Universal Registration Document

2019

Tarkett

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Tarkett

Société anonyme Société anonyme with Management Board and Supervisory Board with a share capital of €327 751 405

Registered office: Tour Initiale – 1 Terrasse Bellini – 92919 Paris La Défense

352 849 327 RCS Nanterre

2019 Universal Registration Document

including the Annual Financial Report

This Universal registration document was filed with the Autorité des Marchés Financiers (the "AMF") on 23 March 2020, as a competent authority under Regulation (EU) 2017/1129, without prior approval, in accordance with Article 9 of said regulation.

The Universal Registration Document may be used for the purpose of a public offering of securities or admission securities traded on a regulated market if supplemented by a note relating to securities and if applicable, a summary and any amendments made to the universal registration document. The whole is approved by the AMF according to the Regulation (EU) 2017/1129.

This universal registration document on the websites of Tarkett (www.tarkett.com) and the AMF (www.amf-france.org).

A world leader in flooring and sports surface solutions

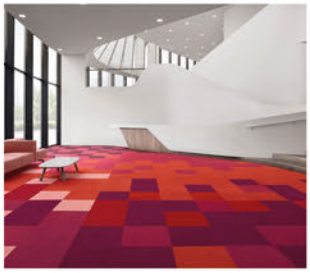
Because great moments deserve great spaces, Tarkett helps create great spaces and deliver an easy customer experience by understanding customer needs, offering expertise brought by 140 years of experience, and being obsessed with execution. This is our commitment to our clients to help create "Great spaces. One surface at a time".

A BROAD RANGE OF SOLUTIONS

We offer one of the largest portfolios of flooring and sports surface solutions, and we share with our customers our expertise in multiple market segments.

Vinyl

Linoleum

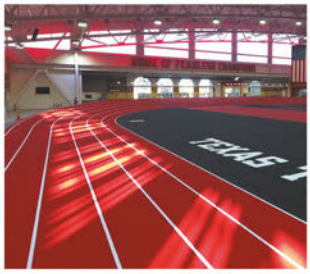

Carpet

Wood

Laminate

Rubber & Accessories

Artificial Turf


Athletic Tracks

HEALTH CARE & AGED CARE

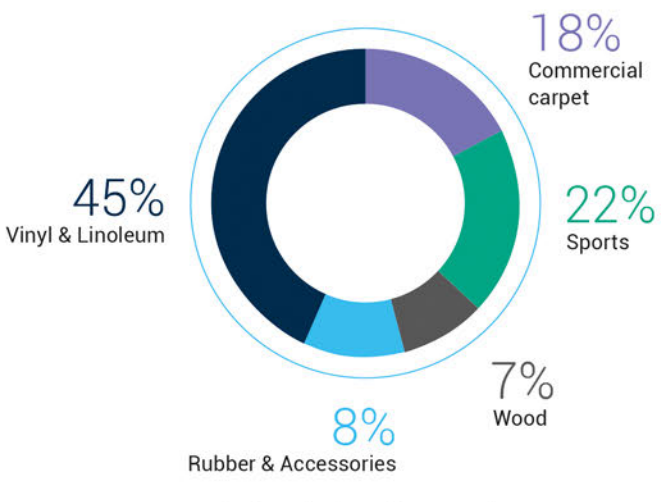
EDUCATION

WORKPLACE

HOSPITALITY

SPORTS

RESIDENTIAL



% of net sales by product categories

TARKETT WORLDWIDE

24
R&D laboratories

1
research & innovation center

4
design centers

33
industrial sites

8
recycling centers

€3 billion
2019 net sales

More than
12,500
employees

No. 1
in vinyl worldwide

ATTRACTIVE END-MARKET EXPOSURE

~ 70%
Commercial (incl. Sports)

~ 30%
Residential

SALES DRIVEN BY RENOVATION

~ 80%
Renovation

~ 20%
New construction

% of 2019 net sales

1.3 million
m² of flooring sold every day in over 100 countries

OUR COMMITMENT: *"DOING GOOD. TOGETHER."*

Committed to change the game with circular economy, Tarkett has implemented an eco-innovation strategy based on Cradle to Cradle® principles, with the ultimate goal of contributing to people's health and wellbeing, and preserving natural capital.

Eco-design by appling Cradle to Cradle® principles

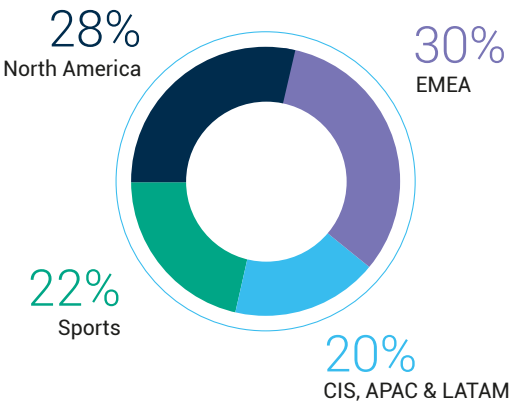
Build a circular economy model

Comply with the 10 United Nations principles

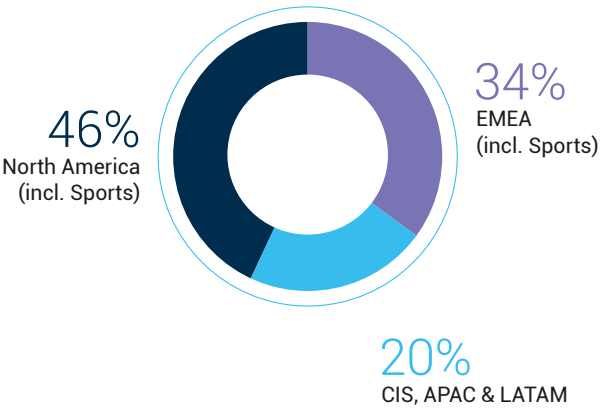
Contribute to the Sustainable Development Goals defined by the United Nations

Tarkett in figures

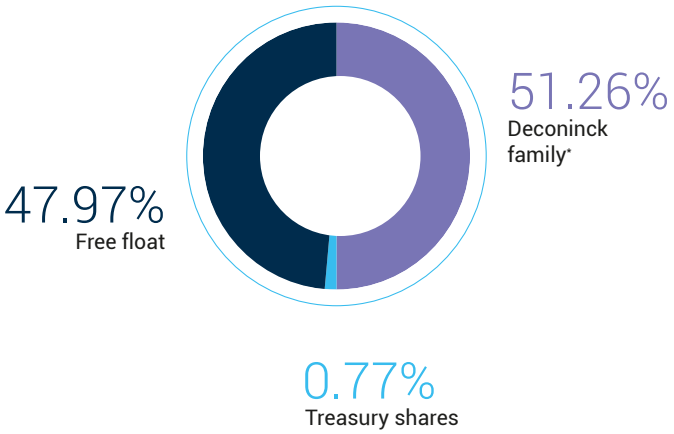
SALES BY SEGMENT



SALES BY GEOGRAPHIES



SHAREHOLDING STRUCTURE
(31.12.2019)



Tarkett is listed on Euronext Paris (compartment A as of 31/12/2019 and compartment B since 01/02/2020, ISIN: FR0004188670, ticker: TKTT) and is included in the SBF 120 and CAC Mid 60 indexes.

** Deconinck Family includes Société Investissement Deconinck, members of the Deconinck family and companies related to them. More details in section 7.*

Supervisory Board

The Supervisory Board is composed of 12 members: 5 members representing the Deconinck family, the majority shareholder, 4 independent members, 1 member representing employees* and 2 observers. The Board complies with standards and regulations regarding the proportion of independent members, men / women, and diversity of expertise.

Éric La Bonnardière
(Deconinck family)
Chairman
Member since 2015

Didier Deconinck
Vice-Chairman
Member since 2011

Éric Deconinck
Member since 2001

Julien Deconinck
Member since 2018

Agnès Touraine
Member since 2016

Didier Michaud-Daniel
Member** since 2019

Françoise Leroy
Member** since 2013

Sabine Roux de Bézieux
Member** since 2017

Guylaine Saucier
Member** since 2015

Jean-Hubert Guillot
Member*** since 2019

Audit, risks and compliance committee:
- Guylaine Saucier (President)**
- Françoise Leroy**
- Julien Deconinck

Observers:
- Bernard-André Deconinck
- Nicolas Deconinck

Nominations, compensations and governance committee:
- Françoise Leroy (President)**
- Sabine Roux de Bézieux**
- Agnès Touraine
- Didier Michaud-Daniel**

* *A representative of Tarkett's Social and Economic Committee (Tarkett CSE) also attends the Supervisory Board's meetings.*
** *Independent Member*
*** *Was appointed member of the Supervisory Board representing employees by the Tarkett CSE.*

Group Executive Committee

The Group Executive Committee is led by Fabrice Barthélemy, CEO. This international and entrepreneurial team is composed of experienced leaders who share the Group's interest and values, while ensuring operational agility through a decentralized organization.

Fabrice Barthélemy [1]
CEO

Eric Daliere
President Tarkett Sports

Jeff Fenwick
President & CEO
of Tarkett North America

Slavoljub Martinovic
President Tarkett Eastern Europe

Francesco Penne
President Tarkett
EMEA & LATAM

Pierre Barrard
EVP Strategic Marketing, Digital & Innovation

Raphaël Bauer [1]
Chief Financial Officer

Séverine Grosjean
EVP Human Resources and Communications

Wendy Kool-Foulon
General Counsel

Gilles Lebret
VP Customer Operations and Chief Information Officer

Antoine Prevost
EVP Research & Development and Operations

[1] *Members of Tarkett's Management Board*

A Word from the CEO

Fabrice Barthélemy
Chief Executive Officer

In June 2019, we shared our new strategic plan "Change to Win" with all employees and presented it to the financial community. Our ambition is clearly focused on our global commercial activities and residential businesses in focused geographies, but not only. I personally decided to include the circular economy as part of our ambition. I strongly believe that as a responsible flooring and sports surfaces company we have a role to play to change the game of our industry with circular economy – a widely recognized solution to address resource scarcity and the climate emergency. This is a key challenge for the building industry.

At Tarkett, we are convinced that there is an urgency to shift models to preserve the world's finite natural resources. It became clear to us that the transition to a fully circular economy in the flooring industry is one of our strategic objectives. We need to move away from a linear economy, based on production, use and disposal of a product to a circular economy model, where waste can be a resource for our manufacturing, and where our products can be recycled to create new resources after use. That is why we have set a target of tripling to 30% the share of recycled materials in our purchased raw materials by 2030.

To achieve this transition there are two main drivers:
- Eco-designing products with recycled materials and make them recyclable at the end of use with the implication notably of our R&D, purchasing and manufacturing.
- Implementing circular solutions to take-back, collect, sort and recycle / reuse, involving our marketing, sales, supply-chain and R&D teams in close collaboration with our customers, suppliers and other partners.

However, we know that we cannot make the transition from a linear to a circular economy alone. We need all stakeholders to get involved if we want to change our behaviors and economic model: policymakers, to encourage an economy based on recycling; suppliers, to offer new sources of secondary raw materials and collection services; and customers, to embrace sorting and recycling flooring, and to ask for more and more recycled and recyclable products.

We believe in this power of collaboration and dialogue and we stepped up our efforts in 2019 working closely not only with our employees, customers, suppliers and other business partners, but also with thought leaders – such as the Ellen MacArthur Foundation CE100 initiative, scientific institutes, universities, standardization bodies, public authorities and professional trade associations. The challenge is to build together a circular economy with good quality safe materials, creating beautiful spaces that contribute to healthiness and well-being.

In addition to our ambition to change the game with a circular economy, we also set targets in the three other areas of our 'care for the people and planet' pillar of our Change to Win strategy:
- **Safety is our number one commitment** and by strengthening further our safety culture we aim to reduce our recordable accident frequency rate[1] to 1 by 2025.
- **Contributing to the global effort against climate change** is another priority. Our transition to a circular economy will contribute significantly to reducing greenhouse gas emissions in the value chain, complementing our existing efforts in our plants. Here, through continued improvement of energy efficiency and an increase in the use of renewable energies we aim to reduce our emissions[2] by 30% by 2030 compared to 2020.
- Lastly, we cannot achieve any of these objectives without the implication of **our diverse and talented teams.** In this area we will continue to grow our human capital by upholding business ethics, ensuring diversity, applying our talent philosophy, and by promoting internal mobility – which we aim to increase to 70% by 2025 (vs 53% in 2018).

Through this new strategic plan, we will continue to contribute, at our level, to the United Nations' Sustainable Development Goals and to the ten principles of the Global Compact defined by the United Nations, making good on our values and on our customer promise.

(1) Injury frequency rate for all employees (# of workplace accidents with lost time less than or greater than one day per million hours worked hours)
(2) Scope 1 & 2 greenhouse gas emissions per square meter of flooring (kg CO_2e/sqm)

Our business model dedicated to serving our customers...

