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#### TARKETT AT A GLANCE

FOR 130 YEARS, INNOVATION, DEDICATION TO EXCELLENCE, AND A LONG-LASTING COMMITMENT TO SUSTAINABILITY HAVE MADE TARKETT A GLOBAL LEADER IN CUTTING-EDGE FLOORING SOLUTIONS, AND SPORTS SURFACES FOR ALL MARKET SEGMENTS.

#### SEGMENTS



**EDUCATION** 



**HEALTH & AGED CARE** 

MARINE, AVIATION

& TRANSPORT









STORES & SHOPS





WORKPLACE



HOSPITALITY, TRAVEL & LEISURE



SPORTS & WELLNESS

One of the broadest product portfolios in the flooring and sports surfaces

Vinyl

Linoleum

Carpet

Wood

Laminate

Rubber & accessories

Artificial turf

Tracks



of flooring sold every day

million square meters



in vinyl worldwide



in artificial turf for sports fields in North America

### **TARKETT WORLDWIDE**

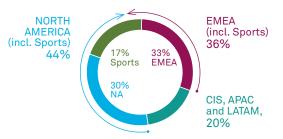


Tarkett's balanced business model leverages its global scale. Local strengths and entrepreneurial spirit create a competitive advantage and deliver integrated and coordinated solutions to professional and residential end-users all over the world.

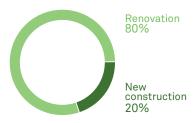
### **SALES IN OVER 100 COUNTRIES**

based on 2016 net sales

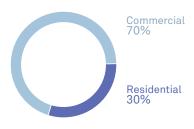
billion euros in net sales in 2016



Balanced geographic exposure



Sales driven by renovation



Attractive end-market exposure

## DEDICATED TO GENERATING VALUE IN A SUSTAINABLE WAY

Respect for the environment and people's health at every stage of a product's life cycle drives Tarkett's closed-loop circular design approach, which is applied to all activities worldwide.



Committed to the transition to a circular economy.



Dedicated to the UN's 10 principles and engaging suppliers to be as well.



WØRLD ECONOMIC FORUM Applying Cradle to Cradle® principles since 2011.

Contributing to discussions on climate change, circular economy and the future of construction.



95%

of raw materials assessed according Cradle to Cradle® criteria (1)

(1) percentage of purchased volumes



25%

of Group total energy and electricity consumption are renewable

### 3.1 Sustainability at Tarkett

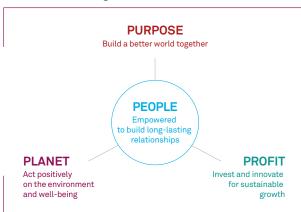
## 3.1.1 Our ambition: Committed to better living spaces

### 3.1.1.1 A sound strategy based on a clear vision

In 2016, Tarkett reaffirmed its commitment to sustainable development. This runs right through the Group's newly unveiled 2017-2020 strategy, which emphasizes our vision to be the global leader in innovative solutions that generate value for customers in a sustainable way.

For Tarkett, sustainable development implies much more than legal compliance or societal responsibility: it is a central philosophy integrated into the Group's strategy, serving as a key success factor and a means of differentiation in ever-more competitive markets. This integrated approach fuels our sustainability strategy, which is based on four pillars: Purpose, People, Planet, and Profit.

### Our 4P Strategy to address environmental and societal challenges



In 2016, extensive work was carried out on the **People**, **Profit**, **and Planet** dimensions, enabling us to further implement and reinforce sustainable development fundamentals throughout the Group's operations. These three dimensions, which are the foundations of our sustainability commitments, are underpinned by a fourth pillar – **Purpose**, which drives and meaningfully defines our entire approach.

This pillar fits into a global context and takes into account environmental and society issues. It is the underlying factor that has shaped and guided Tarkett's determination to contribute, wherever its business activities allow, to addressing several of the most important and pressing challenges that face society in the 21st century:

- > combatting climate change;
- > managing scarce natural resources sustainably;
- > promoting people's well-being and the development of healthy living spaces; especially within a context of rapid urbanization and aging populations.

This vision was given further relevance in 2016, given that our sustainability commitments were closely aligned with the results of Tarkett's comprehensive materiality assessment – an analysis of the expectations of our internal and external stakeholders – and the 17 United Nations sustainable development goals. Tarkett also undertakes the Ten Principles of the United Nations' Global Compact, promoting their respect in all relationships.

## 3.1.1.2 Contributing to the United Nations sustainable development Goals and Principles

According to Michel Giannuzzi, CEO of Tarkett:

"Tarkett is building its commitment to sustainable and responsible development by incorporating into its strategy and its operations not only the three dimensions of "People, Planet and Profit," but also "Purpose," in order to contribute to societal challenges including resource scarcity, climate change, urbanization and the aging of the population. At the heart of this "4Ps" approach, we inspire our teams to build long-lasting relationships and gain the confidence of our customers, suppliers, investors and local communities so that, together, we can build a better world, for today and for tomorrow. In accordance with the Tarkett Code of Ethics, we are also committed to respecting and promoting people's fundamental rights, the ten principles of the UN Global Compact, and the principles of the Declaration of Human Rights to our various stakeholders. Our vision is also focusing on 5 of the 17 UN sustainable development goals."

In 2015, the United Nations and leaders of individual countries, committed themselves to achieving, by 2030, 17 sustainable development goals that are detailed in 169 specific targets. The ambition of these goals is to eradicate poverty, protect the planet and ensure prosperity for all. All players will have to contribute to achieving these goals: governments, the private sector, civil society and citizens.

Tarkett's sustainable development strategy, and in particular the four pillars of its Closed-Loop Circular Design Approach: Good Materials, Resource Stewardship, People-Friendly Spaces, and Reuse, contribute toward five of the UN's sustainable development goals.

### Tarkett's main contributions to the United Nations sustainable development Goals



### Sustainability strategy based on the "Closed-Loop Circular Design" approach

> Goal 3: Good Health & Well-Being

**Tarkett's answer:** Ensure healthy lives and promote wellbeing for all people, of all ages – by assessing and selecting the raw materials we use and designing products that guarantee well-being, health, and indoor air quality.

> Goal 12: Responsible Consumption & Production

Tarkett's answer: Ensure sustainable consumption and production patterns by developing a collaborative circular economy – by the careful attention we pay to resources and our efforts to derive value from waste and post-used products, moving to a circular economy model, and promoting a "Responsible Use of PVC".

> Goal 13: Climate Action

**Tarkett's answer:** Take concrete actions to combat climate change at each step of our activities (ecodesign, production, transports, use and recycling); increase the use of renewable energy and electricity.

### Social and Entrepreneurial Responsibility

> Goal 11: Sustainable cities and communities

**Tarkett's answer:** Contribute to developing safe working environments, encourage dialog and diversity, and engagement with local communities.

### Accelerate our Stakeholders' commitment

> Goal 17: Partnerships to achieve goals

**Tarkett's answer:** Strengthen and develop global partnerships to accelerate sustainable development and circular economy models.

Since 2010, Tarkett adheres to the Ten Principles of the United Nations Global Compact.



### The Ten Principles of the United Nations Global Compact

- 1. Businesses should support and respect the protection of internationally proclaimed human rights.
- **2.** They should make sure that they are not complicit in human rights abuses.
- 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- **4.** They should uphold the elimination of all forms of forced and compulsory labor.
- 5. They should uphold the effective abolition of child labor.
- **6.** They should uphold the elimination of discrimination in respect of employment andoccupation.
- 7. Businesses should support a precautionary approach to environmental challenges.
- 8. They should undertake initiatives to promote greater Environmental Responsibility.
- **9.** They should encourage the development and diffusion of environmentally friendlytechnologies.
- **10.** Businesses should work against corruption in all its forms, including extortion and bribery.

### 3.1.1.3 Global challenges – drivers for innovation and value creation

The pressing challenges cited above serve as drivers for innovation, and also for the evolution of Tarkett's business model.

The expected exponential growth in the world's population in coming decades will place mounting pressure on the availability of natural resources. Tarkett has chosen to address this issue head-on by adopting a new paradigm: our products should no longer have an end of life, rather an end of use.

The Group applies several concrete measures that contribute toward a more circular economy – an economy that creates value while respecting natural resources, the environment, and people's well-being and health: we use recycled, rapidly renewable and/or abundantly available raw materials; we design recyclable and healthy products; we manufacture them in plants that limit the amount of water and energy used; and we propose take back and recycling services (such as the ReStart program) to close the loop.

Sustainability at Tarkett

Our commitment also stands as a concrete answer to combat climate change and several actions contribute to reducing greenhouse gas emissions (1):

- > close monitoring of the Group's energy consumption;
- supporting renewable energy generation;
- > reducing the proportion of virgin raw materials used in the manufacturing of products;
- > limiting waste production.

Moreover, urbanization is expected to continue and accelerate in the foreseeable future. The essential components of urban living include not only functional and healthy living areas, but also pleasant and comfortable ones. As such, floor coverings play a key role in transforming urban areas into living areas, particularly in a world where people spend 90% of their time indoors. Another major challenge is meeting the needs of the world's aging population. This includes the need for innovative products that ensure safety and quality of life for seniors who want to remain autonomous and active.

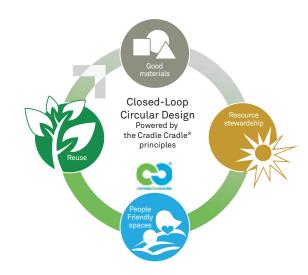
In response to these challenges, Tarkett has developed a range of unique flooring solutions to improve indoor air quality, such as low VOC (2) emissions products, asthma and allergy-friendly floor coverings and dust-capturing carpets. We have also pioneered the use of non-phthalate plasticizers in the vinyl coatings for healthy spaces.

In addition, a number of our innovations are specifically designed to improve well-being (anti-slip solutions, resistant flooring for high traffic, flooring color systems for Alzheimer patients, solutions easy installation and renovation, connected flooring solutions to detect falls.)

#### Focus: Tarkett's Closed-Loop Circular Design approach

Sustainable development establishes an ongoing dialog between social, environmental, and economic stakes. Tarkett's responses to today's challenges, highlighted by our Purpose pillar, foster such a dialog, something we achieve as a result of continuous interactions with stakeholders, constant innovation, and a clear understanding of the key challenges and areas where the Group can make an impact - today and in the future.

The backbone of the Group's strategy on the environment and innovation - Closed Loop Circular Design approach, inspired by Cradle to Cradle® principles - reflects this dialog perfectly.



This holistic approach of "Closed-Loop Circular Design", based on circular economy principles and underpinned by the Cradle to Cradle® methodology aims to respect people's well-being and the environment, and drives eco-innovation simultaneously according to the following principles:

- > consider natural resources scarcity and climate change;
- select materials that respect users' health and contribute to their quality of life;
- > develop new business models that go beyond product performance. These models are increasingly focused on the quality - and therefore on the total value - of the solutions and services the Group provides.

Thanks to the range of concrete actions that have been led and the clarity of thinking around our Purpose pillars, Tarkett has now an established reputation in the sector as a strong and reliable leader and advocate for sustainability.

Our forward thinking approach has been viewed favorably, and publicized for a number of years by respected bodies such as the World Economic Forum, the Positive Economy Forum, and the Ellen MacArthur Foundation (via its "Circular Economy 100" program). Tarkett's reputation in this area enables to assert ourselves in national, regional and international discussions. This allows us to positively influence sector-specific product and environmental standards, such as indoor air quality (level of VOC emissions from floor coverings), responsible use and disposal of PVC materials (non-phthalate plasticizers, collect and recycling service).

See Deloitte report on Circular economy potential for climate change - 2016

<sup>(</sup>https://www2.deloitte.com/fr/fr/pages/sustainability-services/articles/circular-economy-potential-for-climate-change-mitigation.html).

<sup>(2)</sup> Volatile organic compounds.

## 3.1.1.4 Sustainable and responsible actions – integrated across Tarkett's activities

Tarkett's sustainability performance and Corporate Social Responsibility (CSR) are the fruit of the full integration of sustainable development throughout the Group's operations and activities. As well as driving research and innovation, this is a central component in the development of long-lasting relationships with both our internal and external stakeholders.

Employees' commitment and involvement are key for Tarkett to achieve its ambition. Tarkett has a history of encouraging a strong entrepreneurial spirit, empowering people to express the best of themselves. This empowerment philosophy is guided by Tarkett's values and Social Responsibility principles:

- > fostering safety, mutual respect and integrity in relationships;
- > promoting diversity and developing an inclusive culture;
- establishing and maintaining a proactive and engaging dialog with employees;
- > supporting local communities.

This commitment to sustainability and CSR is led by the Executive Management Committee. It is underpinned by a structured process and the motivation of employees to actively participate in collaborative projects, whether it be with clients, suppliers or partners.

All of these Group's initiatives rely on a balance between:

- > local empowerment and global efforts to enable decisionmaking that is adapted to local needs and circumstances, especially with customers and partners;
- > the Group's values and overall strategy which drive innovation and sustainable value creation;
- > a partnership approach increase the Stakeholders' performance and value creation.

#### 3.1.2 Sustainable development - Performance and Governance

#### 3.1.2.1 Performance indicators 2016

### Resource scarcity and Circular economy indicators:

Selecting good materials





of materials do not contribute to resource scarcity (mineral abundant, rapidly renewable and recycled material) - (% of volumes purchased).

80,000 tons

Around 80,000 tons (79,628 tons) of recycled materials were used as resources in manufacturing; +27% compared with 2015 (55,000 tons); which represents 6% of volumes purchased (compared with 5% in 2015).

Developing ReStart collection programs at our customers' sites



Optimizing water consumption





<del>(2020)</del> 100%

of manufacturing plants have installed closed-loop water circuits (or do not use fresh water in their processes), compared with 57% in 2015.

### Climate change



of energy consumption comes from on-site renewable energy (energy and renewable electricity



4.09 kWh/m<sup>2</sup>

Energy consumption per unit of manufactured product; -3% compared with 2015.



GHG emissions: 0.94 kgCO<sub>2</sub>e/m²; -8% compared with 2015. Tarkett's 2020 objective: -20% against a 2010 baselin (Scope 2). 45% of plants have improved energy efficiency by reducing energy consumption

### Healthy spaces and well-being

Selecting good materials for human health and the environment





Around 95% of raw materials assessed according to Cradle to Cradle® criteria, compared with 80% in 2015 and 8% in 2011.

Representing 2,738 individual types of material

Improving indoor air quality and contributing to healthy spaces



of flooring products are low VOC (Volatile Organic Compounds) emission products (compared with



of vinyl flooring are non-phthalate products (excluding recycled content).

### Social

#### Safety



Lost time accident frequency rate Tarkett worldwide (absence >24 hours per million hours worked = FR0t).

1.34

Lost time accident frequency rate, **plants** only (absence >24 hours per million hours worked = FR0t); compared with 2.32 in 2015; - important progress: **-69%** 2016/2010; **-42%** 2016/2015.

#### Diversity



share of women in senior management positions (Executive Management Committee level and levels immediately below the CEO (direct and indirect reports)).

of managers are women (among 1,500 management positions).

#### Dialog



of employees participated in the employee feedback survey.

### 3.1.2.2 Sustainable development Governance

Since his arrival in 2009, Michel Giannuzzi, CEO of Tarkett, has deeply shaped the Group in terms of its transition toward the circular economy. He has set ambitious sustainable 2020 objectives, addressing all the dimensions of People, Profit and Planet.

"Committed to better living, we put sustainability at the heart of our vision, our business strategy and our operations, which provides an inspiring Purpose for all of us. It reconciles People, Planet and Profit to achieve profitable and sustained growth which is shared among employees, customers, business partners and shareholders."

Tarkett has structured a comprehensive process to drive sustainability and CSR performance at all levels within the Group. By doing this, sustainable development has been progressively incorporated into Tarkett's management processes: from our Research & Innovation Strategy, through the World Class Manufacturing (WCM) Program in our production plants, to our business activities and Support Functions. Both Group and divisions (EMEA, North America and Eastern Europe) are involved-Research & Innovation, HR, WCM/operations, purchasing, marketing, sales, communications, legal, and others. These address sustainability and CSR topics within their existing committees and networks. A dedicated environmental sustainability committee has been created, led by the EVP Research, Innovation & Environment, a member of the Executive Management Committee (see Section 3.2.3.1); the Committee gathers and harnesses the talents of a network of champions and experts. Since 2015, sustainability has also been integrated into internal audit programs, in the same way as for ethical or financial topics.

An essential tool for measuring and guiding Tarkett's performance is the Group's sustainable development dashboard. It was designed to provide both qualitative and quantitative indicators about the implementation of the sustainable development strategy. Some of these indicators constitute Tarkett's 2020 roadmap, where their progress is followed against a base year. On environmental topics, this roadmap has been also developed at the division level (EMEA, North America and Eastern Europe) as well at the plant level being integrated into the WCM program, and it is discussed during each division's Board.

Led and supervised by the CEO, sustainable development strategy and the 2020 roadmap are discussed at the Executive Management Committee (EMC). The CEO has proposed to the Supervisory Board and to the Nominations & Compensation Committee that Sustainability & CSR objectives should be reflected on the EMC members' bonuses, depending on the scope of their particular responsibilities.

Tarkett's CEO also shares with shareholders and all employees his vision, the Group's sustainability strategy and the progress achieved on it. Selected examples of these presentations to:

- the main shareholder (Société Investissement Deconinck) regarding the Responsible use of PVC, during the SID meeting in November 2016;
- the Shareholders at their Annual Shareholders Meeting in April 2016;
- all employees through the internal newsletter, Experiences, available in 11 languages;
- Tarkett's 150 most senior managers, at our annual FoCuS meeting in December 2016.

Each year, Tarkett publishes its sustainability & CSR report, including its dashboard and 2020 objectives, which are reviewed by an independent third party (see Section 3.4). This report, along with our sustainability/CSR dashboard and roadmap are inspired not simply by regulatory compliance (in the form of Grenelle 2 legislation, which is applied on the French stock-exchange-listed companies), but also by recognized standards and good practices references. These include the Ten Principles of the United Nations Global Compact and the Sustainability Reporting Guidelines of the Global Reporting Initiative (the GRI G4 option). (See Section 3.4.3 concordance table Grenelle 2/GRI/Tarkett Report.)

### 3.1.3 Stakeholder dialog

### 3.1.3.1 An ongoing conversation with our stakeholders

Tarkett is committed to meeting the expectations of its stakeholders by investing in long-term relations and ongoing conversations. This approach provides a powerful lever to explore new sustainable business models and ensure their alignment with our vision for a sustainable future. All our work in this area is built on a threefold foundation of trust, transparency, and dialog.

Over many years, Tarkett has worked to develop such relationships throughout its value chain. We pay special attention to our closest partners – suppliers, customers and communities (Section 3.2.2) – enabling us to design products for local needs and markets. Regular Tarkett focus groups gather customers, architects and designers to discuss requirements and present prototypes.

Tarkett is also a global player and recognized expert on sustainable development. We regularly take part in programs and events to broaden our horizons, frequently appearing alongside governmental bodies, reporting agencies and NGOs.

#### An International leading expert

Tarkett contributed throughout the year to the World Economic Forum's debates in three areas:

- Accelerate innovation and develop the circular economy model under a collaborative program coordinated by business leaders and managed by the World Economic Forum and the Ellen MacArthur Foundation (Global Challenge Initiative on Environment and Natural Resource Security).
- Combat climate change by setting objectives and implementing concrete measures together with businesses and governments through the CEO Climate Leaders network.
- Innovate and develop solutions promoting quality of life in urban environments and foster cross-sector cooperation as part of the Future of Construction initiative.

In 2016 and beginning of 2017, we also played a strong role in a number of other high-profile international events, focusing on innovation and sustainability:

In January 2016, Tarkett took part in the "Global Challenge" on "Environment and Resource Security," and gave input as an Industry Partner on "Infrastructure and Urban Development." We also seized the opportunity to exchange expertise with other sectors and promote circular economy principles through Project MainStream – a joint initiative between the

Sustainability at Tarkett

WEF and the Ellen MacArthur Foundation (a long-time Tarkett partner on sustainability).

- In March, Tarkett presented our strategy at an Ellen MacArthur Foundation event on the circular economy in San Francisco.CA.
- In September, Tarkett's CEO, Michel Giannuzzi, set out Tarkett's vision for a circular economy at the Positive Economy Forum in Le Havre, France.
- In September, Anne-Christine Ayed, EVP Research, Innovation & Environment, shared Tarkett's vision on the transition toward a circular economy during a panel discussion at the European Commission environmental conference "Transition to the Green Economy," hosted under the Slovakian presidency in Bratislava, Slovakia.
- > In October, Michel Giannuzzi also took part in a round table at the 15th International Architecture Exhibition in Venice, Italy, organized by the EPEA (the Environmental Protection Encouragement Agency).
- Throughout November, across various locations in the USA including Atlanta, Washington, New York, and San Francisco we took part in a series of events organized by Cradle to Cradle® Product Innovation Institute on Path to Positive Communities. This initiative brings together community leaders, who inspire their stakeholders to grasp the opportunities offered by innovative solutions to climate change.
- In January 2017, Michel Giannuzzi, Tarkett's CEO, promoted Responsive and Responsible Leadership, by presenting his vision during a round table session on the Future of Construction. As a member of the CEO Climate Leaders, he also participated in a debate about climate change stakes.

