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creating better environments



Health Safety Environment

Annual report 2005



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Pieter Hartog Managing Director Forbo Linoleum B.V.

Preface

As a result of our policy – which is aimed at steering improvement processes within the company in an active manner - we were able in 2005 to implement quite easily the new requirements prescribed by the revised standard for the ISO 14001 environmental management system. One such requirement is that companies must lay down in a communication plan a procedure for their communication with the various interest groups. As part of this plan, each year companies must publish a report in which they evaluate their performance in the field of health, safety and the environment (HSE report). Already in the year 2000 we at Forbo Linoleum B.V. started to issue an annual HSE report. These reports contain a review of what we achieved in the previous year, as well as our objectives for the coming year.

Our HSE performance in 2005 was good. As in 2004, we saw a substantial decrease in the accident rate, which proves that we are on the right track with our safety awareness policy. Each accident is one too many, though, and therefore our focus will remain on reducing the accident rate to zero. In 2006, we will again take a number of measures to ensure that our safety policy remains high on everybody's agenda.

Our 3.8% energy saving in 2005 was well above our target of 3%, which means that we have taken another important step forward in improving our environmental performance.

The introduction of Topshield further boosted linoleum's life cycle analysis performance. This innovative product finish provides the basis for a highly efficient floor care system, which also saves on the use of cleaning agent. Considering linoleum's long useful life - at least 30 years -Topshield makes a significant contribution to the environmental profile of the product's total life cycle.

Our sick leave policy helped us to achieve the targeted maximum average sick leave rate of 5% in 2005. That we are putting our active sick leave policy in a wider perspective is evidenced by the fact that in 2004 our company was certified for its Investors in People (IiP) programme. The basic principle of this human resources management instrument is that the improvement of an organization goes hand in hand with its employees' opportunities for further growth. This is why considerable investments were made in employee training and education in 2005.

Worth mentioning is also the effective communication of information about the company's strategy, objectives and results through information meetings, newsletters, flyers and the HSE report. This year's HSE report also pays attention to our mission and core values, which underlie the strategy of Forbo Flooring worldwide and thus also that of Forbo Linoleum B.V.

Our ambition is to conclude each year with an even better HSE performance. This report specifies the targets we are trying to realize right now.

Managing Director Forbo Linoleum B.V.



Our company

Our mission: to set the standards in creating and providing world-class flooring solutions.

Creating better environments

History

Say 'Krommenie' to most people, and they immediately think 'linoleum'.

The first length of linoleum was manufactured in a small factory in Krommenie that had been established by the local Kaars Sijpesteijn family in 1899. For many years, the company traded under the name Nederlandsche Linoleum-Fabriek (NLF) and, as of the 1920s, worked closely together with other European linoleum manufacturers, which laid the foundation for the future Forbo Group. When, in the 1920s, the company outgrew its production facilities in Krommenie, a second factory was built in the neighbouring village of Assendelft. This is the location where Forbo Linoleum B.V. operates its present facilities. The company's premises cover about 32 hectares and, like the rest of Assendelft, lie within the municipal boundary of Zaanstad. In the 1960s/1970s. the plant also produced vinyl floor covering. In the early 1980s, the manufacture of this product was moved to the Dutch town of Coevorden.

Forbo Group

Since 1968, Forbo Linoleum B.V. has been a member of the Forbo Group. This Swiss group operates internationally and is listed on the Zurich Stock Exchange. It comprises companies that are engaged in the development, manufacture and sales of floor coverings and industrial products. Forbo Linoleum B.V. is part of Flooring, one of the group's three businesses (together with Adhesives and Belting).

Strategy

We deliberately opt for upmarket positioning, which means that we must make

considerable investments in product innovation and quality management. This policy led to the company's certification for ISO 9001 (quality), ISO 14001 (environment) and NPR 5001 (occupational health and safety). Our focus is on the structural building of strong A brands - Marmoleum, Artoleum, Novilon and Marmoleum Click for both the contract and the consumer market. In the Netherlands, we sell our products to home and project furnishing businesses, partly through wholesalers. Our sister companies and local distributors market our product range outside this country. Domestically, we set the trend in floor covering, while we lead the linoleum market worldwide. In our aim to strengthen this position, we seek further growth, mainly by broadening our home market product range and expanding our export

Staff

We strive to create and maintain a working environment in which people show respect for one another and work with pleasure. The atmosphere in our company can be best described as informal, and the mentality of our strongly committed staff as down to earth. The company, which employs well over 700 employees, is one of the largest employers in the Zaan area. We also indirectly provide work for more than 3000 other people. Working at Forbo Linoleum B.V. implies involvement in the company's growth, innovation and change, which is why we invest continuously in the personal development of our employees. We pursue an active occupational health and safety policy and provide good terms of employment.





Bram Delfos Site Manager Forbo Linoleum B.V.

Policy statement regarding health, safety and the environment (HSE)

Forbo Linoleum B.V. assumes its entrepreneurial responsibility regarding employee health, employee safety and the environment (HSE). Since HSE management is considered an essential part of the company's policy, it has been made an integral part of all activities performed by the com-

The improvement of products and production processes is a permanent item on the company's agenda. All processes are carried out in accordance with the relevant rules and legislation. The basic principle is that all products and activities, as well as the entire production process, should reflect respect for people and their environment. This is the joint responsibility of both employer and employees. To this end, all employees receive HSE training geared to their specific job and responsibilities.

Forbo Linoleum B.V. strives to develop and implement sustainable production methods that make the most efficient use possible of the natural raw materials, additives, water and energy needed for the process. Wherever possible, efforts are made to minimize the environmental impact and to reuse residual waste.

Forbo Linoleum B.V. develops, manufactures and sells linoleum products. The product range also includes vinyl floor coverings, carpeting, flooring installation tools, and floor care and service products.

People should be able to rely on their working environment being safe and healthy. In the performance of its activities, Forbo Linoleum B.V. makes every effort to obviate risks that may harm the health and/or well-being of its employees and other parForbo Linoleum B.V. stimulates dialogue among its employees and with interested parties, the Works Council and the authorities. Active and effective communication with these parties helps the company to look at its HSE achievements from a critical point of view and to make improve-

In order to maintain and further improve the HSE performance, each year Forbo Linoleum B.V. formulates its policy and objectives in accordance with ISO 14001 and NPR 5001. To ensure the observance of this policy, periodic audits are carried out by both internal and external auditors. This allows the HSE achievements in a specific year to be tested against the HSE objectives established for that year. The results are presented to all employees of Forbo Linoleum B.V. and are published in the annual HSE report.

Bram Delfos

Site Manager Forbo Linoleum B.V.