Our Inputs: Sustainable Capital

Financial capital
- Listed on Paris Stock Exchange (SBF120)
- Family shareholder (51.26%)
- Free float (47.97%)
- Debt financing

Manufacturing capital
- 33 production sites in 17 countries worldwide (Europe, North America, CIS, China, Brazil, Australia)
- 8 recycling facilities

Intellectual capital
- Reputed brands (Tarkett, FieldTurf...)
- More than 150 patent families active in 42 countries
- 24 R&D labs, 1 research & innovation center, 4 design centers
- Network of internal experts and methodology (World Class Manufacturing, Design Thinking, Cradle to Cradle®, Talent Philosophy...)
- Scientific partnerships (universities, Environmental Protection Encouragement Agency - EPEA, suppliers...)

Human, social and relationship capital
- More than 12,500 employees in 30 countries, 40 nationalities
- Diversified B2B2C clients in over 100 countries (sales forces, showrooms...)
- Diversified suppliers, from international key raw materials suppliers (PVC, plasticizers...) to local suppliers
- Local communities close to our industrial sites

Natural capital
- Energy from renewable and non-renewable sources
- Water
- Renewable (wood, jute, cork, ...) and non-renewable (fossil and mineral) raw materials, from recycled and virgin sources

Governance and compliance capital
- Management Board, Supervisory Board and 2 specialized committees
- Executive Committee
- Code of ethics and conduct
- Whistleblowing procedure
- Code of Conduct Securities Markets

Our Ambition: Change to Win

- Be the global leader in commercial flooring and sports surfaces
- Grow selectively in residential flooring
- Change the game with circular economy

1. *Sustainable Growth*
2. *OneTarkett for our Customers*
3. *People & Planet*
4. *Cost & financial discipline*

Our values: Committed – Collaborative – Creative – Caring

Our Segments: A recognized expertise in specific segments, in renovation and new construction:

- Health & Aged Care
- Education
- Workplace
- Hospitality
- Sports
- Residential

Our Solutions: A comprehensive, innovative and coordinated offer of flooring and sport surfaces:

- Resilient flooring (vinyl, linoleum...)
- Commercial carpet
- Wood and laminate
- Rubber and accessories
- Artificial turf and athletic tracks

Our Channels: A local service tailored to our different clients and regions:

- Distribution, DIY and digital online platforms
- Key accounts, end-users, facility managers
- Specifiers (architects, designers), installers, contractors

Our Stakeholders: Our ambition to transition to a circular economy through continual dialogue and collaboration with our stakeholders

- Our customers, architects, designers, installers and end-users
- Our employees and other external workers
- Our suppliers, service providers and business partners
- Our shareholders, investors, creditors and the financial community
- Our trade associations, business networks, academic and scientific institutions
- Public authorities, intergovernmental and non-governmental organizations

and our stakeholders

Our Outputs: Sustainable Performance

Distributing value

€2,992 million
Net sales

€280 million
Adjusted EBITDA
including the effect of IFRS 16 standard for 30 million euros

€39.6 million
Net profit (Group share)

€725 million
Remunerations

€125 million
Investments

€0.7 million
Support to local communities (Tarkett Cares)

€30.5 million
Income tax paid

Growing and strengthening our positions

0.7%
Organic growth

3rd
largest flooring supplier worldwide

1.3 million
m² flooring sold daily in over 100 countries

No. 1
in vinyl flooring

Developing talents

2.19
Injury Frequency Rate (FR1t - # accidents with lost time < & > 24 hours per million worked hours) for all employees
Safety

58%
employees trained in the last year
Training

65%
of open management positions filled by internal candidates
Internal mobility

>300 projects
submitted to Tarkett Awards
Acknowledgement

Diversity
27%
management positions filled by women

Performance
56%
permanent employees had a Performance & Development Review

Dialogue
88%
participation in biennial employee feedback survey

Designing for life and Closing the loop to create a healthy circular economy

- **Assess raw materials** (for health and environmental impacts) according to **Cradle to Cradle® principles** (98%)
- **Contribute to well-being through our products:** indoor air quality (low volatile organic compounds emissions), healthy spaces (phthalate-free plasticizers), comfort (visual, acoustics, installation, maintenance…)
- **Select raw materials not contributing to resource scarcity** (67% - renewable, abundant or recycled)
- **Reduce production plant greenhouse gas emissions intensity** (-15.3% kgCO_2eq/sqm scope 1 & 2 emissions vs 2010, 28% renewable energy)
- **Shift to a circular economy model** bringing a positive contribution to climate change, using more recycled materials (126,000 tons, 12% of raw materials in volumes)
- **Recycle our production waste** internally and externally
- **Collect flooring via the ReStart® program** (105.600 tons between 2010 and 2019)
- **Innovate and eco-design** with new technology for disassembly and recycling
- **Equip our plants with closed loop water systems** (66%) and / or limit water consumption

Driving collaboration

- **Engage with responsible suppliers** ("responsible sourcing program" with 81% of targeted suppliers adopting our code of conduct or equivalent, C2C eco-design)
- **Share our products information with our clients** (Material Health Statements - MHS, Environmental Product Declarations - EPD)
- **Support local communities** through Tarkett Cares and employees' involvement
- **Train students and professionals** in flooring profession and installation techniques via Tarkett Academy (31,000 people trained from 2012 to 2019)

Change to Win - Objectives for the "People & Planet" pillar

- **Safety 2025:** 1.0 Injury frequency rate (FR1t - # accidents with lost time < & > 24hours per million hours) for all employees
- **Internal mobility 2025:** 70% of open management positions filled by internal candidates
- **Circular economy 2030:** 30% of recycled raw materials (in volume purchased)
- **Climate Change 2030:** 30% reduction in greenhouse gas emissions intensity (scope 1 & 2 kg CO_2e/sqm) vs 2020 (& -20% in 2020 vs 2010)

1 PRESENTATION OF THE GROUP

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1

1.1 General presentation

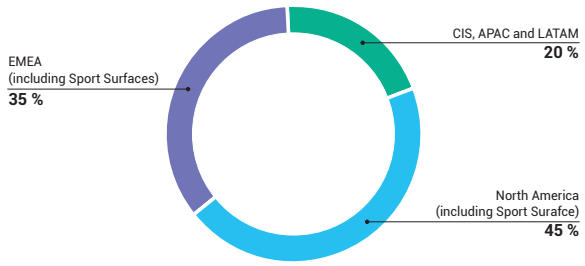
1.1.1 Group activity

With more than 140 years of experience, Tarkett is a worldwide leader in innovative flooring and sports surface solutions.

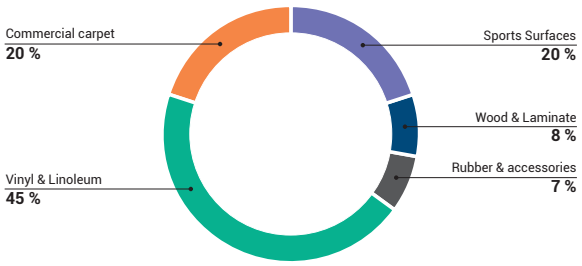
Tarkett offers one of the widest ranges of flooring solutions in the industry. With experienced teams and sales in more than 100 countries, the Group has acquired extensive knowledge and an excellent understanding of customer cultures, tastes and requirements, local regulations, and the use of flooring in each country.

With 33 industrial sites and customer service centres located close to the local markets, the Tarkett Group is able to offer highly flexible solutions to meet to customers' specific needs.

Distribution of 2019 net revenue by geographical area



Distribution of 2019 net revenue by product categories

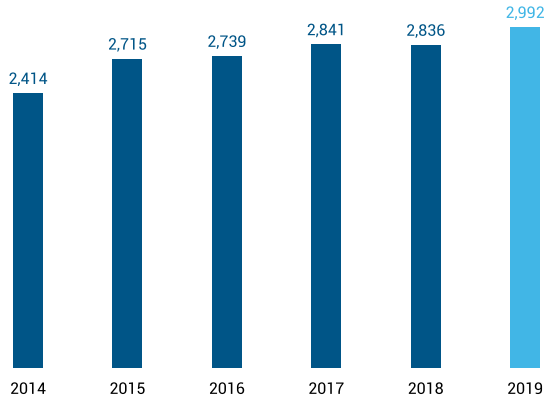


1.1.2 Main key figures

The financial data presented below is derived from the Group's Consolidated Financial Statements for the fiscal year ended December 31, 2019, prepared in accordance with IFRS as adopted by the European Union, which are included in section 5.1 "Consolidated Financial Statements for the year ended December 31, 2019". The Consolidated Financial Statements for the year ended December 31, 2019 were audited by the Company's Statutory Auditors. The Statutory Auditors' Report is included in section 5.9 "Statutory Auditors' Report on the Consolidated Financial Statements".

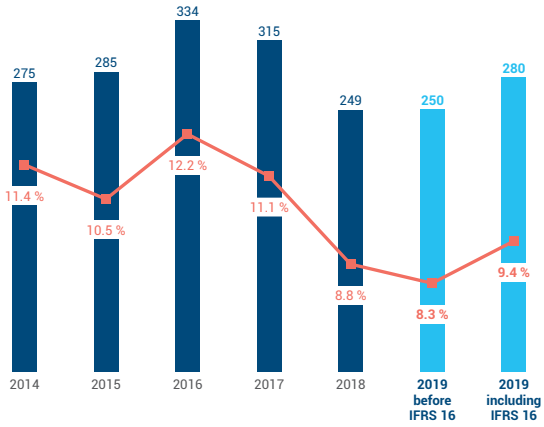
Net revenue

(in € millions)



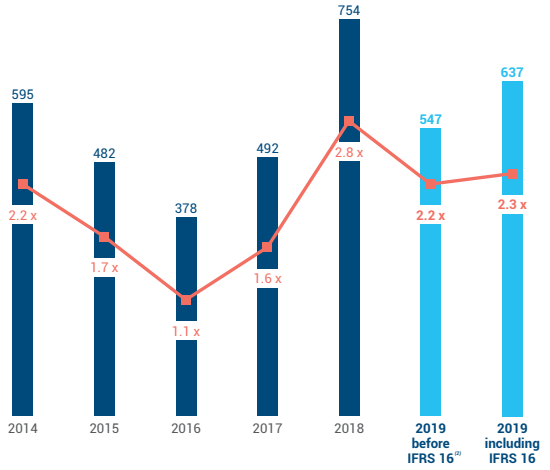
Adjusted EBITDA

(in € millions and as a % of net revenue)



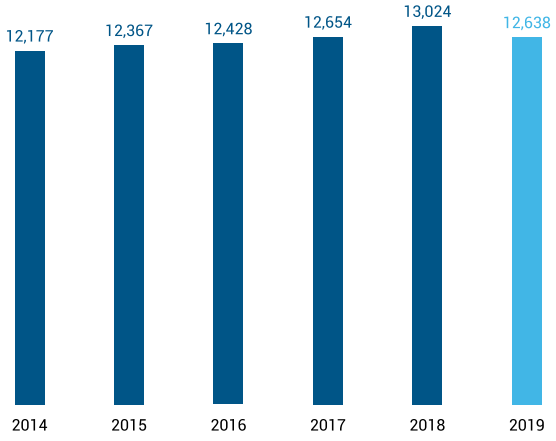
Financial debt

(in € millions and debt ratio pro forma [1])



Group headcount

(on December 31, 2019 excluding Laminate Park employees)



(1) Net Debt/ Adjusted EBITDA pro forma: includes 2018 full activity of Lexmark(company acquired in September 2018).

(2) 2019 net debt includes a non recourse factoring and securitization programs for €126 m

1

(in € millions)	December 31, 2019	December 31, 2018
Consolidated results		
Net revenue	**2,991.9**	**2,836.1**
Organic growth [1]	0.7%	2.1%
Adjusted EBITDA before IFRS 16 [1]	**249.5**	**248.7**
% of net revenue	8.3%	8.8%
Adjusted EBITDA [1]	**280.0**	**248.7**
% of net revenue	9.4%	8.8%
Adjusted EBITDA before IFRS 16 [1]	**120.6**	**131.3**
% of net revenue	4.0%	4.6%
Adjusted EBIT [1]	**121.8**	**131.3**
% of net revenue	4.1%	4.6%
Operating income (EBIT)	**96.6**	**106.6**
% of net revenue	3.2%	3.8%
Income for the period - Group Share	**39.6**	**49.3**
Dividends per share (in Euros) [3]	-	**0.60**
Consolidated financial position		
Shareholders' Equity	834.2	807.0
Net debt before IFRS 16 [2]	547.5	753.6
Net debt [2]	636.8	753.6
Balance sheet total	2,433.8	2,390.4
Consolidated cash flow		
Cash generated from operations	448.6	206.2
Investments	(124.6)	(128.2)
Free cash flow [1]	231.4	36.0
Market capitalization on December 31, 2019	**943.9**	**1,116.4**
Headcount as of December 31 [4]	**12,638**	**13,024**

(1) Cf. Section 4.7.
(2) Cf. Section 4.3.3 and Note 7 in Section 5.2.
(3) Submitted to the approval of the Shareholders' Meeting of April 30, 2020.
(4) Excluding Laminate Park employees.

1.2 History

The Group was formed in 1997 through the merger of the French company Sommer Allibert S.A. and Tarkett AG (which were at the time listed on the Paris and Frankfurt Stock Exchanges, respectively). Sommer Allibert S.A. was also formed as the result of a merger in 1972 between two French companies. Sommer was established at the end of the nineteenth century and Allibert was formed at the beginning of the twentieth century by Mr Joseph Allibert, whose heirs are the members of the Deconinck family, the majority shareholder. Tarkett was formed at the end of the nineteenth century in Sweden.

