



# Corporate Responsibility Report **2014**

# Contents

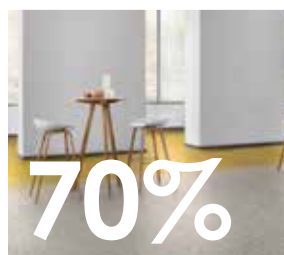
DESSO in brief	3
Foreword by Roland Jonkhoff	4
1. Our Vision	7
Our Vision	8
Desso's corporate responsibility strategy	10
2. Target indicators, results and progress in 2014	13
Cradle to Cradle® and the drive to triple bottom line success	14
Highlights 2014	15
3. Governance	19
4. Stakeholder dialogue	23
5. Materiality	29
6. CR reporting within Desso	35
7. CR report overview	39
8. Material health and management	43
Material health and management	44
Our health & wellbeing innovations	47
Cradle to Cradle® Certification	48
Material Reutilisation and Waste Reduction	49
9. Energy & Carbon Management	55
10. Water Stewardship	59
11. Employment, Health & Safety and Human Rights	63
Employment and employee development	64
Human Rights & Code of Conduct	67
12. Communications	71
13. Environmental expenditures and investment	73
14. Regulations and Compliance	75
15. Scope and reporting principles	77
16. Assurance report	78
17. GRI index	80
19. References	86

# DESSO in brief

Desso is a leading carpets, carpet tiles and sport pitches company, active in more than 100 countries. Desso products are supplied to corporate offices, education, healthcare, government, homes and also hotels, cruise liners, airlines and premier football clubs.

Desso's mission is to develop unique products that deliver a much improved indoor environment, helping to maximise people's health and wellbeing. This is driven by the company's innovation programme based on the three pillars of **Creativity, Functionality and Cradle to Cradle®** design.

**Since January 2015 Desso is part of the Tarkett Group**, a global leader in innovative and sustainable solutions for flooring and sports surfaces.



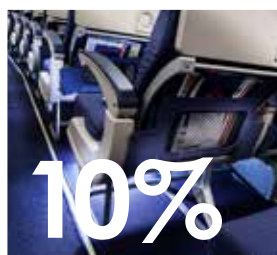
#### Commercial Carpets

Offices, banks, retail units, public buildings, schools, universities, care centres, airports.



#### Home Carpets

High-end brands (Parade, Bonaparte, Desso) focused on Benelux, Germany, France and Switzerland.



#### HMA

Custom made carpets for Hospitality, Marine and Aviation.



#### Sports

Leading supplier of hybrid natural grass systems for sports and multi-purpose stadiums.

YTD December 2014

## Key Facts



**80+**

years of experience



**100+**

countries where we are active



**834**

employees



Group

**€ 208m**

(\$232) Net Group turnover 2014

Carpets\*

**€ 188m**

(\$210) Net turnover 2014

\*Commercial, Home and HMA (excl. Sports)



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## Foreword by Roland Jonkhoff

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Business has always had a responsibility to society as well as to shareholders in the short and long term. Today, however, this responsibility seems greater than ever due to the major challenges we all face. Primarily climate change, the continuing waste of finite natural resources in the current linear manufacturing and design system, and toxicity in some of the materials used and in the very air that we breathe.

At Desso, we believe you can and should develop a business model that is both highly competitive and profitable and also helps to meet these challenges. Our commitment to transition to the regenerative circular economy, inspired by nature's cycles, is a

key part of this strategy. We believe it delivers on the triple bottom line: **people, planet and profits**.

In 2008, as a part of this process we committed to following the rigorous social and environmental business standard, Cradle to Cradle®, which provides a practical blueprint for designing and producing goods that are positive to the environment and human health whilst in use and can be recycled in a non-toxic closed loop later. As a business, this is also helping us to transition towards a circular economic business model.

In line with our commitment to social fairness and ethical business, we also signed up to the

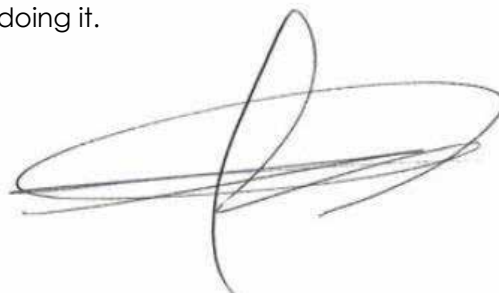


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United Nations Global Compact in October 2014, supporting its principles relating to human rights, labour relations and anti-corruption.

We also believe in transparent communications, one of the reasons for this report, which outlines our performance against the GRI's reporting guidelines. It is our second Corporate Responsibility report that has been assured and judged against GRI indicators. It is heartening to see that our current business approach has delivered another successful financial set of results (€208m annual net sales in 2014 compared with €202m in 2013), underpinned by our record in innovation and design. It proves to us that the road we have taken is the right one. There can be a link between designing and making things for the circular economy whilst delivering on people, planet and profits. It is not all painless though. There are challenges in achieving the goals we set out in our corporate responsibility strategy and we are on a continuous journey of learning and improvement. In 2014, the reported period, we began negotiations with the Tarkett Group, a company that shares

our values as regards CSR and the circular economy and was interested in merging our two companies. In January 2015, the acquisition was agreed and formalised. Thus began a new phase in our journey. The CSR approach that we live and breathe continues. But the opportunities released by being part of a much larger organisation with its experiences, skills and scale can only enhance our future. We will continue to do our best to prove it by doing it.



Roland Jonkhoff, Managing Director Desso & Vice President Carpet EMEA, Tarkett

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### DESSO and the UN Global Compact

Desso has made the decision to support the UN Global Compact network, an initiative that promotes responsible corporate practices in the areas of the environment, labor, human rights and anti-corruption. In September 2014 we became members of the UN Global Compact and communicate our progress with this GRI report.

### New GRI guidelines

A new version of the Global Reporting Initiative guidelines for sustainability reporting was introduced in 2013. Desso will apply the new GRI G4 guidelines to reports starting in 2016. One of the main features of the new guidelines involves a materiality analysis of sustainability aspects. Desso has carried out a materiality analysis in 2015 and the results are published in this report. We will be working on developing this further in the coming years and welcome all our stakeholders to reflect on our materiality analysis.

### External assurance

Deloitte has conducted a limited assurance review on a selection of KPI's and the GRI application level B+ of Desso's Corporate Responsibility report 2014.



# Our Vision





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## Our Vision

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Our vision is to be a market leader in producing environmentally responsible carpets within our customer segments that deliver outstanding value in design and functionality and thus **contribute to people's health and wellbeing**.

Today, most people spend 90% of their time indoors. This makes it imperative that we create healthy interiors. As a supplier of carpets we believe it is our responsibility to develop products that contribute to a healthier living and working space. This is even more critical in an age where urban populations have been growing at an average of 65 million people annually across the past 30 years – equivalent to adding seven cities of Chicago every year<sup>1</sup>.

At Desso, we say **'The Floor is Yours'** to underline the fact that we maintain a relentless focus on our customers at all times. It underpins everything we do. We know that our success depends on it. This is a commitment that has to be proved by action. We are, therefore, passionately engaged in delivering results across a number of key areas including increasing renewable energy usage, resource efficiency and ensuring the materials we use in our products are designed in line with Cradle to Cradle® principles, thereby striving to use only the healthiest possible materials.

Innovation, fuelled by our employee's commitment, is key to this. In 2014, we launched for the first time a new material stream for our carpet tiles that comes from the water industry. The chalk that emerges as a residue out of the water softening industrial process in the production of drinking water, is used in our carpet tile backing as a stabiliser.

In line with our Cradle to Cradle® philosophy, we challenge ourselves to think outside the box in finding new material streams. By trying to become a circular economy company it means limiting finite virgin material extracted from the earth and instead seeking potentially high value materials that are already in the system of material flows. You can read more on how we did this on page 45 in collaboration with our enthusiastic partners in the local water industry. It epitomises our relentless search for

smarter, circular ways of doing things and we shall continue on this path.

In this light, we are delighted that as of January 2015, we are part of the Tarkett Group, a global leader in innovative and sustainable solutions for flooring and sports surfaces, which is 100% committed to its own complementary "Four P's" vision: **people, planet, profit and purpose**.

The first, people, is about fulfilling your obligations to support and inspire employees and local communities.

The second, planet, is about taking care of the precious resources of the planet on which we all depend.

The third, profit, is the ongoing commitment to deliver strong financial results for our shareholders and employees.

And the fourth, purpose, is about understanding how you can develop products and services to meet new challenges as a result of the rapidly rising rate of urbanisation around the world, the rise of an ageing population and the pressures on the planet's finite resources.

Both Tarkett and Desso are committed to managing resources responsibly, developing Cradle to Cradle® capabilities, and supporting the environment and people's health and wellbeing. Our two visions merge perfectly and together make us stronger and more able to reach the goals we have set.

As a global flooring provider operating in 100 countries and with 12,000 people Desso and Tarkett have the capability to make a big impact in reimagining the way we do business and **proving it by doing it**.





# Desso's corporate responsibility strategy

For the past six years, the leadership at Desso have set the company on a clear course towards the circular economy, rooted in the principles of Cradle to Cradle® (C2C), a radical new way to practice the art of commerce.

Our aim has since then been to uphold our responsibilities to all our stakeholders within the context of a highly sustainable system. We believe this to be the circular economy and have taken a path in that direction, based around the concepts of C2C.

It underpins our sustainability and business strategy in that it provides a broad and practical framework for achieving triple bottom line success: having a positive impact on people, planet and profits.

We made C2C one of the three pillars of our innovation programme in 2008, alongside creativity and functionality, which is helping us achieve our corporate responsibility goals of maintaining a positive impact on people's health and wellbeing and on the environment, as well as driving innovation and further business success. Furthermore, it is enabling us to make a business transformation towards the circular economy over time, following our 2020 C2C Roadmap. We believe this sets in place our ability to be a fully responsible and profitable business in the long-term, as business impacts on health and wellbeing and the environment become ever more critical.

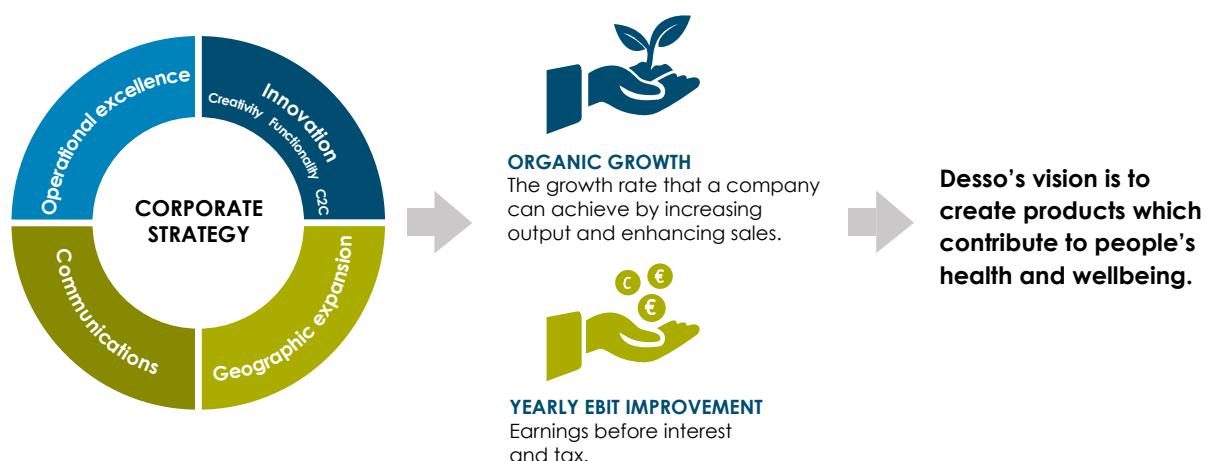
Desso's commitment to Cradle to Cradle® and the broader circular economy is described elsewhere in this report. The adherence to C2C's tough standards on non-toxicity in materials is a core part of Desso's wider commitment to health and wellbeing in the built environment, where it feels it has a particular responsibility as a manufacturer of

flooring products. In building up towards the creation of a manufacturing system that operates in non-toxic closed loops, the company expects to benefit stakeholders in a number of ways including:

- Uphold high standards of material health, contributing to health and wellbeing inside buildings, where people spend 90% of their time.
- Contribute to smarter use of waste materials to construct a more sustainable business model.
- Lessen the threats of climate change through the growth of renewable energy use.
- Develop innovations that meet needs in improving the environment and human health.
- Encourage other companies to follow the same path, leading to greater momentum.

To set the scene for our entire corporate responsibility approach it is necessary to understand why we chose to make the transition to the circular economy via C2C processes. In essence, the philosophy neatly embraces five key areas of great importance to us: **Material health; material reutilisation; water stewardship; renewable energy; and social fairness** (committed to the UN Global Compact's ten principles relating to human rights and labour relation (see page 67).

We explain in this report how this works and how it underpins an approach that goes beyond modern conceptions of business sustainability.







### **The business case for the Circular Economy**

It is worth quoting from the seminal book on the subject, Cradle to Cradle®: Re-Making the Way We Make Things by Professor Michael Braungart and William McDonough to express how radical a departure this is from the business-as-usual approach of linear economics.

The Cradle to Cradle® thinkers – fusing the architectural knowledge of McDonough with the chemistry expertise of Professor Braungart – managed to inspire a new generation of business leaders to reimagine commerce. In a nutshell, the two visionaries argued that we had to own up to some basic facts about the present and future of business and its impact on human health and the environment and redesign the way we make things accordingly.

The earth has a fragile eco-system which can nourish and supply our needs but these resources are finite. The inspiring former round the world sailor Dame Ellen MacArthur speaks about how as a lone sailor thousands of miles from anywhere, she depended absolutely on the finite resources on her boat to survive. Waste them and she would not live. As a tireless advocate of the circular economy, MacArthur uses this as an analogy for our approach to living on planet earth<sup>2</sup>.

We have finite resources. In the coming decades the world's population could increase further to nine billion plus. In an industrialised and globalised economy – fast pushing urbanisation to unprecedented levels – we are also seeing formerly impoverished people joining the middle classes for the first time, with money to spend on the goods and services the West has taken for granted for decades. This means more demand, which is clearly good for business everywhere and offers the promise of greater wealth spread more equally around the globe.

But logically, one planet cannot continue to endlessly provide resources for industry, if they are simply extrac-

ted, used and then mostly dumped or incinerated. Indeed, a new report from the Club of Rome, a global think tank, underlines why we need the circular approach. “It now takes the Earth almost one and a half year to regenerate what we use in a year. Both governments and businesses are beginning to realise that our linear systems of resource use expose both societies and businesses to a number of serious risks. Resource constraints as well as increasing volumes of waste and pollution are likely to impose increasing threats to welfare and wellbeing and, from a business point of view, to competitiveness, profits and business continuity<sup>3</sup>.” The report adds later that, “if all citizens of the world would live by US standards for instance, we would need more than 4 planet Earths<sup>3</sup>.”

And currently discussions are taking place at EU level about the benefits of the circular economy and how directives and regulations might help push things in the right direction.

The 150 year linear model referred to now as the ‘take, make and waste’ model once seemed to make sense. Now, this is no longer the case. One answer would be to curb economic growth and encourage everyone to spend less. However, we believe this is not a sustainable way to move forward. Therefore, our commitment to C2C and the circular economy remains our key focus.

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“If all citizens of the world would live by US standards, for instance, we would need more than 4 planet Earths<sup>3</sup>.”

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## Target indicators, results and progress in 2014



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# Cradle to Cradle® and the drive to triple bottom line success

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Why all this effort around the circular economy? It is, as the C2C pioneers say, to develop an eco-effective system, in which we can all build abundance for current and future generations in a way that is positive to the environment and human health.

“The key is not to make human industries and systems smaller, as efficiency advocates propound, but to design them to get bigger and better in a way that replenishes, restores, and nourishes the rest of the world<sup>4)</sup>.”

It is also about smart business. No sensible business leader wants to drive blindly into a world of scarce resources, out-of-control climate change and continued industrial impacts on human health. Such as the problem of smog and air pollution inside and outside that blights many cities across the world. So, the leadership team at Desso has always believed going circular is a smart, long-term move in which the capabilities and know-how built up will serve the company well in the years and decades ahead.

We will see a fast growing middle class in emerging economies, creating exciting new business opportunities, according to management consultancy, McKinsey & Co.

Only businesses that can make things in a sustainable way can truly take advantage of this. McKinsey reports that: “Cities have long been the world's economic dynamos, but today the speed and scale of their expansion are unprecedented. Through a combination of consumption and investment in physical capital, growing cities could inject up to \$30 trillion a year into the world economy by 2025<sup>5)</sup>.”

In the short term, it also helps to drive new design and innovative capacities. Without the intense focus on issues of health and wellbeing we might not have come up with a carpet (the Desso AirMaster®) actually designed to take out potentially damaging fine dust from the indoor environment that also proved to be a commercial best seller.

It is, therefore, a sustainability concept that not only goes beyond anything we had considered about sustainability before but also is more likely to secure healthy profits for the years ahead.



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# Highlights 2014

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**75%**

**2020 goal recycled content**

We aim to reach the goal of using >75% defined recycled content in our commercial carpet tiles by 2020.

**100%**

**2020 goal renewable energy**

Our long-term aim is to make the shift gradually to drawing 100% of our energy from renewable sources (purchased and self-generated) by 2020.

**55%**

**Reduced carbon emissions**

Desso reduced its carbon emissions (indirect and direct) by 55% between 2007 and 2014.

**93%**

**Commercial carpet tiles Cradle to Cradle® certified.**

Desso products need to be designed according to Cradle to Cradle® design principles by 2020. Already now 93% of our commercial carpet tiles, which represent 65% of our business, are C2C certified.

**63%**

**Healthy materials**

All raw materials purchased by Desso are judged against a set of environmental and human health criteria. In 2014 63% of all raw materials were positively defined<sup>6)</sup>, above our 2014 target of 51%.

**60%**

**Recyclable materials**

60% of all materials evaluated as recyclable, meaning the materials can be recycled in a non-toxic closed loop as assessed by C2C.

**58%**

**Defined recycled content**

Due to a new C2C material stream in collaboration with local water companies, levels of recycled material in our commercial tiles increased from 5% in 2013 to 10.5% in 2014 with a further rise expected in 2015. Some of our products have as much as 58% defined recycled content.

**84%**

**Take back**

Post-consumer carpet material taken back by Desso increased by 84% from 779 tonnes in 2011 to 1,430 tonnes in 2014. Further increase expected when our new recycling plant opens, scheduled in October 2015 - a project supported by the EU's LIFE programme.

**100%**

**Supplier assessment**

100% of all active<sup>7)</sup> suppliers assessed on inherent social risks. 84 supplier-code-of-conducts have been signed. 59 suppliers completed self-assessment questionnaires on human- and labor rights, business ethics and environmental protection.

**100%**

**Green electricity**

By 2012, Desso had switched over to 100% green electricity (hydro-power generated in the Alps). As a result, 28% of its total energy usage is renewable. The remaining 72% comes from natural gas (see Figure 12, page 56).

**1,100**

**Small farmers with improved livelihood**

In 2013, Desso joined the UN's REDD+ initiative (Reducing Emissions from Deforestation and Forest Degradation). As a result of this project, 1,900 small farmers will be able to improve their livelihoods and the project expects to reduce greenhouse gas emissions by 450,000 tonnes per year (see page 68).