Evaluation of HSE objectives for 2005

Health & Well-being Safety The environment

HEALTH & WELL-BEING

Keeping low the level of sick leave

Supported by our active sick leave and reintegration policy we were able to reduce the sick leave rate in 2005. We recorded a figure of 4.9%, compared to 5.6% in 2004 - a good achievement considering the targeted 5%. We will try to maintain this level in 2006.

Periodic Employment Health Survey (PEHS)

Every five years, employees are invited to participate in the PEHS. In 2005, staff members of a number of departments received an invitation to participate. The response rate to the invitation was high and the survey was carried out satisfactorily. The results of the survey were used to make an action plan for each department for the implementation of the recommendations

SAFETY

Minimizing the accident rate

There were 23% fewer accidents in 2005 than in 2004. Since the implementation of the safety awareness improvement plan two years ago, the accident rate has decreased by nearly 40%. Despite the strong focus on safe working, 27 accidents occurred in 2005. We will make further efforts to reduce the accident rate to zero in

Risk Assessment & Evaluation (RA&E) follow-up

Although we solved a large number of points for improvement that had been specified in the RA&E follow-up reports, there are still many points to be dealt with in a number of departments. A plan has been formulated and the required budget has been made available to deal with these items in 2006.

THE ENVIRONMENT

Saving energy

The indexed energy saving in 2005 was 3.8%, which is well above the targeted 3%. This positive result is attributable largely to the optimized production time or, to put it differently, the less amount of time and people it takes to produce a square metre of linoleum, which saves natural gas and electricity.

Reducing residual waste

The maximum target figure of 1000 tons set for the disposal of end-product rolls was not reached, mainly because the Finished Goods Warehouse had to dispose of a considerable quantity of old, nonrecyclable stock. The target for the disposal of residual granulates was not attained either. We did reach our targets, though, for the reduction of the quantity of sludge produced in the Oxidation Department and the quantity of rinsing water used in the Trimming Department.





Our products

Our products and services combine design and functionality in world-class flooring solutions. We will continue to nurture our strong brands. With a strong focus on innovation, we inspire our customers to create individual interior environments.

LINOLEUM, A NATURAL PRODUCT

Natural raw materials

Linoleum in all its varieties is manufactured almost entirely from natural raw materials. The major raw material is linseed oil, which is extracted from the seeds of the flax plant. Tall oil, a by-product from paper manufacturing, is added, along with gum resin to give linoleum its elasticity. Gum resin is tapped from pine trees without affecting the trees' further growth. The wood flour in the linoleum recipe is used to bind the pigments. We deliberately opt for wood flour made from timber grown in controlled forestry areas in Europe. Cork flour, which is used in some of our products, is the ground product of the bark of the cork oak, which can be stripped from the tree once every 7 to 10 years. Limestone, which is also added, occurs in large quantities all over the world. Jute, which is made from the fibres of the jute plant, is used as a carrier material. The pigments in our linoleum products are ecologically safe and do not contain any heavy metals. Nature is the perfect source for our raw materials: they abound naturally and can be harvested or extracted using relatively little energy. We work closely with the suppliers of our raw materials to reduce any negative environmental effects associated with the production of such materials.

New collections

2005 was dominated by the launch of Marmoleum Global 2, the most complete linoleum collection ever. We renewed the project vinyl collections Step and Colorex for the contract market, and the Novilon collection for the consumer market. We also made a start with Marmoleum Easy Loc (a new collection of laminate products) for the consumer market.

Marmoleum Global 2 is provided with Topshield. This new, revolutionary finish reduces the need for cleaning and maintenance. As a novel feature, Marmoleum Authentic in the Global 2 collection will remain available in all its 16 colours until 2012. Global 2 also adds a new Marmoleum structure to the collection:

2005 also saw the development of a range of special products, such as Marmoleum Acoustic and Marmoleum Decibel - which are sound-insulating - and Marmoleum Ohmex, which meets specific requirements for electrical conductivity. The multicoloured welding rod supplied for the Marmoleum collection is now also available for other collections. Another new welding rod is GloWeld, which emits light in







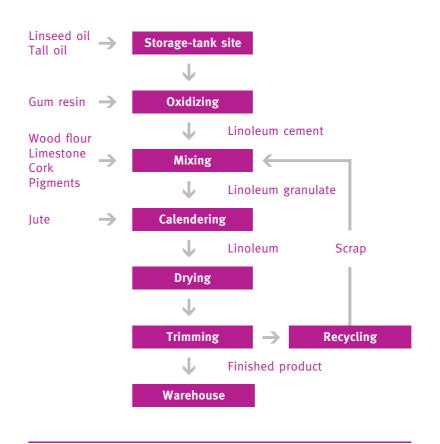


Jack Ernest is sales manager at Tronox (formerly Kerr McGee). Tronox supplies the titanium dioxide that we use as a whiting agent in Marmoleum.

'We at Tronox aim to manufacture our products in a nature friendly manner. Whenever possible, we recycle our waste matter into useful products. By doing so, we not only reduce our waste stream but also generate profit.

'When Forbo visited our production plant in Germany about three years ago, we discussed a number of environment-related subjects. We'd exchanged information before then, but mostly about quality matters. Forbo was the first to come to us with specific questions about environmental friendly production.

'This attitude of Forbo encourages us to continue our efforts to improve our processes, particularly when it comes to environmental matters. The chemical industry is facing increasingly stringent legislation, and nature friendly manufacturing is the way to go.'



Production process

Linoleum manufacturing comprises five processes: oxidizing, mixing, calendering, drying and trimming. First, linseed oil is mixed with tall oil and gum resin. This mixture is exposed to the air for a considerable length of time and at a certain temperature. During this process, the oxygen in the air causes the tall oil and linseed oil to oxidize. The oxidized oils in combination with the gum resin produce a sticky binding agent. This mixture is cooled and then mixed with wood flour or cork, limestone and various pigments to produce granulates, which are rolled onto the jute backing (calendered). The product is hung in drying rooms for two or three weeks, where it further oxidizes at a relatively high temperature. When the product has obtained the required hardness and flexibility it is removed from the drying rooms, provided with a protec-

tive lacquer (Topshield finish) and cut to

size (trimmed). Reject material is ground

into powder and returned to the produc-

tion line for reuse.



Our people

We create an environment that empowers, motivates and develops our people to be the most knowledgeable, skilled and dedicated in the industry.

SAFETY

In 2005, the number of accidents further decreased by 23%. Our final goal, though, is zero accidents, which we seek to achieve by taking more preventive measures and keeping our focus on the significance of near-accident reporting.

Safety awareness

In 2005, the issue of safety awareness at work again received particular attention.