In 1997, the Group embarked on a strategy which refocused on flooring by transferring its other activities, in particular automotive equipment (2001) obtained from Sommer Allibert S.A., and was renamed Tarkett (in 2003).

The Group began a strategy of dynamic growth in the flooring sector through a series of acquisitions and joint ventures. As a result, the Group stepped up its activities in Eastern Europe in 2002 and acquired a strong base in Russia with the establishment of a partnership with the Serbian company Sintelon AD, which was to be completely absorbed by the Group in 2009. In 2004, it took a minority interest in the Canadian company FieldTurf, a manufacturer of artificial turf, acquiring control of that company the following year. At the same time, the Group began to develop its flooring activities in North America, notably with the acquisition of Johnsonite Inc., a manufacturer of resilient flooring and accessories.

In 2006, the Group finalised the withdrawal of its subsidiary Tarkett AG from its listing on the Frankfurt stock exchange and in 2007, investment funds recommended and managed by Kohlberg Kravis Roberts & Co. L.P. ("KKR") indirectly acquired approximately 50% of the Company's shares while the Deconinck family retained approximately 50% of the share capital, the remaining shares being held directly and indirectly by management.

Since this point, Tarkett has been intensifying its external growth policy and has made a number of acquisitions in the field of sports surfaces which have enabled it to establish a position as market leader. The Group has also made various acquisitions in the flooring sector in order to strengthen its positions in certain regions and enter dynamic countries in which the company is not yet present. For example, the Group entered the commercial carpet market in the United States in 2012 with the acquisition of the Tandus group, an American designer, manufacturer and retailer of carpets for commercial segments. This acquisition enabled the Group to establish itself as a major player in the North American commercial carpet market.

In 2013, the Group completed its initial public offering on the Paris Stock Exchange. The Group has since been pursuing its dynamic external growth policy. For example, Tarkett acquired the Desso group, one of the European leaders in the commercial carpet sector, in 2014.

In 2016, the Group began to focus on the integration of previously acquired companies. In addition, KKR, which had already decreased its ownership stake at the time of the Group's IPO, sold the remainder of its ownership in the Company over the course of the year. Since this time, the Group has continued to consolidate its activity in the sports surface sector by means of targeted acquisitions. Tarkett also acquired Lexmark Carpet Mills, a manufacturer of high-quality carpets, mainly for the North American hotel sector, in 2018. Tarkett paused its dynamic external growth policy in 2019, which was marked by the launch of a new strategic plan entitled Change to Win. This plan, which was presented to investors and analysis in June 2019, is currently being implemented and covers the period up until 2022.

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1.3 Strategy

Tarkett's ambition is to become the world leader in commercial flooring and sports surfaces and to grow in a targeted manner in the residential sector. The Group's vision is also to become a leader in the circular economy, an area in which it has set itself some ambitious objectives.

The Group strives to propose innovative solutions to create value for its customers and designs flooring and sports surfaces which offer end users a good return on investment, high technical performance and clear, strong commitments in terms of the environment.

Tarkett presented its new "Change to Win" strategic plan in June 2019. This strategic plan covers the 2019-2022 period and has provided the Group with a clear roadmap for the implementation of its vision and the fulfilment of its ambitions.

1.3.1 Strategic objectives of the Group

The strategic plan is based on the following four strategic pillars:

a) **Sustainable growth upheld by an increased focus on a selection of buoyant commercial end-user market segments such as workplace, health & aged care and education, the development of a global offer in hospitality and the continued expansion of sport surfaces activities. The Group is also planning to invest in digital distribution channels in order to harness their future growth.**

- Tarkett is to intensify its efforts in a number of commercial end-user market segments in which the Group already holds a strong position thanks to a sustained innovation capacity, a varied, comprehensive product range, high technical performance and recognised design quality. The segments which the Group plans to target as a priority include offices, healthcare and aged care or education. These are also market segments in which Tarkett can make a difference due to its ability to take part in regional or global calls for tenders which are developing particularly in the office segment. With production sites in Europe, the United States and Asia, Tarkett has the capacity to serve major customers in different regions of the world in which they are present. Tarkett will continue to work innovatively in terms of design and technical performance in order to serve these markets. The Group is also developing circular economy solutions as demand in terms of recycling and environmentally-friendly practices is growing more and more in these market segments.
- Tarkett is also working towards a leading position in hospitality. The acquisition of Lexmark Carpet Mills in the fourth quarter of 2018 has enabled the Group to gain a foothold in a market in which it had limited presence. The Group is now able to promote its comprehensive, global product range in this segment notably to major hotel chains which account for a significant share of the worldwide market.
- Tarkett also plans to continue to develop its sports surfaces activities.. The Group has managed to gain a position as world leader thanks to strong organic growth nd targeted acquisitions over recent years. Its growth potential remains high, with pitches to be converted to artificial turf on the one hand and the replacement of tracks and pitches introduced by the Group a number of years ago on the other. Tarkett plans to maintain its leading position by offering new services and solutions, including a greater integration of components, and by stepping up its international growth by means of targeted acquisitions in new regions.
- Tarkett is also in the process of deploying its offer in digital distribution channels in order to harness their growth. Digital platforms are eventually expected to represent between 10% and 12% of flooring sales and Tarkett is keen to gain a foothold as quickly as possibly, in particular with chains specialising in DIY. With this aim in mind, Tarkett has developed tools which will help it to stand out from the competition and guarantee a high level of on-line visibility. The Group is also exploring different ways of guaranteeing last-mile deliveries, which is one of the key challenges in terms of digital distribution. In 2019, the Group tested a number of different solutions in partnership with leading distribution channels with a view to determining which will be the most appropriate to implement.

b) **Its approach will be even more focused on customers with a simpler, more flexible, responsive organisation.**

- Tarkett began to simplify its organisation and to develop its working methods in 2019. These changes are being implemented throughout the Group as a whole. The aim is to provide the Group with greater agility but also to offer customers unique, smooth access to the Tarkett sales teams and allow marketing and innovation teams to respond more effectively to customers' expectations.
- Tarkett has therefore decided to bring together innovation and marketing in order to develop innovative solutions which fulfil customers' expectations in the commercial market segments in which the Group wishes to grow as a priority. The Group's ambition is to invest in innovation in order to respond to the growing needs of its customers to develop a health environment and unique, modular areas which are easy to maintain and install. The Group has also defined the circular economy and recycling as priority areas for innovation. Tarkett is keen to optimise the value of the materials which it uses and to develop innovative solutions so that the products and solutions offered to customers can be recycled in a complete loop. Tarkett also plans to use technological innovation to multiply the lifecycle of materials and develop innovative collection and recycling solutions.

- The Group has an international research and innovation centre located in Luxembourg and a scientific committee made up of internationally renowned internal and external experts. A new style of governance was also introduced in 2019 to align these programmes with the value propositions of priority market segments.
- Research and development activities are being carried out in collaboration with the operations division in view of their effects on production processes. The aim is to increase the efficiency of research and development relating to products and processes taking into account the industrial and supply implications created as a result for the Group upstream. This new organisation should enable Tarkett to increase its industrial efficiency and be better prepared for technological, statutory and environmental developments.
- Tarkett is also planning to optimise synergies in terms of design. The Group has three regional design teams continuously monitoring trends in the various markets. This enables Tarkett to offer products in line with the latest market trends that correspond to customer expectations. The Group is to intensify the exchanges between the three centres in order to capitalise on its global expertise.
- Based on this logic of an approach focusing on customers and their requirements, Tarkett has decided to establish a key account management organisation for strategic commercial end-user market segments, notably in hospitality and worplace. In these two segments, a global presence and range is a differentiating element for major regional or global customers.
- The Group is also simplifying its product portfolio by reducing the number of reference items in each collection (SKUs). The aim is to reduce the number of references by around 30% whilst developing the sales level. This will enhance the clarity of the product portfolio and reduce the complexity and costs throughout the entire value chain.
- Tarkett will also be working with the support of an unified sales force organisation in North America which from now on will be offering a unique point of entry for customers. This reorganisation, which was finalised in the first half of 2019, has gone hand in hand with a transition towards the use of a single brand (Tarkett) in order to enhance the visibility of the Group in the North American market.

c) **This is an ambitious development in terms of the circular economy, with specific efforts made to develop recycling solutions for customers.**

- Tarkett aims to establish a virtuous model for product design. It is recommending the use of high-quality materials, the responsible management of resources, the creation of areas which encourage well-being and living standards and the reuse and recycling of products and materials.
- Tarkett's strategic priority is to increase the use of recycled materials in its production processes. Between now and 2030, the proportion of recycled materials in the volume of raw materials purchased is expected to stand at 30% compared with 10% in 2019.
- Tarkett is a precursor in the transition towards the circular economy model in the flooring industry. The Group will continue to invest in the development of technologies, turnkey solutions and partnerships which encourage the development of this model.
- With this in mind, Tarkett is developing industrial processes and technologies so that vinyl flooring and carpets can be recycled more easily. The Group has therefore come full circle in the lifecycle of commercial carpet tiles in Europe by developing an innovative process in its Waalwijk factory (the Netherlands) to separate the main two components in carpet tiles - the sub-layer and the textile fibre. These components are then recycled and used to manufacture new carpet tiles.
- The Group is also addressing the problem of reusing and recycling fitting waste and used products. Tarkett draws on its collection and recycling programme, ReStart®. Over 105,000 tonnes of flooring were collected between 2010 and 2019 within the framework of ReStart® in Europe, Brazil and North America (post-installation recuperation and after-use of vinyl and linoleum flooring and carpets). Tarkett's aim is to develop this programme worldwide, particularly in Europe and North America, by incorporating increasing numbers of customers and working with the support of strong partners.

d) **A rigorous cost reduction programme has been developed with the aim of generating savings of 120 million Euros between 2019 and 2022 alongside a selective capital allocation policy aligned with strategic sustainable growth initiatives.**

- The cost reduction programme includes the reorganisation of the industrial system and a reduction in commercial, general and administrative costs. In this context, Tarkett announced the closure of 4 industrial sides in 2019, with 2 in North America. The Group finalised the closure of 3 of these sites during the year. Tarkett has transferred production for its accessories activities in Waterloo (Canada) to the recently extended Chagrin Falls site (Ohio, USA) and its carpet roll activities in Nova Scotia (Canada) to the carpet production factory acquired during the takeover of Lexmark, thereby generating the cost synergies provided for within the framework of this acquisition.
- The cost reduction programme will also be underpinned by automation and the World Class Manufacturing ("WCM") programme whose effectiveness has been tried and tested.
- The acceleration of automation programmes will lead to a reduction in staff costs, an increase in productivity and quality and a reduction in risks of accident. The priority programmes are those relating to automatically guided vehicles, inspection cameras, automated packaging and digital printing.

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- The cost reduction programme is also based on the WCM programme which is constantly searching for campaigns to improve the Group's productivity. This programme is carried out by a dedicated team travelling regularly to the production sites, comparing and sharing the methods used on each site and helping local teams to put in place the best practices for their operations. This programme also aims to improve product quality, increase Group productivity, control costs, and provide the best services.
- Tarkett has established strong governance to monitor the cost reduction programme. The effective implementation of the latter is a key factor in the success of the plan and therefore demands the involvement and on-going monitoring of the general management and the supervisory board.
- This programme is accompanied by a selective capital allocation and is aligned with strategic sustainable growth initiatives. For example, investments will essentially concern productivity, automation and the digital sector.
- The priority for 2019 was to reduce the Group's debt. Therefore, no major acquisitions were made during the financial year. External growth nevertheless remains a strategic line for Tarkett. The Group is keen to seize acquisition opportunities in order to strengthen its position in market segments or key regions. The flooring and sports surface industry remains highly fragmented and offers numerous opportunities. Targeted acquisitions have to fulfil rigorous financial and extra-financial criteria. Financial criteria are measured after synergies and generally correspond to the positive contribution to the EBITDA margin and the return on invested capital. The main extra-financial criteria include cultural appropriateness, management quality and the sustainable development policy.
- This selective capital allocation policy also redefines the Group's objectives in terms of dividends. From now on,Tarkett will be targeting a distribution ratio of between 30% and 50% of the published net result. This target ratio will also be defined according to the external growth lever and opportunities.

Based on its new Change to Win strategic plan, Tarkett has established new medium-term financial objectives whose fulfilment will depend on the successful implementation of the plan:

- **Continued organic growth:** In each of the main regions (North America, Europe and CIS), the Group's aim is to achieve **organic growth which exceeds the growth of the Gross Domestic Product (GDP)** as an average over the 2019-2022 period.
- **Improved profitability**: the aim is to achieve an **adjusted EBITDA margin** after the application of the IFRS 16 standard **in excess of 12%** in 2022.
- **Management of the lever,** which is measured by the ratio of net debt to adjusted EBITDA: **lever between 1.6x and 2.6x the adjusted EBITDA** after the application of the IFRS 16 standard at the end of each year throughout the entire duration of the plan.