**30%**

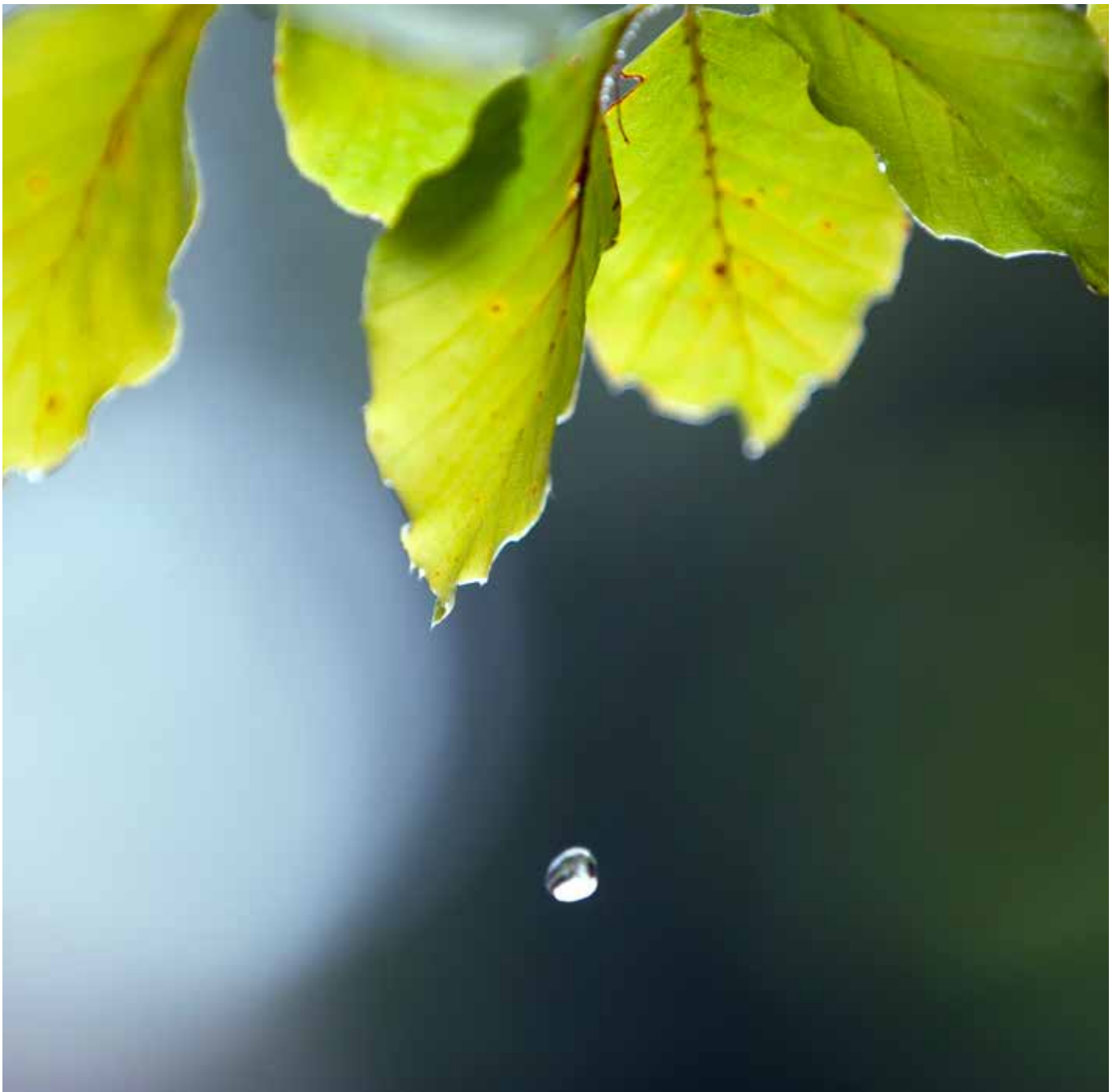
**2020 goal for recycled water**

Desso has increased the recycled water amount from 11% in 2008 to 19% in 2014. In 2014, the special ozone treatment resulted in a 54 million litre saving on fresh water.

### **Desso's Cradle to Cradle® roadmap 2008-2020**

Desso's long-term targets include:

- By 2020, reach a level where more than 80% of all materials used in its products are positively defined according to Cradle to Cradle® criteria.
- By 2020, use 75% defined recycled material to produce carpet tiles.
- Reach the target of 100% renewable energy for processing and manufacturing.
- Ensure that factory effluent water is cleaner than the water it is discharged into.
- Further development of Take Back® and recycling programmes.
- Further implementation Cradle to Cradle® supply-chain management.
- Support the UN Global Compact, an initiative that promotes responsible corporate practices in the areas of the environment, labor, human rights and anti-corruption.
- Desso products to be designed according to Cradle to Cradle® design principles by 2020.
- Maintain awareness in public and private circles on the case for Cradle to Cradle® and the circular economy with an emphasis on what businesses can do to move things forward, as well as governments in terms of public policy measures.











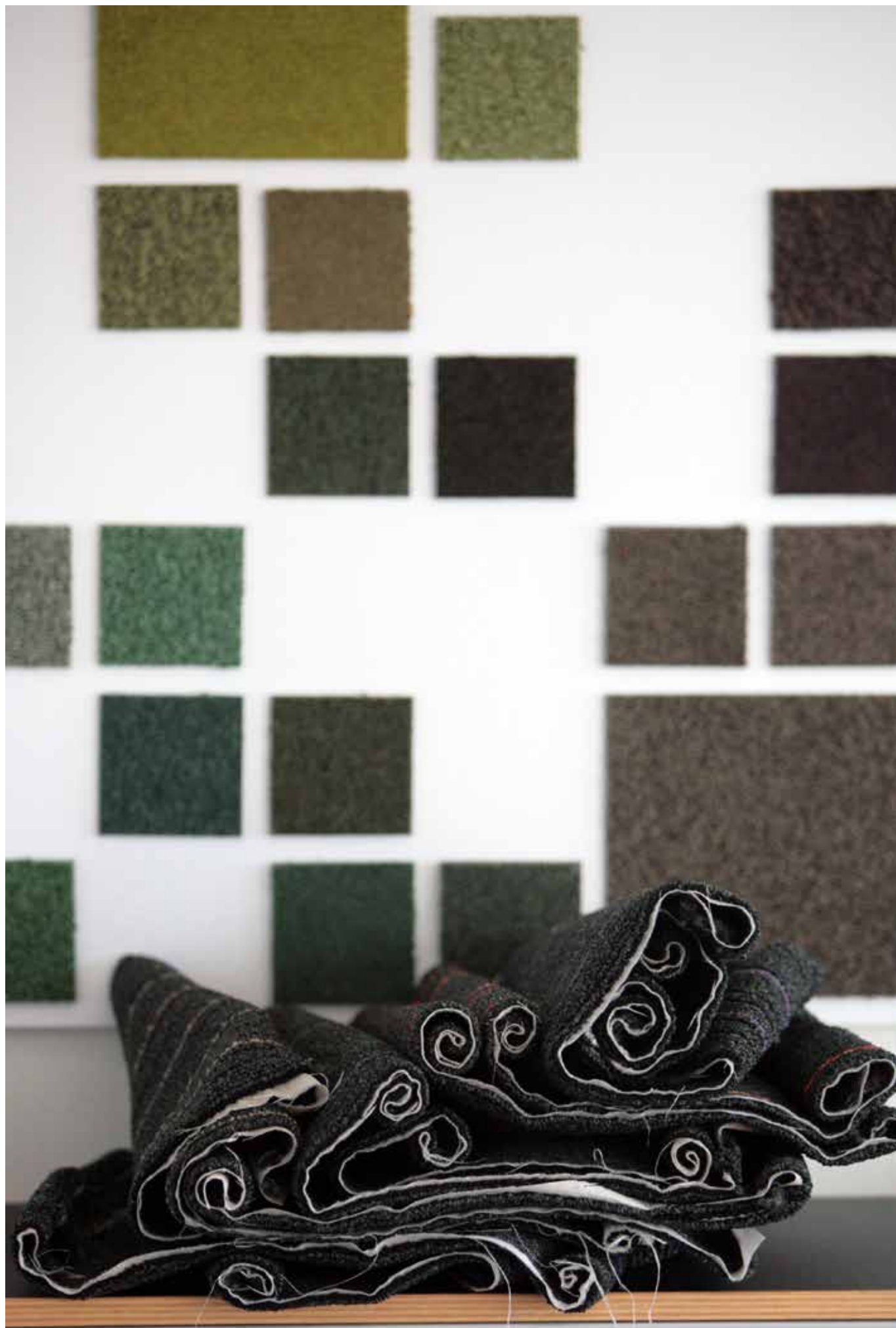




# Governance

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## Governance in 2014

In 2014, Desso's Executive Board consisted of CEO Alexander Collot d'Escury and Chief Financial Officer Tom Francken. Its responsibilities included the development and implementation of the business and its sustainability strategy, meeting immediate business goals as agreed with the Supervisory Board while setting in place the policies and structures to meet long term aims and ambitions. Therefore, while the Executive Board would manage the business to meet short term financial targets and wider business goals it also aimed to put in place all the processes and training to set the company on its long-term path towards becoming a circular economy company as well as developing health and wellbeing product innovation. The Executive Board was also responsible for the management of all the company's brands and market positions as well as finance, acquisitions and divestments.

The Management Team directly beneath the Executive Board supported the development of policies and ensured the alignment, continuous implementation and successful exe-

cution of key priorities and strategies across the organisation.

The Executive Board and Management Team met every four weeks, ensuring issues were dealt with in a timely fashion and everyone's objectives were met.

Overseeing all of this was the Supervisory Board which met six times a year, discussing progress in terms of meeting current strategic objectives and the longer term goals. It was chaired by Eric-Joost Ernst (male, 43), a partner with Bencis Capital Partners,, then a majority investor in Desso. Bencis Capital is an independent private equity firm which targets medium sized companies in the Benelux countries.

Desso Holding B.V. ('the Company') was incorporated under Dutch law, domiciled in Waalwijk, the Netherlands and is statutorily based in Amsterdam, the Netherlands. The consolidated financial statements of Desso Holding B.V. comprise the company and its group companies (referred together as 'the Group'). Desso Holding B.V. was incorporated at 20 January 2011 and was a priva-

te limited company, where ordinary shares are held by STAP B B.V. and a preference share is held by Bencis Buyout Fund III B.C.V.

## Governance changes in 2015

In January 2015, Desso became part of the Tarkett Group, a global leader in flooring and sports surfaces solutions, following a successful acquisition process with the majority shareholder, Bencis Capital Partners and minority investors. From this point, Desso came under the supervision and management of the Tarkett Group.

In April 2015, Roland Jonkhoff, previously a regional managing director at Desso, was appointed the Managing Director of Desso and Vice President Carpet EMEA for Tarkett. Therefore, Desso is currently led by Roland Jonkhoff and the newly appointed (July 2015) Financial Director Torsten Boehmer, supported by the management team.

Alexander Collot d'Escury, Desso's CEO from 2012 stepped down in January 2015, temporarily replaced by Tarkett's President EMEA, Remco Teulings until Roland Jonkhoff's appointment in April.

Following the acquisition in 2015, Desso continued with its commitment to its Cradle to Cradle® Roadmap and circular economy aspirations, as described in this report. The Tarkett Group shares the same goals in making the transition to circularity and both companies are members of the Ellen MacArthur Foundation CE100 networking and collaborative organisation.

As a result of the the Tarkett acquisition in January 2015, Bencis Capital is no longer a shareholder of Desso and today, Desso is part of Tarkett, which is listed on the Euronext stock exchange in Paris.

### Supervisory Board (2014)

**Chairman:** Eric-Joost Ernst

**Investment Company:** Bencis Capital Partners

### Executive Board (2014)

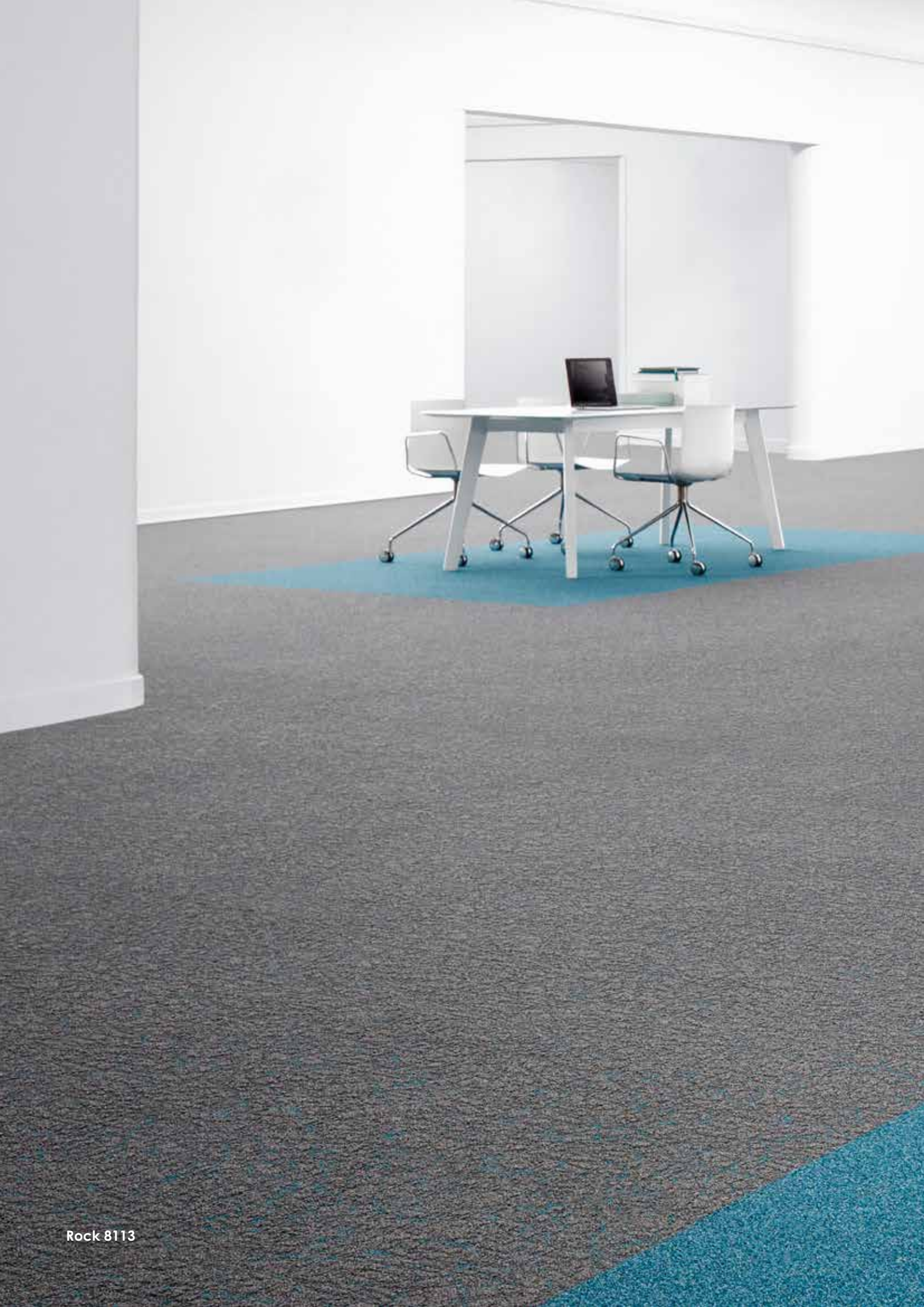
**CEO:** Alexander Collot d'Escury

**CFO:** Tom Francken

The Executive Board is responsible for Desso's policy in regard to all areas including brands and markets, finance, acquisitions and divestments.

### Management Team (2014)

**CEO:** Alexander Collot d'Escury, **CFO:** Tom Francken, **Director Operations:** Willem Stas, **Director Corporate Communications & CSR:** Anette Timmer, **Director Human Resources:** Cathy Ockers, **Managing Director Sports:** Marc Vercammen, **Director Design & Technical Development:** Ludwig Cammaert, **Managing Director:** Rob Peters, **Director Business & Process Improvement & IT:** Ted vd Meulengraaf, **Regional Managing Director:** Andrew Sibley, **Regional Managing Director:** Roland Jonkhoff, **Regional Managing Director:** Gilbert Pivoly



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# Stakeholder dialogue

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# Stakeholder dialogue

Central to our CSR strategy is maintaining an effective dialogue with our key stakeholders. It is important for us to listen and learn from the feedback we receive to ensure we deliver on our commitments and keep on addressing the expectations we have created amongst our stakeholders for these past years.

Desso's stakeholder communications strategy remains focused on transparent relations, regular dialo-

gue, clarity and high levels of ethics. We endeavour to engage in stakeholder feedback throughout the year.

## Stakeholder meetings in 2013-2014

In 2014, Desso continued to support the work of the Ellen MacArthur Foundation. In particular, it contributed to the cross-industry discussions and collaborations furthering the goals of the circular economy. It has done this via the meetings and workshops of the Circular Economy 100<sup>®</sup>, a network organised by the Ellen MacArthur Foundation.

In 2012 Desso had become one of the first corporate members of the EMF's Circular Economy 100 network. Other CE100 members include major international brands such as Philips, Marks & Spencer, Unilever, Coca Cola, Nespresso, H&M and Morrisons. In June 2014, Desso attended the CE100's second annual summit held in London, where the latest ideas and case studies on the circular economy were discussed by international speakers and audience.

In addition, Desso is heavily involved in the work of Project MainStream, a circular economy cross-industry collaborative project, organised by the Ellen MacArthur Foundation, McKinsey & Co., and the World Economic Forum. As part of this involvement,

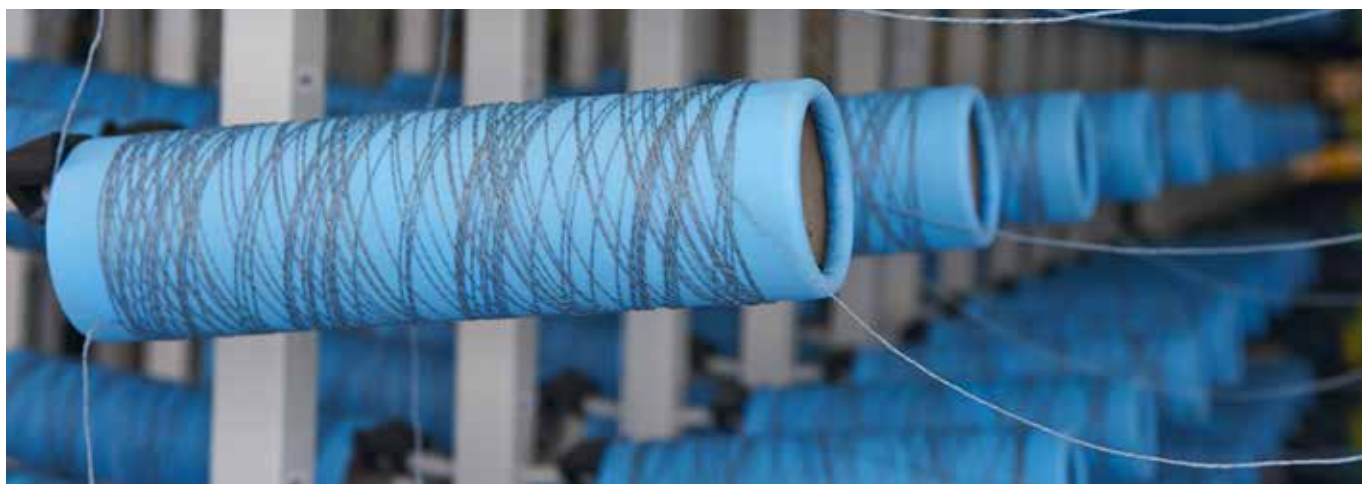
it has led discussions on the project's focus on driving new circular methods on global plastics and packaging, which currently causes pollution in the world's oceans and where recycling is currently very low. 260 million tonnes of plastic is produced every year where only 1% is recycled globally. And, tragically, some 8 million tonnes leaks into the world's oceans annually, causing unnecessary damage on wildlife and the environment. Project MainStream launched the **Global Plastic Packaging Roadmap**<sup>9)</sup> (GPPR), in which sustainable businesses and researchers work together to discover smarter packaging and waste management systems that are integrated and circular. Over the next few years this includes actual projects for deployment such as city-based pilots. Other companies involved in **Project MainStream**<sup>10)</sup> include: Brambles, Brightstar, BT, Royal DSM, Ecolab, Indorama, Kingfisher, Philips, Suez Environnement and Veolia.