All employees in the Production and Logistics departments followed the safety awareness training, while the management staff of the Operations Department participated in the Safety for Operational Management Staff (VCA) course. The team leaders attended workshops, in which actors interactively illustrated the importance of safe working and the role of management staff in this. In play-role sessions, the team leaders had to solve problems typical of those that they face in everyday practice.

Significant improvements were made in the areas in which an RA&E had been carried out. For example, safety fences were put up in several places in the production departments, while new work procedures were formulated and the existing ones adjusted. People from other companies who perform activities on our premises receive our safety instructions. In order to identify and eliminate safety risks in time, the installation or commissioning of a new machine will now be followed by an RA&E.

Accidents

The further decrease (23%) in the number of accidents in 2005 clearly marks a conti-

nuing down-trend since the safety awareness project was started in 2003. A total of 27 accidents were reported. In 9 cases, the accident led to sick leave. One case was reported to the Labour Inspectorate.

The causes of accidents in 2005:

Person-relatedTechnicalOrganizational9%

The number of near-accidents and unsafe situations reported in 2005 (33) is the same as the figure recorded for 2004 and reflects the degree to which employees are aware of safety matters. Reports received can be acted upon to prevent hazardous situations. This will receive even more attention in 2006.

Accident prevention officer

The Dutch Occupational Health and Safety (Arbo) Act 1998 was liberalized on 1 July 2005. Since then, companies may call in expert support from bodies other than the Arbo Service Companies in matters pertaining to labour conditions. One option is to appoint an accident prevention officer. He or she will deal with employee health and safety on the shop floor and must therefore be well informed of all occupational health and safety risks related to the company's activities. His or her tasks include, among other things, assisting in RA&Es and giving safety instructions and information to the company's employees. Since most of these tasks at Forbo Linoleum B.V. were already carried out by the company's safety expert (in collaboration with the Arbo Service Company), it was a logical step to combine these two positions: an





Lau Koopman is fire prevention officer and assistant senior fire officer at the company's fire brigade.

accident prevention officer was appointed on 1 January 2006, in consultation with the Works Council. The tasks of the accident prevention officer include:

- assisting in the process of drawing up
- consulting with and advising the Works Council and the management team • implementing measures following such
- consultative meetings
- giving advice and information to employees and responding to their queries
- providing information concerning the maintenance of equipment
- monitoring the proper use of personal protective equipment
- giving instructions regarding hazardous substances at work.

Fire Brigade

In 2005, the company's fire brigade responded to 35 calls for assistance. Thirteen of these calls concerned a fire, in most cases caused by overheating. Quick action taken by the firefighters meant that there was no substantial damage. Eleven calls concerned sparks or smoke without an outbreak of fire, while the other 11 calls led to the fire brigade assisting with various other problems.

The standards laid down for fire brigades in the Fire Drill Guideline, which is issued by the Dutch institute for fire brigades and emergency teams (Nibra), are becoming increasingly rigorous. For example, the team must now exercise for six rather than two hours each month.

In November 2005, large-scale communication drills were organized. The participants were the regional fire brigade, the police, the medical aid team for accidents and

calamities, the company's fire brigade and our management team. It was Forbo's first computer simulated exercise. Our accident prevention officer had prepared an exciting situation: a linseed oil tanker moored in the canal next to our premises had caught fire. A ship on fire, a sailing boat sinking to the bottom, helicopters with press and police circling over the area... It was all terrifyingly realistic. The participants spoke highly of this new technique.

HEALTH & WELL-BEING

There was a strong response to the invitation to participate in the Periodic Employment Health Survey (PEHS). Clearly, people are interested in their health and well-being. 2005 saw the lowest level of sick leave in many years.

The company's Arbo Service Company carried out a PEHS in various departments in 2005. The survey covered both the health effects of the employees' work and the employees' perception of the work. The PEHS comprised a questionnaire, a medical examination and an invitation to participate in a health check programme, which included, for example, the measurement of cholesterol and a urine analysis. The response to the PEHS was 91%. The results indicate that, in general, our employees enjoy their work and are posi-

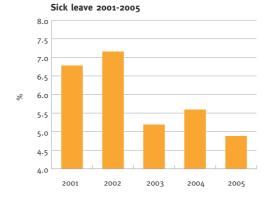
tive about the future. However, they did mention some points that require special attention, namely communication with management staff and the frequent need to work under pressure of time. These points will be put on the agenda of the team meetings.







Louis Bouma is Project Market sales manager. We asked him about installation



Causes of sick leave in 2005

A total of 896 sickness reports were received. These can be divided into five categories, namely:

Total	0,
• unknown	
• other	9
 stress/psychological problems 	
 motion sickness 	1
 flu/short period of sickness 	6

In 23 of the cases, the cause was an accident:

Total	_
 other type of accident 	
 traffic accident 	
 sports accident 	
• industrial accident	

People's bad posture at computer workstations, which can lead to neck and back problems, was mentioned as another area that requires attention. Working with WorkPace may help to improve this situation. The Information & Communication Services Department has already installed this software program on quite a few PCs.

The survey also investigated people's lifestyle. The following figures emerged from it: 35% of the employees do not practise a sport, 90% use alcohol on a regular basis, over 40% have high blood pressure, 39% consume too much fat and relatively many are overweight. The results of the survey were used to formulate a number of recommendations. The Human Resources Department discussed these with the management staff of the relevant departments. The results of these meetings will be included in the departmental objectives for 2006.

Sick leave 4.9%

The sick leave rate in 2005 decreased by 0.7% to 4.9%. It is the lowest level in years and below our target of 5%. This is an excellent achievement and shows that our focus on sick leave, prevention and reintegration is starting to pay off. Our goal-oriented approach to frequent sick leave also played an important role in reducing the figure. We will make every effort to ensure that 2006 is a healthy year.

Preventive dust investigation

In 2005, the Arbo Service Company measured the extent to which employees in the

Mixing and the Calendering departments are exposed to dust. They carried out the measurements twice. Both times, the amount of dust was very low - far below the legally permitted level. In February and March 2005, 60 employees in these departments were tested for possible jobrelated lung problems. No physical defects were found in them that indicated such disorders.

Chain responsibility for working

We at Forbo Linoleum B.V. believe that our responsibility for health and safety extends beyond our own premises and employees. This implies that we assume chain responsibility for the working conditions at both our suppliers and our customers, as we do in environmental matters. We carry out audits to examine the working conditions at our suppliers, and intend to include such audits in our conditions of purchase. For many years, our customers (especially the flooring installers) have been thinking along with us about how to improve the installers' working conditions. This has led to improved methods for removing floor coverings after use.