1.3.2 Tarkett's strengths

The Group has realized significant growth in recent years, while maintaining a high level of profitability and a sound financial structure. Its success is the result of numerous strengths that the Group believes make it unique in the international flooring market. These strengths include the following:

- **Global market leadership.** The Group occupies leadership positions among flooring manufacturers for the products that constitute the heart of its business and in the principal geographical markets in which it does business. The Group is the third-largest flooring supplier worldwide on the basis of 2018 sales. The Group is the leading supplier of vinyl flooring and sports surfaces in the world. The Group is also a leader in the vinyl flooring sector in Russia and more generally in the countries of the Commonwealth of Independent States (hereinafter "CIS"), as well as in a large number of European countries, notably in France and Sweden.
- **Balanced geographical exposure and diversified market segments** which attenuate the cyclical nature of construction and renovation activities: the Group's diversified geographic exposure and its large customer base provide the Group with natural protection against regional economic cycles in the construction and renovation sectors. Approximately 80% of the Group's product sales, in terms of square meters, are for renovation projects, a market that is subject to less volatility than the new construction market. Group sales are divided between commercial users (2/3 of 2019 sales) and residential users (1/3 of 2019 sales). It sells its products to vast numbers of customers worldwide, which limits concentration risk. In 2019, the Group's largest customer represented less than 5% of total consolidated net revenue. The Group believes its unique product range, diversified exposure to attractive end-use segments, extensive customer base and global footprint reduce its dependence on any one industry, region or sector of the economy.
- **One of the widest product ranges in the flooring and sports surface industry** allowing the Group to offer unique integrated solutions which are adapted to specific technical features, the budgets and safety and design requirements of different segments of activity (residential, education, workplace, health and aged care, hospitality and sports surfaces). Tarkett possesses one of the widest product ranges available in the flooring market consisting of vinyl, linoleum, wood and laminate flooring, commercial carpets and rubber flooring. The Group is therefore in a position to create integrated solutions using different types of flooring and to establish a position as a single point of contact for its customers, thus making their lives much easier. Tarkett also conducts regular studies on its customers which confirm the high level of satisfaction in terms of product quality, which is still the most important criterion for all customers.
- **Long-term relationships with customers** which the Group strives to develop on an on-going basis. Tarkett also developed co-creation tools for its customers. Thus, during 2017, Tarkett opened the "Atelier Tarkett" in the heart of Paris, a place to exchange and gain inspiration dedicated to architects and designers, acting as an extension of the architect's office. This place consists of

various areas centred on products and services, such as a library, lab, digital tools, a meeting room, a kitchen. An identical concept has been developed in San Francisco and New York.

- **Privileged long-term relationships with installers and contractors**who play an essential advisory role in the choice of floorings particularly with commercial users. The Group also created training programs, called "Tarkett Academy", aimed at building professionals and installers. These programs help develop the Group's brand loyalty and ensure higher quality installation services for the Group's products.
- **A "GloCal" position.**
  - The Group draws leverage from its global geographic footprint, one of the largest in the industry. It markets its products to thousands of customers in over 100 countries, having production and sales facilities in Europe, North America, the CIS countries, Latin America, and Asia-Pacific. This geographical location is the result of significant investments made over several years and various acquisitions. This broad geographical coverage is now a key competitive differentiator for the Group over its competitors, and one of the main reasons for its long-term success. The global scale and size of the Group also enable it to pool its research and innovation efforts and make the most of the investments made in these areas. Economies of scale are also essential for the Group, enabling it to reduce the cost of purchasing raw materials, in particular PVC, plasticizers, and polyurethane, the largest purchases of which are centralized worldwide. And finally, to take advantage of the best operational practices in the various regions.
  - The Group also has in-depth knowledge of the technical specificities, designs, tastes, and local preferences of users in the major countries in which it operates. It can thus design products perfectly adapted to the needs and tastes of local users, thus distinguish itself from its competitors by its geographical location and knowledge of the markets.
  - The Group has production sites in the main countries in which it operates. This enables it to offer its customers high quality service while reducing delivery times, transportation costs, customs duties, and working capital requirements.
  - The Group believes its product and technology development capabilities and in-house research and innovation teams are best-in-class, allowing it to provide innovative products that are tailored to the needs and demands of each of its markets, while promoting environmentally responsible solutions that keep it ahead of regulatory and industry norms.
- **An eco-innovation pioneer**. Respect for the environment and the health of people at every stage of the product life cycle is at the heart of the Group's virtuous circuit design approach, applied to all of its activities around the world. By offering ever more innovative products having very low Volatile Organic Compound (VOC) emissions or phthalate-free plasticizers, Tarkett positions itself as a pioneer, influencing industry standards, encouraging a collaborative circular economy, involving all stakeholders in this sustainable approach.
- **An experienced and international management team** at the head of a decentralised, agile organisation. The management team, whose members have varied international profiles and solid expertise, promotes an entrepreneurial spirit within the Group. The current management team has played a key role in the development of the new strategic plan which it is currently implementing.

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1.4 Overview of the Group's activities

1.4.1 Preamble on sources of information

Unless otherwise noted, the information included in this section is based on Group estimates for 2018 and is provided solely for informational purposes. The Group is currently in the process of updating its estimates for 2019. To the best of the Group's knowledge, there are no authoritative external sources providing exhaustive and comprehensive coverage or analysis of the flooring market. Therefore, the Group has made estimates based on a number of sources, including studies and statistics published by independent third parties (in particular Freedonia, the European Federation of the Parquet Industry and the*European Resilient Flooring Manufacturers' Institute*), data published by other players in the market and data obtained from operational subsidiaries. These various studies, estimates, research and information, which the Group considers reliable, have not been verified by independent experts. The Group does not guarantee that a third party using other methods to analyze or compile the market data would obtain the same results. In addition, the Group's competitors may define their economic and geographic regions differently.

1.4.2 General presentation of the Group's activities

The Tarkett Group is a leading global flooring company, providing integrated flooring and sports surface solutions to professionals and end-users in the residential and commercial markets. Leveraging over 140 years of experience, the Group offers fully-integrated flooring solutions that it believes represent one of the widest and most innovative product ranges in the industry. The Group currently sells in the aggregate an average of 1.3 million square meters of flooring per day, and operates 33 production sites located around the world in each of its principal geographic regions. The Group has a diversified geographical footprint, which enables it to capture growth opportunities wherever they arise. The Group holds leading positions in each of its principal product categories and geographic regions, built through robust organic growth, as well as successful and profitable acquisitions.

In 2019, the Group's consolidated net revenue amounted to 2,992 million Euros, the adjusted EBITDA before the application of the IFRS 16 standard stood at 250 million Euros and the adjusted EBITDA after the application of the IFRS 16 standard amounted to 280 million Euros. The Group's financial information can be divided into four segments: The Group's segment reporting is based on four operational segments-three of which relate to its flooring products and their geographic regions (EMEA; North America; and CIS, Asia Pacific ("APAC") and Latin America), and one of which relates to its sports surface products.

1.4.3 General presentation of the Group's markets

The Group sells its products in more than 100 countries. With local sales forces and manufacturing facilities in each of its principal geographic regions, the Group is able to match its products to local and regional demands and tastes. The Group's flooring sales are well balanced geographically, with 34% of 2019 sales realized in EMEA (including sports surfaces), 46% in North America (including sports surfaces) and 20% in CIS, APAC and Latin America.

Group sales are divided between commercial users (about 70% of 2019 sales) and residential users (about 30% of 2019 sales). In these two principal channels, renovations typically account for the large majority of sales (approximately 80% of sales in terms of square meters). The Group sells residential products with designs and styles that are adapted to each geographical region that it serves. The CIS countries represent the Group's largest geographic region for residential products. The Group's products for commercial end-users are sold mainly in North America and Western Europe, although the Group's business is growing in the APAC and Latin American markets. The Group's commercial products benefit from its substantial research and innovation capacity, which is essential for meeting the technical specifications of commercial end-users such as schools, universities, hospitals, healthcare facilities, offices, hotels and retail establishments. The Group's innovation capacity is also a key factor in its success in the sports surface segment, where the Group is the leader in synthetic turf and athletic tracks in North America and occupies a privileged position in the synthetic turf sector in many European countries.

The Group has strong global and national brands that are recognized by end-users and professionals and adapted to the distribution strategy used in each market. Tarkett uses a diversified mix of distribution channels that include wholesalers, specialty chains, installers and contractors, independent retailers, DIY (do-it-yourself) retailers, direct key accounts and builders-merchants. The quality of the Group's products is recognized by architects, installers and contractors who are instrumental in specifying and choosing flooring solutions, particularly for commercial applications. The Group has also adopted its distribution strategy according to the characteristics of the different segments in which it is involved. In particular, it has created logistic platforms which enhance proximity with customers. The Group has also created training centres intended for professionals in the building sector and installers to guarantee the optimum installation of its products and develop brand loyalty. The Group has a broad network of sales and marketing offices with a local sales force in each of its main markets.

1.4.4 General presentation of the Group's products

Tarkett offers products with innovative designs and textures adapted to local tastes and demand in each of its markets. It designs, manufactures, markets and sells five key types of flooring:

- **resilient flooring** (vinyl and linoleum) (approximately 45 % of revenue in 2019): the Group's resilient products include a broad range of flooring options, including vinyl sheet, vinyl tile, safety and static-control vinyl flooring, luxury vinyl tiles (LVT), and linoleum products. The Group's resilient products are offered to both residential and commercial end-users. The Group's strength in design and innovation allows it to offer resilient flooring in a wide variety of styles and colors, providing end-users with ease of installation, durability and reduced maintenance. The Group is currently the leading supplier of resilient flooring solutions worldwide;
- **commercial carpets** (approximately 18 % of revenue in 2019): the Group's carpet products include a wide range of modular, broadloom and hybrid products (such as Powerbond™) for commercial end-users such as offices, universities, schools, healthcare facilities and government facilities. Tarkett's presence in the carpet segment was reinforced by the 2014 acquisition of the Desso Group, which expanded the Group's product portfolio by adding carpet, a strong value-added product, for its European customers, reinforced the Group's European presence, and also allowed it to offer commercial carpet solutions to all of its customers worldwide, in conjunction with the 2012 Tandus acquisition. In September 2018, the Group acquired Lexmark Carpet Mills, a high-quality carpets manufacturer whose main focus is the North American hospitality sector. This acquisition enabled the Group to establish a strong position in the North American commercial carpet market;
- **wood and laminate flooring** (approximately 7 % of revenue in 2019): the Group's wood and laminate flooring products are used primarily in residential renovation projects and, to a lesser extent, in commercial applications such as retail, hospitality, offices and indoor sports facilities. The Group's wood product range includes high-quality engineered wood floors in a variety of wood species, colors, tones and finishes. The Group's laminate product range offers a functional alternative to wood flooring that is both stylish and affordable. The Group is a leading supplier of wood flooring in Europe and the CIS countries;
- **rubber flooring and accessories** (approximately 8 % of revenue in 2019): the Group's rubber flooring products and rubber and vinyl accessories are sold mainly to commercial end-users in North America, primarily in the healthcare, education, industrial and indoor sports sectors. They include rubber tiles and sheets, vinyl baseboards, stair nosing, stair borders, tactile warning strips, decorative wall skirting and other accessories. They are shock-absorbent and slip-resistant and offer natural acoustic properties with low maintenance requirements. The Group is currently the leading supplier of vinyl accessories in North America;
- **Sports surfaces** (approximately 22 % of revenue in 2019): the Group's sports products include innovative synthetic turf and track solutions for a wide range of sports venues ranging from community multi-purpose sports fields to professional football, soccer and rugby stadiums. The Group also offers artificial turf for landscaping purposes as well as indoor sports flooring. The Group is recognized by FIFA (Fédération Internationale de Football Association) and the IRB (*International Rugby Board*) for the quality of its patented FieldTurf technology. The Group is currently the leading global supplier of artificial turf for sports surfaces worldwide and the leading provider of athletic tracks in North America.

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1.5 Flooring and sports surfaces markets

The Group estimates that approximately 13.7 billion square meters of flooring were sold globally in 2018, excluding sales of specialized products such as concrete, bamboo and metal flooring. The categories of products that Tarkett sells account for approximately 27% of the total global flooring market, or approximately 3.6 billion square meters in 2018.

The table below presents an estimated breakdown of the global flooring market in 2018 by product category, based on the number of square meters of product sold.

(in millions of square meters)	Volume	% of global market
Resilient flooring (vinyl, linoleum and rubber)	1,303	10%
Wood and laminate	1,453	11%
Carpet (commercial)	867	6%
Total for product categories sold by the Group	**3,623**	**27%**
Carpet (residential)	1,412	10%
Ceramic	8,234	60%
Other	433	3%
Total	**13,702**	**100%**

The product categories in which the Group is present are resilient flooring (vinyl, linoleum and rubber), wood flooring, laminate flooring and carpeting products for the commercial market.

The Group believes that its current product categories benefit from strong growth potential, but it may expand its portfolio to new categories if they present opportunities for profitable growth in line with the Group's strategy. For more information, see section 1.3 “Strategy".

The flooring market is divided into residential and commercial end-users. In 2018, for the product categories in which the Group is present, the residential market represented approximately one-third of global sales, while the commercial market represented approximately two-thirds. In these two primary market categories and in each region, the vast majority of sales (approximately 80% in terms of square meters) are for renovation projects, while a minority is for new construction.