Since 2008, Desso has provided case material and leadership lessons to the Ellen MacArthur Foundation (EMF) which has been promoting a greater understanding of the need for and the transition to the circular economy since 2010. As part of this, Desso was a case study in the EMF's influential report, *Towards the Circular Economy* (Volume 1) which showed that savings of up to \$630 billion per year could

## Key stakeholders:

Our stakeholder network is extensive and it ranges from people we engage with on a regular basis through our operations to those who influence our activities by way of their specific function. Listed below are the key stakeholder groups we have identified as crucial to our continued business success (in alphabetical order):

- Academia
- Consultants
- Customers
- Employees
- Governments
- Industry and trade associations
- NGO's
- Reporting agencies
- Shareholders
- Suppliers



potentially be released if a subset of EU manufacturing went circular. This report, produced with the global management consultancy, McKinsey & Company was launched to an audience of global CEOs at the World Economic Forum's Annual Summit in Davos in January 2012. Desso was present at this meeting.

More recently in January 2013, the EMF followed up with another report, Towards the Circular Economy (Volume 2) which showed that the Circular Economy could be worth \$700 billion per year when looking at the fast-moving consumer goods industry.

Overall, the EMF stated that the Circular Economy could drive as much as \$1 trillion of value for the global economy. A third report from the Ellen MacArthur Foundation,

Towards the Circular Economy Volume 3, was delivered at a special session on the circular economy at the World Economic Forum's summit in Davos in January 2014. This coincided with the launch of Project MainStream, a collaborative project which could help businesses make the shift to the circular economy.

Desso's leaders Remco Teulings, President EMEA, Tarkett and Roland Jonkhoff, Managing Director, Desso and VP Carpet EMEA, Tarkett continue to take a full part in discussions on the circular economy, innovation and sustainability at the World Economic Forum's meetings including the New Champions Summit in China and the annual meeting in Davos.

Desso's senior managers and executives participate in events

relating to C2C, the circular economy and sustainability across the world. For example Manager CSR Rudi Daelmans and Communications & CSR Director Anette Timmer are engaged in a number of specialised circular economy initiatives including the Circular Economy 100 workshops, the annual summit, and Project MainStream. Next to that, there are many others representing Desso in regional initiatives, events and presentations.

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**All footnote references can be found on page 86**

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Circles of Architects® session 2015<sup>27)</sup>



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## Desso continued to contribute knowledge at the following venues:

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### World Economic Forum

The World Economic Forum is an International Institution committed to improving the state of the world through public-private cooperation and engages political, business, academic and other leaders of society in collaborative efforts to shape global, regional and industry agendas. At its prestigious annual summit at Davos it attracts some 1500 business leaders from among the biggest global companies and a thousand leaders in government and NGOs. As a long running member of Project MainStream and other discussions on the circular economy, Desso has participated in discussions and debates at WEF summits in Davos, China and other regions during 2014 and onwards.

### London Business School

London Business School (2<sup>nd</sup> in the world in the FT's Global MBA 2015 Ratings<sup>11)</sup>) has been teaching the Desso Case study since 2011 (Desso – Taking the Sustainability Challenge<sup>12)</sup>) to MBAs and global executives. The process of updating the case began in 2014.

### The University of Exeter Business School

In November 2012 the University of Exeter Business School published a new Case Study on how Desso has been rethinking its supply chain to drive its Cradle to Cradle® innovation platform. Led by Exeter Business School's Professor Michael Howard, the study (Desso and the Cradle-to-Cradle® Challenge: Rethinking Carpet as a Closed-loop Supply System<sup>13)</sup>). Ranked 2<sup>nd</sup> for business studies by the Sunday Times, Exeter Business School also launched the innovative One Planet MBA programme with the WWF.

### Cranfield Management School

Cranfield Management School, one of the top five research-intensive universities in the UK, alongside Oxford, Cambridge and London's Imperial College, produced its Case Study on Desso's Cradle to Cradle® strategy in 2015.

**Desso continues to reach a wide audience of business readers through articles and coverage.** The CEO published blogs on two prestigious websites: the Huffington Post (a site with a total digital population of 79 million unique visitors<sup>14)</sup>) and the World Economic Forum's Agenda website. It has also continued to get coverage in the broadsheet press in the UK. For example, in 2014 there were two articles on Desso in The Guardian, whose website recorded over 100 million unique visitors in one month in 2014. Below is a sample of media coverage in 2014<sup>15)</sup>.

- **Can China be a Leader in the Circular Economy?**<sup>16)</sup> World Economic Forum Blog, 9 September, 2014
- **What can companies do to curb air pollution?**<sup>17)</sup> World Economic Forum Blog, 10 April, 2014
- **How world business can help solve the "world's largest environmental risk"**<sup>18)</sup> Huffington Post, 27 March 2014.
- **Clearing the air**<sup>19)</sup> Huffington Post, 21 March 2014.
- **Design to make the world better than it was before**<sup>20)</sup> Huffington Post, 18 February 2014.
- **Business leaders in Davos keen to mainstream circular economy**<sup>21)</sup> The Guardian, 27 January 2014.
- **Desso CEO pushes circular economy**<sup>22)</sup> Huffington Post Live, 24 January 2014.
- **How can we design products that don't get dumped?**<sup>23)</sup> World Economic Forum Davos Blog, 23 January 2014.
- **Can China kickstart its circular economy and kick its smog?**<sup>24)</sup> The Guardian, 15 January 2014.

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Key communication channel is:  
[www.desso.com](http://www.desso.com)

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All footnote references can be found on page 86

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Since 2008 Desso has achieved substantial coverage and recognition for its circular economy and C2C strategies in key International media (see Figure 1)

#### Key events in 2014

In addition to the World Economic Forum's Annual Meeting, Desso also attended other world events in 2014 focused on innovation, sustainability and the circular economy such as:

- Launch of the Circulars, a new circular economy award process, organised by the World Economic Forum's Young Global Leaders and Accenture<sup>25)</sup>.
- Sustainable Brands<sup>26)</sup> Summits, San Diego and London, an innovative network of CSR and branding professionals.
- Clerkenwell Design Week, London.
- World Economic Forum's Regional Summit in Latin America.
- World Economic Forum's Annual National Champions Summit, China.
- Circular Economy 100 Annual Summit, London.
- Global Green Growth Conference, Copenhagen.
- Green Build Expo and Conference, New Orleans.

**Figure 1:**  
Media coverage



#### Key awards and recognitions:

## 2012

**Winner:** Guardian Sustainable Business Award for Waste and Recycling 2012.

**Winner:** Red Dot product design award for its 'Visions of' carpet line 2012.

## 2013

**Winner:** Big Tick Award for Sustainability from Business in the Community (BITC) 2013.

## 2014

**Finalist:** Big Tick Award for Sustainability from Business in the Community (BITC) 2013.

**Finalist:** BusinessGreen Leader, 2014.

**Finalist:** BPN Sustainability Awards, Australia 2014.

## 2015

**Finalist:** WEF Circulars, Pioneer Company 2015.







## Materiality

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# Materiality

## What is materiality?

As described in the Global Reporting Initiative's (GRI) G4 Guidelines, material issues are "those that reflect the organisation's significant economic, environmental and social impacts, or that substantively influence the assessments and decisions of stakeholders." In other words, materiality is about identifying which issues are the most important to our business and to our stakeholders.

## Stakeholder mapping

To ensure our CSR policies are aligned with our real impacts and stakeholder expectations, we have defined our stakeholder groups based on their influence on the five capitals as described in the International Integrated Reporting Framework: financial, ma-

nufacturing, human, social and natural capital (For more information: [www.integratedreporting.org](http://www.integratedreporting.org)).

In addition, we have selected stakeholders both in terms of their geographical presence, in relation to our market coverage, and also according to their specific expertise on the above mentioned key topics.

## Materiality Analysis

The key objectives of our materiality analysis were:

1. Maintaining a focus on any new risks and opportunities in relation to our business, ensuring our circular economy and CSR goals are in line with stakeholder requirements
2. Meeting the GRI's requirements for materiality

3. Meeting the requirements of our commitment to the United Nation's Global Compact<sup>28)</sup> (UNGC) and its universal principles on human rights, labour, environment and anti-corruption.

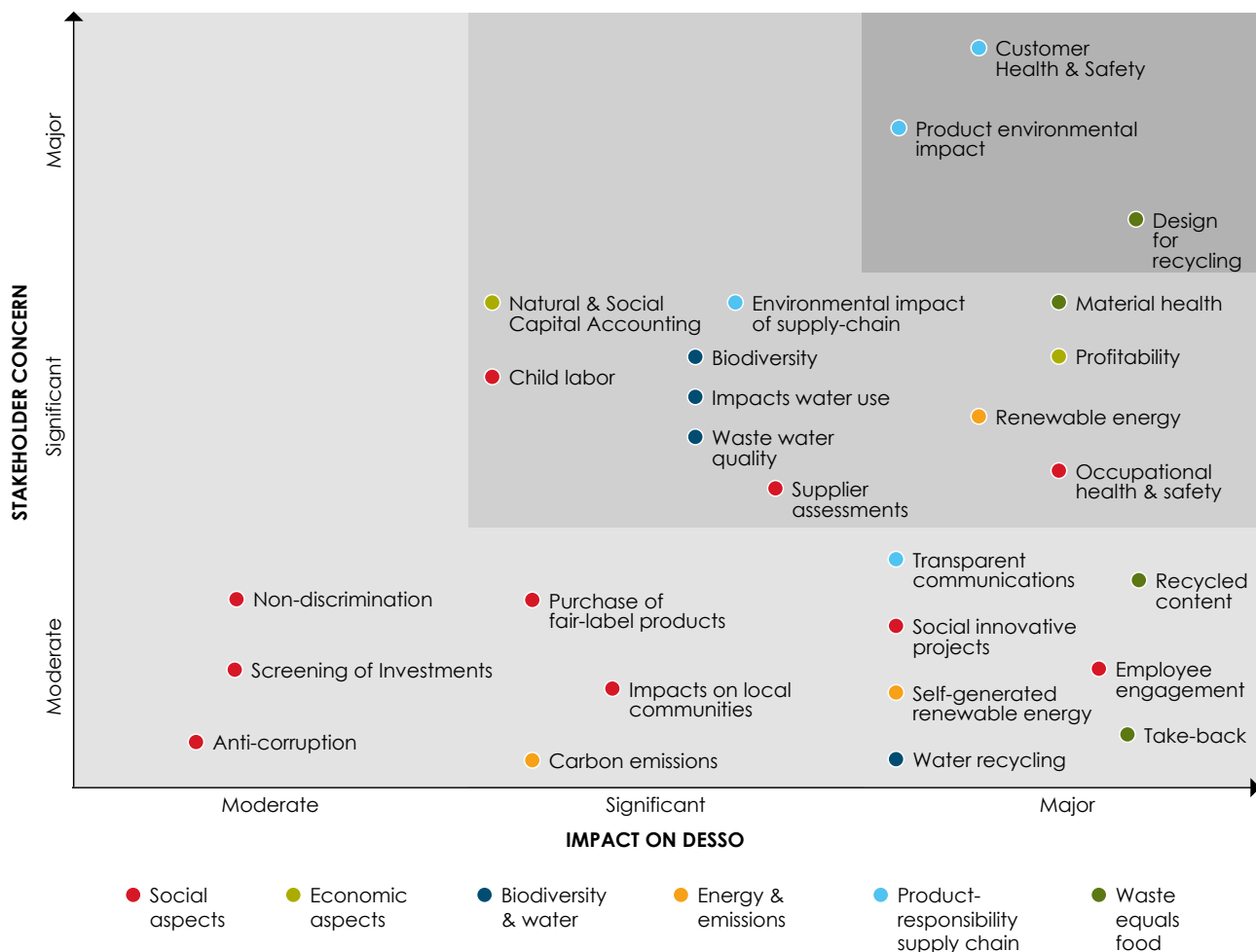
We decided to survey our stakeholders widely around two key issues:

1. An evaluation of our first Corporate Responsibility 2013 report, published in 2014
2. Ranking a broad set of CSR topics against their concerns and business impact.

## Response

In total, 198 surveys were sent out, of which 62 were completed. This represents a 31 percent response rate. We also received a well-balanced

**Figure 2:**  
Materiality matrix





response across our key stakeholder groups, which is important to ensuring that we are able to draw the right conclusions from the analysis. Figure 2 below shows the results of our materiality analysis.

#### Evaluation of CR report 2013

A large proportion of the respondents said they had read our 2013 Corporate Responsibility report (65.7%) and 85% said the report had met their expectations.

In terms of feedback on improving our Corporate Responsibility reporting, some suggested moving towards integrated reporting. This is a process by which you communicate how your organisation's strategy, governance, performance and prospects have led to the creation of value over the short, medium and long term.

In addition, our stakeholders would like us to put more emphasis on explaining our key challenges related to the implementation of our CSR strategy, which we will continue to pay attention to.

#### Materiality matrix and conclusions

We have created a **Materiality Matrix** to plot our stakeholder concerns against business impact (see Figure 2) in which key areas like material health and design for recycling are high in terms of both measures.

In general, Desso reports on more topics than required by our stakeholders, which means that we are well positioned to meet their key demands. We plan to continue engaging with our stakeholders to explain our business impacts and how the implementation of our CSR strategy is progressing.

Our commitment to realising our CSR goals, built around our C2C and circular economy aspirations, remains strong. The importance of this strategic direction is also affirmed by our stakeholders in the materiality analysis. This means that the strategic direction we took as a company in 2008 is seen as the right one.

We will continue to put strong emphasis on communicating with our key stakeholders and develop our materiality matrices every year to ensure we are up to date with the needs of our stakeholder groups and aligned with all of our responsibilities.

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All footnote references can be found on page 86

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# Materiality

Waste equals food	
Design for Recycling	Designing products that can be recycled infinitely and without quality losses, in a technical or biological loop. This affects material choices, their construction and the development of take-back and recycling systems.
Material Health	Ensuring that the materials we use are made of positively defined chemical ingredients in accordance with C2C principles which makes it safe for human health and the environment during the use-phase and when being recycled.
Recycled content	Using secondary materials from circular product streams. In accordance with C2C principles all recycled materials should be positively defined and be safe for recycling.
Take-back	Reclaiming products in order to recover resources and/or safely dispose material fractions that are unsuitable for recycling.
Energy & emissions	
Renewable energy	The transition to using more renewable energy sources for our business is a crucial aspect of our C2C strategy. Renewable energy sources that are acceptable with the C2C framework are sun, wind, water, geothermal and certain biomass streams.
Self-generated renewable energy	The self-generation of renewable energy positively affects the overall amount that is available to society and therefore directly contributes to a solution for climate change.
Carbon emissions	Reduction of carbon dioxide and other greenhouse gas emissions responsible for climate change. For Desso, the main contribution comes from energy use for production purposes.
Product responsibility & supply-chain	
Customer Health and Safety	Making products that contribute to health and wellbeing in building interiors; this issue has a strong link to "Material health". Material selection for flooring products is a major aspect, but Customer Health can also be influenced by other aspects (e.g. Airmaster's ability to reduce the amount of harmful fine dust in the indoor air).
Product environmental impact	Continuously monitoring the environmental impact of our total portfolio and reducing the environmental impacts over the whole product life-cycle.
Environmental impact of supply-chain	Monitoring and challenging our suppliers to improve their environmental impacts accordingly.
Transparent communications	Communicating honestly and content based. At Desso, we call that "sustainability with substance".
Biodiversity & water	
Biodiversity	Understanding dependencies from and impacts on biodiversity and taking responsibility for these. Biodiversity is the world's stock of natural assets, provider of ecosystem goods and services.
Biodiversity impacts of water use	Understanding dependencies and impacts in order to take the right actions to conserve local water resources. The impacts of water withdrawal and use are highly dependent on local hydrology.
Waste water quality	Ensuring that the water quality of factory effluent is as close as possible to the water quality of the water it is discharged into.
Water recycling	Saving water resources through purification and recycling of effluent water.

Social aspects	
Child labor	Identifying operations and suppliers considered to have significant risk for incidents on child labour and/or young workers exposed to hazardous work.
Occupational Health & Safety	Foster a safe and healthy work environment, targeting zero accidents and promoting safe and healthy behaviours.
Supplier Assessments	Assessing social aspects of companies supplying Desso, in order to continuously improving labor, human rights and fair business practices.
Purchase of fair-label products	Prioritising the purchase of products with fair-label certificate
Impacts on local communities	Engage in community development projects or programs with a positive impact on local communities, either in the social, ecological or economic field or optimum in all aspects.
Social innovative projects	The Cradle to Cradle® concept encourages businesses like ours to develop innovative, social projects and to initiate projects that will positively impact employee's lives, the local community, the global community, the supply chain and recycling and reuse programmes.
Employee engagement	This is about maximising employee involvement and job satisfaction, paying attention to the encouragement of workplace collaboration, the development of new opportunities, effective training and the development of leaders who inspire confidence. Employee engagement is a part of employee retention.
Non-discrimination	Preventing incidents of discrimination and/or taking corrective actions
Screening of investments	Assessing probable human right issues involved by investment agreements and contracts.
Anti-corruption	Upholding ethical principles in the business and workplace.
Economic Aspects	
Profitability	Maintaining business growth whilst investing in environmental and social prosperity. Showing the business value of sustainability policies and practices.
Natural & Social Capital Accounting	Considering the value of environment and society in business decision making and / or reporting by monetizing hidden costs or efforts for mitigation.







## CR reporting within Desso





# CR Reporting within Desso

Reporting Period: 1st January to 31st December 2014

This report is the second Corporate Responsibility report to be produced by Desso in accordance with the GRI G3.1 guidelines. Having developed and followed an ambitious sustainability strategy based on Cradle to Cradle® principles since 2008 as a basis for moving towards the circular economy, it was considered important to find a rigorous reporting method that would encompass all aspects of the company's sustainability goals and progress.

CR reporting at Desso is led by Corporate Communications with the support of the CSR department, the Legal Department, HR, Purchasing staff functions, and Production. Each production plant has an environmental coordinator and a health and safety officer. The central CSR function is responsible for the governance and coordination of environmental issues.

## CR reporting on [www.desso.com](http://www.desso.com)

The company's reporting system is based on monthly reports, year-

end forecasts, and annual budget planning. Each month, the Board is informed of financial results versus budget and its effects on future plans.

### Environmental and social reporting

Most KPIs are continuously measured and reviewed by the responsible departments. Specific C2C KPIs as defined in the company's roadmap are measured quarterly.

Currently, the consolidation of reporting in these areas is done annually. Desso aims to change this to quarterly reporting with one integrated internal report.

For every KPI there is a KPI owner and a KPI reporter. The CSR department determines the definition and scope of each KPI. The latter checks for consistency and plausibility during the reporting process. Corporate Communications lead on the profile disclosure and the drafting of the report. Internal review is made by the CSR department and all KPI reporters and owners (see Figure 3).

For every KPI, the used definitions, scoping, reporters, procedures for data collection, primary information sources and their owners are

documented. Conversion factors are used in individual cases and documented as such.

### Location of Standard Disclosures

- All information pertaining to strategy and analysis, organisational profile and governance commitments and engagement can be accessed online at: [www.desso.com](http://www.desso.com).
- For disclosure of management approach, core performance indicators and GRI indicators see pages 39-41. For our 2020 targets we refer to our Cradle to Cradle® Roadmap on page 16.