#### Driving the debate on responsible use of materials

For a number of years, Tarkett has led discussions on the responsible use of PVC. In late 2015, we were asked to share our experiences as part of a panel addressing the broader topic of PVC at the Cradle to Cradle® (C2C) Products Symposium and Innovation Celebration in New York, USA. This work continued in 2016 with Tarkett appearing as a panel member for "Let's talk about PVC" at the Greenbuild International Conference in Boston, USA, reinforcing the call-to-action for companies to act for a "Responsible Use of PVC".

In January 2016, at the 7th Annual Sustainable Products Summit in San Diego, USA, Glen Morrison, President of Tarkett North America, presented Tarkett's views at Thinking Through Phthalates: A Look Ahead. Here, he set out how suppliers, manufacturers and assessors were working together across the plasticizer supply chain to develop more environmentally-friendly and safer products. Some 100 opinion leaders, ranging from policy makers, to environmental advisers, chemical companies, and retailers, joined the session to hear about Tarkett's move to non-phthalate flooring. The presentation included details of the considerable investment and R&D involved – and the competitive edge that resulted.

In November 2016, Luxembourg's government launched its Third Industrial Revolution strategy, which Tarkett helped develop. The strategy announced a fundamental economic shift toward decentralized and digital energy, mobility, smarter data management, and circular economy principles. This was the outworking of a nine-month study, which drew on broad expertise, and Tarkett played a leading role in the project's circular economy work stream.

In 2016, Tarkett Australia commissioned a report entitled "Towards Building That Thrive" which was prepared by the Research Hub at the University of Melbourne. The report addresses the need to develop building design, construction practices, and interior materials that promote healthier and sustainable commercial spaces, with a focus on indoor air quality.

### Transparency: providing reliable, verified information to our stakeholders

Transparency of information is a long-standing Tarkett value and an area that we progressively develop and improve.

Since 2011, most of our products have borne the Tarkett Sustainability Tag. This provides a summary of essential environmental information: the percentage of recycled content, the product's recyclability, whether it employs non-phthalate technology, and its total VOC emissions.











In 2013, going further, Tarkett (North America) introduced Environmental and Health Statements (EHSs). These third-party-reviewed declarations on content and material assessment for building products are designed to thoroughly address ingredient disclosure, possible health and environmental impacts and post-use considerations. Initially rolled out to cover our linoleum and rubber products, their scope was extended in 2014 to the ethos® backing of carpet products, and again in 2015, to cover homogeneous vinyl products and rubber accessories. In 2016, this approach was replaced with the introduction of Material Health Statements (MHSs), following the same reasoning.

The Group is also proactively involved with its investors and the financial community. Tarkett openly shares information with extra-financial rating agencies and sustainability networks, such as the CDP (Carbon Disclosure Project), Vigeo, MSCI, Gaia, Ofi, and BMO, supporting them in their assessment processes. We are also proud to be part of the KKR Green Portfolio, and share experience and learning as part of this network. This proactive dialog has led investors, such as Amundi and Sycomore, to include Tarkett in their responsible investment (ISR) portfolios. In 2016, our commitment to promoting sustainability continued in this financial context too: Tarkett took part in Kepler Cheuvreux's autumn conference in Paris in September 2016, where we explained to investors our sustainability and CSR strategy; and at the Annual Shareholders' Meeting in April 2016, Michel Giannuzzi, Tarkett's CEO, gave a presentation on our commitment to the environment, driven by an ambitious eco-innovation strategy.

#### 3.1.3.2 Materiality analysis

### A well-defined exercise that fosters stakeholder engagement

Materiality is about identifying which issues are the most important to our business and our stakeholders.

This year, and for the first time, a stakeholder survey was conducted to identify Tarkett's material topics and ensure that our sustainability policies are aligned with our stakeholders' expectations.

This survey is part of Tarkett's ongoing dialog with its stakeholders and aims to engage the Group's stakeholders on our sustainability goals and strategy, and to ensure we meet the best CSR reporting standards, specifically in terms of the Global Reporting Initiative (the GRI G4 option).

#### Our approach to materiality

Stakeholders were mapped, aiming at broad coverage in terms of influence and geographic location. The survey was sent out to external stakeholders (customers, suppliers, peers, business partners, NGOs, trade associations, experts, research and educational institutes, etc.) as well as internal stakeholders (Tarkett board or EMC members and Tarkett managers and employees). The survey involved stakeholders in France, Germany, the Netherlands, Serbia, Sweden, Russia, the UK, and the USA.

All aspects of the GRI guideline and Cradle to Cradle® standard were offered for ranking. They were organized into five categories: environmental impacts of production, product stewardship, labor, human rights, and societal issues.

#### **Materiality Matrix**

Tarkett collected 191 responses. The distribution of these was as follows:

- > 34% Customers;
- > 30% Tarkett Senior Management and Supervisory Board;
- > 17% Suppliers, peers or business partners;
- 15% NGOs, trade associations, research or educational institutes, governments, the press;
- > 2% The financial community;
- > 2% Others.

The results enable us to differentiate the key material issues from those that are not important, either because they are important for stakeholders but have little business impact, or because they are issues that have high business impact but a low stakeholder concern.

We also identified issues of lower priority for some stakeholders but which may have an impact for the Group. On the reporting side, Tarkett reports on more topics than required by the materiality results, which means that we are well positioned to meet stakeholders' demands.

The results are shown in the figure below:

	Environmental impacts of production	Product Stewardship	Labor, Human Rights & Societal issues
Priority topics for both external and internal stakeholders, and relevant for Tarkett's activities		Environmental impact of products Health & Safety of products and materials Resource and material use	Health & Safety at work Child Labor (a key priority for external stakeholders, but not a potential risk for Tarkett activities)
Other priority topics for internal stakeholders	Energy Consumption Production waste	Cradle to Cradle® principles Recyclability of products	Training and talent development Anti-corruption
Other topics of importance	Air emissions from production Waste water from production Assessment of suppliers on environmental topics	Transparent marketing communication	Support for local job and income Assessment of suppliers on human rights Forced Labor Diversity, equality, non-discrimination, labor rights

Applying the principles of operational excellence throughout the Group

The four most important material topics are:

- > occupational health and safety;
- > health and safety of products and materials;
- > environmental impact of products;
- > resource and material use.

These results are aligned with our strategic orientation which aims to foster indoor air quality and healthy spaces and users' well-being, in response to global challenges (such as urbanization, aging populations, climate change, etc.). Moreover, this analysis strengthens our options to apply this approach to key production challenges (such as health and safety, healthy materials, circular economy, etc.).

When we analyzed our internal stakeholders' responses in more detail, we found that they considered several topics related to our direct operations as important:

- production waste;
- > energy consumption;
- > talent development;
- > anti-corruption.

Recyclability of products also ranked highly, reflecting good internal use of the Cradle to Cradle® principles.

A number of other topics were considered important by external stakeholders. These mainly reflected global concerns regarding CSR practices and ethics in Tarkett's supply chain: child labor, forced labor. External stakeholders consequently highlighted the importance of supplier and manufacturing-site assessments in terms of human rights practices.

We will continue to engage the dialog with our stakeholders to ensure we are up to date with the needs of our stakeholders groups and aligned with all of our responsibilities.

# 3.2 Applying the principles of operational excellence throughout the Group

### 3.2.1 Empowering our people

#### 3.2.1.1 A worldwide HR charter

People are a key asset at Tarkett. They are those who drive our business, define and deliver our economic, environmental and social objectives.

For Tarkett's executive team, being a responsible employer is high on its strategic agenda. Our firm belief is that our responsibility should be manifested in a holistic approach toward all of Tarkett's employees. We want to provide a positive environment that can promote the health and well-being of our people, help them grow professionally, and enable them to deliver excellent work.

In 2015, we chose to formalize this commitment in our "HR Charter and Policy." Rolled out among Group managers and Tarkett's HR network the same year and also available on the Group's intranet, the charter now applies to all our operations throughout the world. The document sets out a global HR

management framework based on the ten main principles of the UN Global Compact, the Universal Declaration of Human Rights and Tarkett's internal corporate Code of Ethics.

Tarkett's vision, performance and progress in the areas shown in the box below, are described in detail in the sections that follow.

### Focus: key areas covered by Tarkett's corporate HR Charter and Policy

- > Fairness in employment
- > Respecting our people and stakeholders
- > Talent management and entrepreneurship
- > Labor rights and relations
- > A safe and attractive workplace

### 3.2.1.2 Social Indicators

Indicator		2016	2015	2014
Number of employees		12,428	12,367	12,177
Share of part-time employees		3.0%	2,9%	1,9%
Share of women among permanent employees		28%	27%	27%
Share of permanent employees by age bracket	above 60 yrs	5.8%	5.4%	5.0%
	50 to 59 yrs	22.8%	22.5%	21.1%
	40 to 49 yrs	28.5%	28.2%	27.4%
	30 to 39 yrs	28.6%	29.1%	28.7%
	20 to 29 yrs	13.8%	14.5%	15.7%
	Under 20 yrs	0.5%	0,3%	0.3%
Share of permanent employees by geographic zone (1)	EMEA	38%	37%	34%
	North America	31%	30%	30%
	CIS, APAC, Latin America	31%	33%	36%
Permanent hirings & departures	Hirings	1,883	2,111	2,163
	Departures	1,691	1,434	1,224
	Number of permanent contracts ended by employee (e.g. resignation, retirement)	1,102		
	Number of permanent contracts ended by employer (e.g. lay-off)	589		
Permanent employee turnover rate		14%	12%	11%
Absenteeism rate - plants only		2.5%	2.5%	2.3%
Absenteeismrate		2.3%	-	-
Share of disabled employees		1.4%	1.3%	1.6%
Total compensation and benefits (€m)		639	618	531

<sup>(1)</sup> EMEA: Europe, Middle East, Africa; CIS Commonwealth of Independent States; APAC: Asia Pacific.

Employee numbers at Tarkett remained stable in 2016, with a total number of employees currently standing at about 12,500. Within this overall headcount, the number of employees on part-time contracts is also stable; part-time workers represent 3% of today's workforce, compared with 2.9% in 2015. In 2016, turnover is at 14%, +2pts vs 2015.

In terms of age diversity among employees, the age-pyramid presents a balanced picture: 57% of Tarkett's employees are aged over 40, and some 29% are over the age of 50. Looking at how Tarkett's employees are spread throughout the world, the picture is also one of equilibrium. Our workforce is distributed quite evenly across our three main regions of operation: EMEA, North America and the CIS, APAC & Latin America regions.

### 3.2.1.3 Respecting our people

#### A shared approach to responsibility

Ethics, respect and equality for people: these values underpin the design of Tarkett's global structure and guide its operations. And our approach to ethics goes beyond purely internal dealings: we apply the same high standards to our interactions with all the company's stakeholders, from employees through clients, to suppliers and other partners.

We want all stakeholders to play their part in upholding the highest standards, sharing responsibility to promote the common good, and working together to see our values put into practice. Doing this successfully means developing a clear and jointly-held understanding of each stakeholder's individual role.

Applying the principles of operational excellence throughout the Group

#### Clear roles and responsibilities: our Code of Ethics

At Tarkett, we believe that this requires more than good intentions. That's why we have developed and implemented our own corporate Code of Ethics. The code is an important tool in promoting and driving the highest corporate standards in everything we do.

Consistent with our belief in making things tangible, this code is based squarely on the ten principles of the UN Global Compact and the Universal Declaration of Human Rights. And we want to see these principles translated into concrete actions. Since 2009, all employees have received a hard copy of the document.

In addition, in 2014, we launched a dedicated e-learning program to ensure that all employees were fully familiar with the values and behaviors we aim to share. There is special emphasis on recognizing behaviors that may constitute anti-competitive practices or forms of corruption, especially for those involved in purchasing activities. In the 2016 round of training, over 99% of employees targeted completed the e-learning program, taking the total of e-learning trained employees to 50% of the Group's employees (of those with access to a computer). E-learning is complemented by face-to-face sessions for employees who don't use computers. More than 2,700 employees completed these face-to-face sessions in 2016.

### Focus: Tarkett's Code of Ethics progressively reaches all employees

- > 2009: Hard copies issued to all employees
- > 2014: Interactive e-learning introduced
- > 2016:99% of targeted employees have completed the Code of Ethics elearning

#### Driving non-discrimination, equality and inclusion

Our core values of non-discrimination and respect run through both Tarkett's Code of Ethics and its HR Charter and Policy. This ensures that our HR teams apply and concretize these principles as they draw on the materials to address real workplace situations.

In addition, we operate 35 clear rules or initiatives defined in the various collective bargaining agreements that are applied at Tarkett Group companies across the world. These help drive diversity and equality of opportunity throughout the whole of the Group. The policies address a broad range of issues and promote, among other things: gender equality, respect for people with disability, age diversity in the workforce, maternity rights and benefits, and non-discrimination on the grounds of sexual orientation, ethnicity, nationality or religion.

### Focus: Tarkett operates 35 rules or initiatives to promote inclusion and equality, covering:

- > Diversity
- > Gender equality
- > Positivity about disabled people
- > Age diversity
- > Maternity rights
- > Non-discrimination on nationality, sexuality, religion

#### Promoting gender equality - from the top down

Tarkett is a firm believer in gender equality. This thrust is personally sponsored by the CEO, who had taken part in some debates in 2015 at the company headquarters about the importance of gender equality and respect of Tarkett's values.

We monitor an indicator that tracks how many of Tarkett's top managers are women (direct and indirect reports to the CEO). In this time, proportions have remained broadly stable – at about 18% in 2016 and 2015, with a slight increase of two percentage-points versus 2011.

We also extend the indicator to the total management positions, women representing 26% among 1,500 managers in the Group, a slight improvement compared with 2015 (25%), knowing that the industrial and building sectors tend to attract fewer women compared to other sectors.

Our interest in this area, however, goes beyond dialog, promotion of the right values and the tracking of indicators. We also operate a number of concrete measures to promote the role of women in the company. For example, in Sweden, an equality-of-opportunity plan was deployed in order to reduce the risk of discrimination based on gender, ethnic origin, disability, etc.

#### Positive about disabled people

For a global company like Tarkett, the use of single universal indicators to track progress on disability issues is challenging because regulations and approaches vary widely from one country to another. This extends even to basic questions, such as whether it is permissible and/or possible to identify how many disabled workers a company employs and/or monitor their wellbeing. In 2016, in countries where disability is defined in law, 1.4% of Tarkett's workforce was classed as disabled, remaining stable compared to 2015.

### Spotlight on practical measures: partnering with positive employers

Since 2009, Tarkett's French headquarters has chosen to partner with companies that promote roles for disabled people — to pack and ship our corporate marketing materials.

Tarkett is committed to fully integrating disabled employees into the workplace, across all of its sites. In addition to the Group's corporate policy, action on the ground is also of importance and we encourage the implementation of concrete practices locally.

### Spotlight on practical measures: specially adapted work areas increase opportunities

Our Sedan site (France) operates a number of specially adapted work areas. These allow disabled workers to perform the same roles as other employees but with a reduced requirement for manual handling.

### 3.2.1.4 An ongoing conversation with our employees

#### Listening to our people - at all levels, across all locations

Tarkett wants to be an organization that has an ongoing conversation with all its employees-at all of its sites. To do that efficiently, we conduct, every other year, an internal feedback survey across all of the Group's companies covering all of the Group's activities and for all employees. The survey is translated into 17 languages, is completely anonymous, and is fully managed by an independent third party, eliminating any possible bias. The survey totals 70 questions spread across 13 separate categories.

### Focus: Areas covered in Tarkett's employee survey: wide-ranging and far-reaching

- > Communication
- > Company Image
- > Empowerment and Accountability
- > Leadership
- > Loyalty and Engagement
- > Management
- > Performance Management
- > Teamwork and Cooperation
- > Training and Development
- > Work Organization
- > World Class Manufacturing (WCM)
- > Ethics and Integrity
- > Entrepreneurial Leadership

In a rapidly changing world, it is essential that the quality of this dialogue remains relevant and up to date. This is reflected in gradual modifications to the survey to ensure we ask employees pertinent questions. Four new questions were developed for the 2016 survey, gathering new information on areas such as charity and community work, employee ideas on new and better ways of working, job satisfaction, and whether managers properly model values related to employee well-being.

The "all-employee" survey exercise is completed by a more specific version that seeks feedback from Tarkett's 150 senior executives. The focus here is on strategy, future prospects and management. This year, five new and relevant questions have been added, covering a range of important areas: strategy implementation, the managers' engagement and motivation, and innovative thinking and learning from mistakes.

#### The Tarkett Employee Survey: key findings from 2016

The first encouraging result is that the survey exercise itself is becoming increasingly established and recognized. 2016 saw a five percentage-point increase in participation (compared with 2014) and the survey reach a tremendous 89% of the workforce-around 10,500 people (out of around 12,000). This high level of participation is evidence to employees' belief in the value of the exercise, confidence in its independent nature and willingness to engage in corporate dialog.

This improving level of engagement is mirrored in a steadily improving trend in what employees say about the company. Building on a number of positive signals, which were already present in 2014, the 2016 results show further progress on most of the areas addressed by the survey. All of this works together in concert, at all levels in the organization, to help make Tarkett an attractive environment that fosters both personal and professional growth.

On CSR-related topics, the trends are also encouraging. The survey results demonstrate that Tarkett is clearly seen as a responsible company by its employees. This is illustrated in the selected results shown in the table below:

### Spotlight on the employee survey: Tarkett's employees' views on the Group responsibility

Survey statement	Percentage of employees who agree with the statem		
•	2012	2014	2016
Ethics and integrity are central to Tarkett's culture	66%	70%	71%
Unethical practices are not tolerated within Tarkett	Not asked	75%	76%
Know how to report unethical practices	Not asked	70%	76%
Tarkett provides adequate focus on safety for employees	81%	85%	85%
I Believe that Tarkett is an environmentally responsible company	82%	85%	83%

#### From feedback to action

At the Group level, as well as on a very local level, Tarkett employee feedback is a valuable management tool. Overall analysis of the survey results presents a clear picture of the Group's strengths and the areas that need improvement. Drawing on this analysis, each site/entity develops tailored action plans to be applied at local level. These local plans are supported by both corporate and division action plans, and implemented in a consistent manner. For example, following the last Employee Feedback, the Narni production site in Italy noticed a slight satisfaction decrease of the employees working in the customer service department. Taking that into account, the Narni team has decided: to focus on customer service to provide periodic feedback as team and individuals on the performance and the results; to extend the commercial excellence program (Power Up - developed within the EMEA Division) to purchase order and marketing department; to develop training on phone communication and IT.

Moreover, certain questions and responses from the Employee Feedback are used to build up key indicators which are integrated into the Group's sustainable development dashboard (see Section 3.4):

- > the "Listening and Commitment to Dialog" indicator improved from 53% in 2010 to 60% in 2016. This indicator includes the following questions from the internal survey: "In my department, different views are openly discussed when making decisions," and "Sufficient effort is made to get the opinions and thinking of the people who work at Tarkett;"
- > the "Proactive Employee Communication" indicator decreased slightly from 63% in 2014 to 62% in 2016, but is still six percentage points above its 2010 level, with 56%, and much higher than the global manufacturing average of 50%. The indicator draws on the following questions from the internal survey: "My manager does a good job in keeping me informed about matters that concern me", "Senior management does a good job explaining the reasons behind important business decisions," and "Overall, I receive enough information at Tarkett."

#### A constructive dialog with employee associations

Frameworks for dialog between employers and employee representatives vary widely from one country to another. Wherever they are in the world and whatever local labor legislation, Tarkett encourages positive dialog in all parts of the Group. We are rigorous about ensuring comprehensive compliance with labor laws and respecting the fundamental principles of freedom of association, in particular for recognized unions. For example, to further facilitate such dialog in Europe, we have created the Tarkett Forum: the Group's European work council.

Every year, this council brings together union representatives from our main European sites, in conversation with the Group's senior management, including the CEO. In addition to addressing human resources questions common to the various countries and sites in Europe, this formal meeting reinforces the spirit of cooperation between unions and management, jointly focusing on stewarding the well-being of the business as a whole.