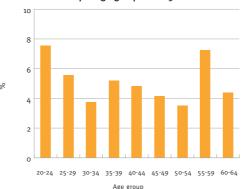
Legionella

Following changes in the law, an RA&E was carried out again in 2005. This time, the mains water system was examined, the results of which led to the drawing up of a new management plan, including a log book. A start was made with the clean-up operations that were recommended. The project will probably be completed in





Sick leave per age group in 2005



Duration of sick leave in 2005

Total	4.9% (2004: 5.6%)
Ongoing sickness	0.3% (2004: 0.6%)
43 - 365 days	2.5% (2004: 2.6%)
8 - 42 days	1.1% (2004: 1.4%)
1 - 7 days	1.0% (2004: 1.0%)

Noise in the workplace

The Dutch Arbo Act prescribes that the noise level at a workplace may not exceed 85 dB(A); if it does, measures must be taken to reduce it. At Forbo Linoleum B.V, these measures are implemented step by step. First, measures are taken at the source by using machines that produce the least amount of noise. If the effect is unsatisfactory, the source is screened off by placing it in a sound-insulating case. If this does not solve the problem, the workplace itself is screened off with soundinsulating barriers. If these measures fail to bring the level down to below 80 dB(A), employees are provided with personal protective equipment. This approach means that we apply an even higher standard than that prescribed by law.

The results of the Work Hygiene Survey, which was completed in 2000, were used to draw up a long-term noise reduction plan. Based on this plan, first those departments were inspected in which there is a distinct relation between the workplace and the noise produced by the relevant production line. Then the departments in which employees do not have a fixed workplace and are therefore exposed to varying noise levels were examined. In 2005, measurements were made in specific areas, such as Trim 3, Calender 2, the company restaurant and the Forbo SAP Competence Centre. Measures were taken wherever needed.

DEVELOPMENT-ORIENTED HUMAN **RESOURCES POLICY**

As in previous years, employee development received a great deal of attention in 2005. Among the items on our agenda were coaching and project management.

Investors in People

As certified Investors in People (since 2004), we continued to build on the development of our employees in a goal-oriented manner. In the line organization, the emphasis was on 'the manager as coach' and on improving team meetings and job assessment interviews. The results of our efforts were assessed positively by the Lloyd's auditor in November 2005.

The Human Resources Department organized a series of peer group counselling sessions for the Operations management staff, which dealt with 'the coaching of and by management staff'. The project will continue until mid 2006, after which it will be evaluated to establish whether or not this approach is satisfactory and should be prolonged. The Lloyd's auditor reported that the required management instruments have become part of everyday practice and that employee response shows that their superiors are now better able to steer and drive them in a coaching man-

The Project Management training organized in 2005 was attended by 210 employees from all Forbo Flooring departments. The participants spoke highly of the approach and focus of the programme. The training made a positive contribution





Saskia Boot – a staff member in the Order Processing (Nederland) Department – benefits from Forbo's training options.

'In 2005, I took the NIMA Marketing B course. I already had the Marketing A certificate; it was part of my Media and Information Management study. I had this plan at the back of my head to start studying again, and when the subject came up during my job assessment interview, well...

'Forbo's study arrangements are good – and they include a favourable refund scheme. So I'm a little surprised that – as far as I can see – relatively few of my colleagues make use of them, because study ing definitely contributes to your personal growth and career prospects

This NIMA Marketing B study has given me a better understanding of things, for example, why Forbo introduces new colections. In that, I've reached a higher evel – and that's just what I need, because I want to get on in marketing!'

Courses and training programmes

in 2005

111 2005	
Automation/informatics	5
Automation/PC applications	13
Civil engineering	7
Commercial	7
Communication	3
Energy	47
Financial/economic	9
Forklift truck driving	3
Industrial accounting	45
Installation technique	16
Colour theory	33
Quality	3
Logistics	14
Management	20
Incineration	15
Oxidation	27
Human resources	3
Development of personal skills	10
Problem analysis & decisionmaking	1
Process technique	34
Project management	95
Inspection and defect codes	65
Secretarial	1
Languages	5
Electrical and control engineering/	
electronics	18
Other techniques	54
Time management	33
Occupational courses, various	2
Safety	122
Total	710

particularly to the communication between the various departments.

In July, we organized information meetings for all employees. At these meetings, the management team provided information about the strategy and future of the Flooring companies.

Nearly all job appraisal interviews were held within the specified period of time. During such interviews, arrangements are made regarding the employee's training and development. In the spring, those employees who had participated in a growth-potential interview received feedback. These interviews are held to assess a person's potential growth and to give the employee an insight into his or her career prospects at Forbo Linoleum B.V. The results are used to formulate the company's manpower and succession planning.

We drew up the 2005/2006 training and education programme in the summer of 2005 and implemented it on 1 September 2005.

The general conclusion of Lloyd's audit report was that employees have learned to better cope with the complexity and intensity of the changes within the organization.

TRAINING AND EDUCATION IN 2005: BUILDING ON DEVELOPMENT IN A STRUCTURED MANNER

Employee development is the basis for the company's improvement of its performance. Our training and education policy is aimed at combining the company's objectives with the ambitions of our employees. Every year, we make arrangements with each employee as regards his or her development and education. These arrangements are then incorporated into our annual training programme.

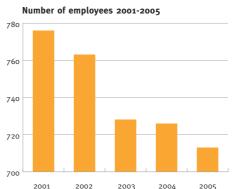
In 2005, we made considerable investments in employee training and education: for example, we invested EUR 369,000 in external training programmes alone. This figure does not include the costs related to the supervision and the absence of the employees who attended the programmes.

Skills and expertise

We seek to employ the most competent people in the sector, which is why we organize training courses that aim to improve our employees' skills and expertise. A good example is the vocational training in logistics and process technique, which is based on the BBL (day-time education for young employees) teaching method. This method, in which the participants receive job-related coaching for a number of years, combines theory and practice in the most optimal manner. In 2005, almost 50 employees participated. Our constant focus on new developments accounts for the relatively large number of Technical Maintenance staff who participate in technical training courses.







Efficiency and effectiveness

Together with Kepner-Tregoe, we have developed a two-day project management training for Forbo Flooring to ensure that all participants in a strategic or other project work with the same tools and guidelines during implementation. Of the 210 participants in 2005, 95 came from the Assendelft site.

In order to improve our efficiency and effectiveness, we organized, in collaboration with an external training institute, an in-company time management training. The 33 employees who attended this twoday course further developed their skills to use their time more efficiently.

Safety

Our concern for safety forms an essential part of our entrepreneurial policy as well as an integral part of all our activities. It is important that we maintain the attention to safety matters and increase safety awareness. This is why we continue to organize safety training programmes. In April, we organized a course based on the theme 'managing safety' for well over 50 management staff in the Operations Department. Professional course leaders supervised this interactive programme, which included the acting out of practical job-related situations.