The Group's sports surface products are generally intended for commercial use, primarily by universities, schools and public facilities. Artificial turf is also sold to residential end-users, particularly for landscaping purposes in the southern United States.

1.5.1 Flooring market

Demand for flooring products presents certain disparities depending on the geographical area due to different cultures as well as climatic and statutory factors. However, the globalisation of certain hotel and corporate customers in particular, the dynamism of worldwide players and categories such as LVT and the consolidation of design trends enable worldwide players to differentiate from those present at local level.

The table below presents a breakdown of the global flooring market in 2018 by product category, based on the number of square meters of product sold.

(in millions of square meters)	EMEA		North America	CIS, APAC and Latin America			Total
	Western Europe [1]	Middle East/ Africa		CIS & Balkans [2]	APAC	Latin America	
Resilient flooring (vinyl, linoleum and rubber)	315	46	537	171	203	31	1,303
Wood and laminate	335	128	297	161	497	35	1,453
Carpet (commercial)	100	153	308	6	281	19	867
Total for product categories sold by the Group	750	327	1,142	3,381	981	85	3,623
Carpet (residential)	288	64	845	77	138	-	1,412
Ceramic	502	1,237	280	232	4,923	1,060	8,234
Other	51	-	29	-	353	-	433
Total	**1,591**	**1,628**	**2,296**	**647**	**6,395**	**1 1451**	**13,702**

(1) The countries included in Western Europe are: Germany, Austria, Belgium, Luxembourg, Denmark, Finland, France, Italy, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, the United Kingdom and other Central and Southern European countries.

(2) The countries included in Balkans are: Albania, Bosnia, Bulgaria, Croatia, Greece, Macedonia, Montenegro, Romania, Serbia, Slovenia and western Turkey.

The information below presents the principal characteristics of the geographic regions in which the Group sells its products.

1.5.1.1 EMEA zone

Characteristics of the market

In 2018, demand for flooring in Western Europe was 1.6 billion square meters, representing 12% of global demand for flooring. The categories of products that the Group sells accounted for 750 million square meters in 2018, or 47% of flooring products sold in Western Europe, including 21% of sales for wood and laminate products, 20% for resilient flooring and 6% for commercial carpet. Products in these categories are used in both the residential and commercial markets.

In Western Europe, demand for different categories of flooring products varies significantly from country to country, especially between Northern and Southern Europe. For example, carpet is frequently used in the United Kingdom, whereas wood floors are more popular in Nordic countries and ceramic is more in demand in the South. In Germany and France, the breakdown by product category is more balanced.

In Western Europe, the Group sells primarily vinyl resilient flooring, wood flooring and laminate flooring, as well as commercial carpet. Most of these sales are in France, Sweden, Germany and the United Kingdom, with the majority of resilient flooring in France, Germany, and the United Kingdom, while the majority of its wood and laminate flooring sales are in the Nordic countries.

In 2018, demand for flooring in the Middle East/Africa was 1.6 billion square meters, representing 12% of global demand for flooring. In this region, where ceramic represents close to 76% of demand for flooring, the categories of products that the Group sells represented 327 million square meters in 2018, or 20% of volumes sold in the Middle East/Africa region, including 8% for wood flooring and laminates, 9% for commercial carpet, and 3% for resilient flooring.

Growth factors

Recent trends in the EMEA region vary from country to country. In the United Kingdom, total construction activity has decreased in recent years, despite an increase in do-it-yourself improvements and home renovations. In France, the flooring market is recuperating since 2017 after suffering over several years from a difficult economic environment. In the Nordic countries and in Germany, the flooring market was less affected by the economic crisis, with, however, a decline in laminate flooring sales in a highly competitive environment. The Group considers that the flooring market in this area is currently stable, although there is still an uncertain economic context due in particular to the Brexit and limited potential growth prospects. Demand for wood floors may stabilize, in particular in Nordic countries. On the other hand, volumes of laminate flooring are likely to decline slightly. In this region, sales of luxury vinyl tiles (LVT) continue to grow at a faster pace than the general flooring market.

The Group's Competitive Position

The Group is a leader in the Western European flooring industry. It is a leader in vinyl flooring in Europe and a leading flooring company overall in Sweden. It is also the third-largest manufacturer of wood and linoleum flooring in Western Europe. It accounts for less than 5% of laminate flooring sales in most countries. However, it is a leader in wood and laminate flooring in Scandinavia, with approximately 15% of sales in that region. In addition, the Group is the second largest manufacturer of commercial carpet in EMEA region.

The Group's main competitors in this region are European groups, which generally concentrate their businesses on a limited number of countries and products. Its most important competitors in this region are Forbo (resilient flooring), Gerflor (resilient flooring), Kährs-Karelia Upofloor (wood and resilient flooring), IVC (resilient flooring, a company acquired by the Mohawk group in 2015), Beauflor (resilient flooring), James Halstead (resilient flooring), and Bauwerk-Boen (wood flooring). In addition, in certain countries the Group faces local competitors. Finally, concerning the commercial carpet market, the main competitor of Desso (brand of the Tarkett Group) is the American group Interface.

1.5.1.2 North America zone

Characteristics of the market

In 2018, demand for flooring in North America was 2.3 billion square meters, representing 17 % of global demand for flooring. This market is dominated by the carpet sector, which represented 50% of demand in 2018, but LVT is growing rapidly in most customer segments. The categories of products that the Group sells accounted for 1,142 million square meters in 2018, or 50 % of flooring products sold in North America, including 23 % of sales for resilient flooring, 13% for commercial carpet and 13% for wood and laminate flooring. In North America, these product categories are sold by the Group primarily to commercial users and, to a lesser extent, to residential users.

The Group's flooring sales in North America are divided fairly evenly among commercial carpet, resilient flooring, rubber flooring, and vinyl and rubber accessories, with wood and laminate flooring accounting for a smaller portion of sales. The Group sells its products primarily in the United States, and to a lesser extent in Canada (approximately 10% of revenues in North America). The Mexican market is considered to be part of Latin America, in the CIS/APAC/ Latin America segment.

Growth factors

Between 2006 and 2011, North American demand for flooring fell, in particular as a result of the decrease in new construction in that region. However, the U.S. construction market has grown since 2012.

In the coming years, the Group expects a growth given the state of the US economy. The sources that the Company analyzed indicate a potential increase in demand for all products, including the Group's principal products in this geographical segment: residential and commercial resilient flooring, vinyl and rubber accessories for the commercial market, and commercial carpet. In addition, the strong growth of LVT continues at a faster rate than the rest of the market.

The Group's Competitive Position

The Group has a strong presence in several product categories in North America. In this region, it is the third-largest flooring company for commercial end-users. Thanks to the acquisition of Tandus in 2012 and Lexmark in 2018, it is also the fourth-largest commercial carpet company in North America. The Group's Johnsonite products occupy a leadership position with regard to the vinyl and rubber accessories.

The Group's main competitors in this region are the Mohawk, Shaw, Armstrong Flooring, Interface, Mannington, and Engineered Floors. For most of these competitors, the large majority of their sales are in the U.S. market. In keeping with the strong North American preference for carpet, this product category represents a significant share of these companies' sales (this is particularly the case for Mohawk, Shaw, Interface, and Engineered Floors). However, some of these companies, including Mohawk, Shaw, Armstrong Flooring, Mannington, and Interface, also market resilient flooring, as well as wood and laminate flooring. Johnsonite's competitors include Nora/Interface, a rubber flooring manufacturer, as well as local manufacturers. A number of consolidation operations have taken place over recent years in the market: acquisition by Armstrong of vinyl tiles from Mannington which recently acquired Phenix-Pharr flooring (residential carpets), takeover of Beaulieu by Engineered Floors and Nora by Interface.

1.5.1.3 CIS zone & Balkans

Characteristics of the market

In 2018, demand for flooring in Russia, the other CIS (Commonwealth of Independent States) countries, and the Balkans (the former Yugoslavia) was 647 million square meters, representing 5% of global flooring demand. Resilient flooring is the very popular in these countries: it represents 26% of flooring demand compared with 10% for the worldwide market as a whole. Other than resilient flooring, the main products sold are ceramic tiles (36% of total flooring demand), wood and laminate flooring (approximately 25%) and carpet (13%).

Unlike Western Europe and North America, resilient flooring is used primarily by the residential market in the CIS countries. Most of the residents of these countries became the owners of their homes following the dissolution of the Soviet Union. For these new homeowners, renovation is a high priority, and resilient flooring is both well suited to local tastes and to the climate, and attractive for household budgets. The commercial market in this region has been slower to develop, but shows strong growth potential. Commercial end-users initially chose residential resilient flooring for their first renovation projects. However, these floors are not well adapted to high-traffic commercial premises. Moreover, Russia has adopted stringent fire regulations for commercial products. As a result of these factors, the resilient flooring market has shown moderate growth in recent years, although its size remains modest compared to the residential market. In Russia and the other CIS countries, the Group sells primarily vinyl flooring to residential end-users, and to a lesser extent wood, laminate flooring, and commercial carpet.

Growth factors

As indicated above, following the dissolution of the Soviet Union in 1991, most homes were given to their occupants, resulting in a very high homeownership rate. In the CIS countries, particularly in Russia, where economic forecasts predict moderate growth in 2020 (1.9%) after a return to growth in 2017, the Group intends to benefit from the fact that two-thirds of Russia's residential sector has substantial renovation requirements, according to Rosstat, Russia's state statistical agency. Moreover, over the last several years Russians have begun to buy laminate floors in order to give the appearance of wood floors while remaining within a reasonable budget.

In CIS countries, growth is expected to continue to pick up gradually for resilient floor coverings in the residential and commercial market as well as for parquet and laminate flooring.

The Group's Competitive Position

The Group has been doing business in the CIS and the Balkans for more than 20 years, primarily in Russia, Serbia, Ukraine, Kazakhstan and Belarus. As a result of its long-standing presence in this geographic region, the Group considers itself to be a local company and a market leader. It is the number one resilient flooring company in Russia, Ukraine, Kazakhstan, Serbia and Belarus. It is also the number four laminate flooring company in that region.

Tarkett's market leadership in the Russian resilient flooring market is the result of its well-known brand, local production, well-developed distribution platforms and deep understanding of local tastes. In the Group's opinion, Komiteks and Juteks/Beaulieu, two local companies, are the other leading companies in this region, alongside the international suppliers IVC/Mohawk and Forbo.

The Group is a significant distributor of laminate flooring. However, in the laminate flooring market, Chinese manufacturers occupy a significant position due to their ability to offer low-cost entry-level products. The other principal companies in this market are Kronostar, Kronospan, Egger, Classen and Unilin (a member of the Mohawk group).

Finally, the Group is the third-largest seller of wood flooring in the CIS countries, where its main competitors are Barlinek and Kährs-Karelia Upofloor.

1.5.1.4 Latin America and Asia Pacific zone (APAC)

Characteristics of the market

In 2018, demand for flooring in Latin America and APAC was 1.1 billion square meters and 6.4 billion square meters respectively, representing 8% and 47 % of global demand. Ceramic is the most frequently used material in Latin America and APAC, as a result of local climate, ease of manufacture and the multiplicity of local suppliers.

In Latin America, the Group does business principally in Brazil, where most of its sales are vinyl products for commercial end-users. The Group is also established in Argentina. In APAC, the Group sells primarily carpet and vinyl flooring to commercial users in Australia and China.

Growth factors

The Group believes that demand for the product categories that it offers in Latin America could grow, in the context of an overall market that is stagnant or even declining. In Brazil, sales of luxury vinyl tiles (LVT) continue to grow at a faster pace than the general flooring market in this region.

With respect to APAC region, governmental initiatives in China should continue to sustain the construction market. The aging of the Chinese population should also fuel growth in the retirement home sector, in addition to projected growth from the healthcare and education markets. Given the size of its residential housing stock, China is, by volume, the largest in the world. Vinyl flooring's market penetration is still limited, but this product category may grow in the future.

The Group's Competitive Position

The Group is in a development phase in Latin America and APAC. Its position in Latin America was strengthened in 2009 with the acquisition of Fademac (now called Tarkett Brasil Revestimentos LTDA), a Brazilian vinyl flooring manufacturer; it is now the number one commercial vinyl flooring manufacturer in this country. The new commercial organisation in Argentina will allow us to develop our presence in this important market.

In addition, since 2012, thanks to Tandus group acquisition, the Group has a commercial carpet production site in China.

In 2014, the Group reinforced its manufacturing and sales presence in APAC through two transactions in China.

The Group's main competitors in vinyl flooring in Latin America are Gerflor and Forbo. Its main competitors in APAC for vinyl flooring are Armstrong Flooring, Gerflor, LG and Forbo, as well as local Chinese manufacturers.

1.5.2 Sports surfaces market

Characteristics of the market

Within the sports surfaces segment, the Group primarily sells artificial turf, athletic tracks and indoor sports flooring. The Group sells sports surfaces mainly in the United States and Canada, but is also present in Europe, including France, Spain, the Benelux countries, the United Kingdom, and in APAC. The Group draws on the acquisition made in Australia to benefit from the potential of this market.

The Group's sports surface products are generally intended for commercial use, primarily by universities, schools and public facilities. In addition, artificial turf is sold to residential end-users, particularly for landscaping purposes in the southern United States.