#### Collective bargaining agreements

In accordance with the principles of the UN Global Compact, the Group's Code of Ethics, and our Human Resources Charter and Policy, Tarkett is committed – in addition to legislative requirements specific to each country – to fully respect its employees' rights to engage in collective bargaining and representational activity.

We apply these principles without exception and with the same level of rigor, in all of the countries where the Group operates throughout the world. Whether they are based in Europe, in the USA, in Russia, Serbia, Ukraine, Kazakhstan, Brazil, China or India.

As a result of this voluntary policy, there are 135 collective bargaining agreements in place across the Tarkett Group, 87 of which are company-wide or site-wide agreements. Agreements cover a broad range of areas, such as remuneration and benefits, working hours, work organization and role definition. They apply across 19 countries where Tarkett carries out commercial or manufacturing activities.

#### Focus: Collective bargaining agreements themes

- > Wages and benefits
- > Job classification
- > Working time
- > Work organization
- > Safety
- > Health & well-being
- > Training & Development
- > Restructuring & social plans
- > Union activity & representatives bodies

About 60 of these company agreements have been developed and finalized in the last few years – including 10 in 2016. This is a measure of the quality of employer-employee relations within the Group and our capacity to successfully conduct and complete negotiations.

Moreover, these up-to-date agreements ensure that today's human resources main issues of today are more likely to have been addressed and agreed formally. In turn, this results in better labor relations, fostering good working conditions and a positive mindset, are key levers to ensure long-term economic performance of the company.

For example, a collective bargaining agreement was signed in 2015 in our production site in Konz, Germany, to extend employees' weekly working time from 37.7 hours to 40 hours. The result is a guarantee for no restructuring during the two years' validity of the agreement (until December 31, 2017), more capacity available for the shift calendar without hiring additional staff, a decrease of the labor cost per hour and security for planning.

Another example is at our vinyl production site in Clervaux, Luxembourg, which extended the working hours of production lines and support services to answer to clients' needs during peak periods. Due to the increase of the LVT production, management team at Clervaux has the flexibility to add a 4th team on the production line in a month time, thanks to an agreement on time and work organization over 6 days 1/3 (working hours from Sunday 10pm to Saturday 2pm, instead of the 3x8 shift).

#### Implement restructuring or layoff plans with respect

The Group has a medium and long-term vision of its business plan and seeks to ensure profitable and sustainable growth. The Group wants to develop the skills and employability of its workforce, first to enable each employee to contribute and to develop fully within the business, but also to anticipate the possible consequences of changes in the organization.

The Group also endeavors to anticipate the consequences of business fluctuations to the extent possible. In the case of a

particular decreased activity and/or a difficult or volatile economic environment, the Group may be forced to reduce its workforce on a one-off or structural basis. Adapting the work organization to the level of activity, reducing the size of the workforce or implementing a restructuring plan must be done in compliance with local regulations but also with Tarkett's Code of Ethics and in cooperation with employee representatives. In connection with these measures to adapt to declines in activity, Tarkett seeks above all which adapt the organization of work (paid vacations, reorganization of working hours, temporary layoffs, etc.), to reduce the number of temporary workers (those with short-term employment agreements), to promote internal transfers, and to take social criteria into consideration depending on departure measures (retirement, age, professional or personal projects, etc.).

As an impact of the difficult economic situation that we have been facing over these past years on our main markets in the CIS region, we conducted in 2016, several restructuring processes in Russia, Ukraine and Serbia. We also simplified our legal structure, reducing the number of legal entities in Ukraine and Serbia. All these activities resulted in a decrease of the number of headcounts. In these 3 countries, in total 149 employees had been made redundant in 2016

### 3.2.1.5 Developing talent and fostering entrepreneurship

### A robust talent management process – listening to employees' needs and managing their career paths

Since 2008, we have been developing a formal Talent Resource Planning Process – "Talent Management" – to anticipate future organizational and skills-management needs. The process looks three to five years ahead and draws its criteria from the future vision set out in the Group's strategic plan. The result of this formalized approach is a robust set of initiatives and systems:

#### > The Performance and Development Dialog (PDD)

This forms the backbone of our performance management system. This is an annual opportunity for managers and their reports to spend good quality time – in careful listening and constructive discussion. From a corporate perspective, it allows us to understand the career goals of our employees and assess their progress. As a result, we are in a much better position to manage their unique skill sets, expertise and future careers. 56% of Tarkett's employees benefited from this review process in 2016 (or equivalent).

This program was reinforced in 2016 with the introduction of **Talent Inside**, a versatile user-friendly HR online platform designed to track and manage both the annual dialog (PDD) and corporate objective-setting processes. It is a enabling tool allowing:

- Employees to track their own progress: giving them a stronger stake in their own development.
- Managers to follow employees' development: keeping them fully up to date on team needs.
- Streamlining of HR processes: for performance, career management and remuneration.
- Consolidation of talent action plans and their effective follow-up.

#### > The Talent Review

In 2016, 3,091 of our targeted managers were integrated into the Talent Review process carried out with the HR teams and the line manager, which objective is to assess long-term career opportunities and long-term needs of the company. It is targeted at the specific groups of employees who can most benefit from it – managers, supervisors, engineers, and technicians

#### > The World Class Manufacturing (WCM) Development Program

This initiative is intended to identify critical skills for the implementation of WCM program and achievement of industrial objectives. Training programs are defined according to selected priorities with a structured roadmap. These programs within manufacturing plants aim at developing growth potential of all employees, white or blue collars.

#### > Career mobility processes and tools

Tarkett has an ongoing focus on improving its employees' opportunities for career mobility and putting in place the tools to make this happen. With the international dimension of the Group and an ambitious growth strategy, career mobility is increasingly important in ensuring employees have access to a range of exciting prospects, accelerating the adoption of best practices, and ensuring the best pool of talent available to fill positions. We use a number of measures to support career mobility, including:

- The COACH Program, employed in Europe to help first-level managers develop their skills.
- The Group is working on a worldwide mobility system to openly share job opportunities with employees, starting with pilots in France and in the USA (Florence site – Alabama).
- Policy documents such as the Internal Mobility Charter, available to employees via an intranet, and The Mobility Guide, a guidance document used by the Human Resources network
- The Talent Review Committee, comprising HR Directors for each Group division. Its role is to carefully consider employee expectations for career mobility and to make proposals to the Executive Committee about how these can be satisfied to meet the business' current and future needs. It draws on data from a range of sources (such as the Development and Performance and Talent Reviews) and has met annually since 2013.
- The WCM Development program, which also supports career mobility, aims in many plants.

### Training: a diversity of programs to meet all our people's needs

Whether it's an experienced employee, or a new starter, we firmly believe that a training program should be tailored to people's specific needs. A Learning and Development Committee meets monthly to steer joint initiatives at the Group level and to share best practices among the divisions. We operate a carefully designed series of individual core training modules. Two examples are shown below:

The Business Leader@Tarkett program – launched in 2016: Tarkett is committed to developing tomorrow's leaders. We want to grow people who can take our business forward, responsibly and effectively. This year, we began to see the fruits of an important partnership between Tarkett and the London Business School (LBS), an institution respected worldwide for cutting-edge business thinking. 36 of our leaders, drawn from 15 countries, took part in an initial session of this high-quality management development program at the end of September 2016. Using a combination of cognitive and experiential learning methods, it has been carefully designed – with the direct involvement of Tarkett's Executive Committee. Further sessions, with participants drawn from other areas of the business, are already scheduled for 2017.

### Focus: the aims of the Business Leader@Tarkett program are to...

- > Grow our Managers so that they can think and act like entrepreneurs
- > Innovate and infuse the organization with an entrepreneurial culture
- Develop our leaders' abilities to think and act strategically – something ever-more important in a fast-growing, uncertain and complex environment
- > Equip our managers with leadership skills and tools that can turn strategic ideas into effective action.
- > Customer Centric Innovation@Tarkett: part of our Customer Experience 2.0 program this program combines Design Thinking, Innovation and Agile methods to catalyze creative thinking and design innovation among our teams. It aims to support small cross-functional teams to get an intimate understanding of customer issues, identify desired outcomes, ideate, test prototypes and quickly launch pilots. Initially based on our strong partnership with the d.school a leading Paris-based design institute the program is now delivered entirely in-house and its champions have trained a further 52 people in 2016.

 $\label{thm:lights} \mbox{Highlights from other training programs:} \\$ 

- Additional targeted programs: aimed at other distinct groups of Tarkett employees; examples: Manager@Tarkett, ProjectManagement@Tarkett, and Train the Trainer.
- > Ethics and compliance training e-learning modules: providing portable and convenient training on governance issues such as: our Code of Ethics, competition, fraud and corruption. E-learning is a sound choice for these areas: it immerses our employees in the importance of Tarkett's ethical approach, ensures in-depth understanding, and simulates real situations. These modules are also supplemented with in-person sessions (see Section 3.2.1.3).
- > PowerUp: our sales force skills-development program. This was created in 2014 and put into practice the following year.
- > The new-starter integration program: first run in 2009, it has now been fully rolled out across the Group, ensuring comprehensive initiation for all new hires globally. As part of this program, new starters are paired with a corporate mentor, who facilitates their successful integration. This is further accelerated, in Europe, by Tarkett's Live Campus training module, a one to four-day intensive residential additional introduction.
- First-level line manager development: we are also developing management skills in first-level line managers at manufacturing plants. This helps accelerated the adoption of the best practices promoted by the WCM program and leads to better motivated and managed employees, greater career mobility,

and a wider talent pool — a plus when it comes to filling future roles. Therefore, two core WCM training modules run now at all of our production plants: Problem Solving Methodologies and COACH (management skills for shift leaders). Since these skills are now fully mastered by our WCM local teams who, in turn, train operators on the field, the Central WCM in 2016 only provided support to local training teams to a limited number of sites such as Hanaskog (Sweden), Jaslo (Poland), Middlefield and Chagrin Falls (USA), Waalwijk (Netherlands) and Waterloo (Canada).

#### Talent development through sharing: multidisciplinary teams and the Expert Network

In order to anticipate the evolution of skills aligned with Group's strategy, Tarkett strives to harness – and share – the breadth and depth of its people's expertise. By doing this simply and efficiently, employees improve their know-how, employability and mobility. In addition, the business sees its stock of expertise secured, enhanced, and delivering greater returns.

To this end, we strongly encourage multidisciplinary-team working, mixing associates of different profiles to deliver Group-wide or division-wide projects. Members of these eclectic structures enhance their expertise through benchmarking, networking and knowledge transfer activities.

Also, within the WCM program framework, we hold a series of dedicated meetings at one of Tarkett's manufacturing sites every year. The objective here is to develop our manufacturing experts' skills and leverage employee know-how in operational excellence. Since 2012, benchmarking initiatives have been organized within the Group's plants. In September 2016, for example, teams from eight plants, representing 13 coating lines, gathered in Clervaux (Luxembourg) for the eighth session of Tarkett's vinyl benchmarking initiative. The WCM program also encourages plant operators to get involved and generate ideas for improvements, thereby making them stakeholders in the development of their work environment.

In the same vein, in 2015, we launched the Tarkett Expert Network to better leverage technical expertise in Research & Innovation, and in Operations. Our aim is to capitalize on the expertise of our technical experts, and support their long-term career development through ongoing mentoring, training and knowledge sharing.

### Driving an entrepreneurial culture: training and rewarding

In recent years, Tarkett has successfully pursued a strategy of growth by acquisition. High potential companies throughout the world are regularly incorporated into our decentralized structure.

In this context, we aim to foster a company-wide entrepreneurial spirit. We want our people to seize the initiative, take calculated risks and assess opportunities based on evidence.

To achieve this, we are running a new program – "Entrepreneur@Tarkett." Launched as a pilot in 2014, it saw immediate success and was formally rolled out in 2015. In the last three years, 185 employees have completed the program. Moreover, 70 employees completed it in the last year alone, and the program continues to gather pace.

Turning to recognition, the Tarkett Awards are designed to recognize and reward entrepreneurial spirit in the Group. The eight categories of the awards are: vision and ambition, new horizons, novel solutions, concrete action, commitment to sustainability, accountability, employees' award and President's award. Submissions for awards reached 260 in 2016, a solid upward

trend, compared with 186 in 2015, and 120 in 2014. Over 1,800 employees participated and more than 50% of the winning projects are linked to sustainable development.

### 3.2.1.6 A safe and attractive workplace

#### Safety at the heart of operational excellence

Safety is at the top of Tarkett's agenda. And for us, attention to safety means more than regulatory compliance. As a world-class manufacturer, the only acceptable accident rate should be zero and that aspiration should be underpinned by a world-class workplace environment, where safe working and employee wellbeing are paramount.

To meet this aim, we harness and share expertise and resources from across the company – and around the world. But, while our ambition is global, the key to its delivery is local. Creating and maintaining a robust safety culture must be an intrinsic part of day-to-day manufacturing operations and routines. We work hard to ensure that the belief "safety is everybody's responsibility" remains front of mind.

Responsibility for safety starts at the top. All monthly meetings of the Group's Executive Committee, and quarterly briefings for our senior managers, begin with a review of safety results. These same results are also presented during the Tarkett's Supervisory Board meetings.

But safety is everybody's responsibility, and we monitor this carefully in our annual employee survey. In 2016, 85% of employees believed that Tarkett is sufficiently attentive to employee safety.

#### Spotlight on Safety - 2016 Key Figures

- > 85% of employees thought that Tarkett is sufficiently attentive to employee safety
- > 74% of employees thought managers led by example on safety
- > 84% of Tarkett sites implemented the World Class Manufacturing Program
- > 65% of Tarkett sites are OHSAS 18001 certified for their safety management systems

We maintain high levels of safety awareness – and competence – with a series of practical measures. These include regular employee training, frequent audits of practices at our sites, and, importantly, fostering ongoing – and open – dialog between managers and employees.

Where incidents do occur, rigorous analysis is carried out. Action plans are then drawn up and implemented, within our framework of continuous improvement.

We track progress carefully and our general indicators reflect this virtuous circle. By the end of 2016, 84% of Tarkett sites were implementing the World Class Manufacturing (WCM) Program, to which health and safety is central. Coupled with this, 65% of the Group's sites had achieved OHSAS 18001 safety certification. This international standard is a benchmark in health and safety management.

**KPI:** Lost Time Accident frequency rate (absence >24 hours per million hours worked = FR0t) at industrial sites:

1.34 in 2016, compared with 2.32 in 2015.

### Lost Time Accident frequency rate at our industrial sites (absence > 24 hours per million hours worked = LTA FR0t):



Our ambition, however, is a zero accident rate at our sites. For that reason, the key indicator we measure is Lost Time Accident frequency rate (FR0t) – the number of LTAs per million hours worked which result in an employee absence of more than 24 hours. At Tarkett plants, we have seen LTAFR0t cut by 69% over the last six years. A lot of progress has been made, and in 2016, the LTAFR0t reached 1.34, which is the best performance ever (-42%, compared with 2015).

Moreover, we have reduced the recordable LTA frequency rate by 42%, compared with 2015 (FR1t, the number of LTAs per million hours worked, which results in an employee absence of less than 24 hours). We also monitor an overall safety indicator at our plants which collects information on all types of accidents and incidents, including those requiring first aid with no absence (FR2t). This indicator stood at 19 in 2016, a 26% reduction compared with its 2015 level (of 25.6). Lastly, the number of occupational illnesses at plants was 10 in 2016.

### Spotlight on Safety: Strong progress on safety at our manufacturing plants in 2016

- > 24 plants (out of 39) had no accidents involving lost time
- > Total number of Lost Time Accidents at plants has reduced by 45% compared with 2015
- > Severity rate has decreased by 37% since 2015: standing at 0.044 in 2016

We measure safety not only at plant level, but also at Group level, including all our offices. On this measure, in 2016, LTA frequency rate (FR0t) reached 1.17 and the severity rate stood at 0.035. At plant level, we also train and engage our subcontractors and installers to follow our safety rules and objectives, and we track and monitor safety progress combining results both from our employees and contractors working at our plants in our monthly safety report.

Nevertheless, there is much more to be done, and achieving the same reductions in absolute terms – to reach our zero-rate target by 2020 – is a huge challenge, but one that we are determined to deliver on.

#### Adopting safety best practices at all our sites

Continuous improvement means learning the lessons of experience – and implementing them. Effective sharing of best practices is one of the most efficient ways to accelerate this improvement. In addition, developing a culture where best practices are recorded and openly shared is an empowering experience for employees.

In June 2016, 40 safety leaders from 11 of Tarkett's worldwide sites joined together an on-line seminar focused on safety-related best practices. They shared experiences and viewed successful safety initiatives being used at sites other than their own. An overarching theme was how to ensure that teams on the shop floor fully engage with safer practices. As a result, the WCM Safety Pillar has developed new training materials and forms that allow teams on the ground to more rigorously review potentially unsafe activity, carry out root-cause analysis, and more easily implement remedial actions to prevent future occurrences.

In October 2016, Tarkett's World-Class-Manufacturing Safety-Convention took place at our Sedan site in France. 25 safety leaders from production sites across 11 countries gathered in October 2016. During an intense three-day period, these leaders focused on some of the key headline safety issues within the Group. The convention saw a mix of stimulating presentations, best practice sharing, training, and practical workshops.

### Spotlight on practical measures: USA production takes a back seat for two-day focus on safety

In February 2016, Tarkett's vinyl facility in Florence West, Alabama (USA), shut down production for two full days to host a major safety seminar: "Safe today; alive tomorrow". The objective of this exercise was to further instill an overall safety culture in all aspects of daily work — for people at all levels — and, specifically, to develop a robust, safety-first culture. Over 420 employees from the Florence West site itself participated, along with environment, health & safety managers and senior managers from across Tarkett's North American operations.

#### Wellbeing at work: creating the right working environment

For Tarkett, compliance with regulatory requirements and labor law is a minimum. Following the principles of the United Nations Global Compact (reflected in the Group's Code of Ethics and its Human Resources Charter and Policy), Tarkett is committed to campaigning against forced labor. Our vision is to go further than

this though, making Tarkett an attractive place to work, and in turn attracting and retaining the best talent – at all levels in the company.

The way that work is organized at individual sites within the Group varies according to the regulatory framework and plants' particular needs. A considerable part of what constitutes work patterns is established through collective bargaining. This has seen successful agreements covering areas such as shift patterns, part-time work, remote working, and temporary increases to staffing during peak periods.

A first example is the Konz site in Germany described in section 3.2.1.4. Another example is at our sports production site in Auchel, France. An agreement was signed in 2011 to annualize working time in order to answer peak periods, satisfy clients requests, and balance the work life of our employees. Furthermore, a Family Day was initiated in 2016 during the quiet activity period, so that employees shared their working environment and expressed their pride to work for Tarkett with their families. This day will be renewed in 2017.

But it's not about headline agreements: Tarkett also cares at an individual level about its people's physical and mental wellbeing. We strive to pay attention to sources of stress and questions of work-life balance, and we monitor the overall trend via two questions we added to the employee feedback survey. The 2016 survey suggested a picture of slight decrease in its headline indicators, while results can be different from a country or a department to another:

- > 72% of employees thought their workload "reasonable," compared with 73% in 2014 and 70% in 2012 - the manufacturing norm is 69%;
- > 62% believed they had a "good balance" between their working and personal lives, compared with 63% in 2014 and 60% in 2012.

While indicators are important, detailed results and feedback from our entities are also important. For that reason, every HR leader at a Tarkett entity monitors survey feedback on wellbeing in detail. Any sites that observe worsening results are systematically required to develop and implement formal improvement plans.

A range of local initiatives complement these Group-wide activities. Selected examples are shown in the box page 99.

Finally, Tarkett doesn't only look to improve well-being through initiatives at its sites, we are also interested in the geographical location of those sites, their offices, workspaces and workplace. In 2015, three of our national headquarters were relocated: China (Shanghai), France (La Défense), and the USA (Solon, Ohio). Employee well-being was a factor in choosing these new locations: they provide state-of-the-art shared working spaces and offer an attractive workplace environment.