In 2005, more than 50 management staff received the Safety for Operational Management Staff (VCA-VOL) certificate. In this course, management staff gain an insight into the responsibilities they have for safety and are taught how to steer the

employee's safety behaviour. Fifteen employees of the Technical Maintenance Department received the Basic Safety Training (VCA1) certificate.

Internal transfer of knowledge

Investing in know-how is essential, because knowledge plays a vital role in providing any company with a competitive edge. It is therefore important that the knowledge available within Forbo Linoleum B.V. is organized and used/reused effectively. Many courses and training programmes (including the technical ones) are developed and given by the company's own people. Examples of this are the courses in colour theory (33 participants), energy (47), oxidation (27), incineration (15), inspection and defect codes (65), and industrial accounting (45).

NUMBER OF EMPLOYEES:

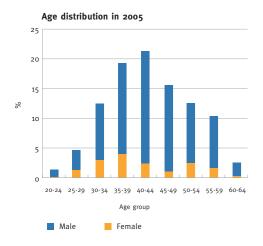
713 EMPLOYEES

Our workforce decreased slightly in 2005. Part-time working is becoming increasingly popular, also among our male employ-

At the end of 2005, we had a workforce of 713 (726 in 2004). The majority (79%) of our employees are full-timers (4% of our female and 75% of our male employees). However, this percentage is decreasing slowly but surely, since working part-time is becoming increasingly popular: 8% of our male and 13% of our female employees work part-time (in 2004: 7 and 12%, respectively). These percentages exclude those who work four or five shifts (and therefore less than 38 hours) a week.







Number of employees who joined the company in 2005

Total	16
Human Resources	2
Operations	3
Marketing & Sales NL	3
Forbo SAP Competence Centre	2
Flooring Marketing	1
Flooring Controlling	1
Finance & ICS	4

Number of employees who left the company in 2005

At their own request

Total	29
Early retirement	3
Summary dismissal	1
Dissolution procedure	3
Protracted sickness	3
Termination of contract	2

The average age of the company's work force in 2005 increased to 43, partly because of the lower intake of new employees.

Career prospects in 2005

We pay much attention to the development of both the company and its employees. It is important that the employees' personal growth keeps pace with their career development. The number of appointments and promotions is a useful measure of employee development. In 2005, 33 employees were appointed to other positions.

TERMS OF EMPLOYMENT

The many changes to pension plans, disability insurance programmes and health insurance schemes make it even more important to have a good Collective Labour Agreement (CLA) – and the agreement we concluded on 28 November 2005 is a good one.

Terms of employment and company regulations

A large number of regulations and terms of employment apply at Forbo Linoleum B.V. Most of them are available on the intranet and employees who do not have a PC at their workplace may request access to this medium through their superior. The information on the intranet site includes calculation examples and explanatory notes to the regulations, as well as a large number of forms for direct use. Access to these data can be obtained by clicking on 'Organisatie', then 'Personeel & Organisatie', and then 'Arbeidsvoorwaarden en regelingen'.

Employees are informed of amendments to these regulations and terms of employment by the management team through the intranet, notice boards, Caleidoscoop (the company's staff magazine) and the monthly newsletter that accompanies their salary specification. In some cases, such information is sent to the employee's home address.

Collective Labour Agreement (CLA)

The management team and the trade unions started the CLA negotiations on 9 June 2005. The negotiations were resumed in September to allow further study of the pension scheme problem and the developments in the area of sickness and disability.

After six very constructive meetings, the management team and the trade unions concluded an agreement in principle on 28 November 2005. The trade unions submitted this agreement to their members, who unanimously approved it in December. The new CLA is retroactive to 1 January 2005 and expires on 1 April 2007.

PARTICIPATION AND RELAXATION

Many employees show their commitment to the company by joining the Works Council, the HSE Committee or the Suggestions Committee. The Sports & Recreation Committee again helped to strengthen the relationships among employees and pensioners.

Works Council

In 2005, there were fourteen Works Council (WC) meetings: nine regular



Total	62
Human Resources	5
Operations	55
Marketing & Sales	2

meetings and five consultative meetings with the management team. The WC's executive committee held a meeting with the management team every two months. The new company doctor and the WC came together to introduce themselves and to discuss current affairs and the protocol between the WC and the Arbo Service Company.

The WC was not asked to express its opinion in 2005, although it did deal with two applications for its approval. These pertained to the ATV 2005 basic roster (the clustering of shorter working hours) and the appointment of an accident prevention officer. Both applications received the WC's consent.

In 2005, the WC worked hard to improve communications with its members. In addition to its two-monthly newsletter, the Council now publishes on the intranet the reports on its regular and consultative meetings. The WC also conducted a small-scale survey among its members to establish on which points communication can be improved.

Three working groups were formed to deal with the following subjects: flexible working hours, explanation of the objectives of the WC and the trade unions, and the transparency of responsibilities. The last subject has now been dealt with.

HSE committee

In 2005, the HSE Committee held eight meetings: seven regular meetings and one special meeting concerning the application for approval of the appointment of an accident prevention officer. One new member joined the WC to fill the vacancy of a member who had stepped down.

In June 2005, the HSE Committee attended a course which dealt with, among other matters, the appointment of an accident prevention officer as prescribed by the amended Dutch Arbo Act. The HSE Committee gave the WC its consent for this appointment.

Mid-2006, the WC will publish extensive information about the activities of the Council and its committees in 2005.

Suggestion box

In 2005, the Suggestions Committee held ten meetings. The number of new suggestions received decreased to 62 (2004: 108). The quality of the ideas, though, increased, as evidenced by the fact that nearly 1 out of 3 ideas received were rewarded (2004: 1 out of 5). Of the 102 suggestions assessed by the Committee, 29 were rewarded, 69 rejected and 4 received an incentive prize. The 'winning' suggestions were rewarded with a total of EUR 12,500; the highest reward was EUR 4260.

Of the ideas received, the Committee assessed 51% within the prescribed period (three months), which is quite an improvement. Another 38% were dealt with within nine months. The remaining 11% will take longer because they require further investigation. On 31 December 2005, only 59 ideas were still under consideration,









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Annette Klaver-van 't Padje is a staff member in the company restaurant and secretary of the Sports & Recreation

which means that the backlog of 'old' suggestions has almost been cleared.

Sports & Recreation (S&R)

Various clubs organize sports activities, such as jogging, cycle racing, table tennis, tennis, indoor football and billiards. This is done under the responsibility of the Sports & Recreation Committee.