Growth factors

The Group believes that the growth in demand for sports surfaces seen in 2018 should continue over the next few years, in particular with respect to artificial turf, which represents a significant share of the Group's sports surfaces sales. The artificial turf market, which was declining up until 2013, should continue to grow. The growth of the North American market will continue for this category of products. The growth in demand for artificial turf is due to the increased need for renovation of athletic fields, the economic expansion underway in the United States, and governmental restrictions on water consumption (particularly in the United States). In addition, the Group is starting to benefit from the replacement cycle of fields that were installed between 10 and 15 years ago.

The Group's Competitive Position

The Group is one of the largest suppliers of synthetic turf in the world and the leading supplier of athletic tracks in the United States.

It has numerous competitors, primarily small companies and resellers who outsource the manufacturing of synthetic fiber. In the artificial turf market, the Group's strongest competitors in North America are AstroTurf, Hellas, Shaw and Sprinturf. In Europe, the Group is the second artificial turf player behind Tencate, and its other large competitors include Polytan, Limonta and Domo. With regard to athletics tracks, the main competitors are Hellas, SportsGroup (APT), Mondo and Stockmeier.

1.6 Products marketed by the Group

The Group offers a diversified range of flooring solutions, enabling it to adapt to the needs of each market and region. The choice of a flooring solution depends heavily on the type of premises where the product is used. In addition, the products demanded by both professionals and individuals tend to vary significantly from one geographic region to another, due primarily to cultural differences but also due to environment-related constraints, particularly climate-related.

The Group designs and sells products with the aim of offering a solution for different users according to their requirements, demands and budget: choice of materials, design, compliance with various standards in force and movement of people. Its large product range allows it to offer integrated decorative and functional solutions using several product categories in a single project, by coordinating accessories with floor coverings. By combining and coordinating its products, the Group can respond to several different needs at a single site.

Each of the Group's products features technological enhancements that improve product quality for end-users. The products are also engineered with environmental stability in mind through a focus on product composition, manufacturing processes, and end-of-life. The controlled use of renewable raw materials and recycled materials is part of the products' eco-design. Products are designed to promote healthful air quality and indoor environments. For example, the levels of Volatile Organic Compounds ("VOCs") emissions given off by the Group's products are lower than current standards, and the Group uses phtalate-free plasticizers for its vinyl floors in certain regions.

The Group's products are also designed to be recyclable and may be reused either within its own production chain or in other uses. The Group's production process is designed to minimize the use of water and energy at its production sites.

The Group has been involved in business for several decades throughout the world. Its brands are internationally or locally recognized and are associated with high-quality products sold at competitive prices. The Group provides training to local installers to optimize the performance of the products purchased by commercial end-users, thereby improving installation quality. The Group's customer service representatives provide support throughout the life of its products.

1.6.1 Presentation of the Group's products

The Group sells the following main product categories:

- resilient flooring: vinyl or linoleum products including:
  - resilient flooring for residential end-users, including heterogeneous (multi-layer) vinyl, which can be sold in rolls or as tiles, especially high-end vinyl tiles (Luxury Vinyl Tiles, or "LVT");
  - resilient flooring for commercial end-users, including heterogeneous vinyl in rolls, tiles, or LVT, homogeneous vinyl (single-layer), and linoleum floors;
- wood and laminate flooring, including engineered wood floors as well as multi-layer laminate floors, sold to both residential and commercial end-users;
- carpets, principally for commercial users;
- rubber flooring and accessories
- sports surfaces (primarily artificial turf and athletic tracks).

The following table presents the breakdown of the Group's 2019 consolidated net revenues by product type:

2019 net revenue	% of revenue
Resilient flooring (vinyl and linoleum)	45%
Wood and laminate flooring	7%
Commercial carpet	18%
Rubber and accessories	8%
Sports surfaces	22%
Total	**100%**

The Group's activities are organised around 4 segments: Three geographic segments for flooring (EMEA; North America; and CIS, Asia Pacific ("APAC") and Latin America), and one worldwide segment for sports surface products. The following table presents the geographic breakdown of the Group's 2019 consolidated net revenues (including sports surfaces).

2019 net Revenue	% of revenue
EMEA	34%
North America	46%
CIS/APAC/Latin America	20%
Total	**100%**

1

1.6.1.1 Resilient flooring (vinyl and linoleum)

The Group offers a large range of resilient flooring, including homogeneous and heterogeneous vinyl and linoleum. Both residential and commercial end-users purchase heterogeneous vinyl. Homogeneous vinyl and linoleum, on the other hand, are purchased primarily by commercial end-users.

The Group is firmly established in the resilient flooring market. It is the leading manufacturer of vinyl flooring worldwide. Resilient flooring represents the largest portion of the Group's sales in the EMEA and CIS, APAC and Latin America regions, and also accounts for a significant share of its sales in North America. In particular, the Group is the largest manufacturer of resilient flooring in Germany, Sweden, Russia, and Ukraine. It is also the number three North American manufacturer of resilient flooring for commercial end-users, and it offers these products in Latin America (in particular in Brazil, where it is the largest manufacturer of commercial vinyl flooring) and in APAC (in particular in China).

Residential Vinyl Flooring

The Group offers a variety of heterogeneous vinyl floors for the residential market, which includes apartments and residential houses.

Design, appearance and price ranges of residential vinyl flooring must be adapted to the budgets, uses and tastes of the residential users in each geographical region, which can be very culturally specific.

Heterogeneous vinyl flooring is composed of several layers of PVC mixed with fillers. A fiberglass reinforcement can be added to bring dimensional stability, as well as a foam or textile backing to bring specific acoustic or thermal resistance. On top, a printed decorative layer, a transparent wear-layer and a traffic resistant finishing treatment are added. Heterogeneous vinyl flooring for residential end-users contains a thin wear layer, which enables it to be sold at competitive prices while maintaining the level of durability needed for residential use.

In terms of the pattern printed on the flooring surface, the Group offers its end-users a variety of colors and designs. In order to keep up with decorating trends, the Group must tailor its product lines to conform to prevailing styles and fashions, which can vary widely from one geographic region to the next. Heterogeneous vinyl products offer several advantages in terms of livability and remain attractive over a long period of time.

Residential heterogeneous vinyl flooring can be sold in rolls or in modular format (tiles or plates). Rolls are generally installed with glue, whereas modular products may be installed using glue, self-adhesive attachments or they may be snapped together, which facilitates their transport, installation and repair. Tarkett has also designed Starfloor Click, a range of modular, designer, ultra-resistant high-end vinyl tiles (LVT). Installation is easy thanks to a simplified assembly system with strips or tiles which can be clipped together. To support the strong growth of this product category, the Group launched ProGen in 2017 on the North American market, a range of semi-rigid tiles.

The Group helps customers choose flooring that matches their tastes and interior decoration.

Commercial Resilient Vinyl Flooring

Commercial resilient flooring is specifically designed for high-traffic areas and can withstand numerous shocks. This type of flooring is used in commercial premises and areas: offices, administrative buildings, schools, hospitals, retirement homes, hospitality, stores and shops, the common areas of apartment buildings and industry & transport.

Resilient flooring for commercial uses includes a large range of products, including homogeneous and heterogeneous vinyl.

Heterogeneous Vinyl Flooring

Heterogeneous vinyl flooring for commercial use is designed to withstand intense foot traffic. A thicker wear layer is applied to the product than is used on the Group's residential resilient flooring products in order to reinforce the product and ensure its durability. Heterogeneous vinyl flooring is suitable for almost any commercial use.

The Group classifies its heterogeneous vinyl flooring products into two types: Acoustic products intended to reduce the ambient sound in a room (footsteps, voices, etc.) and compact products which enhance the solidity of the flooring.

The Group offers a diverse range of designs and patterns printed on the décor layer, for both rolled and modular products including (LVT), as further described in the next paragraph, and (*Loose Lay Tiles*). These frequently updated product lines give end-users a wide product selection.

Among these heterogeneous vinyl flooring products, the Group has developed a high-end modular product which is intended mainly for the commercial market: ultra-resistant high-end vinyl tiles (Luxury Vinyl Tiles or "LVT"). This product offers a wide range of designs, which can easily be coordinated with other products, and precision printing using sophisticated graphics techniques.

Homogeneous Vinyl Flooring

Unlike heterogeneous flooring, homogeneous vinyl flooring is made in a single layer with the pattern embedded directly into the material. This type of flooring is covered with a layer of pigment and reinforced by a treatment that prevents metallization and facilitates maintenance.

Homogeneous vinyl flooring has several advantages: Its resistance to wear and tear makes it an ideal solution for areas of heavy use. It is available in a compact version for areas of heavy use and in an acoustic version. The absence of multiple layers in its composition makes the design simple and offers advantages in terms of hygiene and maintenance.

As a result of its particular acoustic benefits, antibacterial properties and reinforced durability homogeneous vinyl flooring is frequently used in the healthcare and educational sectors, as well as in aged-care facilities.

Linoleum Flooring

The Group has been making linoleum for more than one hundred years.

Linoleum is composed of a jute backing treated with renewable raw materials such as linseed oil, rosin, cork flour or wood flour, to which a surface treatment is added.

Linoleum is a natural product covered with a surface treatment that makes it extremely robust and easy to maintain. The Group's linoleum products offer a level of resistance which is adapted to heavy use in communal premises. It is used above all in the sectors of education, health, offices and indoor sports facilities.

1.6.1.2 Wood and laminate flooring

Wood flooring

The Group sells wood flooring in Europe (EMEA segment), primarily in Nordic countries. It also markets these products in the CIS countries and the Balkans. The Group is a leading manufacturer of wood flooring in Europe and in the CIS. Wood floors are generally sold in the residential market. Although most of the wood the Group uses comes from Europe, it uses a staining process to adapt to demand in different markets and regions, in particular by offering wood flooring that resembles exotic wood.

The engineered wood flooring that the Group sells is composed of three main layers: the bottom stabilizing layer; a middle layer in soft wood such as pine or spruce or HDF (high density fiber board); and a top layer of high-quality wood. This composition results in a more responsible use of the high-quality wood, which is consistent with the Group's circular economy initiative, in a thin layer and allows the Group to optimize the hidden layers of fast-growing species of wood. These three stacked layers ensure the longevity of wood floors, in addition to reinforcing their structural integrity.

The Group uses high-performance protection techniques to reinforce resistance to scratches and wear. Engineered wood helps limit the use of high-grade wood, such as oak, which requires relatively long regeneration cycles. In this way, the Group contributes to sustainable forest management.

Laminate flooring

Laminate flooring is mainly used in the residential market. It can be adapted to the design required by the user (wood, stone, ceramic or graphic design) but with a higher degree of durability and at a lower cost.

Laminate flooring consists of a paper balancing layer, a core board of high-density wood fiber or HDF, a décor layer of printed paper and an overlay to protect the visible surface.

Laminate flooring is sold at competitive prices compared to wood and provides a durable flooring solution. The Group offers a large range of designs to end-users to satisfy all of their wishes, although this product type is intended primarily for the residential market, in particular through *DIY* (*do-it-yourself*) distribution channels, and construction materials.

Laminate flooring is easy to maintain and install, particularly thanks to the *system 2-Lock click* or *T-Lock*, which allows the strips to be locked together without being stuck to the base. Laminate flooring can also be adapted to the specific needs of each end-user: heavy use and weight, high resistance to shocks and/or high-traffic areas. Due to its modular nature, laminate flooring also allows users to easily change their flooring without incurring prohibitive costs.

1.6.1.3 Carpet

The Group primarily offers carpets for use in commercial spaces such as office buildings, governmental institutions, hospitals and schools. The Group's principal markets for commercial carpet are North America (since the acquisition of Tandus in 2012) and Europe (since the acquisition of Desso in 2014). In 2018, the Group significantly strengthened its position in the North American hospitality sector carpet market with its acquisition of Lexmark.

The Group offers three types of carpeting, which correspond to three generations of the product:

- broadloom carpet, which is made from a polypropylene backing and fibers that are either tufted or woven;
- modular carpet, which is sold in tiles, and made of a vinyl or urethane backing and tufted (nylon) fibers; and
- hybrid resilient sheet flooring, which is an inseparable structure made of a resilient base, a nylon carpet and a specific foam that contributes to its performance and enhances design options.

Carpet is a shock-absorbent floor covering with good acoustic properties that adds comfort and warmth to an interior environment. The Group offers a wide selection of colors and patterns that are frequently updated and tailored to appeal to customers in different geographic regions. The different carpet products also offer acoustic properties and high-performance resistance to rolling and heavy traffic, as well as ease of maintenance.

1.6.1.4 Rubber flooring and accessories

The Group sells a wide range of rubber flooring as well as vinyl and rubber accessories. Flooring products include rubber sheets and tiles, while accessories include stair nosing, tactile warning strips, tactile paving tiles, warning tiles, baseboards, decorative wall skirting, thresholds and adhesives.

Sold primarily in North America, these products are used mostly by commercial end-users in the healthcare, educational and industrial sectors, as well as in indoor sports facilities. The Group is the leading supplier of vinyl accessories in North America.

As part of the Group's sustainable development initiative, it can produce these products with recycled rubber.