#### Spotlight on practical measures: Well-being initiatives within Tarkett companies

**RUSSIA:** annual flu vaccinations were available to all employees in 2016

**SERBIA:** breast cancer screening was available, at all sites, for women employees

**SWEDEN:** employees place a strong emphasis on companyled leisure activities such as running and fishing

**NETHERLANDS:** at our Waalwijk site, a new holistic wellbeing initiative has been in place since 2015. Targeted at both physical and mental wellbeing, it has a number of complementary threads, including:

- > A health check-up
- > Ergonomic seating and standing desks
- > Fitness club membership discounts
- > Hockey and running activities
- > Help to quit smoking
- > Company-provided fruit at work
- > Yoga workshops
- > Training on'managing a shiftwork lifestyle'

**USA:** Tarkett sites implemented a new wellness program in 2015. It offers support, education, and activities to enhance all aspects of wellbeing – physical, nutritional, emotional, and financial. These include:

- > Healthy recipes, including employees' own tips
- > Biometric screening
- > On-site health and benefit fairs
- > Flu vaccinations
- > Retirement and education planning
- > Monthly newsletters highlighting "pillars of wellness"
- > An Employee Assistance Program
- > Fitness club membership discounts
- > Weight loss program

### **CANADA:** at our Farnham site, the following were offered in 2016:

- > Flu vaccinations for employees and their immediate family
- > Fitness club membership discounts
- > Conferences on wellness and health & safety
- In-house yoga and meditation courses during lunch times

## 3.2.2 Improving the value chain – from end to end

#### 3.2.2.1 Supply chain management

### Tarkett's approach to value-chain improvement: ambitious and anchored

Our suppliers play an essential role in helping deliver Tarkett's vision and strategy. Moreover, Tarkett's ongoing transformation from a linear-model company to one operating a circular, Cradle to Cradle® philosophy requires the engagement and buy-in of our entire value chain.

Our approach is one of partnership with carefully selected suppliers. We seek to build long-term business relationships with companies that share our values and a willingness to actively promote them.

Our requirements are anchored in the Ten Principles of the United Nations Global Compact (UNGC). This approach brings clarity of focus – and provides comprehensive coverage – of human rights, labor conditions, environmental, and corruption issues (see Section 3.1.1.2).

As well as upholding all these standards ourselves, we expect our main suppliers and subcontractors to do so too. We ask our partners to recognize this requirement formally by accepting it as part of our contractual conditions in accordance with the Principles of the United Nations Global Compact.

Subcontractors account for a minimal proportion of Tarkett's total production, and comprise a small number of suppliers. This means that the bulk of our manufacturing remains firmly inhouse, giving us more leverage to improve our supply chain.

**KPI:** In 2016, **64**% of the Group's raw-material purchases (by value) came from suppliers who, committed, contractually, to uphold the UNGC principles that Tarkett requires.

At Tarkett, we want these principles to be more than good intentions or a contractual clause to be signed and filed. We are working to encourage our people and partners to live out these principles every day, in all the business transactions they are involved in. This means that every employee must continually uphold the highest standards of candor, integrity, and transparency. No matter where they are based in the world, we expect Tarkett employees to be ambassadors for the company in terms of respect for our business partners and their cultures.

We back this with a range of measures that help ensure our people embody the company's values, live out its Code of Ethics, and can consistently assure compliance with their legal and regulatory duties. For example, all of targeted employees completed the e-learning on Fraud in 2016, raising awareness on fraud and social engineering; we provide additional coaching for those involved in purchasing activities.

### Toward a truly collaborative value chain

Commitment to UNGC principles is a sound first step toward a responsible value chain. But we want to go beyond this. Tarkett's objective is to forge genuine collaborative partnerships with its key suppliers, inviting them to share a common vision and joint ambitions on responsible sourcing.

We have been fortunate that a number of recently acquired subsidiaries have piloted several different methods to foster such partnerships (for example, at Desso, where we tested a sourcing assessment methodology, using the Sedex platform, in

2014/2015). We are in the process of carefully assessing the methodologies used, and the results obtained. Our aim is to distill the best from these approaches and marry them to our own thinking and experience. The output will be a carefully crafted strategy, aimed at clearly defined objectives, and underpinned by harmonized policies, procedures, and indicators.

Of the approaches already piloted by the Group, or in Tarkett companies, several are worthy of special mention:

- Across Tarkett Group, potential suppliers are assessed on quality, cost – and sustainability – criteria. Our suppliers know that we are looking for more than the right product, at the right price. We are just as interested in the quality of their environmental stewardship, their safety record, or their approach to training, as we are in the quality of what they can supply to us.
- And we aim to go further than audits and assessments. We collaborate with our key suppliers to achieve our environmental goals and eco-innovate: they are directly involved each time we assess new materials according to the Cradle to Cradle® principles, or when we seek data for our products' life-cycle analysis.
- A pilot was launched in 2016, in our EMEA division, which focused on raw materials suppliers. We classified them based on country and sector risks derived from the Social Hotspot Database (Social Hotspot Index). From January to June 2016, only 2% of raw material suppliers to Tarkett EMEA were identified "theoretically" as potential risk suppliers based on the general criteria of Social Hotspot. The analysis is to be continued in order to determine the real risks and not the "theoretical".
- > At our linoleum production site in Italy, we use audits and questionnaires to assess our suppliers on the basis of the following pillars: Purchasing, Quality, Safety and Environment. This assessment was introduced at the end of 2015, with the aim of implementing it at other sites in the coming years. The site is SA8000 certified, meaning that Narni must consider the social impact of their operations in addition to the conditions under which their employees, partners and suppliers operate.
- With its wood-flooring suppliers, Tarkett maintains a dual focus: both on suppliers' operations and the standards to which they source materials. First, we work in partnership with them to put in place progressive operational improvements through better workplace safety, more effective use of protective equipment, and the use of safer, more modern machinery. And, second, we help them develop increasingly responsible sourcing programs for their raw materials. Examples of our activity in this area are shown in the following boxes.

Case study: A spot inspection by the Swedish Forestry Agency shows regulatory compliance with timber supply chain regulations

In 2016, our Swedish-wood supply chain (which processes most of our wood) underwent a routine inspection by Skogsstyrelsen, the Swedish Forestry Agency and national regulator for the sector. It found that all systems they had put in place from 2013 on were in full compliance with the relevant timber regulations, including all supplies to Tarkett's Serbian and Ukrainian operations.

## Spotlight on practical measures: The bulk of wood sourced by Tarkett comes from certified, responsibly managed sources

Looking beyond our regulatory obligations, we have sought out and mainly partnered with wood suppliers that are certified by the Forest Stewardship Council® (FSC®) or the Program for the Endorsement of Forest Certification (PEFC™). This ensures both sustainable forest management and respect for human rights, according to "Chain of Custody" principles. In 2016 Tarkett, also renewed its multisite "Chain of Custody" certificate not only for PEFC™ but also to FSC®. This covered a total of 12 production sites and sales subsidiaries. More than 60% of our total wood purchases are FSC®-C008972 or PEFC™/05-35-125. All parquet floors (of 10 mm or more in thickness) are certified™ Cradle to Cradle® Silver, an approach that we also apply to future product development.

## 3.2.2.2 Boosting local economies and communities: global reach with a local presence

The nature and structure of Tarkett's business contributes to the stimulation of local economies.

First, Tarkett operates a strategy of manufacturing its products across a broad spread of worldwide locations; locations that, by definition, involve local labor and transactions. The flooring business still has a very local focus, in all parts of the world, as well as a highly fragmented customer base. As such, it involves a raft of local players, from installers, through other contractors to distributors. Above all, it's the quality and durability of day-to-day relationships that counts. In addition to its global presence Tarkett prides itself on its respect for local relations and cultures. In a way, Tarkett is Russian in Russia, American in the USA and Chinese in China.

Second, Tarkett offers an adaptable range of products, meaning that its offer can be made attractive to local geographical areas, with their rich and varied requirements in terms of designs, patterns, and colors.

Finally, our strategically chosen locations, coupled with a sound distribution network, ensure that we can get large volumes of products quickly and efficiently to key local markets. From local manufacturing in China, to distribution and customer service centers in Russia, Tarkett's installations make it a viable choice for many different projects worldwide.

### Case study: Local development in China

In 2014, Tarkett made the acquisition of industrial assets in Beijing, China, for the manufacture of commercial vinyl flooring. We chose to invest in a new production line in 2015, to better serve its local customers and reduce delivery times. The site complements Tarkett's industrial presence in China, though its carpet manufacturing site (formerly Tandus) which also serves the local market.

We have also created the Tarkett Academy concept deployed in nine countries. These provide trainings in 13 Tarkett Academy centers located in: France, Sweden, Poland, Russia, Serbia, China, Australia, and Brazil (8 countries) and also offers direct training by our teams in North America.

**KPI:** In 2016, **3,575 external people** received Tarkett Academy training worldwide. This represents a total of **11,303 people in three years** (2014/2016).

### **Tarkett** Academy

Spotlight on practical measures: Sharing our expertise through the Tarkett Academy

- > Training is aimed at young professionals, as well as experienced workers
- > Training is mainly focused on flooring installation and maintenance
- > Sessions may last for some hours or up to one week
- In France, trainees receive a diploma accredited by the Ministry of Education (a Level 5 Flooring and Carpeting CAP [a professional certification]) and the Ministry of Employment (a Level IV flooring certification)
- In the USA, training can be used to gain continuing professional development credits by architects and designers who are members of professional organizations

#### Engaging with local communities through Tarkett Cares

At our sites across the world, Tarkett employees give their time, expertise, and energy to local communities and local non-profit organizations. Tarkett supports its employees to volunteer during working hours and also donates funds and products.

In 2016, Tarkett took these initiatives a step further with the introduction of the Tarkett Cares program. One of the program's main objectives is to improve people's lives in the communities where we operate, and to contribute, more generally, to local needs.

Tarkett Cares is a flexible program offering a range of ways to support local communities. The options link back to our corporate values, core business commitments, or approach to sustainability. These are many and varied: they range from providing better living spaces, through supporting well-being and healthcare, developing talent, fostering self-confidence, encouraging entrepreneurship, and protecting the environment.



Spotlight on practical measures: How does the Tarkett Cares program operate?

Tarkett Cares operates through three main channels:

- > Volunteering: Tarkett employees are encouraged to share their time and talent by volunteering, up to two days a year during working hours, in support of a local community initiative. This can be done individually or as a team
- > Employee referrals that benefit the community: for each successful employee referral provided by a Tarkett team member, the company matches the employee's effort by funding a community initiative
- Tarkett donates funds and materials: Tarkett entities can also support local initiatives through donating funds, materials, and products, and by involving employees in these projects

In 2016, Tarkett Cares provided support to local communities in a multitude of ways:

- In Brazil, Tarkett was able to help Santa Casa a philanthropic provider of hospital services. Details are shown in the first box below.
- In Canada, we were able to help the Tournesol primary school in Montreal, which is located in a suburb with a large immigrant population. Many of its students are passionate about soccer but have nowhere to play and no outlet for their enthusiasm. FieldTurf (a Tarkett sports company) offered to install a new artificial-grass sports ground at the school, covering an area of 4,000 square feet (about 370m²), to be laid over an existing concrete playground. The project proved a true team effort, involving individuals from across the Montreal office in the design, delivery and installation of the new sports ground.
- > In China, in October, 19 Tarkett employees took three hours out to take part in a clean up of a local hill in the Pinggu area near to Tarkett's Beijing plant. This project had the distinction of being the first Tarkett Cares project to take place in China and was also part of a city-led initiative designed to encourage residents to be more aware and active in conservation, especially in public places.
- > In France, in April, 30 members of our Purchasing Department (representing 12 nationalities) had the opportunity to support two charitable organizations during our Purchasing Convention. We helped Rejoué ("Replayed") an association that works with people who find it difficult to work in conventional employment to define its pricing policy for the repair and resale of affordable second-hand toys. In a similar vein, our experts helped Musique pour Tous (Music for All) a social enterprise that helps children to integrate socially through learning and playing music together to develop a business plan to stabilize its revenue. We'll be following up both of these projects in the coming months.

- > In Italy, Tarkett donated linoleum and vinyl flooring to two towns damaged by serious earthquakes in August.
- In North America, every year since 2009, at their annual sales meeting, the USA and Canadian teams of Tandus Centiva have devoted one of their days to service in the local community.
- > In Serbia, 33 volunteers from Bačka Palanka, Serbia rolled up their sleeves to help renovate the premises of a local kindergarten, in October. Part of the team worked to install new flooring that Tarkett had donated. The rest of the volunteers helped clean up and landscape an outside play area, planting 35 trees and reorganizing the entrance. The flooring and improvement work by Tarkett teams has enabled the Bambi Kindergarten to reopen after being closed for a several years. This provides a significant boost to the capacity of pre-school places for children in the local community.
- In Serbia, Tarkett again sponsored Bačka Palanka's annual Ecological Theater Festival for young people. Details are shown in the second box below.

### Case study: Tarkett Brazil employees renew the flooring for a local charitable hospital

Jacareí City, Brazil, has no public hospital. Santa Casa – a local non-governmental philanthropic institution – is the only provider of hospital services. With falling donations in recent years, building maintenance has suffered considerably. As a result the local authority is temporarily administering the hospital and approaching local companies to help. Tarkett offered to replace the most important floor areas, in order to improve aesthetics, cleanliness, and patient confidence. This offer was made just as Tarkett Cares was launched, allowing it to be used as a vehicle for employee involvement in the installation. Over four days, two groups totalling 42 people, installed more than 400m² of new flooring. In addition to doing the facility a good turn, this voluntary action helped forge relationships across Tarkett Brazil's various departments.

### Case study: Tarkett Serbia's support for Ecological Festival educates young people on green issues

In August, Bačka Palanka hosted its annual Ecological Theater Festival for young people. Tarkett regularly sponsors this event, and this year we organized a series of educational workshops. Local children had the opportunity to learn ecological principles using the medium of a town created from Tarkett products and raw materials. Tarkett volunteers were able to explain some important issues to them, such as the importance of sorting waste or using renewable energy sources. The event is a novel way to communicate with younger generations about some of today's most pressing issues. It is consistently popular both with its staff and some 50 children from across local community.

#### Supporting development projects in the wider world

With a broader focus we also contribute, on an ongoing basis, to the public policy debate on sustainability and the circular economy.

In 2015, Desso supported "Holland Water Goes Africa", which sinks drinking-water wells providing drinking water and water for agriculture in the Gambia.

Tarkett, through its subsidiary Desso, joined one of the initiatives of the REDD+ Business Program (Reducing Emissions from Deforestation and Forest Degradation) organized by the United Nations. Desso is supporting a project in the Madre de Dios region in Peru, addressing deforestation, supporting biodiversity, and aiding the local economy.

## 3.2.3 Stewarding tomorrow's resources

### 3.2.3.1 Tarkett and the environment: A holistic and structured approach

Resource stewardship is the second pillar of Tarkett's Closed-Loop Circular Design approach, something we progress through the careful application of our World Class Manufacturing (WCM) Program and Cradle to Cradle® principles. The focus is squarely on the environmental footprint of our many production sites across the world. Section 3.1.1 has set out our objectives: to reduce and optimize the use of resources throughout the entire manufacturing process. Success in this can make a valuable contribution to solving two of society's most challenging problems: resource scarcity and climate change.

Environmental management is key in our Cradle to Cradle® approach and the sub-sections below describe our activities in this area in detail. With the objective of clearly defining its vision of performance in terms of resource stewardship and after careful consideration, Tarkett set out three major objectives that we want to see achieved by 2020. Furthermore, we are working hard to deliver these – at all levels in our business – and across all our sites with the aim to reach our 2020 objectives, which are:

- > 100% of our manufacturing sites fitted with operational, closed-loop water circuits or not using water in their processes;
- > 20% fewer greenhouse gas emissions, compared with a 2010 baseline;
- > 0% waste going to landfill.

Overall excellence in environmental management is needed to move toward success. First and foremost, our WCM program plays a key role in this management, by monitoring key indicators, designing action plans and deploying them. In addition, Tarkett firmly believes that the ISO 14001 standard (which provides a framework and criteria for an environmental management system) can help drive progress. This is reflected in the rapid rate at which our sites are achieving certification. Today, 92% of our sites are certified to this international standard. The discipline acquired by using well-thought-out environmental management systems provides a solid framework on which we can make operational gains.

In addition to the above, Tarkett has taken Group-level decisions in three other areas that are designed to further improve our holistic approach to resource management. In 2016, our senior management team focused on going efforts to:

- > Rationalize efforts between Tarkett's internal programs. As a result, new streamlined operational efficiency and cost-reduction plans have been defined and set in motion across our manufacturing sites, in connection with our World Class Manufacturing (WCM) Program.
- Define roadmaps setting out the route to achieving the 2020 objectives within each of Tarkett's divisions and at site level. The KPIs that track progress on the roadmaps are discussed systematically within each division.
- Construct a network of environmental champions. In most of the divisions and regions (EMEA, TNA, TEE, APAC, LATAM), identified people responsible for tracking the progress of the roadmap. They drive the roadmap as a whole – at division or entity/plant level via WCM – or oversee a part of it within the division. Moreover, at Group level, there is a WCM champion dedicated to the deployment and follow-up of the environmental pillar within the plants, steering and managing the whole process.
- > These division champions are supported by an environmental committee which meets every month to review the entire range of areas covered by the roadmaps. The committee is chaired by the Executive Vice President of Research, Innovation & Environment (member of the Tarkett Executive Management Committee) and comprises officers and experts, as well as members from our different range of business and functions. These include Research & Development, WCM/Environmental and Sustainability, Communications, Marketing and Purchasing.

When it comes to environmental management, Tarkett is a firm believer in both independent expert advice – and independent verification of its activities. That's why, every year since 2008, we have commissioned detailed annual audits. These are carried out by a recognized third-party organization, across our sites worldwide.

The audits provide a clear and informative snapshot of both progress and the effectiveness of corrective actions. Assessments cover a comprehensive range of criteria, reflecting Tarkett's aim to see environmental progress on all fronts. We gather detailed feedback on everything from health-related indicators, through emissions, energy consumption and climate change, water consumption, waste management as well as noise and ground pollution.

Internally, Tarkett's Executive Management Committee directly handles the process of monitoring and driving our overall environmental activity, particularly with regard to resource stewardship and environmental respect. Over the past five years, 80% of the issues identified during the audits have been resolved, including 100% of the topics that our auditors prioritized.

### Case study: WCM audits help Tarkett measure progress and define action plans

In addition to the external independent audits described above, internal WCM audits are carried out to evaluate the progress of the production sites and define the action plans. Tarkett aims for its management teams and environmental referents to have a clear vision and follow-up on all the sites and for all the indicators.

Audits last for two whole days, and the central team and site manager in charge of the different WCM pillars (Environment and Safety) are actively involved. In 2016, ten European sites were evaluated: Clervaux (Luxembourg), Konz (Germany), Lenham (UK), Narni (Italy), Sedan (France) and Orzechowo (Poland) in Western Europe; Bačka Palanka (Serbia), Kalush (Ukraine), Mytishchi and Otdradny (Russia) in Eastern Europe. The auditors evaluate each site according to a very strict scorecard. The plants are then rated according to the following classification: Bronze, Silver or Gold.

In 2016, Narni and Clervaux moved up to the Gold level, and Bačka Palanka reached the Bronze level.

### 3.2.3.2 Water stewardship

#### A history of water management

Water is vital for life, essential to industry, and an important element in sustainable development. Water stewardship is an important part of our environmental policy, and in the Cradle to Cradle® philosophy we apply, this is an integral part of our commitment.

Cradle to Cradle® principles are a challenging 21st-century step on the road towards a circular economy. Considering the industrial nature of its sites, Tarkett has a long history of carefully managing its water resources in a responsible and optimized fashion. Most industrial manufacturing processes use water, as a raw material or a utility, and the flooring industry is no exception. Dyeing carpets, for example, requires large volumes of water. A sound environmental strategy is needed to avoid collecting large quantities of water from external sources.

Even though polluting effluents are not a major issue for Tarkett, we remain focused on managing the potential risks of effluents.

#### Ambitious goals

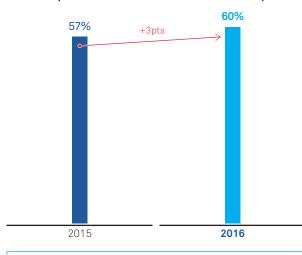
Tarkett has a double commitment to water stewardship: minimize external consumption on our sites and optimize the quality of the water discharged. Both of these commitments are in keeping with our engagement to significantly reduce the pressure we put on water as a valuable resource.

Our 2020 water-consumption target is ambitious: all our industrial sites to be equipped with a closed-loop water circuit in their manufacturing process (or not using water in their industrial process). This measure will allow us to directly reduce our water consumption. While increasing the number of such loops on our existing sites, we are also improving water stewardship in newly acquired sites by applying the same closed-loop systems.

Applying the principles of operational excellence throughout the Group

**KPI:** Progress in installing closed-loop water circuits on Tarkett's manufacturing sites (or not using water in their processes): **60%**, compared with 57% in 2015.

### Share of manufacturing sites that have implemented closed-loop water circuits or do not use water in their process



### Case Study: Tarkett, USA - Pumping and Piping Station Project: 60% reduction in water usage

Carefully targeted capital expenditure at the Florence East site (Alabama, USA) has resulted in significant leverage for its team. A new pumping station and additional pipes allowed a complete change in water sources for the boilers supplying the "Victory" manufacturing equipment and press. Instead of relying on external water supply, all boiler utility water now comes from an on-site cooling pond. This change has effectively closed the water consumption loop for the entire Victory line and yielded a dramatic - and immediate - 60% reduction in water usage per square meter of product. In addition to promoting better water stewardship, the project has improved the safety of water supply. This helps safeguard business continuity, ensuring that production could continue even if external water supplies were to fail.