The Committee itself organizes other activities and events, for example, the successful bingo drives, which attracted an average of 125 participants in 2005 and will be resumed in September 2006. Another event is the annual cycle tour: in June, about 800 employees, pensioners and their families mounted their bikes and followed a beautiful route through the polders around Assendelft and Krommenie. As usual, the tour was rounded off with the traditional, and very enjoyable, barbecue on the company's premises. The biannual staff party was on the agenda again in 2005. The Committee, together with the Zaan Theater in Zaandam and various other parties, put together a highly versatile and very popular programme: considerably more employees than in previous years signed up for an evening out. The first employees had their evening out in November; the last will attend a performance in April 2006.

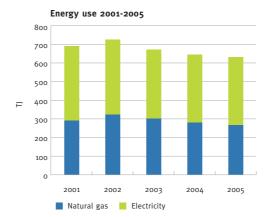
On 26 November, our 4- to 7-year-olds were treated to a real party in the company restaurant. They first enjoyed a puppet show and then welcomed Sinterklaas and his helpers, who arrived in the company's old fire engine. The managing director of Forbo Linoleum B.V. spoke a word of welcome - and then the singing, the conga and, of course, the unwrapping of presents began! Sinterklaas has promised to come back again next year.

In 2006, the Sports & Recreation Committee will again make a positive contribution to promoting a pleasant work atmosphere and strengthening the rapport among employees and pensioners.



Our planet

We are committed to protecting the environment and investing in a sustainable future by constantly seeking to create more environmentally friendly products and processes.



ENVIRONMENT AND ENERGY

Forbo is world leader in linoleum and has developed and maintained a corporate culture that shows respect for the environment. We invest in a sustainable future by developing products that are nature friendly and are manufactured in an ecologically sound manner.

Life Cycle Analysis (LCA)

This methodology is used to determine the environmental impact of a product. An LCA examines the various phases of a product's life - from the extraction of raw materials to the decomposition of the product - taking into account the product's environmental impact in terms of the greenhouse effect, acidification, the depletion of natural sources and/or the energy consumed during production. Measured by the LCA standards, linoleum is the most environmental friendly floor covering. We use the LCA results to further improve our environmental performance. One such improvement, which we introduced in the course of 2005, is the application of a new finish to our products. The LCA has demonstrated that the finish has a positive environmental effect during linoleum's useful life.

We also work closely with our raw material suppliers to improve their environmental performance.

Company Energy Plan 2004 - 2008

A number of measures specified in the Company Energy Plan 2004 - 2008 were implemented in 2005. For example, the hatches in the roofs of the Drying

Rooms were replaced or repaired to reduce heat loss. In the Mixing Department, energy saving was achieved by using free cooling in the new cooling system. This saving was even higher than expected: by pumping the cooling water over the heat exchangers of the cooling shakers, sufficient cooling is produced to meet the total cooling requirement in the winter. Only a few circulation pumps are needed and the cooling machines can remain switched off.

Energy saving in 2005

The 3.8% reduction in energy use per m² of manufactured product in 2005 was well above the targeted 3%. The specific electricity consumption decreased by 2.4% and the specific natural gas consumption by even 5.6%.

These savings are partly attributable to the reduction of the production capacity and the resultant more efficient use of the various departments. Also such factors as the implementation of energy saving measures in the Drying Rooms and the more efficient use of steam played a role in reducing consumption.

In the autumn of 2005, the management staff of the production departments attended a course on 'working in an energyconscious manner'.

Generation of steam

Changes in the operation of the boiler house in 2005 made the generation of steam more efficient. Although the nearly 1% saving that this has achieved might





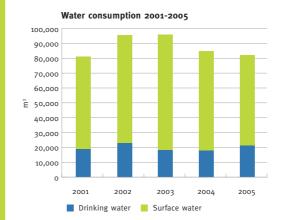
Edo Rem is Product Management manager.

He talked about the environment as a
marketing instrument.

'Linoleum is made from natural materials. As such, it differs significantly from other types of floor coverings. This favourable environmental aspect provides Forbo with a unique selling argument which we of course emphasize in the marketing of our products.

'We use the Life Cycle Analysis (LCA) methodology to assess the energy and environmental performance of our products all the way from the cradle to the grave. The results show that linoleum is more environmental friendly than parquet floors: a lot of energy is needed to make timber into a wooden floor, and parquet is far less 'green' than you'd expect.

'We promote the environmental friendly properties of linoleum not only in our bro chures and annual reports, but also in the raw material kits – they're small cases cor taining samples of all the natural raw materials we use for our products. We distinguish ourselves with such environmental labels as Milieukeur in the Netherlands and Environmental Choice in Australia, and we're working hard to get more of these.'



seem insignificant, it constitutes a considerable reduction in the company's total natural gas consumption. The generation of steam accounts for the majority of the company's natural gas consumption.

Drying Rooms

The results of tests performed in previous years were used to take measures in the autumn of 2005 to improve the air circulation and temperature management in the Drying Rooms. These measures, which can be implemented in 60% of the Drying Rooms, shorten the drying time by at least 10%, and thus lead to immediate energy savings.

Electricity consumption measurement

In 2005, electricity meters were installed in the Drying Rooms and in the Oxidation Department (the two departments that use the largest amount of energy) in order to give the employees an insight into the electricity consumption in their department. This is expected to reduce the consumption by 1-2%. The results will be evaluated in 2006.

WATER

In 2005, the total water intake amounted to 82,151 m³ (21,126 m³ of drinking water, 61,025 m³ of surface water). The majority of the drinking water is used for sanitary purposes, while a considerable quantity serves as make-up water for the steam system. The consumption of make-up water increased slightly in 2005.

The surface water intake in 2005 further decreased by nearly 9%. This water is

mainly used for the weekly testing of the sprinkler system pumps and for cooling the hot drain water from the steam boilers. It is also used to protect the pipe system against frost.