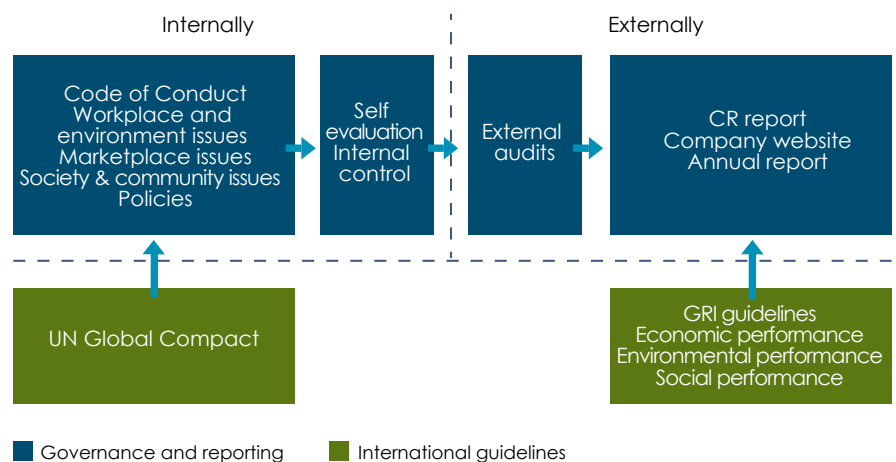
### External assurance

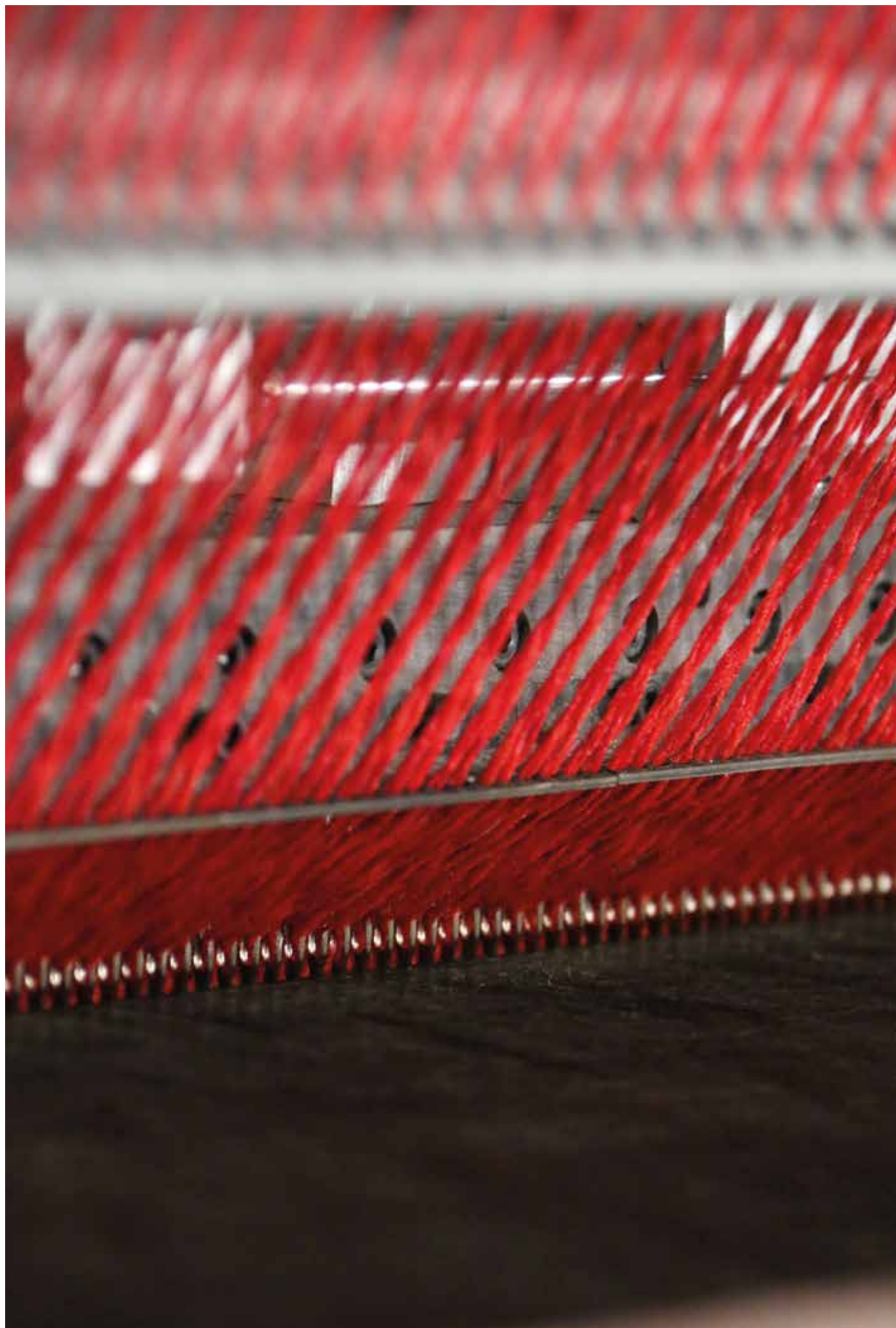
Desso has commissioned Deloitte to provide an independent assurance review on a selection of KPIs in its Corporate Responsibility report. Deloitte is Desso's assurance provider and has audited the annual statements since 2012.

### Code of Conduct: the basis for CR

Desso's Code of Conduct in the areas of the environment, health and safety and ethics applies to all employees, without exception. The Code of Conduct provides a basis for the internal CR process, and training in the Code of Conduct is mandatory for all employees. In October 2014, Desso's CEO signed a letter to the United Nations' Secretary General Ban Ki-moon, declaring the company's support for the UN Global Compact and its principles in relations to human rights, labour, environment and anti-corruption.

Figure 3: CSR Reporting at Desso









## CR report overview

On the following, we provide information and commentary on the key areas of our CR programme:

- Material health and management
- Energy and carbon management
- Water stewardship
- Employment, health and safety and human rights
- Communications
- Environmental investments and costs
- Regulations and compliance

Boundary and scope: The first 3 areas are production related (excl. EN 27 which covers carpet take back). The remaining four areas cover total Desso. Health and Safety indicators relate to all Desso employees, including temporary workers and on-site contractors.





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# CR Report overview

GRI indicators listed below in **bold** have been assured by Deloitte.

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## Material Health & Management

Material health is a vital part of our sustainability journey. It involves ensuring that the materials we use are made of positively defined chemical ingredients which makes it safe for human health and the environment when the materials are in use and when they are being recycled. It underpins our goal to move towards the circular economy and always have a positive impact on human health and wellbeing as well as the planet. This section can be found on pages: 43-53.

### We report here on

- **EN 1: Materials used by weight or volume (tonne)**
  - **EN 2: Percentage of recycled and rapidly renewable<sup>29)</sup> materials**
  - **EN 27: Carpet reclaimed per country excluding packaging materials (tonne), and percentage reclaimed referred to sold carpet**
  - **EN 22: Total weight of waste by type and disposal method (tonne)**
  - EN26: Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.
- 

## Energy & Carbon Management

Energy policy is also a crucial aspect of becoming a circular economy organisation as the transition to using more renewable energy sources for our business means that increasingly we will be able to be eco-effective: producing goods using green energy. That also means less carbon emissions. It is, we believe, the most sensible way to develop industry for the long-term so that we can produce more without adding to problems such as climate change and not being exposed to oil price hikes. This section can be found on pages: 55-57.

### We report here on

- **EN 3 & 4: Direct & indirect energy consumption (GJ)**
  - **EN 16: Total direct and indirect green-house gas emissions (tonne CO<sub>2</sub>)**
- 

## Water Stewardship

Many people don't realise that water stewardship is one of the key components of Cradle to Cradle® certification, which most observers link solely to recycling. However, the Cradle to Cradle® philosophy is about fulfilling wider social responsibility and environmental goals to ensure that a business has a deeply positive impact on the world around it. Water is a precious resource and therefore improving the ability to recycle this resource is a critical goal; secondly, C2C principles are about ensuring that the water we send back into the source is at least as clean if not cleaner than the water it goes into. Therefore, this is also related to our commitment to the local community and the environment. This section can be found on pages: 59-61.

### We report here on

- **EN 8: Total water use by site (m<sup>3</sup>) and measured against sales (m<sup>3</sup>/sales M€)**
  - EN 9: Water sources significantly affected by withdrawal of water
  - **EN 10: Percentage and total volume water recycled (m<sup>3</sup>)**
  - **EN 21: Total water discharge by destination (m<sup>3</sup>) and quality (BOD, COD and TSS)**
- 

## Communications

Clear and transparent internal and external communications are key to Desso's business and corporate responsibility strategies. Internally, communicating change to engage employees in the tough challenges ahead; external, to explain the reasons for the long term strategy embracing Cradle to Cradle®, connecting with suppliers, customers, the sustainability community, the media, governments, and investors. This section can be found on page: 71.

### We report here on

- PR 6: Programmes for adherence to laws, standards, and voluntary codes related to marketing communications.

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## Employment, Health & Safety & Human Rights

Social responsibility is a key part of the Cradle to Cradle® philosophy. We have always been committed to engaging our workforce and maintaining responsible goals towards employees and communities directly linked to the business and through the supply chain. This data shows where we are today. This section can be found on pages: 63-71.

### With regards to labor we report here on

- LA 1 & LA 2 Employees, leavers and newcomers, age groups in %
- LA 1 & LA 2 Employees, leavers and newcomers, geographical regions in %
- LA 1 & LA 2 Employees, leavers and newcomers, gender in %
- LA 4: Percentage of employees covered by collective bargaining agreements.
- **LA 7: Rates of injury, lost days, and absenteeism, and total number of work-related fatalities.**
- LA 12: Percentage of employees receiving regular career development reviews.

### With regards to human rights, as outlined by our commitment to the UN Global Compact we report here on

- HR2: Percentage of significant suppliers that have undergone human-rights screening, and actions taken.
- HR 4: Total number of incidents of discrimination and corrective actions taken.
- HR 5: Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.
- HR 6: Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.
- HR 7: Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures taken to contribute to the elimination of all forms of forced or compulsory labour.
- HR 10: Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.
- HR 11: Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms

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## Environmental Investment and Costs

These KPIs reflect our commitment to putting Cradle to Cradle® theory into practice and making the necessary investment in people, technology and processes. It includes the work we have done to ensure that 93% of our carpet tile products in the commercial sector are Cradle to Cradle® certified. This section can be found on page: 73.

### We report here on

- **EN 30: Total environmental expenditures and investments by type.**
- EC 4: Significant financial assistance received from government.

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## Regulations and Compliance

This section sets out our performance in regard to meeting environmental regulations. This section can be found on page: 75.

### We report here on

- EN 28: Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.
- SO7: Total number of legal actions for anticompetitive behaviour, anti-trust, and monopoly practices and their outcomes.
- SO 8: Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.
- PR 9: Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.





## Material health and management





# Material health and management

Today, most people spend 90% of their time indoors. This makes it imperative that we create healthy interiors. As a supplier of carpets, we believe it is our responsibility to develop products that contribute to a healthier living and working space.

This vision is brought into action by the company's focus on its three-pillared innovation strategy (creativity, functionality and Cradle to Cradle®), all underpinned by a relentless focus on our customers.

As part of our circular economy and Cradle to Cradle® commitment, material health plays a crucial role. If you want to create healthy products, you need to know what goes into your products. Therefore we have set ourselves the target to have our products designed according to C2C design principles by 2020 and to achieve this it starts with being transparent about what we use in our materials.

Material health is one of the key tests of a good C2C product, alongside the ability to design in effective take back and recycling systems to preserve as much of the precious material as possible in its purer state, so that goods can be up-cycled (made into high grade products again and again).

We also introduced a Take Back™ programme and set-up a recycling facility called Refinity® (see page 50-53) in order to ensure we take responsibility for the current and future material streams.

With respect to the future material streams, this is where our C2C philosophy plays a major role in designing a product which is made from healthy materials, that can be disassembled and safely recycled.

This underpins the essential purpose of the circular economy – to create a regenerative system whereby materials are recycled in a non-toxic

loop. One of our latest innovations relates to the development of a new C2C-approved material stream from the water industry – chalk from Dutch drinking water companies (see page 45).

## Assessment of materials

At Desso, our commitment to Cradle to Cradle® design means that we will lead by example.

To achieve this we rigorously assess our materials in partnership with the C2C consultancy EPEA, lead by Prof. Dr. Michael Braungart. All the materials in our products are assessed by the Cradle to Cradle® design protocol which enables us to design eco-effective products.

Materials in a product must be assessed using the ABC-X rating system. The Cradle to Cradle® chemical hazard profiling methodology uses 24 human health, environmental health, and chemical class endpoints for the basis of a chemical's evaluation. The rating scheme used for this methodology follows a "traffic-light" hierarchy where the chemical's hazard is communicated by a GREEN, YELLOW, RED, or GREY rating for each endpoint (see Figure 5).

After all the ingredients in the materials have been assessed, they are then optimised by selecting replacements, if necessary, with the aim of using only tolerable or optimal chemical ingredients or materials.

## Material management

In 2014, Desso purchased 51,851 tonnes of various raw materials made up of heavy coating, latex compounds, fibres and yarns and some other materials (see Figure 6).

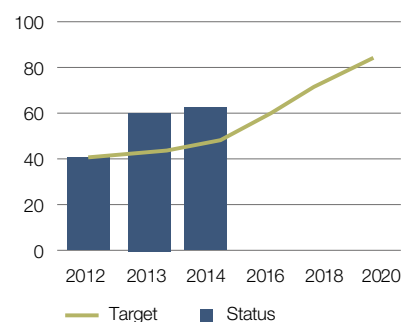
In terms of ensuring that the materials we use are in accordance with C2C principles, we measure the amount of positively defined materials used in our products. Figure 4 shows our progress in this area. In 2014, we have been able to meet and

exceed our targets. Of total raw materials used in 2014 in relation to our total business some 63% were positively defined, exceeding our Roadmap target for 2014. As Figure 4 shows the 2020 target is 84%. This is looking achievable as we are already above target.

With respect to commercial carpet tiles (which represents 65% of our entire business) we have made greater headway. This reflects the company's decision back in 2008 to choose one part of the business to focus the greatest C2C effort on. We chose carpet tiles because they are such a large part of the business and the board didn't want to siphon off C2C into a small pilot. As a result our most ambitious targets are in this area. For carpet tiles in 2014, 69% was positively defined (by weight). The target for 2014 was 60%. The target for 2020 is 90%.

**Figure 4:**

% of total raw materials purchased that are positively defined (as calculated by weight)



Please see Figure 5 for definition of 'positively defined'.



## Developing a new C2C material stream with the water industry

One of the key goals of Cradle to Cradle® circularity is to develop purer material streams from existing flows as opposed to extracting virgin natural resources. As such our R&D team continually looks outside its industry for such new material flows. In this light, with the help of the local water industry, it discovered and developed a new stream for its calcium carbonate needs, an important stabilising material in carpet tiles.

**The Challenge:** Three years ago, Desso's R&D led by Ludwig Cammaert, discovered that local water producers ended up with a residue of calcium carbonate as a by-product of their water softening processes. The question Desso and the water producers faced was whether they could develop this residue in such a way it could be used by Desso with its strict C2C requirements.

**Finding the solution:** Over the three years, Desso collaborated with Rest-stoffenunie, a collective shared service centre of the Dutch Water Supply Companies, finding a way to upcycle re-engineered calcium

carbonate (chalk) from local drinking water companies such as Brabant Water and WML (Water Maatschappij Limburg).

One of the immediate challenges was that the water softening decalcifying process used sand to filter out the calcium carbonate. Sand would be problematic from the Desso manufacturing point of view as it would lead to the blunting of expensive cutting equipment and machinery.

The joint R&D teams managed to work out a different process that would use only calcium carbonate. The water companies committed to the circular goals and were prepared to invest in this new process for the sake of the project, leading to a successful outcome: calcium carbonate material that contained no sand material.

The other challenge was the price as the new residual material was twice as expensive as the chalk bought from French mining companies. Desso decided to absorb this cost, as it did not want to lose the

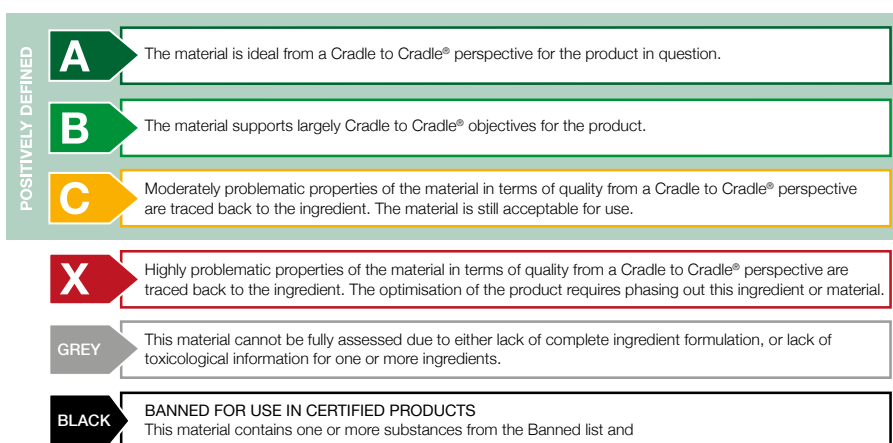
opportunity to take this new step towards the circular economy.

**The result:** Desso began purchasing the new material in Q4 2014 which is positively defined in accordance with C2C criteria and used for the production of Desso's carpet tiles with EcoBase™ backing. As a result, Desso's products with EcoBase™ backing contain on average of 50% positively defined recycled content. Next to that, it will also be rolled-out for Desso's bitumen-backed carpet tiles during 2015.

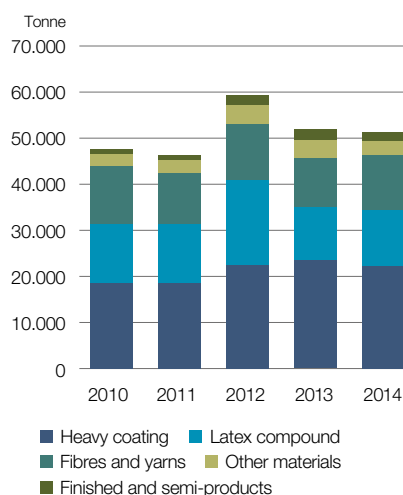
With this new collaboration, Desso carpet tiles are also likely to earn more points from green building standards such as the US Green Building Council's LEED (V4) rating system, where recycled content and C2C certification are amongst the key criteria.

Desso expects eventually to draw as much as 20,000 tonnes of chalk from this source per year. Already, in the first year, Desso will receive 10,000-12,000 tonnes via this route – over half of its total needs.

**Figure 5:**  
ABC-X Material Assessment Rating System<sup>6)</sup>



**Figure 6: EN 1**  
Materials used by weight or volume (tonne)





Luminous Carpets™



# Our health & wellbeing innovations

## DESSO AirMaster®

Specially designed carpet tiles that are eight times more effective at capturing and retaining fine dust in the indoor air than smooth flooring solutions and four times more effective than standard carpet solutions<sup>30)</sup>. They contain up to 100% regenerated ECONYL® nylon yarn and be offered with DESSO EcoBase® backing. The health benefits of this product resulted in it becoming one of Desso's top sellers with big markets in Europe and Latin America.

## DESSO SoundMaster®

A carpet designed to reduce the damaging impact of unwanted noise inside buildings. Using this product can potentially lead to improvements in employee productivity in the workplace and improvements in the learning atmosphere in schools. It can also potentially contribute to faster recovery times for hospital patients. It offers better sound insulation up to +15 dB above the standard value<sup>31)</sup> and better sound absorption performance up to +0.15 ( $\alpha_w$ )<sup>32)</sup>, equivalent to up to +100% improvement in comparison to standard carpet designs ( $\alpha_w$

value between 0.15 and 0.20). It also has a special backing designed to offer optimal sound absorption and insulation, made from 100% polyester (80% recycled: 40% from PET bottles and 40% from used fibres).

## DESSO Light Reflection Master®

Carpet designed to reflect back more light than the average flooring, thereby reducing energy usage for lighting – both an environmental and cost advantage. In fact, the use of DESSO Light Reflection Master® can increase the brightness of a room by up to 14% and can reduce lighting costs by up to 10%<sup>33)</sup>.