### Driving up effluent standards

Turning to the wastewater side of the water equation, Tarkett also has a strong focus on the effluents being put back into the environment from its sites. The nature of our products and processes does not, generally, result in effluents requiring major wastewater treatment. Having said that, our varied product range, and strategy of innovation in materials and manufacturing methods, means that we nevertheless retain a strong focus on effluent quality.

### Case Study: Tarkett, Belgium – A site exceeding modern waste standards

Today, Dendermonde site (Desso carpet activities) in Belgium has a sophisticated array of water treatment equipment ensuring that wastewater can be recycled. As in many countries, there are tough wastewater quality controls in Belgium in terms of water being discharged back into local sources. In response to the trend toward higher standards, the site has been pursuing best practice for more than 30 years. Onsite biological waste water treatment has been in place since the mid-1970s, and this was upgraded in 2006 with the addition of an ozone treatment stage. This two-stage treatment now enables the site to discharge water of a consistently higher quality than that required by, already demanding, local regulations.

### 3.2.3.3 Energy management and climate change

It is now some 30 years since the creation of the UN's Intergovernmental Panel on Climate Change (the IPCC). Since then, climate change has risen up the agenda to become one of the most difficult and pressing environmental issues of modern times. Success at the COP21 talks in Paris, in 2015, rekindled fading hopes. After the summit, there was genuine hope that international institutions might pull together to set a trajectory capable of delivering the UN's two-degree scenario (1). 2016, however, proved a more difficult year on many fronts, expectations were markedly lower for Paris's successor – COP22, held in Marrakech, Morocco, in November 2016.

### Focus on Tarkett's Engagement for the Climate

At COP 21 (the Conference of the Parties of the United Nations on climate change) in France, in connection with an initiative organized by the WEF, Tarkett undertook alongside 77 multinationals to take concrete actions to combat climate change and reduce environmental impact and our carbon footprint. In connection with this worldwide coalition of businesses, Tarkett also joined the Paris Pledge, in which "businesses, cities, civil society groups, investors, regions, trade unions and other signatories promise to ensure that the ambition set out by the Paris Agreement is met or exceeded to limit global temperature rise to less than two degrees Celsius."

In contrast with the inevitable breakthroughs and setbacks of international action on climate change, Tarkett's corporate action in this area, and on energy, is long-standing and sustained. Like water stewardship, climate change and energy management are areas where environmental action and sound business sense can work together. Our main contribution to tackling greenhouse gas emissions is the action we voluntarily take to reduce energy consumption, always working to our Cradle to Cradle® and circular economy principles.

<sup>(1)</sup> A scenario within the UN Framework Convention on Climate Change (UNFCCC) under which the most severe impacts of climate change would be prevented by limiting temperature rises to a maximum of 2°C, compared with pre-industrial levels.

**KPI:** Greenhouse gas (GHG) emissions per square meter of manufactured product: 0.94 kgCO<sub>2</sub>e/m² in 2016, -8% compared with 2015.

#### GHG emissions (kgCO2e/m²)

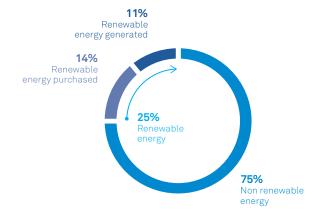


#### Solid progress on energy efficiency

Since 2010, we have made steady progress on energy efficiency – seeing average energy consumption across our sites fall from 4.34 to 4.09 kWh/m² of manufactured product, a reduction of 6%. Moreover, it is sustained progress; comparing 2016 with 2015, we have seen a 3% year-on-year reduction, with absolute unit energy consumption of 1,228 GigaWattHours (GWh).

But better energy stewardship is not just about leaner consumption: it's also about cleaner generation. That's why Tarkett's long-running efforts to reduce energy consumption are mirrored in more recent, but just as vigorous, efforts to develop renewables across its sites and more broadly. In 2016, 25% of the energy we consumed came from renewable energy and electricity — causing no greenhouse gas emissions at all. Moreover, our efforts to tap into emerging technologies such as geothermal and solar continue, especially in our administrative buildings.

#### Renewable energy as a % of energy consumption in 2016



### Greenhouse gases: a challenge for the planet and for the company

Over these past 2 years we have seen an encouraging decrease of Tarkett GHG emissions. The Group has slightly reduced the impact on climate change of its manufacturing activities, although some countries where Tarkett sites are located have a less favorable energy mix (those in China, Germany and in the USA).

In 2016, the Group has reduced total of emissions of GHGs by 8% to  $282~\rm ktCO_2e$ , compared with 306 ktCO\_2e in 2015. This positive trend is the result of a reduction in energy consumption and increased use of renewable energy and electricity (-3.8%), and has also been helped by the calculation based on real CO\_2 emissions factor for some countries (-4.2%) versus DEFRA standard factor.

### Energy efficiency: thinking globally and acting locally

Since 2011, businesses have been able to have their commitment to energy efficiency recognized by achieving certification to Europe's ISO 50001 energy efficiency standard. In 2016, all of Tarkett's European sites employing more than 250 people achieved ISO 50001 certification.

## Case study: Tarkett, Serbia: Fine-tuned energy management increases efficiency and boosts renewables

In 2009, Tarkett's Bačka Palanka (Serbia, Eastern Europe) began work to define an energy management strategy. It had a dual objective: increased reliance on renewables and optimum energy efficiency. But our teams' approach to strategy goes beyond conventional corporate norms.

Tarkett's Bačka Palanka team recognized early on that an overall strategy coupled with a finely-tuned operational outworking was what was needed. It would obtain maximum leverage by capitalizing on the site's specific configuration and equipment, in order to deliver site-specific solutions.

How does it work in practice? First, a sustained, ongoing effort. Every morning energy managers, shift leaders, and operators hold a brief, focused meeting. Here, they analyze energy indicators from the past 24 hours and use them to define and implement corrective actions and adjust energy flows accordingly toward optimal settings.

Second, targeted initiatives. For example, researching waste-to-energy routes, which resulted in the site installing a sawdust-fueled boiler in 2009. The boiler takes sawdust from parquet manufacturing and converts it to heat energy which is then reused in the vinyl flooring production process. Over six years, this has saved the equivalent of emissions from over 600 households. Put another way, this has cut total site CO<sub>2</sub> emissions by 31.5% (on average) between 2010 and 2015.

The overall result? The Bačka Palanka team's forensic attention to both the big picture and the day-to-day detail has yielded concrete results. Almost two thirds (about 65%) of the site's total energy needs were sourced from self-generation or renewables in 2015. Over six years, this has saved the equivalent of emissions from over 600 households (1).

(1) Source of consumption figures: World Energy Council; see https://www.wec-indicators.enerdata.eu/C02-emissions-per-

However, while we support proper recognition of companies which can achieve demanding environmental standards, Tarkett's philosophy has never been one of waiting for regulation to bite: we prefer to anticipate and take action under our own initiative. In fact, regardless of options for certification, a good number of our sites already have management systems similar to ISO's in place. This generates a wealth of valuable experience and feedback for us, as we look to define what good and best practice will look like in the future.

Tarkett is committed to continuously improving its manufacturing efficiency, something formalized in the continuing implementation of our World Class Manufacturing (WCM) program. A key focus for the program is to act on energy consumption within our manufacturing processes themselves. As a result, 45% of our plants have improved their energy efficiency, reducing their energy consumption per square meter of manufactured product.

### Case Study: Tarkett, Canada – new process-plant air compressors reduce energy

The team at Tarkett's manufacturing plant at its Waterloo site (Toronto, Canada) wanted to take local action on energy consumption within the production lines themselves. As a result, it commissioned a detailed energy audit to identify and quantify the potential losses and savings. Special flowmeters were installed at strategic points to build up a picture of the process plant's air consumption.

A clear baseline was established followed by analysis of the potential savings. The team realized that there was potential for major gains to be made by installing new electric compressors. Taking a prudent approach to capital spend, new equipment was secured on loan for a trial period. The carefully monitored tests that followed confirmed the clear potential for long-term savings. On the strength of the trial, the team decided on a targeted capital investment: adding both flow monitoring equipment and electric compressors to both the plant's extrusion line.

### Case study: Tarkett, Russia – Fine tuning of process pressures to cut electricity use

At Tarkett's Mytischi laminate plant (Moscow, Russia) a detailed analysis was carried out on the site's most energy-intensive equipment. Unsurprisingly, the work identified compressors as a key area. However, the team at this site took the decision to focus on optimizing existing equipment, rather than installing new equipments. With the integrity of the process line a paramount consideration, the team has successfully reduced the operating pressure on the process line. This reduction of 1bar (the equivalent of reducing outside atmospheric pressure to an almost total vacuum) has delivered a significant reduction in electricity consumption while maintaining complete integrity of the process line.

### Working to boost renewables

Developing the use of renewables on-site represents a highpotential local opportunity for us. Here, we pursue a number of options: waste wood from our manufacturing is used as biomass for energy; and geothermal and solar energy are in use in a number of administrative buildings including factories, including those on Desso's carpet plant in Dendermonde (Belgium), Tarkett's linoleum plant at Narni (Italy) and Waalwijk (Netherlands).

But on-site action is only one part of Tarkett's approach to developing renewables. A second key thread is to encourage external green energy sources such as hydropower, wind, or solar; for example, by buying electricity that is certified as being renewable-generated. In 2016, over the course of the year, five production sites put in place renewable energy contracts and secured 100% renewable electricity supplies. These were Dendermonde (Belgium), Goirle (Netherlands), Jacarei (Brazil), Narni (Italy), and Waalwijk (Belgium).

### Case study: Tarkett, USA – Headquarters and nearby sites switch to 100% green energy

At Tarkett's US headquarters (Solon, Ohio, USA) and all its other manufacturing sites in Ohio, we have now completed a move to 100% green electricity consumption by the end of 2016. This major step will boost demand for green, carbon-neutral generation by an estimated 30 million kWh/yr-equivalent to the energy consumed by over 8,000 EU households (1). All energy purchased will be certified by ENGIE Resources-the third-largest non-residential electricity provider in the USA. ENGIE will supply Renewable Energy Certificates (RECs) that allow Tarkett to demonstrate its commitment to green generation and the growth of renewables in the energy mix.

(1) Source of consumption figures: World Energy Council; see https://www.wec-indicators.enerdata.eu/household-electricity-use.html.

#### Bearing down on emissions in transport and raw materials

Despite our formal indicator for greenhouse gas emissions being site focused, Tarkett works to reduce emissions across the entire range of its activities. Among these off-site areas of focus, we act both on selecting recycled raw materials that don't deplete scarce virgin resources (see Section 3.3.2.3) and optimizing transport.

#### For example:

- In Brazil: At Tarkett's Jacarei site, an alternative supplier for a key raw material for the production of vinyl flooring has been identified and selected. This supplier is 650km closer to our site than the previous one – with a proportional saving in fossil fuel consumption and greenhouse emissions.
- In Northern Europe: action to optimize modes of transport has led to less energy-intensive options being selected. For example, on some routes, products are now being transported by ship rather than trucks.

### Focus on Transport in Ronneby, Sweden: Reducing our carbon footprint

In Sweden, we have increased transport efficiency to & from the vinyl production site in Ronneby:

#### Switching from road to rail

- > Inbound goods from Tarkett facilities by rail eliminates 500 fully loaded trucks per year
- Outbound goods to Tarkett distribution centers by rail eliminates 330 fully loaded trucks per year

By 2020, ensuring that 100% of the transporters we work with commit to the same environmental targets.

Source locally where possible for incoming flow of raw/indirect material.

Together with our suppliers continuously search to optimize logistic flow and transport technology.

We also changed our on-site forklifts, switching from diesel to electric vehicles.

### Developing a comprehensive understanding of our total impact on climate change

In 2016, Tarkett updated its full-life-cycle assessments (LCAs) of a number of its European-produced products, such as linoleum, some heterogeneous vinyl collections, and the vinyl homogeneous iQ collection. A part of this analysis, Scope 3 emissions are taken into account, which includes the assessment of raw materials production and transport, as well as the usage phase – depending on the application (evaluation of the impact of cleaning and maintenance is different for healthcare facilities and offices). The calculations are done by LCA experts at LIST (the Luxembourg Institute of Science and Technology), combining real data, generic data and assumptions from experts.

For example, we measured the total climate change impact of our linoleum flooring in the healthcare sector, and of our vinyl heterogeneous compact range used in offices. In both cases, the highest contribution is from the use phase (with the assumption of 10 years) and the raw material extraction. The transport of raw materials and finished goods contributes for a very limited part of the total emissions.

In addition to the continuous progress we make at our manufacturing plants through the World Class Manufacturing Program (see Section 3.2.3.3) and by extending the use of recycled materials (see Section 3.3.2.3), we also aim to better understand and reduce the entire carbon footprint of our activities. Aligned with our commitment to the Paris pledge signed at the COP 21 talks, Tarkett will continue to extend LCA to additional product ranges and expand the calculation of our impact on climate change to Scope 3, which will reveal where there is room for improvement. We will also continue to share information on the Carbon Disclosure Platform (CDP) on our customers and investors request.

### Safeguarding tomorrow – planning for climate change adaptation today

The Group continually monitors and plans for industrial and environmental risks; and climate-change-related factors (such as floods and storms) are a part of this activity (see Section 3.2.3.1). We operate carefully thought out on-site emergency plans, and, of course, continue to develop our products, such as artificial turf, that can help others in their efforts toward climate-change adaptation.

In 2016 we increased provision for environmental risk to €1,273K, compared with €152K in 2015. "The increase in environmental provision is mainly due to additional work to be performed to improve the quality of an existing soil remediation action in one of the plant of the Group."

### 3.2.3.4 Minimizing waste – how Tarkett reuses and recycles

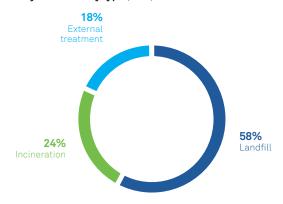
Operational efficiency and cost-reduction plans are a core part of Tarkett's approach to applying its World Class Manufacturing Program. These plans are developed, defined, and implemented – on a global scale – across our manufacturing sites. And recycling of materials forms a key thread.

Tarkett places an emphasis on taking the broadest possible approach to stewardship of its waste resources. Accordingly, we have developed a wide range of systems to recover waste. We collect a wide range of defective products and production waste material – returning them to our manufacturing process streams. These systems are described in detail in Section 3.3.2.3, which discusses how we do this, in the context of our commitment to a circular economy.

Recycling has a double benefit. First, it helps optimize our use of raw materials, making good environmental sense and good business sense. Second, it minimizes absolute waste production. We continue to tackle residual amounts of waste that have not yet been incorporated into circular flows, but our overall ambition is clear: to eliminate all waste bound for landfill, by 2020.

**KPI:** Industrial waste going to landfill, incineration or for external treatment, including hazardous waste: 105 g/m².

#### Non-recycled waste by type (tons)



### Case Study – Tarkett, Brazil: New recycling unit can cut waste-to-landfill by close to 1,000 tons a year

A new recycling unit has been brought on stream at Tarkett's Jacarei site in Brazil. It can recycle over 960 tonnes of material a year – equivalent to the mass of waste generated by over 600 individuals.

Its input stream comprises, for the most part, waste material from the LVT production line, but also PVC being returned from consumers, which is supplied to us by external companies. Its output is put to immediate reuse nearby in both LVT and VCT production.

In addition, the center recycles 85% of the solid waste generated in the site's heterogeneous vinyl coating line, which is then returned for use in the LVT core layer. In a similar vein, plasticizers are filtered and put to use in the manufacturing of accessories, such as baseboards. And this circular approach is a rapidly growing area — with demand for such reusable material now outstripping supply.

### 3.2.3.5 Local environmental impacts and footprint

#### Taking into account the local impacts

Tarkett has a strong corporate focus on global issues like climate change and resource scarcity, but it is equally committed to local issues and local communities. Tarkett does not have to deal with a number of the challenges that face other industrial plants, such as direct emissions to air, or needing to treat highly polluted effluents on site. However, manufacturing in the flooring sector still has some local impacts, which we are careful to steward. A number of these, such as noise pollution, are tracked formally through our environmental management system. In keeping with our emphasis on dialog and openness, we share our internal data transparently with the relevant local authorities.

### Careful thinking about space for expansion has local and global benefits

Tarkett has grown substantially in recent years, often through acquisitions. As we expand, we apply the principle of reusing existing space wherever possible. Examples of this approach over the last two years are:

- > at Tarkett's Florence (USA) and Otradny (Russia) plants, the installation of additional production lines was achieved entirely by using existing indoor space – with no additional construction;
- > at our Beijing (China) and Jaslo (Poland) sites, we chose to increase production capacity through the purchase of existing industrial unit space – not through new build.

In addition to minimizing visual impacts and disruption to local communities, this approach of reusing existing space also has benefits for the global issues we track. For example, it also leads to reduced greenhouse emissions and lower raw material requirements.

# 3.3 Meeting tomorrow's challenges through innovation

## 3.3.1 Increasing, Urban and Aging population: Tarkett and the challenges of tomorrow's demographics

### 3.3.1.1 A world facing rapid population growth

In the decades to come, the world population will explode: according to the World Business Council for Sustainable Development (WBCSD), it's highly likely that there will be more than nine billion people sharing our planet by 2050. And with this growth will come about three billion additional middle-class people who will rapidly adopt the aspirations and norms of urban life and a consumer society.

On the surface of it, that might seem like straightforward good news for a flooring sector company like Tarkett. But the reality is more complex and challenging. We are firmly of the view that today's advanced economies models for business — in general, and manufacturing — in particular, are simply not sustainable. The global growth on offer can only be good news, for companies and citizens, if a new paradigm for Corporate Social Responsibility is adopted.

That's why Tarkett is working hard to drive the principles of the circular economy – both adopting them in our own processes, and strongly encouraging others to do so. Our responsibility doesn't end at the factory gate: we believe that we have a duty to help build a sustainable world for tomorrow, bringing all our influence and expertise to bear on the task.

We have a long-standing commitment to the development of innovative flooring. This goes beyond delivering excellence on the traditional dimensions of design, cost, and performance – though those aspects are vitally important. By innovation, we also mean flooring that improves the spaces people live in and benefits their well-being.

### 3.3.1.2 Key areas where Tarkett can make a difference

Our commitment to eco-innovation, inspired by the Purpose Pillar of Tarkett's sustainable development strategy, is a key driver of our action. More concretely, it focuses on four core issues that arise directly from the rapid population growth discussed above:

- Resource scarcity: Even now some resources have been heavily depleted, a trend that can only accelerate as demand in emerging markets grows exponentially. Transition to a circular economy, where products are designed so that their safe materials can be recovered and recycled, indefinitely, is the surest way to preserve the planet's natural resources.
- > Climate change: Much better use of resources is a key component in all scenarios described by experts that involve keeping climate change under control. Therefore, approaches that combine reductions in virgin raw material needs and energy consumption, and promoting cleaner production processes through the use of renewable resources and energy, can successfully make an impact in this area.

- > Urbanization: As population growth continues to gather pace, so does urbanization. The United Nations estimates that, by 2050, 64% of all people will live in cities. As a result, hard thinking by designers and manufacturers is urgently needed; hard thinking to conceive and bring to market solutions providing the maximum number of people with access to pleasant and healthy spaces in which to live, work, and play. And all of this must be delivered while meeting expectations of modular designs, customization, and innovation in the real estate market.
- Aging populations: Strong population growth compounded with overall improvements in living standards will drive a demographic that has its outworking in an aging population. By 2050, the World Business Council for Sustainable Development (the WBCSD) estimates that 34% of the world's population will be aged 60 or over. Floor coverings, particularly in hospitals or retirement homes, have a strong part to play in this story. In the future they will increasingly need to be designed to provide innovative solutions that help maintain older people's autonomy and quality of life.