SOIL

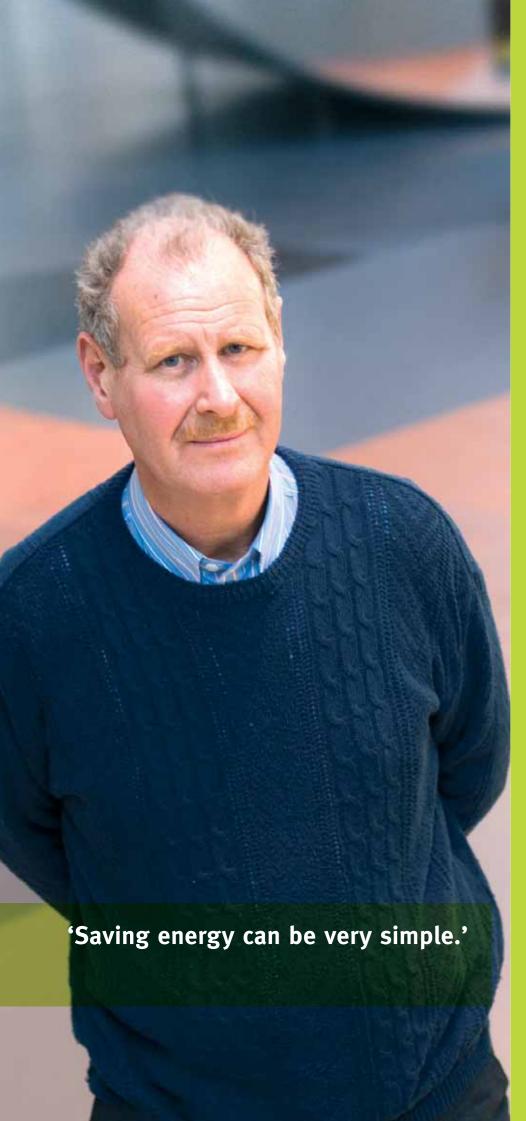
Soil management is part of the company's internal environmental management system in accordance with ISO 14001. This system prescribes the registration of every displacement of soil or dredge spoil and the measures that must be taken, depending on the quality of the soil. This management system is prescribed by the Dutch Soil Protection Act, which applies to soil pollution caused before 1 January 1987. Soil pollution caused after that date comes under the duty to take measures, which obliges the causer of the pollution to remove the polluted soil and to limit the consequences of it.

There were only a few activities in terms of soil management in 2005. Two soil samples were taken from the site near the Finished Goods Warehouse where a second loading pit is to be built. The test results showed that soil clean-up was not needed. The asphalting of the northern part of the car park and of the road between the Drying Rooms and Trim 3 required the displacement of soil. Part of the excavated soil can be reused, while the remainder will be disposed of at the waste dump.

AIR

The Technical Maintenance Department is responsible for registering all points at



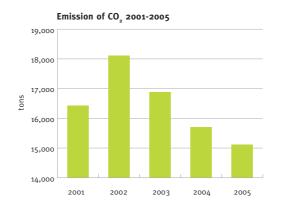


Gerard den Ronden, electro engineer, started an energy saving project in the Drying Rooms in early 2005.

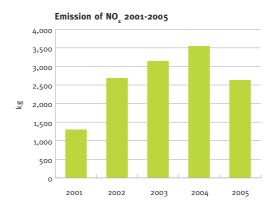
'We want to increase people's awareness of the amount of energy consumed in their department. We hope to achieve this by installing more kilowatt-hour meters and having the employees record the readings.

'People often ask themselves: "How can cut down on the amount of energy we use? I've got to keep the machines going haven't I?" But saving energy can be very simple: by switching off the light in the Drying Rooms, for example, when nobody's there. With 56 drying rooms, it's a small effort worth making

'Our aim is to reduce our energy consumption by 4%. We want to achieve this not only by increasing the energy awareness among people but also by improving the installations. At the end of 2006, we'll probably have a better insight into the



18,000 16,000 12,000 10,000 8,000 4,000 2,000 2001 2002 2003 2004 2005



which components are emitted into the air. The permit issued under the Dutch Environmental Management Act prescribes the maximum values for the total emission per year. The maximum emission concentrations for volatile organic compounds (VOCs) are specified in the Dutch Emission Guideline (NeR), and those for nitrogen oxides (NO_x) in the Dutch Decree on emission requirements for large furnaces (REFS)

Carbon dioxide (CO₂)

 ${\rm CO}_2$ is formed during the combustion of such fossil fuels as coal, oil and natural gas. We use only natural gas as fuel. The total ${\rm CO}_2$ emission in 2005 was 15,032 tons.

Volatile organic compounds (VOCs)

VOCs contribute to climate acidification. VOCs are produced during the manufacture of linoleum. A large part of this emission is attributable to the processes in the Esterification and Oxidation departments and the Drying Rooms. One or more incinerators have been installed in these departments to reduce the VOC concentration in the off-gases of these processes. Minor quantities of VOCs are also released during the production processes in the Mixing, Calendering and Trimming departments. Considering the legislation, which has become increasingly stringent, and our wish to measure the VOC emissions even more accurately, we no longer carry out the measurements ourselves, but contract them out to a specialist company. The total emission in 2005 amounted to 8295

Nitrogen oxides (NO_v)

Nitrogen oxides are formed during combustion processes and contribute to climate acidification. The law prescribes that only the NO_v emissions of large incineration plants need to be measured. At Forbo Linoleum B.V., these are the two steam boilers and the hot water boiler in the Oxidation Department. The calculation of an NO, emission is based on the natural gas consumption figure and the application of certain parameters of the installation. The total emission in 2005 was 2630 kg, which is 25% lower than in 2004. This saving was achieved by using, where possible, steam boiler 7, which emits less NO, than boiler 6.

Dust

The dust emission at Forbo Linoleum B.V. is attributable largely to the activities in the Mixing Department. Dust is also created by such processes as the feeding of wood flour, limestone and scrap into the silos, and the pneumatic transport of these raw materials. Dust filters have been placed in the relevant areas in order to limit dust emission as much as possible. The regulations in the permit issued under the Dutch Environmental Management Act prescribe the measurement of dust emission concentrations once every three years. The calculation of the total emission per year is based on how long the installations were in operation. The dust emission in 2005 amounted to 1087 kg.

Substances that affect the ozone layer

In 2005, leaks in the various cooling systems led to the escape of 742 kg of



refrigerant, representing an 8% increase compared to the figure for 2004 (686 kg). The three leaks in the freezing compressor systems of Calenders 2 and 4 accounted for the major part of the emission (668 kg). A pre-engineering project is looking at the possibility of replacing these systems in the short term with a high-tech, low-energy installation that has a small refrigerant capacity and uses natural, environment friendly refrigerants.

In 2005, a number of relatively old cooling systems that still used HCFC refrigerants, were replaced with systems that use refrigerants that have a lower environmental impact (HFCs).

NUISANCE

The Complaints Service of the Province of Noord Holland received no complaints about Forbo Linoleum B.V. in 2005.

Noise in the vicinity of the premises

Each year, noise measurements are made at three points just outside our premises. The location of these measuring points and the relevant requirements are specified in the permit issued under the Environmental Management Act. In 2005, as in previous years, the noise produced was within the permitted level. Not a single noise complaint was received by the company's Security Department.

Odour

In 2005, no odour-related complaints were received. Many years ago, stringent measures were taken to minimize odour

nuisance. The equipment used to limit the odour emission is inspected on a regular hasis

RESIDUAL WASTE

The container area underwent a metamorphosis in 2005. Having been extended and completely rearranged, it now also provides room for the two new pressing containers as well as the old-metal containers, which were moved to the area. The pressing container near the chimney was removed. The storage capacity for hazardous residual waste was doubled, and drums that are ready for shipping can be stored there. Now that, if possible, every container is placed in the container area, the company's premises look tidier.