The Group offers rubber flooring and accessories in a wide variety of colors, patterns and textures, in order to coordinate with its other flooring solutions. These products and accessories are slip-resistant and shock-absorbent and provide a high level of safety. They have natural acoustic properties, require little maintenance, and are easy to install and replace.

1.6.1.5 Sports Surfaces

The sports surfaces manufactured by the Group are used all over the world. They accompany amateur and professional sportspeople in their activities and combine safety, comfort, performance and attractiveness. Sports surfaces are installed at universities, schools and public sports facilities, primarily in North America, as well as in Europe (in France, Spain, Benelux, the United Kingdom etc.).

The Group has a strong presence in the sports market due to the diversity of its products. It is one of the only flooring manufacturers able to provide such a wide range of sports surface solutions.

The Group's sports surfaces include three product types: artificial turf, athletic tracks and indoor sports flooring.

Artificial Turf

Artificial turf represents the largest portion of the Group's sales of sports surfaces. The Group is the leading artificial turf manufacturer in the world, and particularly in North America. Artificial turf can be used for both sports surfaces and landscaping.

The Group is certified as an artificial turf manufacturer by FIFA (*Fédération Internationale de Football Association*) and the IRB (International Rugby Board), and its turf is used for training and competition fields by some of the leading European soccer clubs, for hockey, tennis and other multi-purpose sports facilities. However, the principal end-users of this product are universities and high school facilities, and to a lesser extent, local municipalities for landscaping purposes.

The manufacture of artificial turf is a three-step process for which the Group has numerous patented innovative processes: fiber production, tufting and backing coating.

For sports facilities, the Group produces high-quality fibers, whose properties result from the chemical composition, extrusion parameters and unique, carefully designed geometry. The Group has become a leader in fiber extrusion technology since 2010, when it entered into a joint venture with Morton Extrusionstechnik (MET), a German company specialized in fiber extrusion, a process completed in 2017. This company enables the Group to control the fiber production process for its artificial turf.

Artificial turf is a cost-effective solution for owners or maintenance personnel of sports facilities because it is less expensive to maintain than natural turf. From a sustainable development standpoint, it also reduces water use and eliminates the need for fertilizers. Artificial turf offers resistance to wear and tear from constant, year-round play, and can be used every day, unlike natural turf.

The Group also offers an innovative range of landscaping products with a variety of designs that respond to the specific needs of end-users, in particular hospitality and commercial campuses. Its products are also sold to residential end-users, particularly for landscaping purposes in the southern United States.

Athletic tracks

The Group offers athletic tracks that promote athlete speed, safety and comfort. It sells them principally in North America, where it is the leading manufacturer.

Athletic tracks are composed of successive shock-absorbing layers of composite rubber, to which a polyurethane layer is applied, with the surface then worked on to give a particular color and external appearance, whether smooth or rough.

Because of the polyurethane surface layer, the Group's athletic tracks are extremely durable and provide athletes with important safety advantages, in particular due to their stability and shock absorption. These tracks are also suitable for sporting performances: by restoring the athletes' energy, they act as a springboard which "propels" the athlete a little more with each stride. They are quick and easy to install, can be used in all kinds of weather conditions and present good acoustic properties.

Indoor Sports Flooring

The Group offers indoor sports surface products in wood, vinyl or linoleum for multi-purpose sports venues and gymnasiums.

Within the vinyl flooring line, the Omnisports collection is adapted to multi-purpose sports venues. It is available in several thicknesses to respond to the technical requirements of a wide range of sporting events, and to offer performance qualities adapted to the needs of its end-users. The Group also offers lines of wood flooring for sports such as basketball, handball, dance, volleyball, badminton, squash and martial arts.

The Group's wide range of indoor sports flooring provides effective solutions for the demands of both professional and amateur sportspeople: shock absorption, ball bouncing and smoothness. Certain of the Group's wood flooring product lines are popular for their ease of installation, such as its removable wooden floors (*Sportable*).

Indoor sports surfaces are marketed by a dedicated sales force in the North America sports segment and by the general flooring sales forces in other regions. These indoor sports sales are then recorded in the corresponding segments.

1.6.2 Product manufacturing

1.6.2.1 Raw materials and suppliers

The Group uses various raw materials to manufacture its flooring products: PVCs and plasticizers for vinyl flooring; wood for wood and laminate flooring; polymers and fibers for carpets and artificial turf; rubber, which is used in several flooring types; and cork for linoleum flooring. The Group builds its supplier base on long-term relationships, while focusing on optimizing purchasing terms and adapting the Group's procurement policy to the specific needs of each country.

Raw materials

PVC and plasticizers for vinyl flooring

The Group mainly uses two raw materials to manufacture the products which it markets: PVC and plasticizers. These are used to manufacture homogeneous and heterogeneous vinyl.

Oil-derivative products accounted for slightly more than half of the Group's raw materials purchases in 2018. PVC and plasticizer producers have worldwide presences, but with regional differences relating to the supply and demand balance in different geographies.

When the Group makes acquisitions, it tries to reduce raw material costs by working jointly with the target's suppliers to honor the prices negotiated with the rest of the Group.

Despite its close relationships with its suppliers, the Group is constantly looking for raw materials opportunities, with regard to both technical characteristics and geographical location, to ensure continued competitiveness.

Other raw materials

Wood represented around 8% of the Group's raw material costs in 2019. The Group uses wood to make wood and laminate flooring. The wood flooring market remains very local, due to the significant cost of transporting logs or rough timber. The Group is therefore subject to local fluctuations in the price of wood.

The Group purchases other raw materials, in particular fiberglass for vinyl flooring; rubber for rubber flooring, accessories and artificial turf; nylon and polypropylene for carpet; melamine and decor paper for laminate floors; and linseed oil, jute and cork for linoleum floors.

Supplier relationships and purchasing policy

Suppliers are essential partners of the Group. The Group has chosen to build long-term relationships with selected partners.

Supplier relations

The Group is careful to maintain relationships of trust over the long term with all its suppliers. These relationships enable the Group to negotiate favorable commercial terms, but also to create value through innovations.

In order to adapt its procurement structure to different geographic regions, Tarkett favours partnerships with:

- the leading international chemical companies, such as BASF, Inovyn, Eastman, Vinnolit, Vestolit, and Evonik, which supply the Group throughout the world;
- local suppliers.

Purchasing policy

The Group tries to centralize its purchases at the global level for the most important raw materials used to manufacture vinyl flooring, wood flooring, and, since 2015, carpet.

In the majority of the Group's supplier agreements, pricing is indexed monthly or quarterly to market prices of the raw materials used in manufacturing its products. These agreements have terms of between one and three years, with no obligation to purchase specific quantities of materials.

- The Group's purchasing policy is based on four principles:
- market analysis and construction of a worldwide pool of suppliers;
- optimization of raw materials;
- collaboration with key suppliers to achieve continuous improvement;
- annual review of its principal contracts.

The Group actively manages its portfolio of partner suppliers. The Group reviews its main contracts annually in order to renegotiate prices and determine supplier availability.

Diversification of the raw materials that the Group uses enables it to substitute inputs between several suppliers and thus reduce its dependence on certain specialized suppliers.

The Group tries to cooperate closely with its key suppliers on technical issues and innovations. It also shares its growth objectives with them in order to ensure that they increase production capacities sufficiently to respond to increased demand.

1.6.2.2 Production sites

The Group's production facilities are located as close as possible to product delivery sites, while maintaining competitive production costs. The Group has 33 production sites in more than 15 countries in order to be close to its markets, minimize transport costs and customs duties and remain competitive with local players.

Since 2009, the Group has been implementing a continuous improvement programme "*World Class Manufacturing*" involving "*Lean Manufacturing*" with the aim of improving employee safety, customer service, product quality, its carbon footprint and production costs.

The Group uses flexible assembly lines so that it can adapt production to changes in end-user demand.

Location of production sites

The Group has 33 production sites; of these, it owns 30 and rents three (in the United Kingdom, in China and in the United States).

As a result of the Group's historical presence, it has 12 production sites, excluding Sports, in EMEA (including two major sites with more than 500 employees each in Luxembourg and Sweden). The Group's production sites supply the products it markets in this region: resilient flooring, laminate flooring, wood flooring, carpet and sports surfaces. A small portion of European production is also marketed in North America, the Middle East, Latin America and Asia.

The Group owns 8 production sites (excluding Sports) in North America, which produce vinyl flooring, accessories, carpet tiles, and, to a lesser extent, sports surfaces.

The CIS, APAC and Latin America segment also has a substantial number of production sites to satisfy local demand. In this segment, the Group has seven production sites, including two major sites, one in Backa Palanka, Serbia, and the other in Otradny, Russia. The Otradny site, which has more than 1,000 employees, is the Group's largest site worldwide. The production sites in the CIS, APAC and Latin America regions make resilient flooring, wood flooring, laminate flooring, carpets, and rugs. The Group also has a carpet production site in China as a result of the Tandus acquisition and a recently acquired vinyl flooring production plant near Beijing. In Brazil, where the Group is the leading supplier of commercial vinyl flooring, it has a factory that produces vinyl to satisfy local demand.

The Sport segment includes six production sites. Two of them manufacture artificial turf (1 in the United States and 1 in France), and two make athletic tracks in the United States. The remaining production site is a fiber extrusion factory for artificial turf in Germany. Since the acquisition of Grassman in 2018, the Group has now an artificial turf production site in Australia.

The following table presents the Group's manufacturing sites and the main products manufactured at each site.

Division	Country	Site	Products	Location
EMEA	*Germany*	MET	Fibres for artificial turf	Absteinach
		Tarkett	Resilient flooring	Konz
	France	FieldTurf	Artificial turf	Auchel
		Tarkett	Resilient flooring	Sedan
	Italy	Tarkett	Resilient flooring (linoleum)	Narni
	Luxembourg	Tarkett	Resilient flooring	Clervaux
	United Kingdom	Tarkett	Resilient flooring	Lenham
	Sweden	Tarkett	Wood flooring	Hanaskog
		Tarkett	Resilient flooring	Ronneby
	Poland	Tarkett	Wood flooring	Orzechowo
		Tarkett	Resilient flooring	Jaslo
	Netherlands	Tarkett	Carpet	Waalwijk
		Tarkett	Carpet	Goirle
	Belgium	Tarkett	Carpet	Dendermonde
North America	*Canada*	Tarkett	Resilient flooring	Farnham
		Thermagreen	Shockpads	Toronto
	United States	Beynon	Athletic tracks	Hunt-Valley
		FieldTurf	Artificial turf	Calhoun
		Johnsonite	Resilient flooring	Chagrin Falls
		Johnsonite	Resilient flooring	Middlefield
		Lexmark	Carpet	Dalton
		Tandus - Centiva	Carpet	Calhoun
		Tandus - Centiva	Carpet	Dalton
		Tarkett	Resilient flooring	Florence
		Tarkett	Premium vinyl tiles (LVT)	Florence
CIS	*Russia*	Tarkett	Laminate flooring	Mytishchi
		Tarkett	Resilient flooring	Otradny
	Serbia	Tarkett/Sintelon FieldTurf	Resilient flooring	Backa Palanka
			Wood flooring	
			Carpets and rugs	
	Ukraine	Tarkett	Resilient flooring	Kalush
			Wood flooring	
			Carpet	
APAC	*China*	Tandus	Carpet	Suzhou
		Tarkett	Resilient flooring	Beijing
	Australia	Grassman	Artificial turf	Botany
Latin America	*Brazil*	Tarkett	Resilient flooring	Jacarei

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The Group's investments in production sites

Over the last seven years, the Group has made significant investments in its production sites in order to respond to increasing demand, maintain competitiveness and continue reducing production costs.

Continued improvement of manufacturing processes

The Group continuously strives to improve its manufacturing process, with the objective of improving Worker Safety, satisfying customers, reducing its environmental footprint, and lowering production costs.

In February 2009, the Group launched the "*World Class Manufacturing*" ("WCM") programme, which is inspired by programmes which have been successfully applied in the automotive sector.

This programme pursues three main aims:

- product quality and customer service;
- the safety and performance of production sites; and
- the Group's financial profitability, while reducing its impact on the environment.

In connection with the WCM program, the Group is carrying out initiatives to improve product quality, on-time delivery and production yields, all while limiting effects on the environment.

The Group has appointed WCM directors for all its sites who coordinate ongoing improvement projects on-site and develop related methodologies. They can then share their experiences within the WCM network, thus spreading efficiency improvements throughout the Group's production network to improve profitability. The Group also has a central team dedicated to the WCM programme. The team visits each production site to help local teams to implement the WCM programme. By travelling to the various production sites, the WCM team can adapt the program's methodologies to local conditions, while at the same time managing action plans centrally.

The Group has been recording positive results over recent years thanks to the introduction of the WCM programme. Following a study conducted by an independent body, it has noted a significant improvement in customer satisfaction in around fifteen countries in which it markets its products. There has been a substantial decrease in accidents at the Group's production sites and a decreased environmental impact from the manufacture of its products. In addition, the WCM program has improved management of the Group's supply chain and led to a significant reduction in production costs over the course of the last seven years.

The Group believes that the WCM program will continue to generate substantial savings in production costs in the coming years.