### 3.3.1.3 Tarkett's approach to meeting the challenges

Tarkett is squarely committed to tackling these four global challenges head on. Our 2020 sustainability strategy, which has its outworking in our Research & Innovation Roadmap and our operations-including the World Class Manufacturing (WCM) program, addresses this through two key elements in our strategic and operating philosophy:

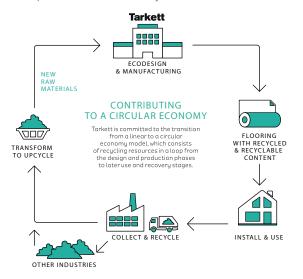
- Cradle to Cradle® principles: By wholeheartedly embracing the C2C principles within our "Closed-Loop Circular Design" approach, we aim to create loops in which healthy materials are endlessly recycled and renewed. This circular approach is an innovative driver to move beyond the traditional, linear manufacturing logic extraction, production, consumption, and disposal. For us, it's no longer about a product's "end of life", but about its "end of use." By applying the Cradle to Cradle® principles at our manufacturing sites, we also aim to respect our environment and use resources responsibly (i.e. water, energy, and raw materials).
- > True collaboration: We see this as essential to the success of the ambitious projects we engage in with partners in our value chain. It's also vital for our wider engagement in a series of partnerships and external collaborative initiatives with other industrial groups, such as the major environmental player, Veolia, in France, or non-profit organizations, such as NXT Health, Practice GreenHealth, and the Center for Health Design in North America. In North America, Tarkett also partners with the US Chamber of Commerce to promote the development of the circular economy.

## 3.3.2 Driving the transition to a collaborative circular economy

### 3.3.2.1 Our strong commitment to a circular economy

Making better use of our resources has been a focus for a number of years. As a result of our strong commitment to the concept of the circular economy, Tarkett has put in place a number of important initiatives and steps. Our aim is to transform the company into a leader in this field – in both thought and action.

In contrast, a circular philosophy involves a complete change of mindset, to design products that can be recycled several times over, and to develop the technologies and services that allow these products to re-enter the cycle.



We pursue these goals in close partnership with institutions such as the Ellen MacArthur Foundation (and its Circular Economy 100 program) and the scientific institute EPEA (Environmental Protection Encouragement Agency).

In keeping with our desire to provide both thought and practical leadership, Tarkett also contributes to broader debates. We are committed to playing a meaningful role in the World Economic Forum's (WEF's) discussions, with a view to fostering greater engagement in the circular economy and related initiatives within the WEF, such as "The Future of Construction."

By adhering to this circular philosophy, our goal is to design products today that will be the raw materials of tomorrow, and to choose healthy and safe materials that can be perpetually recycled. We develop this philosophy within the Group based on four pillars described in detail in this section:

- 1. eco-designing recyclable and recycled products;
- 2. recovering and recycling production waste;
- **3.** fostering business models and logistics loops for the efficient recovery of scrap or used floorings;
- 4. developing recycling technologies and capabilities, either inhouse (in an internal cycle) or through partnerships.

## 3.3.2.2 Selecting good-quality materials: Respecting health and the environment

#### **Eco-design for Good Materials**

The Good Materials Pillar in our Closed-Loop Circular Design approach addresses Tarkett's capacity to use sustainable materials that are positive for people's health and the environment.

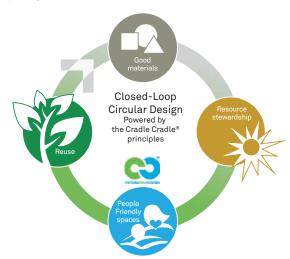
We strongly believe it is our responsibility to produce **products** that contribute to healthier living, working, and leisure spaces. With most people spending about 90% of their time indoors these days, healthy interiors are now becoming a real and important factor when buying or constructing real estate.

### Case study: Tarkett leads the debate in the responsible use of PVC

Tarkett is at the forefront of the debate on the responsible use of PVC. As long as chlorine continues to be generated, a better option (from a Cradle to Cradle® point of view) appears to be converting it to PVC used only for durable goods, such as flooring designed, using safe materials and with a manageable post-use recycling chain in place. By applying Cradle to Cradle® principles, from 2011 on, to each step of the product's life, we support Responsible Use of PVC in production, commercialization, sourcing practices and legislation. In doing this, Tarkett substitutes phthalate plasticizers, while take-back systems for the safe and productive post-use management are being established.

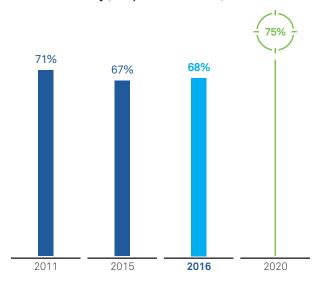
We began working with the EPEA on the issue in 2010 and signed a PVC Charter in 2013, after a series of workshops. In 2016, we took part in a panel discussion at the Greenbuild Conference and the Living Product Challenge in the USA and we will continue promoting the "Responsible use of PVC" to other industries.

Moreover, from an environmental point of view, we are also firmly of the opinion that primary resources should not contribute to the depletion of natural resources. For that reason, using mineral abundant, rapidly renewable, and recycled materials is a priority for Tarkett.

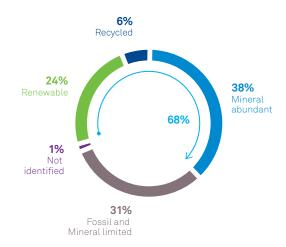


A concrete manifestation of this commitment is the quantity of materials at the beginning of our supply chain that do not contribute to resource scarcity:

#### Share of Group materials that do not contribute to resource scarcity (% of purchased volume)



Total Group materials (at the start of our supply chain) that do not contribute to resource scarcity (% of purchased materials)



#### Material health assessment and improvement

Always mindful of the importance of anchoring our approach in practical terms, Tarkett works in close partnership with the EPEA, a scientific research institute, to evaluate its products and materials against the Cradle to Cradle® chemical hazard profiling methodology and its 24 health and environmental criteria. The optimization of our product compositions is at the core of our "Closed-Loop Circular Design" strategy powered by Cradle to Cradle® principles and the circular economy. The results of these assessments allow us to better understand and improve the impact of our products and to more carefully select our raw materials by sharing C2C inspired specifications with our suppliers.

KPI: 95% of our raw materials have been assessed against the C2C principles, and our aim is to fully assess our entire raw-material portfolio by the end of 2020. This represents 2,738 materials assessed since 2010.

Further to this work with the EPEA, in 2016 in North America, we launched the Material Health Statements (MHSs) which is a new transparency tool for our clients. An MHS is a disclosure about a product's ingredients, based on a detailed assessment of the materials it contains. It is based on a chemical composition assessment obtained through a Cradle to Cradle® material assessment process carried out by a third party. Once the materials have been evaluated, they are given a color-coded rating. This makes the MHS easy to read and understand – even for non-experts - and informs users about the composition of a Tarkett product.

By the end of 2016, we were able (in North America) to produce nine MHSs for the following products: vinyl floorings (Johnsonite iQ homogenous flooring), luxury vinyl tiles (Tandus Centiva Victory® Series), linoleum (Harmonium, Veneto Essenza Natural Clay, Veneto Acoustiflor), and rubber (Baseworks, Rubber Sheet, Rubber Stair Treads, Rubber Tiles).

#### Cradle to Cradle® principles

Based on its Closed-Loop Circular Design and respect for human health and the environment at every stage of a product's lifecycle (design, production, use, and recycling), Tarkett applies Cradle to Cradle® principles for all its products and is committed to the development of the circular economy.

In recent years Tarkett has obtained several Cradle to Cradle® certifications.

The Cradle to Cradle Certified™ Product Standard is another tool that illustrates Tarkett's eco-design approach of a product based on the five C2C qualitative criteria listed below:



Focus: Cradle to Cradle® qualitative criteria headings for materials

- > Water stewardship
- > Social fairness

Product assessments are performed by the EPEA, and through our commitment to the circular economy powered by Cradle to Cradle® principles, our products have achieved Cradle to Cradle® certification in several categories of flooring over the last few vears.

		Gold	Silver	Bronze
Carpet	Gold Collection	X		
	EcoBase® carpet tile backing	X		
	ethos® carpet tiles backing		X	
	Desso carpet			×
Linoleum	Veneto Essenza 100% linen	X		
	Linoleum Silencio/Acoustic/Ecopure			×
	Linoleum linosom		X	
Rubber	Rubber tile and sheet			>
	Rubber wall base			>
Wood			X	
Resilient flooring	Evolay			>
	iQ One	X		
Artificial turf			X	
Hybrid turf	GrassMaster		X	
Adhesives	Tandus Centiva adhesive, floor primer and Tarkett Vinyl Tile and plank adhesive	X		
	Tandus Centiva Pressure sensitive adhesive, Tandus Centiva Adhesive, Tarkett Resilient flooring and sports spray adhesive		X	

Moreover, we ensure that this certification is kept up-to-date, which challenges us to continually improve in accordance with the latest standards 3.0 and 3.1, guaranteeing a higher level of sustainability.

For example, rubber tiles, sheet floors, and rubber accessories (our BaseWorks® products) stepped up, from basic to bronze certification, in 2015. A further example: 93% of Desso commercial carpet tiles (by sales) were C2C certified in 2015 (equivalent to 78% of total products sold, by volume).

When manufacturing wood flooring products, Tarkett selects its woods based on respect for natural cycles and the degree of natural abundance. Moreover, Tarkett has put considerable effort into identifying and establishing partnerships with FSC® and PEFC™ certified suppliers. Since 2012, this has resulted in Tarkett being Cradle to Cradle® Silver Version 3.1 certified, for wood floor product lines manufactured at its four production sites (Backa Palanka (Serbia), Hanaskog (Sweden), Kalush (Ukraine) and Orzechowo (Poland)).

In 2016, major achievements included:

- The gold certification obtained for some of our adhesives in North America, Tandus Centiva adhesive, Floor primer and Tarkett Vinyl Tile and plank adhesive, and Silver level for some other adhesives. This involved working in close partnership with the adhesive supplier: an opportunity to engage them collaboratively in circular economy principles and in the use of healthy materials.
- In 2016, Tarkett launched iQ One, a non-PVC, multi-polymer-based product which is Cradle to Cradle Certified™ Gold. iQ One was developed as a result of extensive research and has proved a product of choice for public spaces, where there are

demanding requirements in terms of durability, function, and sustainability.

### 3.3.2.3 Capitalizing on reuse opportunities over the whole product life cycle

As a result of the Group's commitment to Closed-Loop Circular Design principles and the implementation of operational improvement programs like the WCM, Tarkett works both to keep waste sent to landfill to a strict minimum (under the Resource Stewardship Pillar – see Section 3.2.3.4 for more detail) and to exploit new opportunities to use recycled materials in our products (under the Good Materials Pillar- see Section 3.3.2.2).

But putting Cradle to Cradle® principles firmly in place requires an even deeper commitment, in order to increase the proportion of recycled contents within our products, and, of course, to recycle materials. These concepts may sound simple, but delivering them successfully is challenging. Tarkett has been rising to these challenges for a number of years, through the Reuse Pillar of the Closed-Loop Circular Design.

### Maximizing recycled raw materials by developing recycling processes

In recent years, Tarkett has made real progress in increasing the use of recycled materials in its manufacturing processes. The Group has a threefold focus in this area.

First, we directly recycle our own manufacturing waste (such as scraps and trimmings) or send industrial waste for external recycling in other industries. To do this we have installed systems across a range of sites that gather and recycle waste and production scraps.

Selected examples of this are:

- in Canada Farnham: The R&D department developed a process to treat and recycle the plasticizer generated through our product-manufacturing processes. The plasticizer is part of high-temperature vapors that were formerly burnt. An industrial process was developed in 2015 to recover the plasticizer, as a clean liquid, and reinject it into the production process for new vinyl floorings. With this innovation, 100% of the plasticizer is recycled;
- FieldTurf, Tarkett's world-leading artificial turf company, commercializes Versatile, an underlay for sports surfaces made from recycled turf, with unique drainage and shock absorption properties;
- in Italy, at Tarkett's Narni site, selected waste from linoleum production is used to produce packaging stoppers for flooring rolls. This waste is processed at the internal recycling center, where it is transformed into a powder before dispatch to an external company to be transformed into recycled-based stoppers

Second, we source viable recycled materials from others, thus transforming waste or by-products from other companies into raw materials that we can use.

Selected examples of successes in this area are listed below:

- in Brazil, the recycling center has been extended, adding a new recycling unit at Tarkett's Jacarei production site (see box "Case Study" below);
- Desso partners with a yarn supplier, Aquafil, to use Econyl® regenerated nylon fiber. Over 50% of the Desso carpet tile range (by sales) is available with Econyl® yarn. This fiber, made from 100% regenerated nylon, also incorporates post-consumer fiber waste from Desso's Refinity® plant;
- in the Netherlands, working in partnership with local drinking water companies, Desso, a Tarkett brand has developed a technique to upcycle re-engineered calcium carbonate (the chemical present in lime scale), which is produced in water treatment. The calcium carbonate is processed in accordance with Cradle to Cradle® criteria to be used in the EcoBase® carpet backing, which has achieved C2C Gold level certification;
- in 2016, Desso continued its support for the ocean protection project "Healthy Seas, a Journey from Waste to Wear"). The initiative aims to remove waste, in particular fishing nets for the purpose of creating healthier seas and recycling marine litter into regenerated yarn, some of which is being used to produce new Desso carpets;
- in North America, Tandus Centiva has perfected a carpet tile sub-layer, ethos®, made of recycled PVB from windshields and safety glass. The ethos® carpet tile sub-layer has been Cradle to Cradle® Silver certified.

Finally, we recycle used flooring or installation offcuts from our customers' sites.

in Luxembourg, the Clervaux site operates a recycling center for both post-production scraps (from Backa Palanka (Serbia), Clervaux, Sedan (France), Jaslo (Poland), Konz (Germany), and Ronneby (Sweden) and clean post-installation flooring. The center produces sub-layers for its own vinyl flooring production lines and for those at Tarkett's Konz (Germany), Lenham (UK), and Sedan (France) sites. Another portion of this recycled material is also used in the site's LVT product line;

in the US, the Dalton Environmental Center in Georgia recovers manufacturing waste and post-use commercial carpet, processing it ready for reuse in the manufacture of ER3 backing for Tandus carpets.

Taken together, these initiatives resulted in 6% recycled materials (by volume of materials purchased which is about 80,000 tons) in 2016, compared with 5% in 2015, and 3.6% in 2011. This figure also includes, for the first time, internal recycling at Otradny in Russia.

## Case Study: The Brazilian production site initiative personifies circular economy principles

In our production site at Jacarei (Brazil), Tarkett extended its recycling unit in 2016, enabling the recycling of over 960 tons of production waste and trimmings every year for reuse in vinyl tiles flooring (LVT and VCT) production. The material used in Jacarei is recycled PVC from external suppliers: used industrial blister packaging (which had already been sent to us), post-consumption recycled blister packaging from the pharmaceutical industry, and PVC from the recycling of phone SIM Cards.

In Brazil, a "Powered by Sustainability" project was launched in 2015 for the VCT production line. This was then extended to the core layer of the LVT product, developed using circular economy principles and aligned with Tarkett's 2020 objectives. Our ambition is to use materials that are recycled and produce zero waste in our production processes. The challenge was to develop a sustainable product, using recycled raw materials thus avoiding the use of natural resources and sending waste to landfill. This project was developed using the existing infrastructure in Jacareí and in partnership with emerging recycled-PVC suppliers in Brazil.

### Closing the loop: From end of life to end of use

As exposed above, Tarkett no longer thinks in terms of a product's *end of life*, but rather of its *end of use*. This evolution comes with a number of technical, logistical and economic challenges in a highly competitive sector like flooring.

On our sites, clean waste and used flooring need to be collected efficiently and transported to one of our recycling centers. ecodesign has allowed Tarkett to develop products that are easier to uninstall or disassemble. But that is not enough. To be effective, the system requires good cooperation from customers and support for change (to encourage recycling rather than landfill). From a logistical point of view, the challenge is to set up a cost-effective and efficient service for each stakeholder by creating a network of collection partners.

From a technical point of view, the system requires high-level recycling technologies and processes to separate, disassemble, sort and transform used materials into new, high-quality raw materials, while respecting people's health and the environment.

## ReStart®, a collection and recycling program that maximizes material reuse

We developed the ReStart® Program to meet our customers' needs to deal with post-installation and post-use flooring. The program is a key element in our circular economy model providing us with high-quality secondary materials.

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Through the ReStart® program, Tarkett works in close partnership with its customers to collect and sort post-installation flooring in both Europe and North America, as well as post-use flooring in North America. Our goal is to broaden our network of local partners in order to increase the volumes collected, thus facilitating the recycling of high quality resources at one of Tarkett's seven recycling centers.

**KPI:** Quantity of post-installation or post-consumer products collected (in metric tons): **8,900 tons in 2016**, compared with 9,900 tons in 2015. The 2020 objective is to double volumes compared with 2010 (to about 38,000 tons compared with 19,000 tons in 2010).

## Case study: France – Tarkett partners with Veolia to accelerate the ReStart® Program

In 2016, Tarkett partnered with Veolia to accelerate the ReStart® program in France, and help boost the transition to the circular economy in the country. Veolia collects and sorts good-quality post-installation flooring from our customers. The vinyl and linoleum flooring is then recycled at Tarkett's production sites. This partnership has a number of ambitious aims, including to:

- > Double the number of collection centers (of this type) in France
- > Branch out into other geographical areas
- > Research new viable separation and recycling technologies



Case study: USA – Tarkett partners with Coppin State University (CSU, Maryland) to implement a recovery, recycling, and reuse program for carpet

This program targets carpets that are removed or replaced on the school's campus. CSU is in the process of executing an ambitious Climate Action Plan. Its outworking includes policies and practices designed to reduce the university's greenhouse emissions. But our partnership is about more than that: it's also about making climate neutrality and sustainability a key part of the educational curriculum, and boosting research on climate change and environmental sustainability.

Any collected flooring materials that do not strictly comply with Tarkett's quality specifications for "Good Materials" are transformed and put to use in other industries. Tarkett is a major player in France in this domain, where SFEC (*Syndicat Français des Enducteurs Calandreurs*, the French Union of Coating and Calendaring Companies) has implemented the "PVC Next" recycling programme.

Since 2009, Desso has operated a take-back program for used carpets: the ReStart Program (formerly called Take Back<sup>TM</sup>) integrates recycled materials into new carpet products. Broadloom may be returned in containers and carpet tiles are returned stacked on industrial pallets. For the Dutch and Belgium markets Desso offers a specially developed take-back system called RollerDoc<sup>TM</sup> to ease de-installation and collection. RollerDocs<sup>TM</sup> are half the size of a typical pallet and are rollable. They can be moved through buildings easily because they fit through any door or lift. RollerDocs<sup>TM</sup> offers a convenient solution for renovation projects.

In parallel, Desso has developed a pilot separation and purification line, called Refinity® co-financed by the LIFE+ program from the European Union. The objective of the Refinity® program is to develop an innovative separation technique which separates the yarn and other fibers from the backing. After an additional purification stage, the yarn (with the required purity) is returned to the yarn manufacturer for the production of regenerated yarn. In the entire process, some virgin material is needed to compensate for losses and process inefficiency. Today's bitumen carpet backing is recycled as a valuable raw material for the road industry. Non-recyclable fractions are used as secondary fuel in the cement industry.

These types of partnerships are a very real help in accelerating the shift to a circular economy. In addition, in keeping with our objective of being a leader in our sector, we are constantly seeking new ways to attract customers to partner with us in this transition.

In order to facilitate the recovery of our products, the "Desso Carpet Lease service" (developed with DDL, a global financial solutions partner) is being offered in Europe: based on the functionality economy principles, customers can now lease their flooring from us in its entirety. By doing this, we own the product over its whole life cycle (including after use) — and we handle it entirely too — from installation, through maintenance, to return and recycling. Ultimately, the objective of this service will be to ensure volumes of high quality materials for recycling, and to avoid customers' waste being sent to landfill. Nevertheless, this concept of leasing is still at an early stage; more time is required to engage customers and strengthen the business model.

Through its sports brand FieldTurf, Tarkett also offers recycling solutions for the various elements composing artificial turf, such as underlay or sand and rubber infill.

## Tarkett's Green Tour: Spreading the word about the circular economy

As previously mentioned in this report, Tarkett's aim is to establish itself both as a leading player in Cradle to Cradle® and the circular economy – but also as a leading thinker. To that end, we capitalize on all opportunities to carry the message to others. That's why we launched our Green Tour to showcase how a manufacturing plant puts sustainability into action. It also explains how the Group is driving toward the circular economy in all aspects of its manufacturing, by implementing Tarkett's Closed-Loop Circular Design approach and by applying Cradle to Cradle® principles. In addition, the tour helps boost the ReStart

initiative in EMEA, helping installers, contractors, architects, as well as building owners, to understand clearly how they can work with Tarkett to reduce waste going to landfill and increase reuse of flooring resources.

Case Study: Tarkett Sweden, Ronneby Green Tour manufacturing and transport

After Narni in Italy and Clervaux in Luxembourg, Tarkett held its third Green Tour, in 2016, in Ronneby, Sweden. The tour highlights two key areas from a sustainability perspective: transport initiatives that reduce Tarkett's carbon footprint, and Ronneby's unique manufacturing-line configuration. This production set-up optimizes material use, reduces energy consumption, and integrates recycled content directly into the production line.