## ECONYL® regenerated yarn

One of Desso's yarn suppliers, invested in a depolymerisation plant to create its ECONYL® yarn made from 100% regenerated nylon. Over 50 % of Desso's carpet tile range is available with ECONYL® yarn, also including post-consumer yarn waste from Desso's Refinity® plant.<sup>34)</sup>

## DESSO EcoBase®

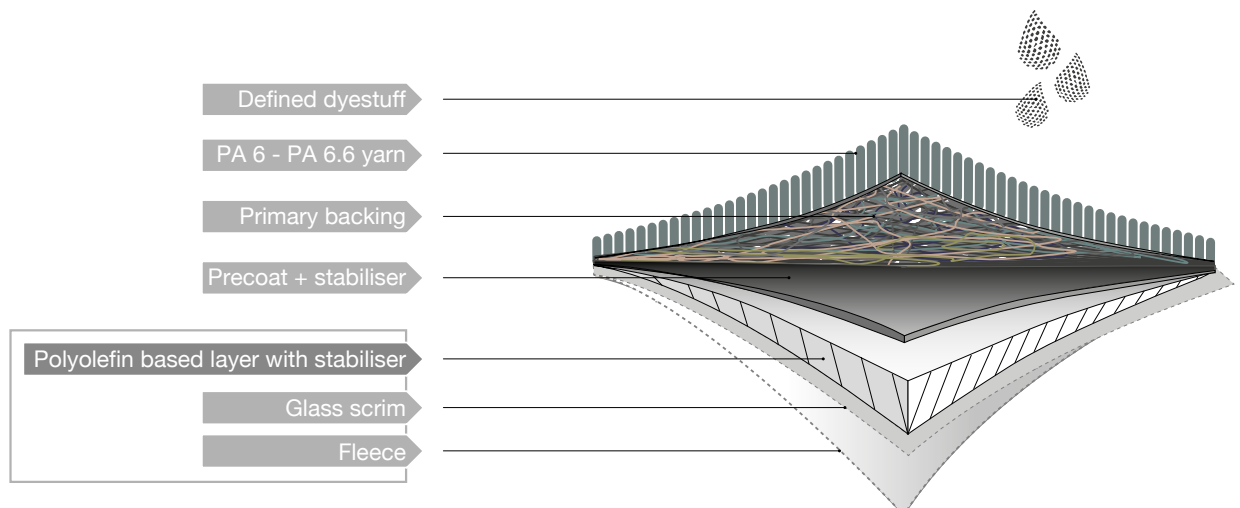
Carpet tiles with DESSO EcoBase® backing are Cradle to Cradle Silver Certified™. Desso EcoBase® backing


is reaching a level where up to 100% of the materials are positively defined (this means that all the ingredients have been assessed as either Green [optimal] or Yellow [tolerable] according to the Cradle to Cradle® assessment criteria)<sup>6)</sup>.

## Luminous Carpets™

In November 2013, Philips and Desso, global leaders in lighting and carpets respectively, launched a partnership agreement to offer solutions that combined LED lighting with light transmissive carpet. This innovation unlocked the potential of LED integration into surfaces and adds an exciting dimension to interior design and space planning. The solution will transform the way people interact with information and their environment in offices, hotels, conference centres and other public buildings. These LED light emitting carpets will provide many benefits in the areas of information, direction, inspiration and safety such as guiding people around buildings; and, enhancing the ambiance and atmosphere of the interior of buildings combining lighting with design and colour.

## DESSO EcoBase® carpet tile



 = DESSO EcoBase® secondary backing. (The polyolefin based layer with stabiliser accounts for minimum 96% (in weight) of the total secondary backing and this layer is 100% fully recyclable).

# Cradle to Cradle® Certification

The Cradle to Cradle Certified™ Product Standard is a framework for innovation which shows that 'designing with purpose' makes perfect business sense today and positively impacts the bottom line. It is administered by the Cradle to Cradle Products Innovation Institute based in the US.

The Cradle to Cradle Certified™ Product Standard guides designers and manufacturers through a continual improvement process that looks at a product through five quality categories:

1. Material health
2. Material reutilisation
3. Renewable energy and carbon management
4. Water stewardship
5. Social fairness

A product receives an achievement level in each category - **Basic, Bronze, Silver, Gold, or Platinum** - with the lowest achievement level representing the product's overall mark.

Product assessments are performed by a qualified independent organization trained by the Institute. Assessment Summary Reports are reviewed by the Institute, which certifies products meeting the Standard requirements, and licenses the use of the Cradle to Cradle Certified™ word and design marks to the product manufacturer. Every two years, manufacturers must demonstrate good faith efforts to improve their products in order to have their products recertified.

## The Cradle to Cradle Certified™ Product Standard - five quality categories:



### Material Health

Knowing the chemical ingredients of every material in a product, and optimising towards safer materials.

- Identify materials as either biological or technical nutrients
- Understand how chemical hazards combine with likely exposures to determine potential threats to human health and the environment certified



### Material Reutilisation

Designing products made with materials that come from and can safely return to nature or industry.

- Maximise the percentage of rapidly renewable materials or recycled content used in a product
- Maximise the percentage of materials that can be safely reused, recycled, or composted at the product's end of use
- Designate your product as technical (can safely return to industry) and/or biological (can safely return to nature)



### Renewable Energy & Carbon Management

Envisioning a future in which all manufacturing is powered by 100% clean renewable energy.

- Source renewable electricity and offset carbon emissions for the product's final manufacturing stage



### Water Stewardship

Manage clean water as a precious resource and an essential human right.

- Address local geographic and industry water impacts at each manufacturing facility
- Identify, assess, and optimize any industrial chemicals in a facility's effluent



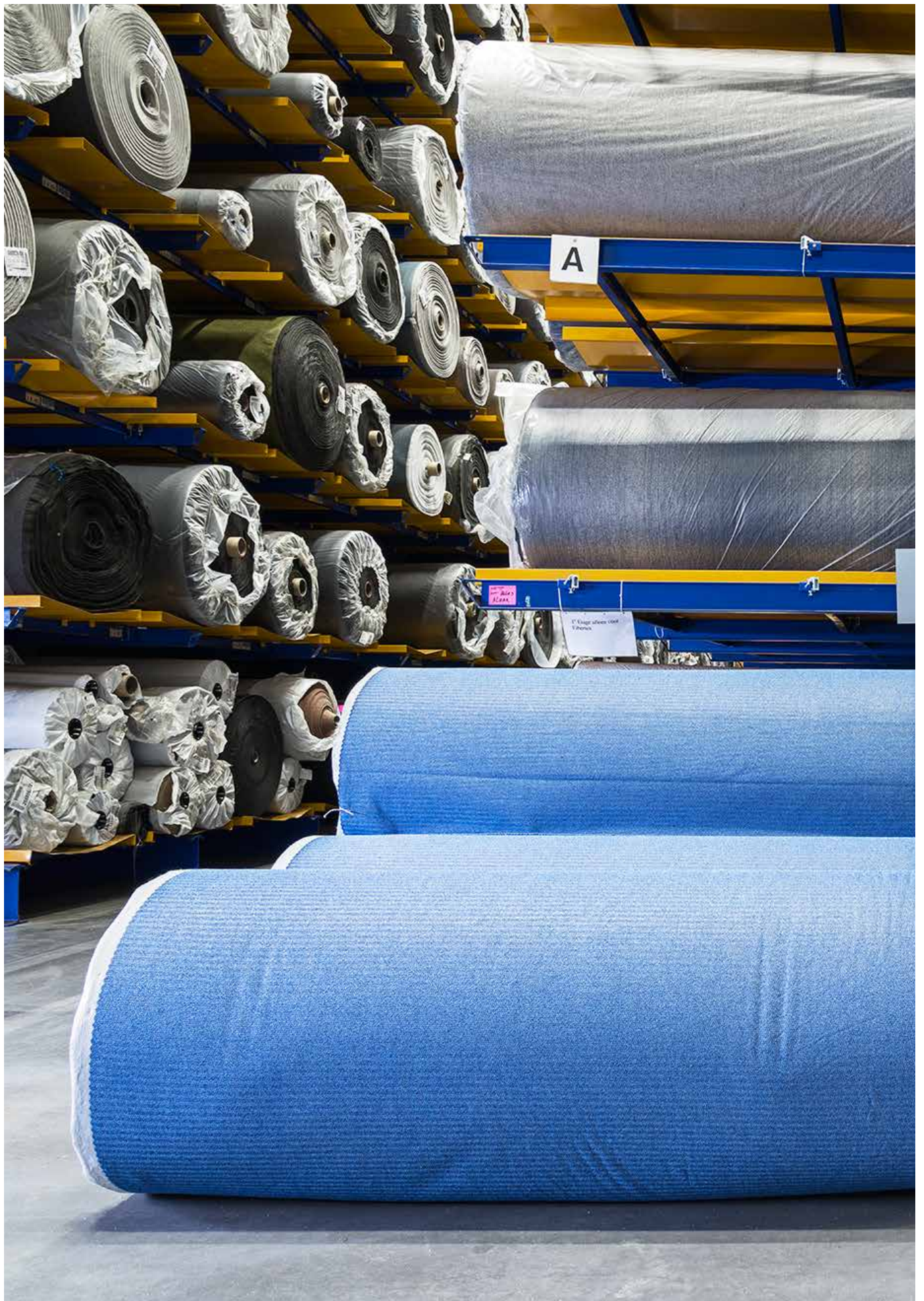
### Social Fairness

Design operations to honor all people and natural systems affected by the creation, use, disposal or reuse of a product.

- Use globally recognised resources to conduct self-assessments to identify local and supply chain issues and third party audits to assure optimal conditions
- Make a positive difference in the lives of employees, and the local community

Above mentioned categories and descriptions originate from: <http://www.c2ccertified.org/get-certified/product-certification>







# Material Reutilisation and Waste Reduction

Our aspiration as a company is to build the foundations for a non-toxic closed loop system that will enable us to deliver healthy circular economy processes over the long time. As mentioned earlier this requires a stringent process of analysing the materials we use (as per C2C environmental and human health criteria). As part of our C2C assessment, our products are measured by how much of the material in our products are recyclable according to C2C material health standards.

Overall, in 2014, 60% of the materials in all our products were recyclable according to our C2C related standards. In regard to carpet tiles, it was 64% and in broadloom, where there is no heavy coating it was 74%. We're aiming for more than 70% for all these areas by 2020.

As part of the Cradle to Cradle® certification process you must be able to identify the material streams that can be reutilised when the product is taken back after it has been used by the consumer or customer. These are fed back as nutrients either into the manufacturing process (technical sphere) or into the earth (biosphere).

Carpets are recycled using our innovative separation technique called Refinity®<sup>36)</sup>, which separates the yarn and other fibres from the backing. After an additional purification stage, the yarn (with the required purity) is returned to the yarn manufacturer for the production of new 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. All non-recyclable fractions will be used as secondary fuel in the cement industry.

As already mentioned we believe it is critical to strive to use only positively defined recycled materials in

accordance with the Cradle to Cradle® Product Standard for use and recycling, in order to contribute to a positive impact on human health and the environment.

This might mean it takes longer for us to develop the right procedures and materials to achieve this goal.

At the heart of the Cradle to Cradle® philosophy is the idea that 'waste equals food'.

For example, we must work closely with our suppliers to ensure we get positively defined materials from the start. And this has to be looked at constantly in close co-operation

with our R&D and at the purchasing departments to ensure we persuade our suppliers to help us achieve these goals.

## Defined recycled content

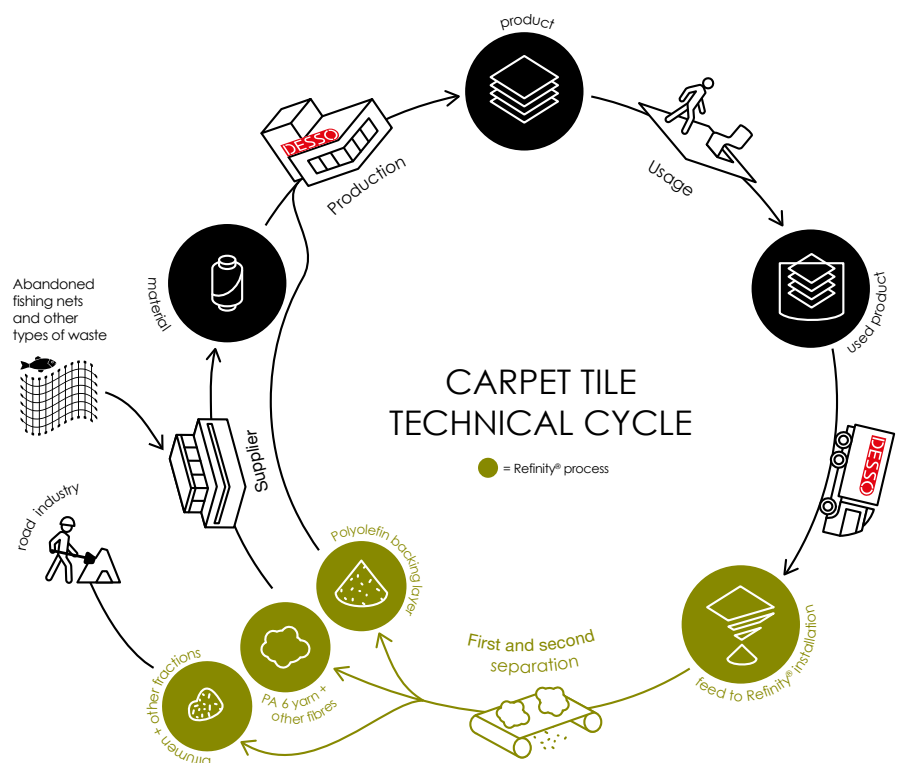
a material containing recycled content needs to be fully defined in accordance with the Cradle to Cradle® Product Standard.

## Recyclable material

is a material that can be recycled at least once after its initial use phase<sup>35)</sup>.

The amount of defined recycled content for carpets, carpet tiles and sports pitches more than doubled from 5 percent in 2013 to 10.5 percent in 2014 (see Figure 7). We intend to steadily build on this reaching at least 85% by 2020.

However, as mentioned on page 45, thanks to our collaboration with the Restoffenunie, Desso's products with EcoBase™ backing contain



on average 50% defined recycled content. Next to that, it will also be rolled-out for Desso's bitumen-backed carpet tiles during 2015 and 2016.

### Eco-effective design

The idea of being eco-effective is a very important element of the Cradle to Cradle® philosophy. It shows that you can start with a better design in the first place instead of trying to minimise the impact of traditionally designed goods on the environment and on human health. In that light, we put a lot of stress on the early phases of product design to ensure the materials are set up to be healthy for use and recycling.

Starting the process is relatively 'easy' but the further you get the more difficult it becomes. The complexity of the supply chain and the need to optimise the technology for Take Back™ and recycling, the day-to-day pressures of business in a highly competitive market, is making it one of the toughest business environments.

## 2014

60% of the materials in all our products were recyclable according to our C2C related standards

### A healthier choice

What happens when you combine the DESSO AirMaster® with an EcoBase™ backing?

**More than 50%** of the materials that go into this product consist of defined recycled materials and **69%** is made up of materials that are recyclable. So, not only does this product work to clear the air of unwanted fine dust, it also offers significant recyclable gains as judged against the toughest of C2C environmental and human health criteria.



### Carpet Lease™

In 2014 Desso and DLL, a global financial solutions partner, launched a new offer for Desso's customers: the ability to lease rather than own the carpet they need. This represents an important step in the direction of the circular economy as producers are better able to manage the material flows and ensure their products are returned for recycling if they are distributed on the basis of a service lease rather than as an asset sold.

But it is early days, and so currently our teams are struggling to encourage end users to return the material waste to suppliers like us, rather than send it to landfill or for incineration. Landfill bans or landfill taxes could help. But in the meantime, the incentives for them to do so are not powerful enough.

The second challenge is developing a take back system that is efficient enough to separate the materials with the maximum purity required for the C2C up-cycling process. To achieve this we are completely redesigning and optimising our Refinity® plant to provide superior methods for separating post-consumer carpet tiles. To help realise this, we have received funding from the EU's LIFE programme.

Figure 7: EN 2

Percentage of recycled and rapidly renewable<sup>29)</sup> materials

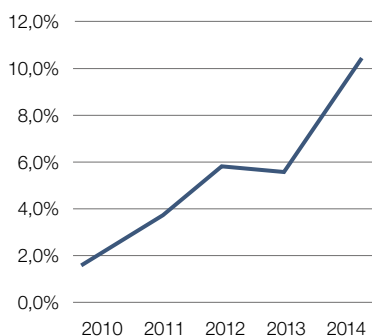
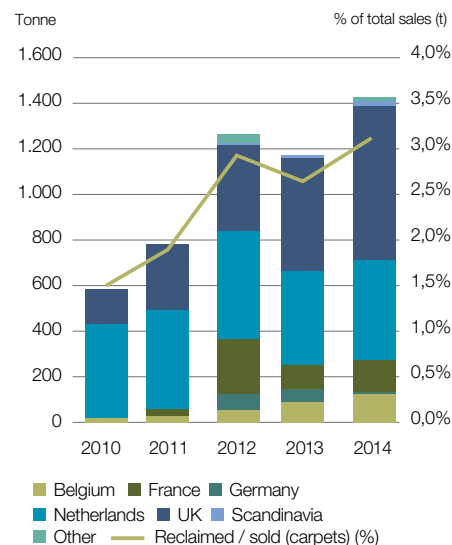


Figure 8: EN 27

Carpet reclaimed per country excluding packaging materials (tonnes) and % reclaimed referred to sold carpets





### How to make take back and recycling more effective?

To develop an effective take back and recycling system as per C2C and circular economy standards you need to achieve two key things:

1. Ensure that the bulk of the materials coming back have been designed for disassembly, meaning the materials can be separated into their different streams without contamination and then processed through the technical stream
2. The material must be positively defined so it can be up-cycled.

Our EcoBase™ backed products which are designed according to the C2C principles have yet to be returned in large volumes, however we would expect to see this starting to happen from 2018 onwards.

We are exploring ways to ensure we have greater control over the reverse logistics. One such route is by changing the very nature of the customer-supplier relationship from one where they own the asset (in this case carpets) to one where we maintain ownership and sell them a service instead. It is then much smoother to ensure we keep an eye on the materials in our value chain and organise their return for recycling. We have begun to do via a leasing service, organised with financial solutions company, DLL, also a supporter of the circular economy.

As Figure 8 on page 51 shows, the percentage of reclaimed carpets in comparison with the products sold increased from 2.7% in 2013 to 3.2% in 2014. Post-consumer carpet material taken back by Desso increased by 84% from 779 tonnes in 2011 to 1,430 tonnes in 2014.

Our teams in the UK, France, Belgium and the Netherlands continue to work hard on increasing the amount of carpet we take back.

Once the new Refinity® plant has re-opened, scheduled in October 2015 - a project supported by the EU's LIFE programme (see boxout on the right), we will again step up our efforts. Our goal is to reach 20,500 tons a year by 2020.

### Waste Reduction

Next to our overall Cradle to Cradle® strategy we also have a strict focus on reducing the amount of waste we currently generate. In line with the aims of Cradle to Cradle® the key goal is to turn waste into 'food' – as nutrients for either the technical or the biological sphere. We live on a planet of finite resources and we need to develop ways to use the resources we extract in a more continuous flow, rather than having them dumped into landfill or burned in incinerators. This relates to waste generated in our plants and offices.

In 2013, we reported 4,487 tonnes of waste, of which 99.6% was non-

hazardous. In Figure 9 on the right, a breakdown of the disposal of the waste can be found. This information is based on data provided to Desso by our waste disposal contractors. Our goal of driving down waste will continue throughout the business.