Together with the rearrangement of the container area, a new collecting system was implemented. The containers have different colours to facilitate the separation of the various waste streams:

- blue: paper and cardboard
- red: plastic and foil
- yellow: glass
- green: residual linoleum waste
- grey: other residual waste

Proper waste separation will lead to a higher amount of recyclable waste and residual linoleum waste, and thus to a decrease in the figure for 'other residual waste'. The containers are collected and emptied twice a day. The improved design of the containers has reduced the presence of litter on our premises.

Residual waste disposed of in 2001-2005 6,000 4,000 2,000 1,000 2001 2002 2003 2004 2005 Waste dump Incineration Recycling

The amount of residual waste disposed of in 2005 amounted to 3436 tons, which is a 20% decrease compared to the figure for 2004 (4294) – a very good environmental performance.

The total residual waste stream comprises three types of waste: linoleum, packaging and other waste.

Residual linoleum waste

The amount of residual linoleum waste in 2005 amounted to 1702 tons, which is more than 10% lower than the figure for 2004. Residual linoleum waste comprises three main streams: rolls (1051 tons), granulate (504 tons) and other waste (147 tons). In 2005, as in 2004, no residual linoleum waste was supplied to dumping grounds: all 1702 tons were supplied to incinerations plants, where the heat obtained from the incineration process was reused as a valuable source of energy.

Residual packaging waste

In 2005, the quantities recorded for the various residual packaging waste streams were:

 paper/cardboard 	193 tons
 synthetic material 	15 tons
• timber (e.g. pallets)	106 tons
 metal (e.g. tinplate) 	33 tons
Total	347 tons

All 347 tons were supplied to waste disposal plants for recycling.

Other residual waste

Of this other residual waste, 571 tons were recycled, 591 tons (non-recyclable) were supplied to incineration plants, and only 225 tons ended up on the waste dump, which is well over 16% less than in 2004.

Packaging Covenant III

The Dutch Decree on Packaging, Paper and Cardboard Management will become effective on 1 January 2006. It will replace Packaging Covenant III and the Regulation for Packaging and Packaging Waste. The only obligation for 2005 is to submit a report.

The new decree prescribes that producers and importers must ensure the separated collection of their packaging material. Of the material collected, at least 70% must be applied in a useful manner, while 65% must be reused as material.







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HSE objectives for 2006

Health & Well-being Safety
The environment

HEALTH & WELL-BEING

Keeping low the level of sick leave

Considering the favourable figure achieved in 2005 (4.9%), we have set the target figure for the company's average sick leave rate in 2006 at 5%. We have set specific targets for the various departments, as the number of employees and the sort of work performed varies from department to department. The results are reported to the relevant management staff every month.

Periodic Employment Health Survey (PFHS)

As part of the five-year PEHS plan, a PEHS survey will be performed in the autumn of 2006 in all departments in which the survey has not yet been carried out.

SAFETY

Minimizing the number of accidents

Our aim for 2006 is to further reduce the number of accidents. The reporting of unsafe situations and near accidents has an important role to play in establishing corrective and preventive measures to make our working conditions safer.

Safety in the Finished Goods Warehouse

A new, safer design will be developed for the expanders (the devices used to lift the rolls of product).

THE ENVIRONMENT

Saving energy

Measures were taken in 2005 to enable the measurement of the electricity consumption in the Oxidation Department and the Drying Rooms. These data will be used to help us to save even more energy in 2006.

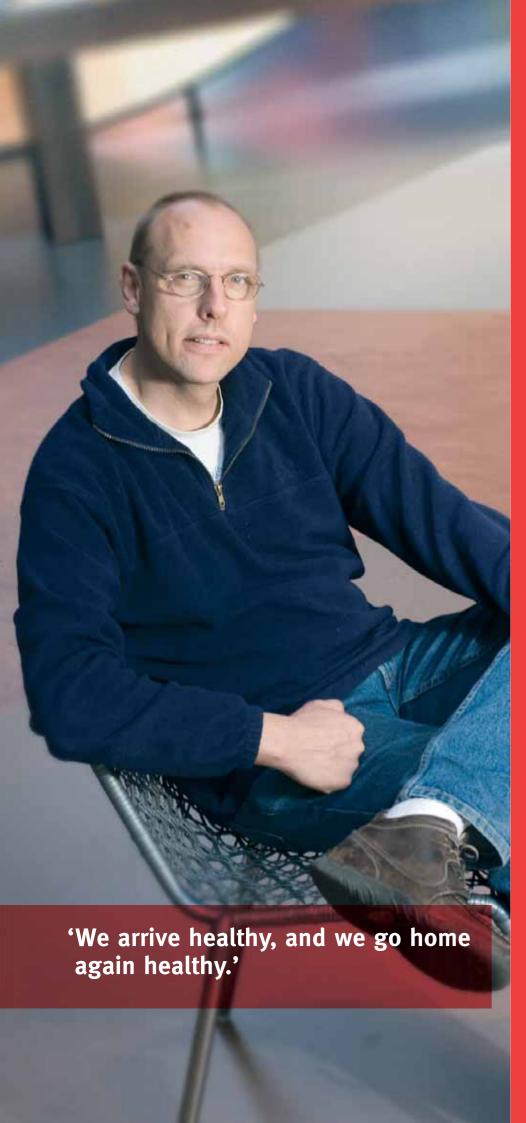
Other measures in the Company Energy Plan will also contribute to greater energy savings. Based on the budgeted volume, we want to reduce the energy index (EEI) by 4% compared to the figure for 2005. Energy saving objectives have been formulated for a number of production departments in order to achieve this.

Reducing residual waste

We aim to further reduce the amount of residual waste to be disposed of in 2006. We have set the following maximum targets: 1500 tons for end-product rolls and scrap, and 360 tons for granulate.







Peter Baas, general team leader in the Trimming Department, made the reporting of near accidents an important issue in 2005.

'A near accident may precede an actual one. It's therefore essential that people report near accidents and unsafe situations. If you slip on a patch of water, report it, even if you didn't lose your footing. Next time, you might.

'I filled in quite a number of forms following reports received in 2005. I'm very keen on safety – a subject that comes up for discussion at every team meeting. By emphasizing it time and again, you wake people up.

'We've made considerable progress in improving safety, particularly in the Trimming Department. Sometimes I hear people say that they're unable to do their work properly because of the new safety fences, but they were installed for a good reason: in the past, too many makeshift solutions were applied just to keep things going. My answer to them is: "We arrive healthy, and we go home again healthy".'

COLOPHON

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