Ronneby teams were proud to welcome 140 sales and marketing employees to showcase how the manufacturing plant implements Tarkett's Close Loop Circular Design approach, and explain how sustainability is fully integrated into their day-to-day activities.

# 3.3.3 Developing the positive contribution of our products

### 3.3.3.1 People friendly spaces

Committed to better living spaces, Tarkett's vision for the future is integrated within the Group's strategy at multiple levels and is aligned, among other things, with two key United Nations sustainable development Goals: Good health and well-being, and Sustainable cities and communities.

This vision, supplemented by the Cradle to Cradle® principles, nourishes the Group's reflections and innovation axes leading to a positive contribution to these objectives:

- ensuring healthy lives and promoting well-being for all, at all ages; and
- > making cities and living spaces inclusive, safe and sustainable.

The next two sections describe how the People friendly spaces Pillar of our Closed-Loop Circular Design has already allowed us to develop ground-breaking innovations in these fields, thus making a positive contribution in this area.

## 3.3.3.2 Healthy lives and well-being at all ages

In a world with a rapidly-expanding older population, we firmly believe that innovative flooring solutions can play an important role in helping older people thrive, live independently, and maintain their confidence in doing so.

Tarkett's innovations in this area include:

- Healing Environments: using colors and materials to enhance well-being and stimulate mobility and cognitive abilities (for example, the Alzheimer Color Study carried out by Tarkett).
- Connected living spaces: see box on this page.

## Case study: FloorInMotion™ Care – an intelligent floor that can call for help

Tarkett has developed and commercialized the first intelligent, connected floor: a practical answer to the problem of an aging population. The floor incorporates FloorInMotion™ — an intelligent monitoring system — which purpose is to offer much more than mere flooring for those in nursing or sheltered accommodation. This connected floor is designed to detect falls, send alerts, and monitor patients' movements, thus providing information to care givers. As a result of this groundbreaking design, Tarkett has received the Batiactu Construction & Innovation Trophy in France, and a Luxembourg Healthcare Summit award in 2015.

Moreover, all the innovations contributing to indoor environment and air quality, which are described in the previous Section (asthma and allergy-friendly solutions, non-phthalate plasticizers and low VOC – Volatile Organic Compounds – emissions products) also contribute to providing older people with healthy living spaces.

#### 3.3.3.3 Sustainable cities and communities

Today's world is characterized by increasing migrations and population growth towards and in urban areas. In this urban world, most people spend 90% of their time indoors.

At Tarkett, we are convinced that we can positively contribute to the major challenges that accompany this phenomenon by creating modern and pleasant urban living spaces. By pleasant, we mean healthy and safe spaces that are conceived and designed for well-being, while meeting construction-sector requirements in terms of incorporating advanced materials, offering modular designs, and being customizable.

We take up this theme in the People friendly spaces pillar of our Closed-Loop Circular Design approach, where innovative Tarkett products help improve indoor air quality and contribute to healthy indoor spaces. These products enhance well-being for everyone, in the spaces where they are used, and can also offer special benefits for older people, children, and asthma or allergy sufferers.

Some concrete examples of our work in this area are:

Indoor air quality, with asthma and allergy-friendly flooring and low Total Volatile Organic Compound (TVOC) emissions and a dust-capture system:

> Since 2011, Tarkett has been a pioneer in developing flooring products with low, or extremely low, TVOC emissions in nearly all of its product lines. Tarkett offers products with TVOC emissions of 10 to 100 times lower than the strictest standards in the world.

**KPI:** The percentage (% of  $m^2$  produced) of flooring that is low VOC emissions (<  $100\mu g/m^3$ ): **92%** in 2016. The 2020 objective is 100%.

**KPI:** The percentage (% of  $m^2$  produced) of flooring which VOC emissions are below the limits of detection ( $<10\mu g/m^3$ ): 48% in 2016.

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- In 2016, Tarkett launched iQ One, a multi-polymer-based product, Cradle to Cradle certified™ Gold, with low levels of TVOC emissions. iQ One (a non-PVC flooring) was developed after extensive research and is the ideal choice for healthcare spaces (see Section 3.2.2. Cradle to Cradle certifications).
- > In 2015, the vinyl product, Starfloor Click, was recommended by the Swedish Asthma and Allergies Association the first time that a flooring solution had been included on its list. The Asthma and Allergy Association in Sweden's choosing to recommend Starfloor Click indicates that Tarkett is on track to develop flooring that contributes to a better indoor environment: non-phthalate plasticizers, with extremely low emissions, and, in addition, non-glue installation.
- In 2012, the Asthma and Allergy Foundation of America (AAFA) awarded asthma and allergy friendly<sup>™</sup> certification to FiberFloor<sup>®</sup>. This success was followed by several other vinyl flooring certifications, for hotels, stores (I.D. Inspiration<sup>™</sup>), hospitals (the vinyl floor iQTM) and indoor sports (Omnisports 6.5mm and 8.3mm). More recently, in 2016, Tarkett received this same certification for its Acczent & Ruby vinyl sheet flooring.
- > The Desso AirMaster® carpet tile with EcoBase® backing collection contributes to better indoor air quality. Its patented technology captures four times more fine dust than standard carpet solutions. In 2015, this product became the first in the world to receive Gold Plus certification from the independent German test institute, the GUI.

A healthy indoor environment with health-friendly flooring materials, such as non-phthalate plasticizers:

- Phthalates, a class of chemicals mostly used in plastics to provide flexibility, have been the subject of scientific debate about their potential impact on human health. Tarkett has been proactive in seeking alternatives to these materials. To that end, we have invested significantly in research and development into non-phthalate plasticizers. As a result, we have been able to modify our formulations and processes in order to manufacture our products with non-phthalate plasticizers technology.
- All vinyl sites in Europe and North America use non-phthalate plasticizer technology (with the exception of recycled content

for some products). Both carpet and vinyl sites in China also use this technology. In 2016, we extended the deployment of this technology to some collections in Brazil, Serbia and the Ukraine.

**KPI:** The percentage (% of m² produced) of vinyl flooring that is non-phthalate (except recycled content): **57**% in 2016

The 2020 objective is 100%.

Tarkett products contain a range of features that **create pleasant spaces thus enhancing people's well-being and comfort**. Some selected examples are:

- > Color perception: inspiring patterns and colors.
- Acoustic: sound absorbing products that improve acoustic environments in buildings: our SoundMaster® carpet improves noise insulation (+15dB) and sound absorption (+100% improvement, compared with standard carpet designs.
- Safety and hygiene: anti-slip and joint-free flooring, and wet room solutions; sports surfaces that enhance safety for athletes.
- > Installation: products designed for easy installation, maintenance, and removal: the modular, loose-lay, and locking Luxury Vinyl Tiles line, requiring zero adhesive; Quick-Fix system carpet tiles (made in partnership with Velcro®) and Tandus Tape+: these ensure that carpets can be installed, reinstalled, and recycled easily, with no damage to the flooring surface.
- > Maintenance: eco-friendly maintenance and cleaning systems, such as our "drybuffing" system for vinyl floors, which reduces the need for water and detergents. Dry buffing of the iQ Natural Vinyl floor requires 18% less water, 2.3 times less detergent, and, as a result, 20% less electricity. On the basis of a 20-year life cycle, this floor can reduce the product's impacts on resource scarcity and climate change by some 40%.

Through its social and societal responsibility policy (see Section 3.2.1), the Group also contributes to the "Sustainable Cities and Communities" challenge of the United Nations sustainable development Goals.

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## **Appendices**

Under French ICPE (Installations Classées pour la Protection de l'Environnement – Classified Installations for Environmental Protection Purposes), Tarkett's Sedan Vinyl production facility is ranked as an Authorization-level Classified-Installation (by a July 2008 prefectural decree) with regard to the processing and storage of plastic materials.

Under this regime, the site is subject to authorization for the following activities:

- > 2450-2-a Rotogravure printing;
- > 2663-2-b Storage of polymers (for finished products);
- > 2662-2 Storage of polymer (for raw materials).

The Sedan site has entrusted its regulatory monitoring activities to an expert consultancy in this area, enabling it, in particular, to identify developments in ICPE regulations.

As a result, the site has provided all relevant information to the authorities with respect to the new IPCE Sections 3000 and 4000

The site has put in place a POI (Plan d'Opération Interne – Internal Operations Plan) in the event of a major fire or pollution event, and has an internal team of firefighters who are on standby 24 hours a day, 7 days a week.

The quality of organization and planning at the site means it has a reputation for operating to the highest standards. The site is certified to ISO 9001 (quality), ISO 14001 (environment), ISO 50001 (energy), and OHSAS 18001 (security) standards; and it was confirmed, in September 2016, as having achieved Bronze Level in Tarkett's World Class Manufacturing (WCM) Program.

As a result of its proactive policy, the site has significantly reduced its environmental impact in recent years, and especially since 2011. Since 2011, industrial emissions of VOCs (Volatile Organic Compounds) have been reduced to a third of previous levels; water consumption was cut by half between 2012 and 2014; and non-recyclable waste has been reduced by a factor of over 4.5. To achieve this, the site uses a structured approach to analysis and reducing environmental impacts.

Finally, to protect the environment against accidental pollution, the site has installed hydrocarbon separators on stormwater discharges and a continuous-pollution-level analyzer on its industrial water discharges.

The application for authorization to operate the Auchel site was filed with the Prefecture in January 2016.

The submission was prepared by Enviro Conseil.

The site facilities at Auchel fall under the Registration regime (the regulatory level below Authorization). The version of the nomenclature used to determine this ranking was Release 27.01 (October 2015).

The site is subject to Registration for Sections 2661.1 and 2661.2 – Polymer Processing.

The following topics were classified as being subject to Declaration (the regulatory level below Registration):

- > 2662 Storage of polymers
- 2663.2 Storage of tires and products in which at least 50% of the total unit weight consists of polymers
- > 4719 Acetylene Storage

Section 2910.A – Combustion, excluding facilities under the headings 2770 and 2771, was classified as being subject to Declaration with periodic controls.

#### **Food Waste**

At Tarkett, food waste related stakes are limited to catering services in our headquarters in France for example, and are handled through our service providers' own action plans.

# 3.4 Social and environmental report

## 3.4.1 Sustainable development Dashboard

### **Social Indicators**

Social indicators						
Indicator		2016 vs 2015	2016 vs base year	2016	2015	2014
Safety, Respect and Integ	rity					
Frequency of accidents, plants only	Lost time accident frequency rate (FR0t)	-42% •	-69% • (vs 2010)	1.34	2.32	2.30
	Recordable LTA frequency rate (FR1t)	-43% •	-41% • (vs 2013)	3.56	6.26	6.01
	Total accident frequency rate (FR2t)	-26% •	-22% • (vs 2013)	19.0	25.6	22.1
	Severity	-37% •	-42% • (vs 2013)	0.044	0.070	0.070
Number of fatal accidents – plants only		-	-	-	-	-
Progress on "Ensure respect and integrity through adhesion to Tarkett values" in employee feedback survey		-1.5pt •	+5.5pts • (vs 2010)	61.5	=	63.0
Talent development, Emp	owerment and Diversity					
Share of women in top management positions		-	+2pts • (vs 2011)	18%	18%	16%
Share of women in management positions		+1pt •	+1 pt • (vs 2015)	26%	25%	-
Share of employees having received training		-4pts •	+17pts • (vs 2011)	54%	58%	57%
Training hours (thousand hou	Training hours (thousand hours)		+28% • (vs 2013)	255	273	266
Training costs (million €)		-5%	+18% (vs 2013)	3.2	3.3	3.1
Share of management posi with internal candidates	tions filled	-4pts •	-4pts • (vs 2015)	45%	49%	N
Share of people who benefi an annual appraisal and de		-1pt •	-1pt ● (vs 2015)	56%	57%	N
Proactive internal commu	nication and Social dialogu	9				
Progress on "Listen to employees and engage in social dialogue" in employee feedback survey		+1pt •	+6.5pts • (vs 2010)	60.0	-	59.0
Progress on "Communicate proactively towards all employees" in employee feedback survey		-1.6pt •	+6pts • (vs 2010)	61.7	-	63.3
Involvement with local co	mmunities					
Number of external people Tarkett Academy training	who received	-10%	+6% (vs 2011)	3,575	3,974	3,754

- Positive evolution.
- Negative evolution.

Indicator	2016 vs 2015	2016 vs base year	2016	2015	2014	
Other social indicators						
Number of employees		+0.5%	+2.1% (vs 2014)	12,428	12,367	12,177
Share of part-time employe	es	+0.1pt	+1.1 pt (vs 2014)	3,0%	2,9%	1,9%
Share of women among per	manent employees	+1pt	+1 pt (vs 2014)	28%	27%	27%
Age	above 60 yrs			5.8%	5.4%	5.0%
	50 to 59 yrs			22.8%	22.5%	21.1%
	40 to 49 yrs			28.5%	28.2%	27.4%
	30 to 39 yrs			28.6%	29.1%	28.7%
	20 to 29 yrs			13.8%	14.5%	15.7%
	Under 20 yrs			0.5%	0.3%	0.3%
Geographies (1)	EMEA			38%	37%	34%
	North America			31%	30%	30%
	CIS, APAC, LATAM			31%	33%	36%
	Hirings	-11%	-13% (vs 2014)	1,883	2,111	2,163
	Terminations	+18%	+38% (vs 2014)	1,691	1,434	1,224
	Number of permanent contracts ended by employee (e.g. resignation, retirement)			1,102		
	Number of permanent contracts ended by employer (e.g. lay-off)			589		
Permanent employee turnover rate		+2pts	+3pts (vs 2014)	14%	12%	11%
Absenteeism rate - plants only		-	+0.2pt (vs 2014)	2.5%	2.5%	2.3%
Absenteeism rate	Absenteeism rate		-	2.3%	-	-
Share of disabled employee	28	+0.1pt	-0.2pt (vs 2014)	1.4%	1.3%	1.6%
Total compensation and ber	nefits (€m)	+3%	-	639	618	531

 $<sup>(1) \</sup>quad \text{EMEA:Europe,} \\ \text{Middle-East,} \\ \text{Africa;} \\ \text{CIS:Commonwealth of Independant States;} \\ \text{APAC:Asia Pacific;} \\ \text{LATAM:Latin America.} \\ \text{N = Data not available.}$ 

## **Environmental Indicators**

Indicator	2016 vs 2015	2016 vs base year	2016	2015	2014	2020 Objective
Good materials						
Share of raw materials for which material assessment has been performed (% of purchase volume)	+15pts •	+87pts • (vs 2011)	95%	80%	75%	100%
Share of materials at the start of supply chain which do not contribute to resource scarcity (% of purchase volume)	+1pt •	-3pts • (vs 2011)	68%	67%	68%	75%
Resource stewardship						
Fresh water consumption (liters/m²)	0,26% •	-35% • (vs 2010)	3.33	3.32	3.56	
Share of manufacturing sites that have implemented closed-loop water circuits (or do not use water in their process)	+3pts •	-1pt • (vs 2010)	60%	57%	61%	100%
Energy consumption (kWh/m²)	-3% •	-6% • (vs 2010)	4.09	4.21	4.37	
Greenhouse gas emissions (kgCO <sub>2</sub> e/m²)	-8% •	-7% • (vs 2010)	0.94	1.02	1.04	-20% vs 2010
People-friendly spaces						
Non-phthalate products (% of m² produced, vinyl flooring only)	+2pts •	+57pts • (vs 2010)	57%	55%	38%	100%
Low VOC emission products (% of m² produced, flooring only) (< 100 µg/m³ after 28 days)	-	+71pts • (vs 2010)	92%	92%	90%	100%
Undetectable VOC emissions products (% of m² produced, flooring only)	-1pt •	+48pts • (vs 2010)	48%	49%	48%	
Recycling and Reuse						
Non-recycled waste (g/m²)	-16% •	-16% • (vs 2015)	105	125	-	
Waste to landfill (thousand metric tonnes)	-9% •	-9% • (vs 2015)	18.4	20.3	-	0 waste to landfill
Share of non-recycled waste sent to landfill	-5pts •	-5pts • (vs 2015)	58%	63%	-	
Post-installation or post-consumer products collected (metric tonnes)	-10% •	-53% • (vs 2010)	8,900	9,900	13,500	Double volume vs 2010

<sup>•</sup> Positive evolution.

<sup>•</sup> Negative evolution.

### **Corporate Governance indicators**

Indicator	2016 vs 2015	2016 vs base year		2015	2014
Percentage of targeted employees who completed the e-learning training on Code of Ethics	+26pts •	+26pts • (vs 2014)	99%	73%	73%
Share of raw materials purchased with suppliers committing to UN Global Compact (% of purchase value)	-8pts •	+22pts • (vs 2011)	64%	72%	59%
Audited entities	+5pts ●	+45pts • (vs 2011)	97%	92%	85%

- Positive evolution.
- Negative evolution.

## 3.4.2 Methodology

The Tarkett Group's sustainable development dashboard is an essential tool for monitoring and guiding performance. Its principal objective is to provide the Group with relevant indicators to evaluate the deployment of its strategy and fulfil its regulatory obligations. Progress is measured against a base year set for each indicator.

Tarkett is subject to the French law known as "Grenelle 2" and in accordance with that law, its corporate, environmental and social information has been verified by an independent third-party organization (the report on corporate, environmental and social information by one of the Statutory Auditors, appointed as an independent third-party organization, is attached as an annex).

## **Guiding frameworks**

The Sustainability dashboard was constructed based on the following frameworks:

- the Group's sustainable development strategy: each strategic initiative relies on one or more quantified indicators, certain of which are the subject of long-term objectives;
- > the Grenelle 2 law: the social, environmental and societal information required by Article L.225-102-1 of the French Commercial Code is included in the form of indicators or quantified statistics in the dashboard (the qualitative information is presented in other sections of the management report);
- the UN Global Compact: in connection with the Group's voluntary commitment, the dashboard is a tool for managing performance in every dimension of the Global Compact;
- > the Global Reporing Initiative G4 Sustainability Reporting Guidelines. This report contains Standard Disclosures from the GRI G4 Sustainability Reporting Guidelines. A GRI content table (see Section 3.4.3) indicates where the relevant standard disclosures can be found in this report.

The dashboard is built around three dimensions: Social Responsibility, Environmental Responsibility, and corporate governance.

#### Methodological Procedures

The Tarkett Sustainability dashboard sets out the list of performance indicators (KPI) for each strategic initiative along with the management level supervisors and the KPI owners. Definitions are provided for each of the indicators along with a

specific consolidation file. The reporting procedure is summarized in a single file that consolidates the separate files and reports the synthesis in a single dashboard.

This procedure also appoints the individuals responsible for each indicator, as well as the scope, definitions, units, sources and consistency checks.

The reporting period for published information is the same as the one for financial reporting (January 1, 2016 through December 31, 2016). The source of data and the frequency of monitoring vary depending on the indicator:

- Indicators on water, energy, waste, safety and absenteeism: collected and monitored monthly at Group level by the World Class Manufacturing organization, through a dedicated scorecard for each manufacturing site;
- Indicators on social statistics: collected annually under the responsibility of the local Human Resources departments on a special form and consolidated at the Group level;
- Indicators on materials ("Good materials"): put together annually under the responsibility of the Research and Innovation Group (R&I), on the basis of purchasing data and classification of materials;
- Indicators on products ("People-friendly spaces"): put together annually under the responsibility of the R&I Group, on the basis of volume data by site and of the production mix of the various product types;
- Indicators on employee satisfaction: measured every two years through the internal employee satisfaction survey;
- Other indicators (Tarkett Academy, financial indicators, external recycling, audit, suppliers): collected annually, with each indicator having a single responsible party and a dedicated collection format.

The reference or base year is 2010 for the majority of the progress indicators. For certain progress indicators and for most of the labour statistics, the base year is 2011. In other cases, data collection and consolidation are more recent. The base year is indicated in the dashboard for each indicator (see dashboard in Section 3.5 for detail).

### Scope of reporting and methods of consolidation

The scope of reporting is Group-wide, covering all activities of which the Group has operational control, except for Cuzorn, where production ceased in the fourth quarter of 2014. The

#### Social and environmental report

recently acquired site Renner (US) has not yet been integrated into the Human Resources and WCM environmental reporting.

Joint ventures at 50% of ownership or below are consolidated at only the relative share of headcount (e.g. Laminate Park – Eiweiler site a 50/50 joint venture) for total permanent headcount and 100% consolidated with respect to safety and absenteeism indicators. The Eiweiler site is included pursuant to the rules explained below with respect to environmental indicators. Other entities (above 50% of ownership with control) are consolidated at 100%.