We have stayed on course in regard to our waste processes. Some 38% is recycled via the technical loop or composted via the biological sphere, as per C2C criteria, and 43% is regenerated in the cement industry. Most of this waste stream is burned by the cement manufacturers for fuel while some of the chalk content is used in the production of cement.

As in previous years, we continue to keep hazardous waste to very low levels: these are generated by the maintenance and construction activities only. The percentage of hazardous waste went up very slightly by 0.1% from 0.3% to 0.4% due to the fact that one of our plants had to dismantle an oven, which contained asbestos. With major investments in rebuilding our plant we expect to have even better technology to process waste, in some cases back into the recycling process such as the edges of the carpets currently having to be thrown away.





#### The LIFE Project aims to:

1. Develop a Cradle to Cradle® manufacturing process for carpets
2. Produce recovered material for reuse in high-quality applications. This requires a sophisticated separation and purification line to ensure that the recovered materials, including polyamide (one of the main materials used in carpet manufacturing) can be reused
3. Recycle each output material as much as possible into new high grade materials.

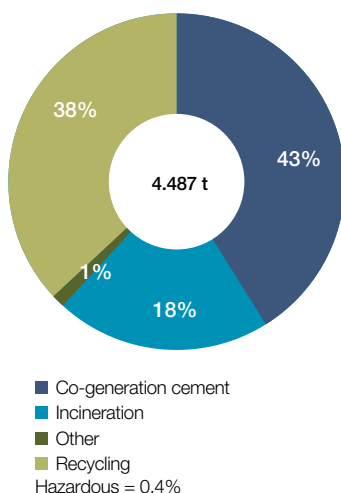
LIFE is the EU's financial instrument supporting environmental, nature conservation and climate action projects throughout the EU. Since 1992, LIFE has co-financed some 4,171 projects, contributing approximately €3.4 billion to the protection of the environment and climate.

For more information: <http://ec.europa.eu/environment/life/>



**Figure 9: EN 22: Total weight of waste 2014**

Total weight of waste by type and disposal method (tonne)



#### Healthy Seas

In 2014, Desso committed its support to a new environmental project related to protecting the oceans: 'Healthy Seas, a Journey from Waste to Wear'<sup>37</sup>. 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.

According to a report from the Food and Agriculture Organization of the UN (FAO) and the United Nations Environment Programme (UNEP), there are approximately 640,000 tonnes of abandoned fishing nets in the oceans, accounting for onetenth of all marine litter. These discarded nets can remain in the sea for centuries continuing to catch or injure marine life such as fish, dolphins, turtles and marine birds (known as ghost fishing).

Healthy Seas aims to provide a solution by bringing together businesses, NGOs, divers, fishermen and other stakeholders to recover the fishing nets and recycle them into Desso carpets, amongst others.





## Energy & Carbon Management





# Energy & Carbon Management

The circular economy and Cradle to Cradle® has always called for the greater use of renewable energy. Inspired by nature it is about utilising the natural power of the sun and wind, and respecting the environment. Fossil fuel burning also contributes to global greenhouse gases and the warming of the planet, leading to unsustainable climate change. Recognising this problem, governments will gather in Paris at the COP21 UN climate change conference at the end of the year to discuss a global commitment to reducing carbon emissions. Meanwhile, via such philosophies as C2C businesses can make a difference by increasing their usage of renewable energy sources.

In line with the aims of Cradle to Cradle® (C2C) and the circular economy, Desso's leaders decided in 2008 to start increasing the amount of renewable energy the company used to power its production sites in the Netherlands and Belgium. At that time the amount of renewable energy it used was close to zero.

Our long-term aim is to make the shift gradually to drawing 100% of our energy from renewable sources (purchased and self-generated) by 2020. This way the company would ensure that it contributes

to reducing carbon emissions and the associated climate change threat. This route, also known as eco-effectiveness, gives businesses the opportunity to increase production while respecting the planet.

## Renewable goals

By 2012, Desso had completely switched its sourcing of electricity over to green electricity for its production plants by means of buying green certificates of hydropower electricity generated in the Alps<sup>38</sup>.

In 2011, Desso also invested in the installation of 25,000 m<sup>2</sup> solar panels for its factory in Dendermonde, Belgium and Waalwijk, the Netherlands. These solar cells generated 5% of Desso's electricity use in 2014.

This meant that 28% of its energy usage (that related to electricity) was renewable. The remaining 72% came from natural gas (see Figure 12).

We maintain our long term target of 100% renewable energy by 2020. The challenge is to find the optimum way to convert our large usage of gas based energy into a renewable form. This is something under review and remains a priority.

Desso remains engaged in several renewable energy projects and a member of the advisory committee of a public private partnership (MOED) in the region of Waalwijk to enhance regional renewable energy production.



Figure 10: EN 3 & 4

Direct & Indirect Energy Consumption by location

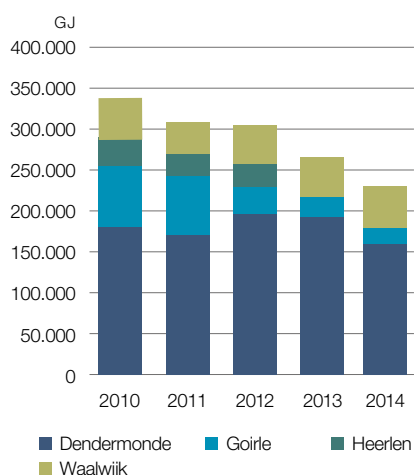


Figure 11: EN 3 & 4

Direct and indirect Energy Consumption

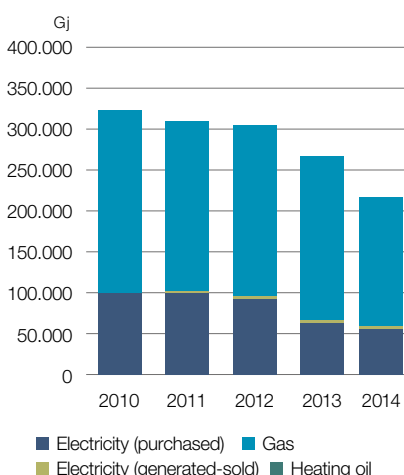
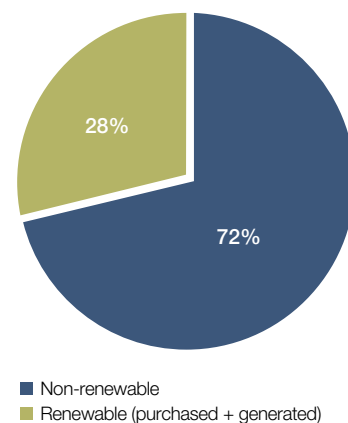


Figure 12: Renewable energy

Renewable energy / total consumption (%) 2014



## Desso reduced its carbon emissions (indirect and direct) by 55% between 2007 and 2014

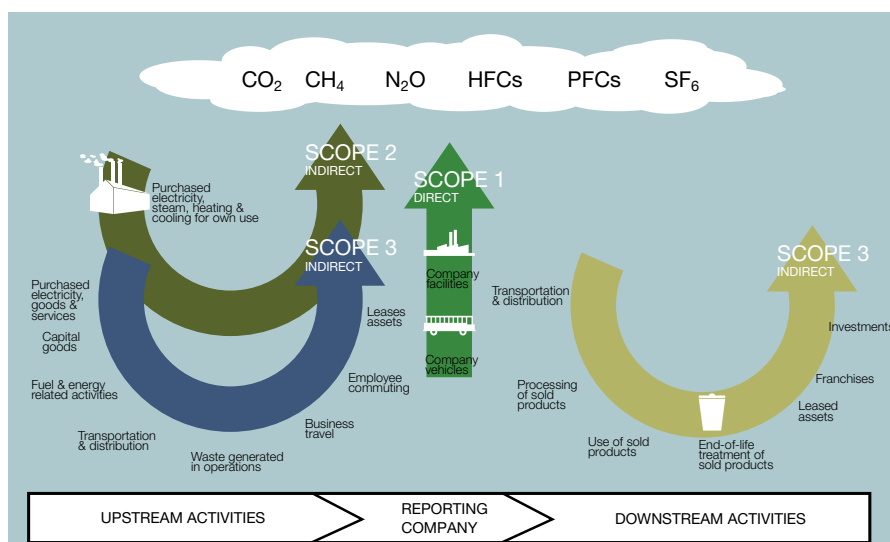
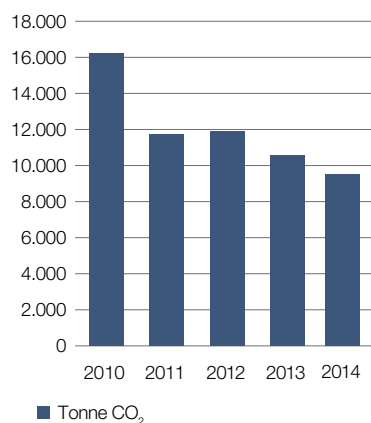
Our shift away from fossil fuels to renewable has reduced the amount of CO<sub>2</sub> emissions Desso produces. Between 2007 and 2014, Desso reduced its carbon emissions (indirect<sup>39)</sup> and direct) by 55%. Desso reports according to Scope 1 and 2 of the Green House Gas (GHG) Protocol and uses National (Dutch and Flemish) conversion factors<sup>40)</sup>. This is excluding company transport vehicles as these are not owned by Desso. The reduction in emissions continued and in 2014 it was 16% less than in 2013 (see Figure 13 below), owing to a combination of reduced energy usage and greater efficiencies.

All footnote references can be found on page 86



**Figure 13: EN 16**

Total direct and indirect green-house gas emissions (tonne CO<sub>2</sub>)











## Water Stewardship

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# Water Stewardship

Desso's has long been committed to excellence in its water stewardship and this is also guided by the Cradle to Cradle® philosophy which includes this element in its certification process. In line with these principles, the company's long-term goal is to ensure that by 2020 all the water discharged from Desso's plants is as clean as or cleaner than the source it is discharged into.

Desso treats water as a valuable resource by applying effective management and use strategies. In carpet and sports pitches manufacturing, large quantities of water are used for dyeing. 98% of the water intake occurs at Desso's Dendermonde plant in Belgium (see Figure 14).

In addition, Desso has decreased its water intake from 1.512 to 1.136 m<sup>3</sup> per M€ Sales in the period 2009 to 2014 (see Figure 14).

In 2014, 90% of the water intake was drawn from groundwater and 10% from municipal water.

As before, we have continued to draw mainly from the groundwater sources. However, for environmental reasons Dendermonde has worked hard to ensure it only draws groundwater from the shallowest parts, thereby ensuring that the groundwater replenishes itself.

In 2011 Desso commissioned a study on the groundwater extraction for its production facility in Dendermonde. The study carried out by 'Vision on Technology (VITO) found that Desso's water extraction in Dendermonde:

- Does not influence the permanent groundwater storage of the surrounding area.
- That the nature conservation area was not influenced by the facility's direct intentional operations.

- That there was no risk from the facility's direct operations to the immediate surroundings. In addition, it found that the risk that the surrounding ecosystem might be harmed was minimal.

Desso's leaders believe they have a duty to ensure that the company preserves as much as possible of this precious natural resource. To meet this challenge Desso has installed water treatment equipment at Dendermonde to recycle its water.

In five years, it has increased the amount of water it recycles from 11% in 2009 to 19% in 2014. In 2013, the special ozone treatment resulted in a 68 million litre saving on fresh water, reduced to 54 million litres in 2014. This reduction can mainly be attributed to the fact that the share of piece dyed products has reduced in comparison with solution dyed products. However, Desso is still on track to reach its target of 30% recycled water use by 2020

There are tough quality controls in the Netherlands and Belgium in terms of water discharged back into local sources and Desso in Dendermonde has more than 30 years' experience

## In 2014, the special ozone treatment resulted in a 54 million litre saving on fresh water.

of developing best practices to meet these requirements.

### Dendermonde (DDM)

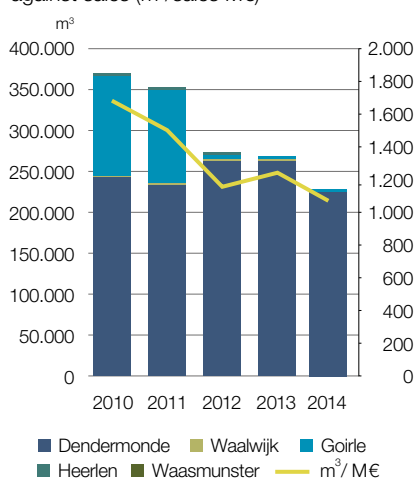
Since 1974, this site has managed an on-site biological water purification process and since 2006 it has added an ozone treatment process which enables Desso to discharge water of a higher quality than required by local regulations. The water is discharged into a local surface water stream which flows into the Schelde or Dender rivers.

### Goirle

Before discharging its water into the local sewers, the site chemically pre-treats the waste water. Then once discharged it is further biologically treated by the local municipality. This water ends up in the Dommel Basin.

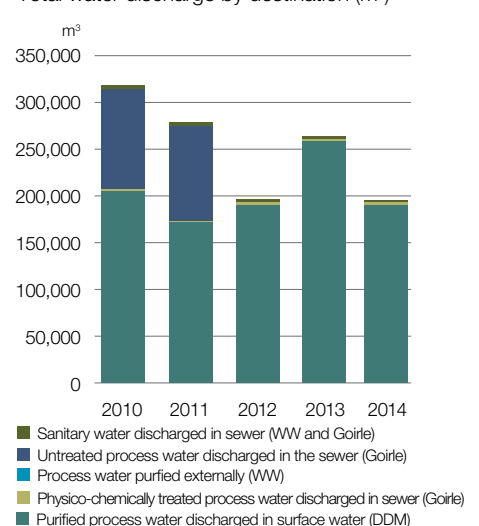
**Figure 14: EN 8**

Total water use per site (m<sup>3</sup>) and measured against sales (m<sup>3</sup>/sales M€)



**Figure 15: EN 21**

Total water discharge by destination (m<sup>3</sup>)



### Waalwijk (WW)

This site discharges most of its waste water directly into the sewer system because it is sanitary waste water. The rest of it comes from the pre-coating process and contains some latex compounds which are sent back to the latex supplier (Synthomer) for chemical and biological treatment.

### Committed to Water Quality

In 2014, the factory in Dendermonde biologically treated 188.165m<sup>3</sup> waste water (see Figure 15). The quality of the water exceeded and improved on local standards in the following areas:

- The Chemical Oxygen Demand (COD) in Desso's water has been no more than 66 mg/l, while the local standard sets 160 mg/l as the ceiling. (COD indirectly measures the amount of organic compounds in water).
- The Biological Oxygen Demand (BOD) has been no more than 4,5 mg/l, while the local standard is 25 mg/l. (BOD is the amount of dissolved oxygen needed by aerobic biological organisms in a body of water to break down organic material present in a given water sample at certain temperature over a specific time period.)
- The Total Suspended Solids (TSS) has been no more than 6 mg/l; while the local standards ask for 60 mg/l. (TSS is a water quality measure of the weight of particles obtained by separating them from a water sample using a filter).

Desso has increased the amount of water it recycles from 11% in 2009 to 19% in 2014.

### Desso donates a portable water drilling unit in Gambia, Africa

Desso is supporting a young non-profit organisation that is helping Africa solve its water problem by providing simple technology to drill for water. The Holland Water Goes Africa Foundation<sup>41)</sup> has designed an eco-friendly, sustainable portable water drilling unit, called FloFlo. It is a do-it-yourself drill tower that comes in a 70kg bag containing all the parts and guidance to help local people to drill multiple wells themselves.

Desso has donated money for a FloFlo unit to help people living in the Gambia provide for their own water needs by drilling wells to grow crops and keep animals. It also enables them to establish a micro-business to bring water pumps to neighboring villages.







## Employment, Health & Safety and Human Rights



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# Employment and employee development

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As an employer we consider it one of our top priorities to act responsibly towards our staff, providing the best environment for them to develop and excel in their work and to promote their health and wellbeing. This is one of our commitments as a responsible business.

We have built a high-performance culture in a global environment through our shared values and target-oriented leadership. We rely on all our employees to enable us to achieve our ambitious targets. It also ensures that we make use of the strength of the organisation, drive developments in the right direction, maintaining the momentum and correctly allocate our resources. With strong expansion and growth plans, we know we need to ensure we can deliver on all levels: innovation, operational excellence, customer service and so on. We have a common sense approach to working and encourage people to be self-starting.

## Talent Management

Performance reviews are planned for all of our employees and these take the form of coaching to encourage personal development, motivation and goal fulfillment. The reviews take place twice per year and are logged in an online database which was also introduced in 2008.

All new employees take part in an extensive and tailor-made introduction programme. Next to that, individual training needs are identified on an ongoing basis during the performance reviews and training in the company's Code of Conduct will continue for all new employees.

Employee surveys are also carried out every two years. The first one was done in 2013 and a follow-up survey has been done in April 2015. Both surveys showed a very high response rate, in 2015 it was 87%.

## Community Project Supports Diversity and Equal Opportunities

In line with our commitment to social fairness and the wellbeing of local communities, we decided to change our cleaning services at our facilities in Waalwijk. This, in order to provide employment for local people who were finding it hard to get into the regular job market. Contending with a range of physical or mental challenges, they were offered the opportunity to work for Desso as part of this new project.

A dedicated manager is in charge of the project, including training and managing of the new recruits. The insourcing project proved a great success: the new recruits were occupied in work, Desso added to the diversity of its workforce and supported equal opportunities and everyone at Waalwijk had an even cleaner workplace.

The survey also quantified our employee's engagement and enablement with which you can measure the overall employee effectiveness. The 2015 survey showed a significant improvement in these areas. We paid special attention to the areas of: collaboration, development opportunities, training and confidence in the leaders. In these areas we have also been able to make considerable progress.

## Workforce and diversity

Of Desso's 834 employees in 2014, some 95% were on permanent contracts and 84% employed full time.

The split between male and female employees remained at 71% and 29% respectively (see Figure 16). For people leaving Desso, the 2014 split was as follows: 66% male and 34% female. In the case of newcomers in 2014 the split was: 53% male and 47% female.

In terms of age groups, 40% of Desso's employees were over the age of 50 in 2014 (see Figure 17). This fact, may have been a contributing factor to the slight increase in absenteeism (see page 66).

Overall, the number of people leaving the organisation went down from 142 in 2013 to 77 in 2014. The geographical spread of Desso's employees including newcomers and leavers can be found in Figure 18.

## Salary and reward

To drive the best results we believe in encouraging a high-performance culture and reward people accordingly. Since 2008, we have used the Hay Group Talent Management system to ensure we have a structured strategy for the entire business.

A reward system that recognises our employees' performance and stimulates their development is key to our future success. We aim to provide competitive salaries and rewards to attract the best talent and maintain their motivation and focus.

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To drive the best results we believe in encouraging a high-performance culture and reward people accordingly.

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All footnote references can be found on page 86

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### Labour rights and relations

In most cases, Desso staff are covered by collective bargaining agreements (83%), a similar Figure to the year before. In some countries, our staff numbers are too small to warrant such arrangements. As a company we continue to support such arrangements and these are also supported by our commitment to the principles of the UNGC and the category Social Fairness within the Cradle to Cradle® principles. All of these areas are addressed in Desso's Code of Conduct.

### Safety, Quality, Quantity

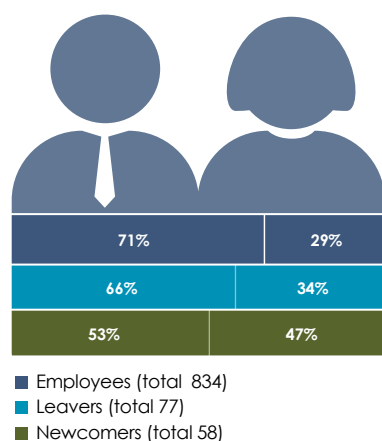
Desso is dedicated to contributing to people's health and wellbeing through our creativity and product innovation. This vision is just as important internally. In our plants, offices and wherever our staff work, we aim to make absolutely sure we are adhering to the most stringent and up to date methods for providing the most effective and positive work environment and promoting health and safety.

