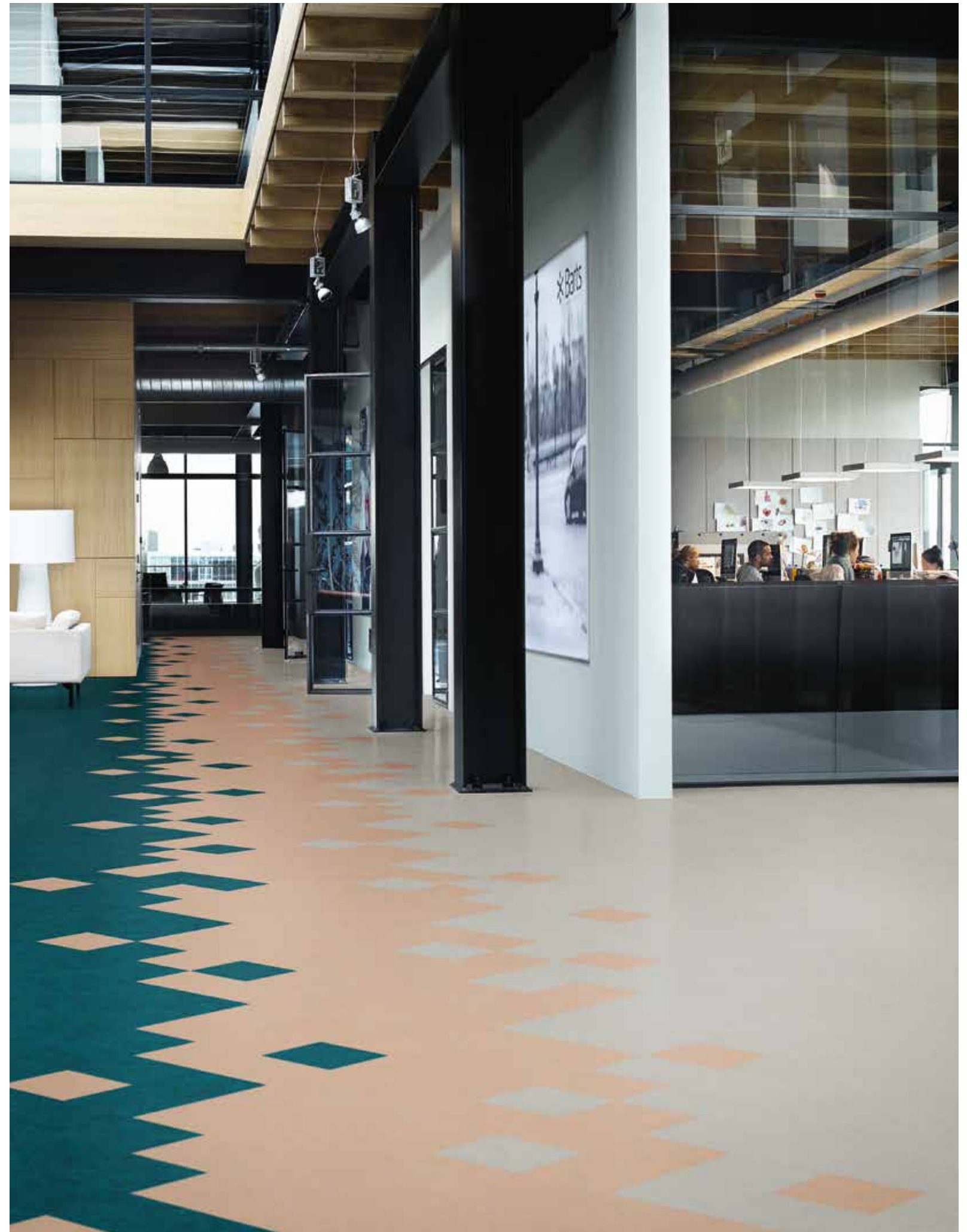
Marklund continued to be one of the major sponsorship activities of Flooring Systems in the USA. Marklund is a home and school non-profit organization that supports infants, children, teens, and adults with profound developmental disabilities and special health care needs.

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. Some 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 tube 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.



A modern restaurant interior featuring a long wooden bar at the top. Below the bar is a row of dark wooden stools. In the foreground, there are several dark wooden tables and chairs. The floor is covered with a patterned carpet in shades of grey and orange. On the right side, there is a large, dark, cylindrical fire pit with a fire burning inside. The overall atmosphere is contemporary and minimalist.

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

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 QA 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 an nine-person management team who are responsible for Sales & Marketing, Supply Chain, Business Development, Human Resources, Finance & IT and Building & Construction Adhesives respectively. Since 2018, the management team is led by Jean-Michel Wins, Executive Vice President Flooring Systems.