However, the scope may vary by indicator as a function of the relevance of the subjects and the maturity of the entities:

- > safety indicators: in 2016 the reporting has been extended to include the sales networks and other offices, thus covering the whole group within the scope of reporting. Values are given for both this new scope "Group" and for the previous scope "plants only" which concerns all manufacturing plants and one distribution centre;
- > absenteeism indicators: in 2016 the reporting has been extended include the sales networks and other offices, thus covering the whole Group within the scope of reporting (with a few listed exceptions where absenteeism hours are not tracked locally). Values are given for both this new scope "Group" and for the previous scope "plants only" which concerns all manufacturing plants;
- > environmental manufacturing indicators water, energy, greenhouse gas emissions and waste indicators: all industrial sites within the scope of reporting, except for:

- consumption for the MDF line at the Eiweiler site, is included in the performance indicators pro rata (below 50%) to the production of semi-finished products for the laminate flooring line at the same site;
- environmental performance per square metre of floor covering indicators: Intensity ratios are calculated by dividing the (numerator) environmental manufacturing indicators by the (denominator) volume of finished goods – floor covering in square metres. The volume of semi-finished goods is not included:
- indicators on materials: purchases of raw materials only (excluding indirect purchases and finished products);
- indicators on products: sites that manufacture finished products for which the characteristic measured by the indicator is relevant (for example: wood sites are excluded from the indicator on the percentage of products without phthalates), as well as subcontracted flooring products;
- indicator on suppliers: direct purchases of raw materials and main outsourced finished goods (excluding Sport). In 2016, reporting newly included spend for Jacarei, Beijing, Suzhou, Backa Palanka – Sintelon, Dalton, Truro and Calhoun);
- for the other indicators and in order to specify certain specific cases, details on scope by indicator are indicated in the table of definitions and methodological comments below.

#### **Indicator Definitions**

Indicator	Scope	Definition
Social		
Lost time accidents (LTA)	All sites & industrial sites only	Accidents leading to an employee's absence of one or more working days
Lost time accident frequency rate (FR0t)	All sites & industrial sites only	Frequency rate = # LTA x 1,000,000/worked hours
Recordable accident frequency rate (FR1t)	Industrial sites only	# LTA + # LTA < 24 hours x 1,000,000/worked hours
Total accident frequency rate (FR2t)	Industrial sites only	# LTA + #LTA < 24hours + # first-aid care x 1,000,000/worked hours
Accident severity rate	All sites & industrial sites only	Severity rate = # of working days lost x 1,000/worked hours
Total accidents	Industrial sites only	Total accidents = # LTA with absence of one or more working days + # accidents with employee returning to work next day + # accidents treated at work
Progress on "Ensure respect and integrity through adhesion to Tarkett values"	Group	Average score to 2 questions in the biennial (every two years) employee feedback survey: "I believe that Tarkett's values provide employees with clear guidance" and "I believe that manager conduct is consistent with Tarkett values"
Share of women in top 100 management positions		The top 100 management positions include CEO and the first two hierarchical levels of the organization
Training hours	Group, except Dendermonde, San Cugat and Desso UK sales network	Training in Tarkett is considered as a development activity, with a specific support, and confirmation of attendance
Share of employees having received training		An employee is considered as "having received training" if the cumulative number of training hours received over the full year exceeds 1 full day (8 hours)
Share of management positions filled with internal candidates	Group, except Laminate Park	Management position: position with at least one direct report Internal candidate: candidate who is already a Tarkett employee
Share of people who benefited from an annual appraisal and development plan	Group, except Absteinach & Laminate Park	The annual appraisal ("Performance and Development Dialogue" and "Polyvalence Matrix") is an annual exchange between the employee and his/her manager to discuss achievements, skills, opportunity for improvement and development program

Indicator	Scope	Definition		
Progress on "Listen to employees and engage in social dialogue"	Group	Average score to 2 questions in the biannual employee feedback survey: "In my department, differing views are openly discussed when making decisions" and "Sufficient effort is made to get the opinions and thinking of people who work in Tarkett"		
Progress on "Communicate proactively towards all employees"		Average score to 3 questions in the biannual employee feedback survey: "My manager does a good job of keeping me informed about matters that affect me", "Senior management does a good job of explaining the reasons behind important business decisions" and "Overall, I receive enough information at Tarkett"		
Number of external people who received Tarkett Academy training		Number of people outside of Tarkett having received a training at one of the centres of the Tarkett Academy (technical training in flooring installation and maintenance)		
Number of employees		Total workforce as of December 31, 2016 and temporary workforce in equivalent full time, accord to the methodology of the financial report		
Share of part-time employees		% = # part-time employees as of December 31, 2016/ # permanent employees (including fixed term > 6 months & part-time) + temporary contracts as of December 31, 2016		
Share of permanent employees (gender, age and region)		% of permanent employees (including fixed term > 6 months and part-time, excluding temporary contracts)		
Permanent hirings and departures		Number of permanent contract employees (including fixed term > 6 months and part-time) added to the payroll (hirings) or removed (employer's initiative or employee's initiative) from the payroll (departures) over the course of the reporting period		
Permanent employee turnover rate		% of employees who left the company over the year: # permanent contract departures (including fixed term > 6 months and part-time)/average permanent headcount (where average permanent headcount = (headcount N-1 + headcount N)/2)		
Absenteeism rate	Plants only = all manufacturing plants & Group = all sites except: Desso UK and France Sales Network; Solon & Resilient Sales; Gouda – FieldTurf Benelux and Beynon commercial offices	Absenteeism rate = lost hours/planned hours Lost hours are hours of absence for illness (up to 30 days), work-related accidents, strikes or other unforeseen absences.		

Indicator	Scope	Definition
Environment		
Share of raw materials for which material assessment has been performed (% of purchase volume)	All raw materials	Share of materials purchased (in metric tonnes), for which an impact study was carried out pursuant to Cradle-to-Cradle principles. Tarkett uses ABC-X classification, which evaluates risks related to the impact of chemical substances on the environment and the recyclability of those substances
Share of materials at the start of supply chain which do not contribute to resource scarcity (% of purchase volume)		Materials characterized based on resources used in their production process (fossil, limited minerals, abundant minerals, renewable, recycled)
Fresh water consumption (liters/m²)	Manufacturing sites (1)	Total water consumption (from all sources except collected rainwater) per m² of finished goods flooring covering
Share of manufacturing sites that have implemented closed-loop water circuits (or do not use water in their process)		The presence of a closed-loop water circuit is evaluated as being when at least 98% of total manufacturing process water consumption is from recycled and reused water as estimated based on flow calculations. Where flow calculations are not yet available status based on site declaration given in 2015
Energy consumption (kWh/m²)		Total energy consumption (electricity, gas, fuel and renewables) per m² of finished goods flooring covering. Renewables correspond to onsite production and consumption of biomass, photovoltaic and geothermal energy
Greenhouse gas emissions (kgCO <sub>2</sub> e/m²)		Estimate of greenhouse gas (GHG) emissions (reported as CO <sub>2</sub> equivalent) per m <sup>2</sup> of finished goods floor covering
		> Scope 1: direct emissions related to gas and fuel consumption (biomass consumption is considered as zero emissions)
		> Scope 2: indirect emissions related to electricity consumption
		2016 GHG emissions calculated using emission factors published by DEFRA in 2015 or using specific electricity supplier' emissions factors provided by the plant where available. Where 100% renewable electricity is procured an emission factor of zero is considered for the related electricity consumption.

<sup>(1)</sup> Exceptions listed in the methodological note. Group = all sites with listed exceptions. Plant only = all manufacturing plants.

Indicator	Scope	Definition		
Phthalate free products (% of m² vinyl floor covering produced)	Vinyl floor covering and accessories, rubber, carpet (semi-finished products not included)	Products "without added phthalates" mean that no phthalate plasticizers (DOP or DINP) are contained in virgin raw material in the product composition, but recycled material content could contain some residual phthalates		
Products with low Volatile Organic Compound (VOC) emissions (% of m² flooring produced)	Indoor flooring (semi-finished products not included)	Total VOC emissions (TVOC) $\leq$ 100 µg/m³ according to ISO 16000-9 guidelines (emission chamber) and local test methods (wood floorings: excluding natural emissions coming from wood itself)		
Products with undetectable VOC emissions (% of m² flooring produced)		TVOC, Semi VOC and formal dehyde emissions ≤10 µg/m³ according to ISO 16000-9 guidelines (emission chamber) and local test methods		
Non-recycled waste (g/m²)	Manufacturing sites (1)	Quantity of non-recycled waste per m² of finished goods flooring covering		
		Non-recycled waste is non-hazardous and hazardous waste sent to landfill, to external incineration or sent for other external treatment		
Waste to landfill (metric tonnes)		Quantity of non-recycled waste sent directely to landfill		
Post-installation or post-consumer products collected (metric tonnes)	Group	Quantity of post-consumer (= post-installation and post-use waste collected to be recycled into our products, excluding Tarkett internal post-manufacturing waste (even from a different entity)		
Corporate Governance				
Percentage of employees who completed the training on Code of Ethics	Employees with email address	Share of employees who were requested to complete the e-learning training on Code of Ethics who completed 100% of the online e-learning module		
Share of raw materials purchased with suppliers committing to UN Global Compact	Direct purchases of raw materials and main outsourced finished goods (excluding Sports)	Share of direct purchases from suppliers who have committed contractually to abide by the principles of the UN Global Compact		
Audited entities	Group	Share of operating assets of entities audited over the course of the last 4 years		

<sup>(1)</sup> Exceptions listed in the methodological note. Group = all sites with listed exceptions. Plant only = all manufacturing plants.

## 3.4.3 Concordance Table Grenelle 2/GRI/Tarkett Report

Tarkett has developed a reporting system that follows and goes beyond French law's requirement, based on challenging frameworks and guidelines published by international bodies such as the Global Reporting Initiative (GRI).

INDICATORS			Registration  Document  correspondence	Grenelle II (article 225) correspondence
CATEGORY	G4 CODE	DESCRIPTION	Section	Article 225 Ref.
GRI (G4) – GENERAL STANI	I DARD DISCLO	URES		
Strategy and analysis	G4-1	Statement from the most senior decision-maker of the organization	3.1.1	II.a) 1.1
Organizational profile	G4-3	Name of the organization	Report cover	II.a) 1.1
	G4-4	Primary brands, products, and services.	1.4.4 and 1.6.1	-
	G4-5	Location of the headquarters.	7.1.1	=
	G4-6	Countries where the organization operates	1.4.3 and 1.5	-
	G4-7	Nature of ownership and legal form	1.7 and 7	=
	G4-8	Markets served	1.5	-
	G4-9	Scale of the reporting organization	3.4	I.a) 1.1
	G4-10	Details of workforce. Number of employees by category	3.2.1.2	I.a) 1.2
	G4-11	Percentage of employees covered by collective bargaining agreements	3.2.1.4	I.c) 2
	G4-12	Organization's supply chain	3.2.2.1	III.c) 2
	G4-14	Explanation of how the organization addresses the precautionary approach	3.1.1.1 and 3.3.1.3	-
	G4-15	Subscription or endorsement of externally developed economic, environmental and social charters, principles, or other initiatives	3.1.2.2 and 3.1.3.1	PG3
	G4-16	Memberships in associations (such as industry associations) and national or international advocacy organizations	3.1.3.1	I.a) 1.1
Identified material aspects and boundaries	G4-17	Entities included in the organization's Consolidated Financial Statements	5.2	PG4
	G4-18	Process for defining the report content and the Aspect Boundaries	3.1.3.2	PG4
	G4-19	Material Aspects identified in the process for defining report content	3.1.3.2	-
	G4-20	Aspect Boundary and limitations of material aspects within the organization	3.1.3.2 and 3.4	PG2
	G4-21	Aspect Boundary and limitations of material aspects outside the organization	3.1.3.2 and 3.4	_
	G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	n.a.	PG1
	G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	3.1.3.2 and 3.4	PG1
Stakeholder engagement	G4-24	Stakeholder groups engaged by the organization	3.1.3	III.b) 1
	G4-25	Basis for identification and selection of stakeholders with whom to engage	3.1.3.2	-
	G4-26	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	3.1.3	III.b) 1
	G4-27	Key topics and concerns that have been raised through stakeholder engagement	3.1.3.2	III.b) 1

INDICATORS			Registration Document correspondence	Grenelle II (article 225) correspondence
CATEGORY	G4 CODE	DESCRIPTION	Section	Article 225 Ref.
Report profile	G4-28	Reporting period	3.4	-
	G4-29	Date of most recent previous report	3.4	-
	G4-30	Reporting cycle	3.4	-
	G4-31	Contact point for questions	3.4	-
	G4-32	GRI Content Index	3.4	PG3
	G4-33	External assurance for the report	3.4	PG5, PG6, PG7
Governance	G4-34	Governance structure of the organization	2.1 and 2.2	-
Ethics and integrity	G4-56	Organization's values, principles, standards and norms of behavior	3.2.1.3	III.d) 1
GRI (G4) – SPECIFIC STANDA	ARD DISCLOS	URES		
Economic				
Generic Disclosures on Management Approach	G4-DMA	Generic Disclosures on Management Approach	3.1.1.1 and 3.3.1.3	-
Economic performance	G4-EC1	Direct economic value generated and distributed	4	I.a). 3.1
Indirect economic impacts	G4-EC8	Significant indirect economic impacts, including the extent of impacts	3.2.2.2	III.a).
Environmental				
Generic Disclosures on Management Approach	G4-DMA	Generic Disclosures on Management Approach	Global DMA in sections 3.2.3.1 and 3.3.1.3 Specific DMA sections 3.2.3.2 to 3.2.3.5	-
Materials	G4-EN1	Materials used by weight or volume	3,4	II.c). 2.1
	G4-EN2	Percentage of materials used that are recycled input materials	3.3.2.3	II.c). 2.2
Energy	G4-EN3	Energy consumption within the organization	3.2.3.3	II.c). 3.1
	G4-EN5	Energy intensity	3.2.3.3	=
Water	G4-EN8	Total water withdrawal by source	3.4	II.c). 1.1
	G4-EN9	Water sources significantly affected by withdrawal of water	3.4	II.c). 1.2
Emissions	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	3.2.3.3	II.d). 1
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	3.2.3.3	II.d). 1
	G4-EN18	Greenhouse gas (GHG) emissions intensity	3.2.3.3	II.d). 1
Effluents and waste	G4-EN23	Total weight of waste by type and disposal method	3.2.3.4	II.b). 2
Products and services	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	3.3.2	II.d). 2
	G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	3.3.2.3 (1)	II.b). 2
Supplier environmental assessment	G4-EN32	Percentage of new suppliers that were screened using environmental criteria	3.2.2.1	III.c). 2

<sup>(1)</sup> Except packaging.

INDICATORS			Registration Document correspondence	Grenelle II (article 225) correspondence
CATEGORY	G4 CODE	DESCRIPTION	Section	Article 225 Ref.
Social				
Labor practices and Decent W	'ork			
Generic Disclosures on Management Approach	G4-DMA	Generic Disclosures on Management Approach	3.2.1.1	-
Employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	3.2.1.2	l.a). 1.1, l.a). 1.2, l.a). 1.3, l.a). 1.4 l.a). 2.1, l.a). 2.2
Occupational health and safety	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities	3.2.1.2 and 3.2.1.6	I.b) 2, I.d) 3
	G4-LA8	Health and safety topics covered in formal agreements with trade unions	3.2.1.4	I.d) 2
Training and education	G4-LA9	Average hours of training per year per employee by gender, and by employee category	3.2.1.5(1)	I.e). 2
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	3.2.1.5	l.e). 1
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	3.2.1.5(1)	l.e). 1 <sup>(1</sup>
Diversity and equal opportunity	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	3.2.1.2 and 3.2.1.3 <sup>(1)</sup>	l.a). 1. 2, l.a). 1.3 l.a). 1.4, l.f). 1 l.f). 2.2, l.f). 3
Human Rights			-	
Generic Disclosures on Management Approach	G4-DMA	Generic Disclosures on Management Approach	3.2.2.1	-
Investment	G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	3.2.1.3 and 2.1.5	l.e). 2, III.e).
Freedom of association & collective bargaining	G4-HR4	Operations and suppliers in which the right to exercise freedom of association and collective bargaining may be violated	none	I.g). 1
Child labor	G4-HR5	Operations and suppliers identified as having significar risk for incidents of child labor	t none	I.g). 4
Forced or compulsory labor	G4-HR6	Operations and suppliers identified as having significar risk for incidents of forced or compulsory labor	t none	I.g). 3
Society				
Generic Disclosures on Management Approach	G4-DMA	Generic Disclosures on Management Approach	3.2.1.3	-
Anti-corruption	G4-S04	Communication and training on anti-corruption policies and procedures	3.2.1.5	III.d). 1

<sup>(1)</sup> No disclosure by gender and by employee category.

Social and environmental report

INDICATORS			Registration Document correspondence	Grenelle II (article 225) correspondence
CATEGORY	G4 CODE	DESCRIPTION	Section	Article 225 Ref.
Product responsibility				
Generic Disclosures on Management Approach	G4-DMA	Generic Disclosures on Management Approach	3.1.1.1 and 3.3.1.3	-
Customer health and safety	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	3.3.2.2 and 3.3.3	III.d). 2

## 3.4.4 Report of an Independent third-party Organization

This is a free English translation of the Statutory Auditors' Report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with. French law and professional standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditor of Tarkett S.A., (the "Company"), appointed as independent third party and certified by COFRAC under number 3-1049<sup>(1)</sup>, we hereby report to you on the consolidated human resources, environmental and social information for the year ended 31 December 2016, included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code (*Code de commerce*).

#### Company's responsibility

The Board of Directors is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the procedures used by the Company (hereinafter the "Guidelines"), summarised in the management report and available on request from the company's head office.

#### Independence and quality control

Our independence is defined by regulatory texts, the French Code of Ethics (*Code de déontologie*) of our profession and the requirements of article L.822-11-3 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements and applicable legal and regulatory requirements.

#### Statutory Auditor's responsibility

On the basis of our work, our responsibility is to:

- > attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- > express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

Our work involved six persons and was conducted between October 2016 and February 2017 during a nine week period. We were assisted in our work by our CSR experts.

We performed our work in accordance with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement and with ISAE 3000 (2) concerning our conclusion on the fairness of CSR Information.

### 1. Attestation regarding the completeness of CSR Information

#### Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code the limitations set out in the methodological note, presented in the section 3 of the management report.

#### Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

<sup>(1)</sup> Whose scope is available at www.cofrac.fr.

<sup>(2)</sup> ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

Social and environmental report

#### 2. Conclusion on the fairness of CSR Information

#### Nature and scope of our work

We conducted approximately twenty interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- > assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- > verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important (1):

- > at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- > at the level of a representative sample of sites selected by us (2) on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and to identify potential undisclosed data, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents on average 22% of headcount considered as material data (3) of social issues and between 20% and 36% of environmental data considered as material data of environmental issues.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

#### Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

<sup>(1)</sup> Quantitative social information: Total headcount on 31 December 2016 (split by gender, age and geographical region); Recruitments; Departures including layoffs; Training hours; Absenteeism rate; Frequency rate of work-related accidents and Severity rate of work-related accidents.

 $Quantitative\ environmental information: Energy\ consumption; Water\ consumption; Quantity\ of\ non-recycled\ waste; Quantity\ of\ waste\ collected\ post-installation\ and\ post-consumer\ waste\ recovered; Quantity\ of\ phthalate-free\ products\ and\ Greenhouse\ Gas\ emissions$ 

Qualitative social information: Organization of social dialogue including information procedures, consultation and negotiation with the employees; Policies implemented regarding training; Occupational health and safety conditions.

Qualitative environmental information: The organization of the company to integrate environmental issues and, if appropriate, the assessments and certification process regarding environmental issues; Energy consumption and measures implemented to improve energy efficiency and renewable energy use; Measures regarding waste prevention, recycling and disposal.

Qualitative societal information: Action implemented against corruption; Integration of social and environmental issues into the company procurement policy.

Qualitative societal information: Action implemented against corruption; Integration of social and environmental issues into the company procurement policy.

(2) Social and environmental information: Konz (Germany); Jaslo (Poland); Tarkett industrial Beijing (China); Tandus Asia (China); Desso BE/Dendermonde (Belgium); Lenham (UK). Security and environmental information: Eiweiler (Germany).

Social information only: Calhoun Tandus (USA); UK SNW (UK); Aspen (Turkey); Tarkett Kaz (Kazakhstan); Australia; Tarkett Floor covering Shanghai (China).

Environmental information only: Dalton (USA). Verification work was carried out only on indicators related to energy consumption, non-recycled waste and waste collected post-installation and post-consumer.

<sup>(3)</sup> See list of quantitative environmental disclosed in the footnote on page 120 of the present report.

# **Group publications**



Activity and Sustainability Report 2016-2017



2016 Registration Document



2016 CSR Report