We are relentless in our desire to satisfy our customers and therefore we

make it a priority to continuously improve our operational performance. We must maintain the best capabilities to deliver what our customers need whenever they want it, however they need it and wherever they are. It's about having the mind-set to deliver fast, flexible and focused customer solutions that are flawlessly executed and uphold the superior quality standard, which Desso has become known for. The business environment is changing fast all the time and we must be able to adapt to the ever changing needs of our clients.

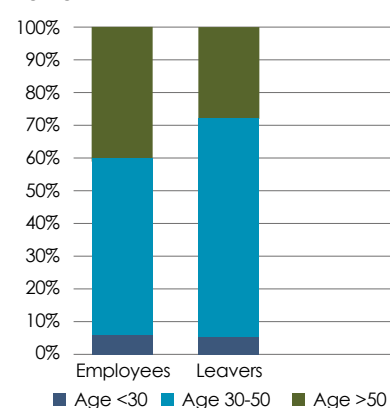
**Figure 16: LA1 & LA2 Employees, leavers and newcomers**

Gender in %



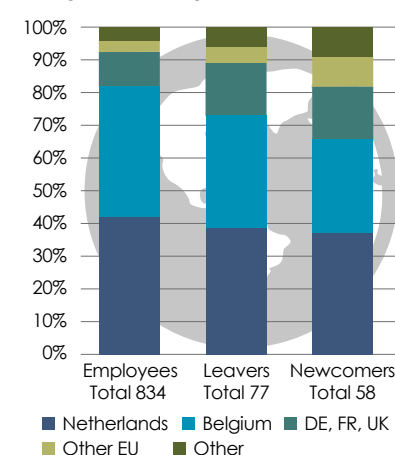
**Figure 17: LA1 & LA2 Employees, leavers and newcomers**

Age groups in %



**Figure 18: LA1 & LA2 Employees, leavers and newcomers**

Geographical regions in %



Our internal operations philosophy is centred on three key areas: **Safety, Quality and Quantity**. These criteria (in order of importance) form the backbone of how we manage our day-to-day operations.

### Health and Safety

We are committed to eliminating hazards from the workplace, providing employees with a safe and healthy work environment and complying with all such applicable occupational safety and health laws and standards. Employees are required to comply with all such laws and related Desso policies. Employees are also required to appropriately report any adverse health or unsafe conditions, hazards, broken equipment or machinery, and accidents.

For Desso, health and safety has always been a top priority and an area where we aim to continuously improve. The most important actions around this topic are:

- Equipment and work station risk analysis to prevent injury or accident.
- Provision of safe access to and from all places of work.
- The safe storage of materials as directed by company policy.
- Sufficient signalling/routes/lighting to help show people where to go in case of evacuation.
- A health and safety committee of 40 volunteers kept up to date on methods and evacuation techniques.
- The right of every employee to report any unsafe working area, situation, environmental incidents or ergonomic problems. This reporting is analysed daily by operations and by the health & safety committee and if necessary corrected.
- Environmental and safety training course for all new employees and onsite contractors.

In 2014, Desso's injury rate<sup>42)</sup> of 1.5 in Belgium and the Netherlands remained the same as in 2013 below the industry benchmark of 4.0 (2013 Belgium<sup>43)</sup>) and the rate of lost days<sup>42)</sup> – defined as days lost due to

a worker's inability to perform the work – was at 44 in 2014 compared to 56.4 in 2013 against a benchmark of 98 (Belgium, 2013). Lost days were down from 377 to 289 overall from 2013-2014.

In 2014, ten accidents occurred among our employees as well as two relating to on-site contractors. There were no fatalities as a result of these accidents.

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**Absenteeism went down in Belgium from 5% to 4.6% but increased in the Netherlands from 3.8% to 4.8%.**

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People absent due to illness can be a great drain on productivity. However, at Desso the absentee rate has been consistently better than the industry benchmark. In 2014, the overall sickness absentee rate<sup>44)</sup> was 4.7%, slightly up on 2013's 4.3%. Absenteeism went down in Belgium from 5% to 4.6% but increased in the Netherlands from 3.8 to 4.8%. The reason for this increase in the Netherlands is due to the fact that our workforce is getting older (see page 64) especially at the Waalwijk production plant in the Netherlands.



### Health & Vitality

In line with our vision, a 'Health & Vitality' programme was introduced for Desso employees at the beginning of 2015. This programme offers 'stop smoking' classes, healthy food programmes, mental health programmes (such as relating to better time management and work-life balance) as well as encouraging employees to take up sports activities such as hockey, jogging, and discounted membership for fitness centres.

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**All footnote references can be found on page 86**

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# Human Rights & Code of Conduct

Desso has made the decision to support the principles of the UN Global Compact (UNGC), an initiative that promotes responsible corporate practices in the areas of the environment, labour, human rights and anti-corruption. In October 2014, we confirmed our commitment to the principles of the UN Global Compact in an official letter to the UN Secretary General and with this report we are restating our support for these principles and are also reporting on our progress via the annual 'Communication on Progress' (COP) for 'advanced level'.

Social Fairness is also one of the five elements of the Cradle to Cradle® philosophy we have been following since 2008. It covers all areas from ensuring high health and safety standards in our offices and plants to trying to ensure that no one in our supply chain around the world has any connection with the use of child labour or enforced labour.

For Desso, social fairness covers:

- Improve social risks and impacts of Desso's own operations
- Improve social risks and impacts of Desso's suppliers
- Collaborate to advance broad UN goals by community development projects

## Our approach and progress

As a newcomer to the UNGC, the work in our first year has strongly focused on assessing, mapping and understanding the potential risks related to our own operations and those of our suppliers. Assessments are enabling us to develop effective strategies, policies and procedures that finally will drive continuous improvement of social fairness on the long run.

**Figure 19:**  
The UNGC Management Model



To help us in this process we have been partnering with SEDEX<sup>45)</sup>, a non-profit data exchange organisation dedicated to creating sustainable supply chains. Working with SEDEX has involved three steps:

1. Assessing potential risks of our own operations and across our supply chain, based on country and sector profiles.
2. Proceeding with self-assessment questionnaires (SAQ) sent to potential medium and high risk suppliers<sup>46)</sup>
3. Carrying out audits in accordance to the standards set by the Sedex Members Ethical Trade Audit (SMETA). Desso signed up for a pilot phase with SEDEX, running from October 2014 to May 2015.

In order to cover minimum risk for all suppliers we have developed a new Supplier Code of Conduct, integrating the UNGC's principles<sup>46)</sup>. All our high and medium risk suppliers have been contacted to sign our renewed supplier code-of-conduct. More details about our supply chain management programme follows below.

## Supply Chain Management

We fully understand the vital role our suppliers play in helping us to realise our vision. To meet our ambitious targets we seek business relationships with suppliers who share our vision, are dedicated to improve their products and operations towards environmental and social excellence, and promote the same values actively among those with whom they do business.

## The Ten Principles of the UNGC

The UN Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption are as follows:

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 labour.
5. They should uphold the effective abolition of child labour.
6. They should uphold the elimination of discrimination in respect of employment and occupation.
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 friendly technologies.
10. Businesses should work against corruption in all its forms, including extortion and bribery.



As described earlier, to implement social fairness along the whole value chain effectively, Desso has renewed its approach and decided to work together with Sedex, a platform for assessment and management of ethical business practices along the value chain. For Material Health Assessment of products and services that are considered for procurement, Desso continues working together with EPEA Hamburg.

### Product Declaration

For every product we purchase, we ask our suppliers to fill in a product declaration. The product declaration is the basis for a third party material health assessment by EPEA. As soon as your product is "positive defined" by EPEA, it is a purchasing option for Desso. (A positive assessment is a purchasing prerequisite).

### Supplier Code of Conduct

We also require all suppliers to take notice of and sign our renewed supplier code of conduct, regarding the social circumstances of their operations. In our supplier code of conduct we define the minimum standards that we ask our suppliers and their sub-tier supplier to respect and adhere to when conducting business with Desso.

### Supplier assessment

In 2014, Desso's purchasing department began to map out the company's supply chain, focused on social risks and the possible impact of Desso's own operations and those of its suppliers on employees and communities. The areas of labor, health & safety, environment and business integrity were chosen as a basis for the study, connected to the UNGC's four pillars (human rights, labour, environment, and anti-corruption).

The first supplier assessment began in October 2014, in which a selection of vendors were used as base for this analysis. As a next step all active vendors were risk rated (based on region, type of industry and size of business).

Out of a total of 16,671 vendors, we identified 581 who were considered potential risks in relation to some

## Social Fairness: supporting sustainable farming in the Peruvian tropical rainforest

Deforestation and forest degradation, through agricultural expansion, conversion to pastureland, infrastructure development, destructive logging, fires and more account for nearly 20% of global greenhouse gas emissions, according to the UN<sup>47)</sup>. Tropical forests continue to disappear at an alarming rate, resulting in a devastating loss of biodiversity.

As part of our commitment to C2C's Social Fairness principles, Desso aims to support sustainable farming practices in developing countries and the preservation of biodiversity where tropical forests are under threat and local farmers are discouraged from continuing with more sustainable practices.

In that light, we were delighted to be able to support mainly through a financial contribution, a project in the Tambopata region of Peru, with the aim of helping local cocoa farmers utilise their knowledge and skill to maintain sustainable agroforestry projects and in so doing discourage further deforestation and loss of biodiversity.

In 2013, we joined a new business group, linked to the UN's REDD+ initiative (Reducing Emissions from Deforestation and Forest Degradation). As well as Desso, this partnership includes the Dutch sustainable energy companies Essent and Eneco, the Dutch Development Bank FMO and the Platform Biodiversity, Ecosystems & Economy (Platform BEE). In 2014, the members of the REDD+ business initiative agreed to make a major contribution to this project.

The resources goes towards supporting the work of the Peruvian Association for Research and Sustainable Development (AIDER), which has been awarded a 20 year concession to manage the Tambopata and Bahuaja-Sonene protected areas in the Madre de Dios region of the Peruvian Amazon, one of the world's most important biodiversity hotspots.

In support of the area's economic development, AIDER developed a REDD+ strategy building conservation alternatives to current subsistence agricultural practices such as slash and burn among the surrounding native communities and poor migrants from the Andes region.

In practice, the project has created a 4,000 hectare buffer zone of certified cocoa plantations where agroforestry systems are to be deployed. Through the intensification of their agricultural practices, 1,100 small farmers will be able to improve their livelihoods without a further deforesting of the primary forest. This project is also expected to reduce greenhouse gas emissions by 450,000 tonnes per year on average, contributing further to climate change mitigation.

or all of the areas: good labour management, health and safety, environment and business integrity.

These organisations were asked to comply with our SEDEX objectives, fill in related self-assessment questionnaires and sign up to our Supplier Code of Conduct. This process started in November 2014,

making it too early to draw any firm conclusions. However, the first results are listed below:

### Results of the supplier assessment

- Inherent Risk Analysis: 100% of our own operations and all of our active<sup>7)</sup> suppliers, in total 3,508
- 57 suppliers out of the 3,508 were classified as 'high risk'<sup>46)</sup> based on

- their country and industry profile.
- **Supplier Code of Conduct:** Desso sent its new Supplier Code of Conduct to the 212 high and medium risk suppliers, of which 84 have signed to date. We continue to follow up on this in order to ensure that all of these suppliers sign the Supplier Code of Conduct.
- **Self-Assessment Questionnaires:** SAQs were completed on social and environmental aspects by 59 out of 212 suppliers.

We believe this process will help us in reviewing the scope, timings and targets of our sustainable supplier strategy for 2015-2016. These insights will be used to reduce risks and improve social responsibility in the value chain. The intention is not to replace vendors, but to eliminate existing flaws and reduce gaps.

#### **Code of Conduct and Business Ethics**

We employ hundreds of people globally and need to ensure that every single employee and all those who work for us as contractors adhere to our code of conduct rules. Operating honestly, openly and with integrity is of key importance to us. Showing respect to other culture, following the rules and regulations

in all locations, being a good business these are non-negotiable behaviours.

The actions of Desso and its directors, managers, officers, employees, agents, consultants and other representatives must be in compliance with applicable laws, Desso's values and Code of Conduct.

When there is any doubt as to the lawfulness of any proposed activity, we advise our employees to seek advice from the Human Resources department, the same is applicable in case of any grievances. In 2014, we have had employees seeking advice with the HR department, but there have been no formal grievances or discrimination incidents recorded in this period.

#### **Corporate Citizenship**

Next to our management approach we consider ourselves a corporate citizen and want to take our responsibility for the larger society. To this end, we engaged in several projects serving community development and education. In particular, we would like to draw attention to the following:

- Project Mainstream (page: 24)
- CE100 (page: 24)

- REDD+ (page: 68)
- Healthy Seas (page: 53)
- Portable water drilling unit in Gambia (page: 61)

More details on each of these projects can be found on the above mentioned pages.

#### **Future steps**

As we have been acquired by Tarkett in January 2015, we are currently involved in an elaborate integration process. Tarkett is an 'advanced' member of UNGC, which means that our social commitment will only be further strengthened. During 2015 we will also review the findings from our SEDEX pilot and align our social targets within the new Tarkett organization. From there we will develop effective policies, strategies, procedures, targets and KPIs to drive our social performance to the next level.

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**All footnote references can be found on page 86**

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# Communications

At Desso, we are committed to clear, open and honest communications that enable us to achieve our strategic objectives. Reinventing a business means having to win the hearts and minds of a multitude of stakeholders, both internally and externally.

For these reasons, Desso believes that robust and open communications is one of the fundamental drivers of its long-term success. It is equally important that we make sure our communications is in line with our broad CSR objectives, linked to Cradle to Cradle® and the circular economy.

That is why we want our communications to adhere to the GRI guidelines in accordance with PR 6 as a key performance indicator.









## Environmental expenditures and investment

Since 2008, Desso began to incorporate Cradle to Cradle® objectives into its long-term sustainability plans with the support of the Cradle to Cradle® consultancy EPEA based in Hamburg. To pursue this pioneering approach the company had to invest significant time and money into developing new processes and starting to change the company accordingly.

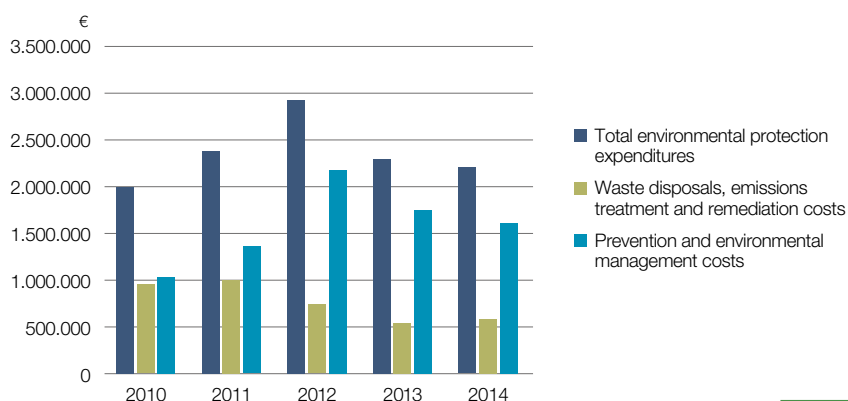
In the process its prevention and environmental management costs have more than doubled from 2008 to 2014.

In 2013, 23% of the expenditures were related to waste disposal and remediation costs and 77% were related to environmental prevention costs and investments. In 2014, this changed to 28% and 72% respectively. Prevention and environmental management costs reduced from €1.8m in 2013 to €1.6m Euro in 2014. Waste disposal, emissions, treatment and remediation costs increased slightly from €0.5m in 2013 to €0.6m in 2014.

Regarding external financial assistance for our environmental programmes, Desso received €187,000 in Government subsidies (EC4). The Government is not present in the shareholder structure (see page 21).

**Figure 13: EN 30**

Total environmental protection expenditures and investments by type (€)







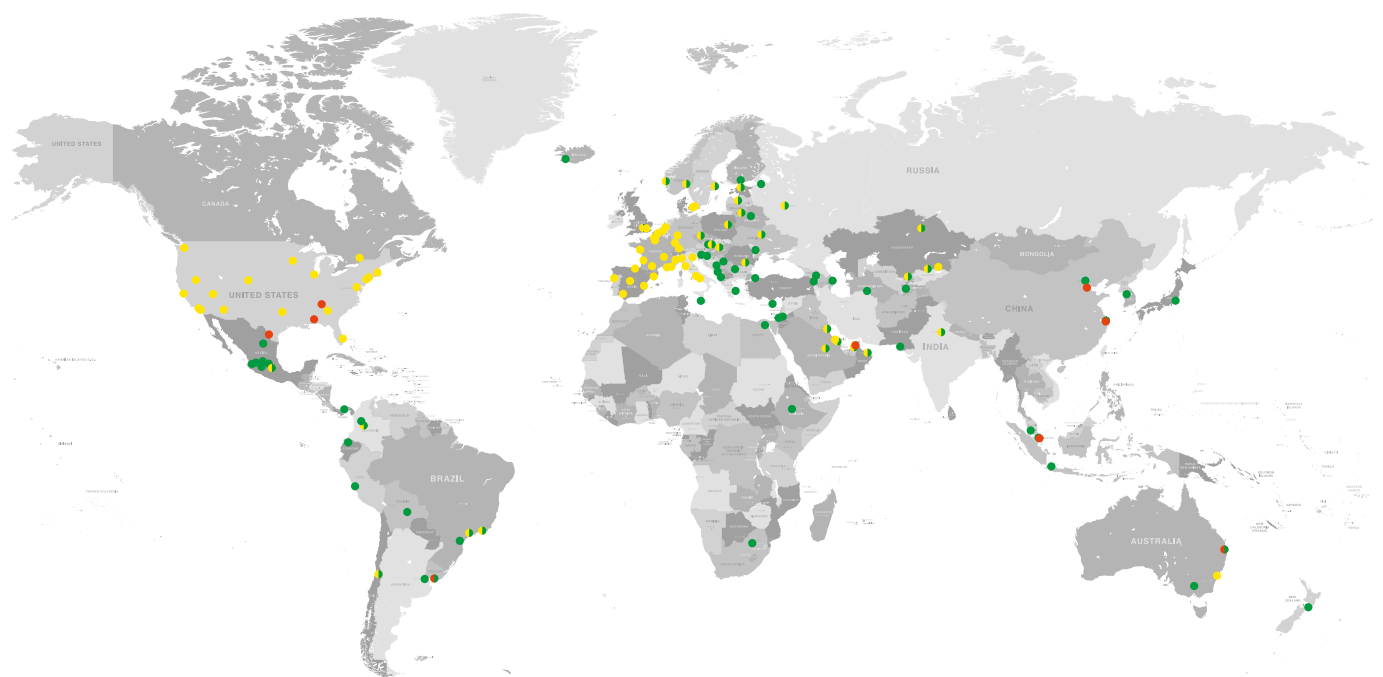
## Regulations and Compliance

Over the last five years (2009-2014) Desso has not received any fines or nonmonetary sanctions for non-compliance with any general laws and regulations, environmental laws or regulations, or laws and regulations concerning the provision and use of products and services.

There were no legal actions for anticompetitive behaviour, anti-trust, or monopoly practices.







- Dealers
- Sales Offices / Sales Representatives / Showrooms
- Warehouses
- Both



# Scope and reporting principles

## Boundary of report

Desso operates its own vertically integrated production process in its factories in the Netherlands and Belgium. All stages of Desso's carpet production are managed over these three sites:

- Waalwijk, The Netherlands (carpet tiles) - headquarter
- Goirle, The Netherlands (finishing)
- Dendermonde, Belgium (carpets and artificial grass)

This set-up is crucial in enabling us to monitor quality as well as maintain flexibility in the support of our customer needs. Boundary of reporting:

2010: Acquisition Enia: Waalwijk, Dendermonde, Goirle, and Heerlen

2011: Waalwijk, Dendermonde, Goirle and Heerlen

2012: Waalwijk, Dendermonde, Goirle

2013: Waalwijk, Dendermonde, Goirle

2014: Waalwijk, Dendermonde, Goirle

## Scope of reporting

Regarding the scope of Desso's indicators, this is explained in detail on page 39. Desso's environmental indicators are predominantly production and raw material usage related as this is where the biggest impacts occur. Hence the reporting of these are focused on Desso's production sites. All other indicators cover total Desso. The scope has not changed compared with 2013.

## Reporting Principles:

DESSO's Corporate Responsibility Report for 2014 is drafted in accordance with the Global Reporting Initiative Guidelines (Version G3.1).

## Explanation of re-statements

There are three areas we would like to report in relation to re-statements:

EN3 and EN16: Gas consumption and related CO<sub>2</sub> emissions

In our 2013 report there was a small overestimation of the gas consumption of the Dendermonde plant, calculated by the heating value. The actual heating value is approximately 10% lower. The accurate figures have now been updated in the 2014 report. The calculation method for CO<sub>2</sub> emissions has not changed<sup>40)</sup>.

LA 7: Employee absenteeism figures

During our subsequent quarterly reporting we discovered that the absenteeism rates for our facilities in Belgium reported in 2013 were too low. This has now been corrected in the 2014 report.

EN 22: Classification of waste streams

Since the 2013 report, we have reclassified some waste flows according to EURAL codes. As a result of this, we have found that the figures for hazardous waste had been overestimated and this has now been corrected.

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# Assurance report

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## **Independent limited assurance report on the Key Performance Indicators included in the 'Corporate Responsibility 2014' report of Desso Holding B.V.**

To the stakeholders of Desso Holding B.V.

### **Engagement and responsibilities**

We have performed a limited assurance engagement on the Key Performance Indicators (KPIs) as listed in the GRI content index of the 'Corporate Responsibility 2014' report (hereafter 'the Report') of Desso Holding B.V., Waalwijk on page 80-85 where 'yes' is stated in the column Assurance 2014.

In addition we have reviewed whether the Report has been prepared in accordance with the G3.1 application level B Guidelines of the Global Reporting Initiative (GRI) with the objective to issue an assurance report that provides limited assurance.

### **Conclusion**

On the basis of the procedures we have performed nothing has come to our attention that causes us to believe that the assurance KPIs as included in the Report have not been prepared in all material respects in accordance with the Sustainability Reporting Guidelines (G3.1) of the Global Reporting Initiative application level B.

### **Comparative periods**

We did not perform assurance procedures on the KPIs of comparative periods.

### **Our work as a basis for our conclusion**

Our work was carried out by a multidisciplinary team of experts in assurance and Corporate Responsibility. It is our responsibility to issue a limited assurance report on the Report. We have conducted our examination in accordance with international law, including Standard NV COS 3810 "Assurance Engagements relating to Sustainability Reports". This requires that we meet the applicable ethical requirements.

The nature and scope of our work was more limited than an engagement to obtain reasonable assurance and can only result in a conclusion that provides limited assurance that the Report is not materially misstated. This provides less assurance than an audit.



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Our work performed mainly consisted of the following procedures:

- Reviewing the processes for data collection and processing of the other information, including the aggregation of data to information as included in the Report;
- Performing analytical procedures (analytical reviews);
- Reviewing the Report on the basis of internal and external documents, also by establishing in detail that the Report corresponds with the information in the relevant underlying documents;
- Assessing the company's stated application level B according to GRI's 3.1 guidelines.

The Report includes forward-looking information in the form of objectives, expectations and ambitions. It is inherent in such information that its realization is uncertain. For that reason we do not provide assurance on any forward-looking information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Standards applied by Desso Holding B.V.**

The management of Desso Holding B.V. is responsible for the preparation of the Report and the information included in it in accordance with the Sustainability Reporting Guidelines (G3.1 'application level B') of the Global Reporting Initiative. This responsibility includes the design, implementation and maintenance of a system of internal controls relevant for preparing the Report free from material misstatements due to fraud or error, the selection and application of acceptable reporting criteria for corporate sustainability reports, and the preparation of estimates that are reasonable given the circumstances.

Rotterdam, 21 September 2014  
Deloitte Accountants B.V.

P.J. Seegers  
Signed on the original: P.J. Seegers



# GRI index

DESSO's Corporate Responsibility Report for 2014 complies with the Global Reporting Initiative guidelines (Version G3.1). The following index shows where information can be found, with links to the CR report.

Deloitte has conducted a limited assurance review on a selection of KPI's and the GRI application level B+ of Desso's Corporate Responsibility report 2014.

## Report References:

CR = Corporate Responsibility Report

## Report Status:

- Reported
- ▼ Partially reported
- Not reported



Indicators	Report References	Report Status	Assurance 2014*	UNGC & reported
<b>1. STRATEGY AND ANALYSIS</b>				
1.1 Foreword: Roland Jonkhoff, Managing Director, Desso & VP. Carpet EMEA	4 - 7	●	no	x
1.2 Sustainability-related impacts, risks and opportunities	8	●	no	x

2. ORGANIZATIONAL PROFILE					
2.1	Name of the organization	3, 21	●	yes	x
2.2	Primary brands, products and/or services	cover, 3, 47	●	no	x
2.3	Operational structure	19 - 21	●	no	x
2.4	Location of headquarters	77	●	yes	x
2.5	Countries where the Group operates	76, 77	●	no	x
2.6	Nature of ownership	19 - 21	●	yes	x
2.7	Markets served	76	●	no	x
2.8	Scale of the reporting organization	3, 77	◐	yes	x
2.9	Significant changes during the reporting period	19 - 21	●	yes	x
2.10	Awards received during the reporting period	27	●	no	x

3. REPORT PARAMETERS					
3.1	Reporting period	36	●	yes	
3.2	Date of most recent previous report	CR report 2013	●	yes	
3.3	Reporting cycle	35 - 36	●	yes	
3.4	Contact persons	backcover	●	yes	
Scope and boundary of report					
3.5	Process for defining report content	29 - 33	●	no	
3.6	Boundary of the report	39, 77	●	yes	
3.7	Specific limitations on the scope or boundary of the report	39, 77	●	yes	
3.8	Reporting of entities that can affect comparability from period to period and/or between organizations	77	●	yes	
3.9	Data-measurement techniques and the bases of calculation	35 - 36	●	no	
3.10	Explanation of the reasons for and effect of any restatements of information	77	●	yes	
3.11	Significant changes in the scope, boundary or measurement methods	77	●	yes	

Indicators		Report References	Report Status	Assurance 2014*	UNGC & reported
<b>Contents according to GRI</b>					
3.12	GRI Index	80	●	yes	
3.13	Policy and current practice regarding external verification	36, 78 - 79	●	yes	x

<b>4. GOVERNANCE, COMMITMENTS AND STAKEHOLDER RELATIONSHIPS</b>					
4.1	Governance structure of the organization	19 - 21	●	yes	x
4.2	Chairman's position	19 - 21	●	yes	x
4.3	Number of independent, non-executive Board members	21	●	no	x
4.4	Mechanisms for shareholders and employees to provide recommendations or directions to the Board or management	21, 36	●	no	x
4.5	Linkage between compensation to Board members, senior executives and managers and the organization's performance in terms of financial and non-financial targets	64, 65	◐	no	x
4.6	Processes in place for the Board to ensure that conflicts of interest are avoided	69	●	no	x
4.7	Processes for determining the qualifications and expertise of Board members	19 - 21	●	no	x
4.8	Statement of mission, values, code of conduct and principles relevant to sustainability performance, and their status	5 (UNGC, GRI), 10 (C2C)	●	no	x
4.9	The Board's procedures for overseeing how the Board addresses and handles financial, environmental and social issues, and how well these are implemented	19 - 21	●	no	x
4.10	Processes for evaluating the Board's performance, particularly with regard to financial, environmental and social issues	19 - 21	●	no	x
<b>Commitments to external initiatives</b>					
4.11	Explanation of how the Group addresses the precautionary approach	10, 24 - 25	●	no	
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the Group subscribes or endorses	67, 3 - 5, 10, 67	●	no	
4.13	Memberships in associations (such as industry organizations) and/or international advocacy organizations	24 - 27	●	no	
<b>Stakeholder engagement</b>					
4.14	List of stakeholder groups engaged by the Group	24	●	no	x
4.15	Basis for identification and selection of stakeholders	29 - 31	●	no	x
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	29 - 31	●	no	x
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to these	29 - 31	●	no	x

<b>5. MANAGEMENT APPROACH AND PERFORMANCE INDICATORS</b>					
<b>ECONOMIC PERFORMANCE INDICATORS</b>					
Disclosure on Management Approach		10	●	no	x
<b>Economic Performance</b>					
EC1	Direct economic value generated and distributed		○	no	
EC2	Financial implications and other risks and opportunities due to climate change		○	no	
EC3	Coverage of the organization's defined-benefit plan obligations		○	no	
EC4	Significant financial assistance received from government	73	●	no	
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation		○	no	

\* The assurance procedures on the key performance indicators are limited to the year 2014, for more information we refer to the independent assurance-report on page 78.



Indicators		GRI Report	Report Status	Assurance 2014*	UNGC & reported
<b>Market presence</b>					
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation		O	no	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation		O	no	
<b>Indirect Economic Impacts</b>					
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit		O	no	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts		O	no	

<b>ENVIRONMENTAL PERFORMANCE INDICATORS</b>					
Disclosure on Management Approach		10	●	no	x
<b>Material</b>					
EN1	Materials used by weight or volume	45	●	yes	x
EN2	Percentage of materials used that are recycled input materials	50 - 51	●	yes	
<b>Energy</b>					
EN3	Direct energy consumption by primary energy source	56	●	yes	x
EN4	Indirect energy consumption by primary energy source	56	●	yes	
EN5	Energy saved due to conservation and efficiency improvements		O	no	
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives during the reporting period		O	no	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved		O	no	
<b>Water</b>					
EN8	Total water withdrawal by source	60	●	yes	x
EN9	Water sources significantly affected by withdrawal of water	60	◐	no	
EN10	Percentage and total volume of water recycled and reused	60	●	yes	
<b>Biodiversity</b>					
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		O	no	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas		O	no	
EN13	Habitats protected or restored		O	no	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity		O	no	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk		O	no	
<b>Emissions, Effluents and Waste</b>					
EN16	Total direct and indirect greenhouse-gas emissions by weight	57	●	yes	x
EN17	Other relevant indirect greenhouse-gas emissions by weight		O	no	
EN18	<i>Initiatives to reduce greenhouse gas emissions and reductions achieved</i>		O	no	
EN19	Emissions of ozone-depleting substances by weight		O	no	
EN20	NO, SO, and other significant air emissions by type and weight		O	no	
EN21	Total water discharge by quality and destination	60	●	yes	
EN22	Total weight of waste by type and disposal method	53	●	yes	
EN23	Total number and volume of significant spills		O	no	
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally		O	no	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly		O	no	

Indicators		GRI Report	Report Status	Assurance 2014*	UNGC & reported
<b>Products and Services</b>					
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	44	●	no	x
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	51	●	yes	
<b>Compliance with laws and regulations</b>					
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	75	●	no	
<b>Transport</b>					
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce		○	no	
<b>Overall</b>					
EN30	Total environmental protection expenditures and investments by type	73	●	yes	x

<b>PERFORMANCE INDICATORS FOR LABOR PRACTICES AND DECENT WORK</b>					
Disclosure on Management Approach		64 - 66	●	no	x
LA1	Total workforce by employment type, employment contract, and region, broken down by gender	64 - 65	◐	no	x
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	65	●	no	x
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations		○	no	
<b>Labor/management relations</b>					
LA4	Percentage of employees covered by collective bargaining agreements	65	●	no	x
LA5	Minimum notice period(s) regarding significant operational changes		○	no	
<b>Occupational health and safety</b>					
LA6	Percentage of workforce represented in formal work-environment committees		○	no	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender	66	●	yes	
LA8	Action programme relating to serious diseases		○	no	
LA9	Health and safety topics covered in formal agreements with trade unions		○	no	
LA10	Average hours of training per year per employee by gender, and by employee category		○	no	
LA11	Programmes for skills management and lifelong learning		○	no	
LA12	Percentage of employees receiving regular career development reviews	64	●	no	x
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity		○	no	
LA14	Ratio of basic salary of men to women by employee category		○	no	
LA15	Return to work and retention rates after parental leave, by gender		○	no	x

<b>PERFORMANCE INDICATORS FOR HUMAN RIGHTS</b>					
Disclosure on Management Approach		67	●	no	x
<b>Investment and procurement practices</b>					
HR1	Percentage and total number of significant investment agreements that have undergone human-rights screening		○	no	
HR2	Percentage of significant suppliers that have undergone human-rights screening, and actions taken	68 - 69	●	no	x
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.		○	no	
HR4	Total number of incidents of discrimination and corrective actions taken	69	●	no	x

Indicators		GRI Report	Report Status	Assurance 2014*	UNGC & reported
<b>Freedom of association and collective bargaining</b>					
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken	68 - 69	●	no	x
HR6	Operations identified as having significant risk for incidents of child labor and actions taken	68 - 69	●	no	x
HR7	Operations identified as having significant risk for incidents of forced labor and actions taken	68 - 69	●	no	x
HR8	Percentage of security personnel trained in the Company's policies or procedures concerning aspects of human rights relevant to operations		○	no	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken		○	no	x
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	68 - 69	●	no	x
HR11	Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms	69	●	no	x

<b>PERFORMANCE INDICATORS FOR SOCIETY</b>					
Disclosure on Management Approach		67	●	no	
S01	Programmes and practices that assess and manage the impacts of operations on society/communities		○	no	
S02	Percentage and total number of business units analyzed for risks related to corruption		○	no	
S03	Percentage of employees trained in anti-corruption policies and procedures		○	no	
S04	Actions taken in response to incidents of corruption		○	no	
S05	Public policy positions and participation in lobbying		○	no	
S06	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	2014: value is €0	●	no	
<b>Anti-competitive behavior</b>					
S07	Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices and their outcome	71	●	no	
S08	Monetary value of fines and number of sanctions for noncompliance with laws and regulations	75	●	no	

<b>PERFORMANCE INDICATORS FOR PRODUCTS</b>					
Disclosure on Management Approach		44, 71, 75	●	no	x
PR1	Life-cycle stages in which health and safety impacts of products and services are assessed and the percentage of products and services subject to such procedures		○	no	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes		○	no	
<b>Product and service labeling</b>					
PR3	Type of product and service information required by procedures, and percentage of products and services subject to such information requirements		○	no	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes		○	no	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction		○	no	
PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications.	71	◐	no	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes		○	no	



Indicators		GRI Report	Report Status	Assurance 2014*	UNGC & reported
PR8	Total number of substantiated complaints regarding breaches of customer privacy ad losses of customer data		O	no	
PR9	Monetary value of fines for noncompliance with laws and regulations concerning products and services	75	●	no	



Pebble 9526

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- 3) The Circular Economy and Benefits for Society Swedish case study shows jobs and climate as clear winners, the Club of Rome, April 2015. <http://www.clubofrome.org>
- 4) Michael Braungart & William McDonough, Cradle to Cradle: Re-Making the Way We Make Things (Vintage, 2009), p.78.
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- 6) Positively defined = all ingredients have been assessed as either Green (optimal) or Yellow (tolerable) according to the Cradle to Cradle® assessment criteria. As described in Cradle to Cradle® CertifiedCM Product Standard Version 3.1.
- 7) All vendors with turnover in the period 2013 – 2014 May 20th and that are not flagged for ceasing contracts
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- 23) <http://forumblog.org/2014/01/can-design-products-dont-end-landfills/>
- 24) <http://www.theguardian.com/sustainable-business/china-recycling-waste-circular-economy>
- 25) <https://thecirculars.org/>
- 26) <http://www.sustainablebrands.com/>
- 27) Circles of Architects are special meetings of these key stakeholders at Desso-run events, usually to ascertain their views of the latest products and R&D. This form of co-creation has been a strong USP of Desso's since 2008 and underpins our design approach, known as Carpetecture.
- 28) <https://www.unglobalcompact.org/what-is-gc>
- 29) Rapidly renewable materials are natural, non-petroleum-based building materials that have harvest cycles under 10 years
- 30) Based on tests performed by GUI, with DESSO AirMaster® versus a standard smooth floor and versus standard structured loop pile carpet (median values).
- 31) Tests performed at SWA (Schall- und Wärmemessstelle Aachen GmbH) – Institut fuer schalltechnische und wärmetechnische Prüfungen- Beratung-Planung.
- 32) Tests performed at SWA (Schall- und Wärmemessstelle Aachen GmbH) – Institut fuer schalltechnische und wärmetechnische Prüfungen- Beratung-Planung.
- 33) Data based on calculations made with DIALux software, based on closed cell office without furniture and without windows. The results depend on the size of the room, the height of the ceiling, the amount of light coming in from outside and the general nature of the surroundings.
- 34) 50% relates to the sales volume of products available with ECONYL® yarn in the commercial carpet tile collection. The total % of recycled content varies per product and per colour. Whether a colour contains ECONYL® yarn and the exact % thereof can be found on our website: [www.desso.com](http://www.desso.com).

- 35) Cradle to Cradle® Certification Programme Version 3.1, prepared by MBDC September 2008, updated January 2010; [www.c2ccertified.org/index.php/about/about\\_innovation\\_institute](http://www.c2ccertified.org/index.php/about/about_innovation_institute).
- 36) Desso's Take Back™ and Refinity® programmes will be re-branded to ReStart™ late 2015. ReStart™ is the recycling and Reclamation Programme of Desso's parent company Tarkett.
- 37) <http://healthyseas.org/>
- 38) Hydroelectric power is generated by water flowing through a dam's interior causing turbines to spin. As long as rainfall keeps the river full enabling it to replenish the water in the lake behind the dam, electricity will be generated without using a non-renewable fuel such as coal. Recently, some environmentalists have claimed that dams can alter nature's river systems, with a possible impact on plant and animal habitats leading to an imbalance in the ecosystem. Desso is aware of this debate and is in conversation with its energy supplier to ensure the hydropower energy it uses is generated in a sustainable way. <http://www.sustainablehydropower.org>; [http://wwf.panda.org/what\\_we\\_do/footprint/water/dams\\_initiative/dams/energy/](http://wwf.panda.org/what_we_do/footprint/water/dams_initiative/dams/energy/)
- 39) Refers to the extra energy required such as in the extraction of raw materials (e.g. oil, gas) to create the energy, efficiency of electricity production and transmission.
- 40) CO<sub>2</sub> Conversion factors used: Dutch Emission Authority - Agency NL ( gas NL = 56.5 kg CO<sub>2</sub>/GJ), Auditconvenant of the Flemish environmental agency - Vlaamse Milieumaatschappij VMM (gas B = 55.8 kg CO<sub>2</sub>/GJ, see: [www.auditconvenant.be/nl/nl33\\_energieplan.asp](http://www.auditconvenant.be/nl/nl33_energieplan.asp)); for renewable electricity<sup>38)</sup> no CO<sub>2</sub> emissions have been accounted.
- 41) <http://www.floflo.nl/>
- 42) Injury rate = number of accidents with at least 24 hours absence, per 200.000 working hours. Lost day rate = accident related lost days per 200.000 working hours
- 43) Belgium official statistics – <http://www.faoat.fgov.be/>
- 44) Calculated as Absent days divided by total worked days
- 45) For more information on SEDEX go online to: <http://www.sedexglobal.com/about-sedex/>
- 46) For classifications of social risks the MAPLECROFT database was deployed. This database classifies social risks based on country, sector and product profiles, on a scale from 1-2,5 (low risk), 2,6-5 (medium risk) and 5,1-10 (high risk).
- 47) <http://www.un-redd.org/aboutredd/tabid/102614/default.aspx>

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