Special attention to employee safety

The WCM programme focuses on the prevention of safety risks in factories. It provides for a systematic analysis of all incidents, the identification of their main causes and the implementation of action plans which are rigorously monitored.

At the same time, the Group conducts training to raise employee and management awareness of safety issues. The Group's Executive Committee is particularly sensitive to employee safety and discusses the subject with employees when it visits factories.

Strengthened quality control

The Group has implemented a quality-control structure in its factories to ensure rigorous monitoring of its products.

In connection with the WCM program, the Group's teams systematically analyze the principal causes of customer complaints and quality defects and create action plans to eliminate them.

A Manufacturing process that respects the environment

The Group takes the environment into consideration at every stage of product design. For that reason, it does its best to select the materials that present the least risk to end-users and the environment, and that can be part of a biological or technical cycle. It prioritizes the use of renewable and recyclable materials in manufacturing its products.

The Group has also developed a flooring collection system *ReStart®*which consists of recuperating offcuts and used flooring on sites and in firms so that they can be recycled and/or reused to manufacture new flooring.

The Group has also signed a partnership agreement with the German research institute EPEA (*Environment Protection Encouragement Agency*) with the aim of implementing the eco-innovation approach within the Group as a whole *Cradle to Cradle®* . This program aims to reduce the environmental impact of industrial activities and to design products with materials that respect human health and the environment and that allow for indefinite recycling of the products at end of use.

1.6.3 Product distribution

The indoor flooring market is split between commercial and residential end-users. Residential users buy the Group's products primarily to renovate existing homes, but they may also purchase them in connection with new construction projects. Commercial users choose flooring for areas that are generally open to the public, in connection with both renovation and construction projects.

Residential users have limited knowledge about the different product qualities and attributes. They are therefore largely dependent on the salesperson at the sales outlet when selecting their flooring In general, residential purchases of flooring are made in DIY stores(*do-it-yourself*"). These products may, however, also be purchased from specialized construction material suppliers, especially when the general contractor or installer is making the purchase. Therefore, brand awareness among installers and salespeople may have a large influence on product choice. Certain distributors are working on the development of their e-commerce sales. This represents less than 3% of the market but is increasing rapidly and is already having an impact on the visibility of brands and products on the Internet.

The commercial market ranges from large-scale projects to shopkeepers with small surface areas, such as artisans and boutiques, whose purchasing patterns tend to be similar to residential users. This segment is markedly more heterogeneous than the residential market in terms of technical requirements, but less varied in terms of design. In a commercial project, each space is designed for a very specific purpose, and materials must often be supplied in large quantities. For example, in a hospital project, the flooring solutions must conform to strict hygiene requirements to prevent the spread of nosocomial infections. A hospital floor will also be required to meet minimum standards of slip-resistance, static-absorption and noise absorption. A large department store or a mall, on the other hand, would require an ultra-resistant flooring to bear intense foot traffic without showing signs of wear. Office flooring must possess the ability to absorb sound, comfort and durability. Most importantly, public areas are subject to explicit regulations, in terms of interior environmental health and safety, which can vary considerably from one country to the next, even within a single economic zone such as the European Union.

On the commercial market, construction materials must comply with many requirements in terms of design, cost, technical performance (including resistance and acoustics), durability, compliance with standards and public health. General contractors must make purchases in accordance with the terms dictated by the specifiers, who choose flooring in consultation with the end-user. Specifiers can include almost any type of construction industry professional: they may be architects, interior decorators, installers, project managers or general contractors. These professionals are tasked with studying each product and understanding the relative advantages and disadvantages of the various flooring solutions offered. As a result, specifiers are often open to examining the relative strengths and merits of specific technological innovations. The Group has teams dedicated to maintaining close relationships with specifiers at all stages of project development and management. These relationships constitute a key factor in the Group's sales success on the commercial market.

Because of the way products are chosen, the commercial flooring market has other particularities in terms of distribution channels. Unlike the residential market, where consumers go to a physical point of sale and order products immediately upon selection, commercial buyers plan their purchases in detail prior to placing an order. In general, a project will begin with a detailed planning phase, during which the quantities and qualities of each type of construction material will be determined, and delivery and installation schedules for each phase of the project will be estimated. It is during the planning phase that a manufacturer has the opportunity to act as a consultant to the specification team and design a one-stop, customized solution based on the project's technical and aesthetic requirements. Once the building materials have been selected and the quantity specified, the installer simply places the order with a wholesaler or directly with the manufacturer and takes delivery in accordance with the construction calendar.

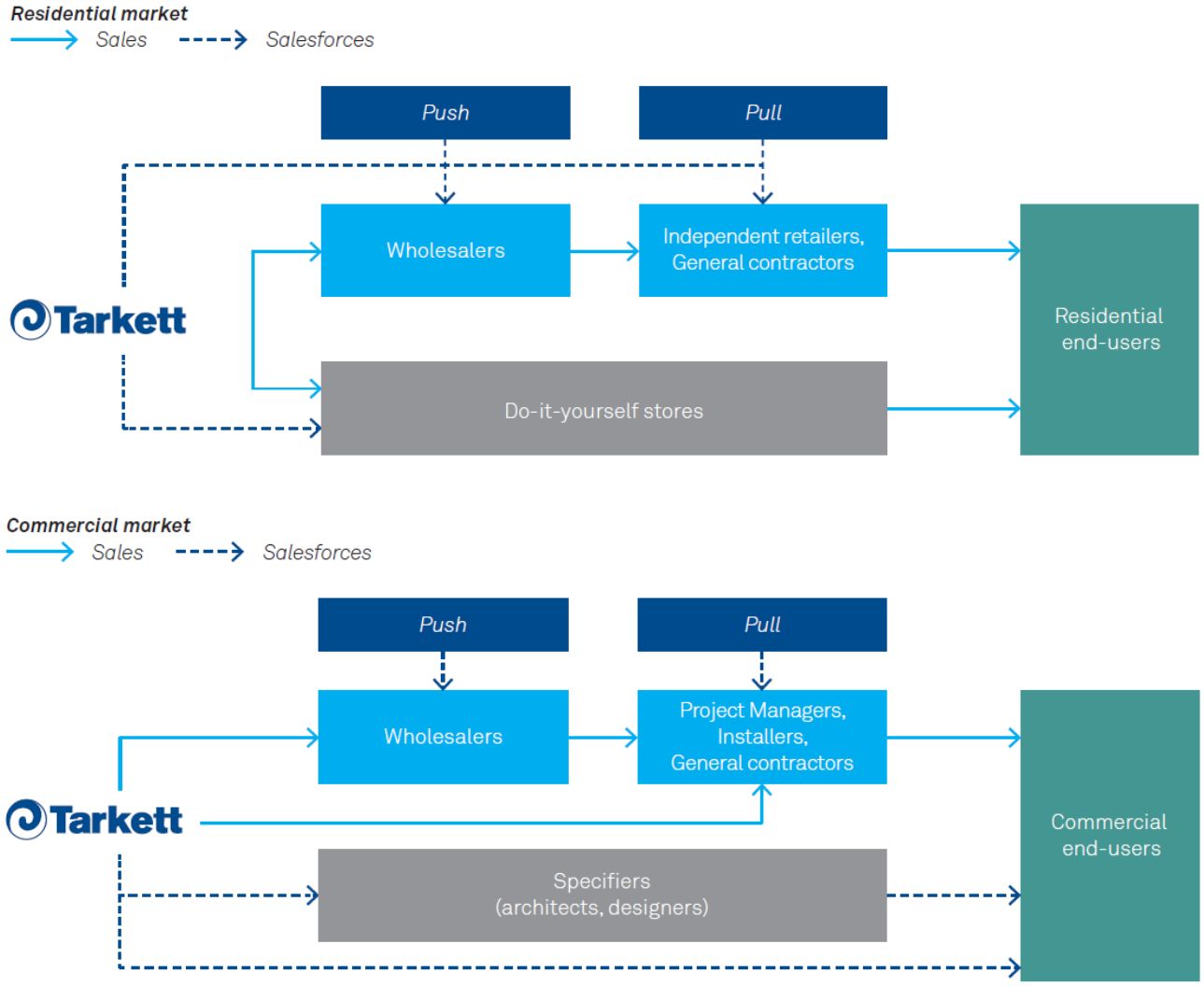
1.6.3.1 Distribution strategy

Distribution channels in the residential and commercial markets differ as a result of the characteristics of each market. The Group uses both "push" and "pull" strategies within both of these markets "*push and pull*":

- *push*. Specialised teams are in charge of the implementation of the strategy "*push*"whose aim is to encourage wholesalers to buy the Group's products. To that end, the Group's sales force meets with them to discuss the advantages of its flooring and present the brands under which it markets its products. The Group has entered into numerous agreements with the principal wholesalers in each market. In the residential market, in addition to wholesalers, this strategy also includes DIY chains and speciality retailers;
- *pull*. The Group has also set up specialised teams in charge of the implementation of the strategy*pull*which is intended to encourage the sale of products stored by wholesalers to users. In the commercial market, the sales force concentrates on the main specifiers, such as architects, interior design firms and construction companies.

We work alongside a number of leaders in e-commerce and are developing skills in terms of the key success factors for on-line presence (content, customer reviews and evaluations, delivery, etc.).

The following diagrams illustrate the operation of the Group's distribution strategy for the residential and commercial market.



The distribution strategy for the commercial market is complemented by training centers, called "Tarkett Academies," which promote awareness of the Group's products among specifiers and ensure the highest quality installation in order to reinforce the Group's image. There are 12 Tarkett Academies throughout the world (in eight countries). These training centers train mainly building industry professionals, such as architects, designers, flooring installers and general contractors.

In these training centers, installers learn how to correctly install Tarkett-brand products, which often influences them to choose or recommend Tarkett products for their future projects. Thanks to its training centres, the Group also improves its reputation, increases loyalty to the Tarkett brand, encourages the loyalty of participants, develops relationships with its commercial partners and improves customer satisfaction, notably by guaranteeing an optimum product installation.

1.6.3.2 Distribution channels

The Group's products are distributed primarily by distributors and wholesalers, retail chains, installers, specialized chains and independent stores.

The weight of each distribution channel is different in each geographic region:

- most of the Group's sales in North America and in the CIS, APAC and Latin America segment are through distributors. This channel is characterized by large storage spaces, providing significant economies of scale in terms of logistics, with services being provided by distributors to a large number of retail stores. In Western Europe, on the other hand, a smaller share of sales is through distributors, though the number still remains significant;
- large retail chains are common in Western Europe and North America, representing a significant share of the Group's sales in these regions. This distribution channel is currently less significant in the CIS countries, but could grow in the years to come;

- independent stores represent a relatively significant share of the Group's distribution in Western Europe and in the CIS, APAC and Latin America segment, with a larger presence in high-end products such as wood flooring;
- installers and builders represent a significant share of sales in Western Europe, particularly in the commercial sector.

It should be noted that commercial carpet (the activity of Tandus, acquired in 2012, Desso, acquired in 2014 and Lexmark, acquired in 2018) is a special case, since it is generally distributed directly to commercial end-users in the form of "turnkey" solutions.

1.6.3.3 Customers

The Group has a large and diversified customer base, including, in particular, distribution companies and leading large retail chains. Distributors are the Group's principal customers and represent the majority of sales volume, followed by retail chains (including DIY chains).

The Group is not dependent on its principal customers. In 2019, the Group's largest customer represented less than 5% of total consolidated net revenue.

1.6.3.4 Organisation of the sales force

The Group employs roughly 1,500 sales professionals dedicated to selling the Group's products. They are spread over 38 countries, enabling the Group to adapt to local differences and better understand the needs of each market and region. Each sales office has its own organization, responding to the requirements and structure of the local region. One of the strengths of the Group's sales force is its ability to adapt to local demand.

1.6.3.5 Logistics

The Group's purchasing policy is based on three principles:

- improving the quality of customer service, in particular by offering a wide product selection and rapid delivery;
- reducing costs, in particular storage, transport costs and customs duties; and
- adapting the distribution network to the characteristics of local markets.

The Group works with its distributors to support their logistics needs and limit the Group's costs. For example, in 2013 and 2014 the Group extended its logistics platforms in the CIS, where there are 11 regional service centers located close to its principal distributors. This unique approach to distribution gives the Group a significant advantage over its competitors in the CIS. This leads to a clear improvement in service and a close relationship with customers: reduced delivery times, improved training of teams and better after-sales service.

Logistics and transport

Transport of the Group's products is organized with the objective of improving the quality of customer service while managing transportation costs both upstream and downstream.

Upstream, for delivery of raw materials and other materials needed to manufacture products, the Group negotiates framework agreements with its principal suppliers covering prices and lead times and tries to locate its production sites near its suppliers' manufacturing sites.

Downstream, for delivery of products to customers, the primary objective of the Group's logistics organization is to offer short lead times so that customers can optimize their inventory levels. In some countries the Group uses outside service providers.

Most of the Group's production sites are located in the regions in which it sells its products. By reducing the distance between production sites and customers, the Group improves service, significantly reduces transportation costs, saves on import duties and shortens lead times.

Logistics and information systems

The Group's information systems include various applications, in particular applications to manage purchases and product life cycles, resource planning, customer relations, supply-chain management, accounting and financial information and human resources.

In 2010, the Group launched a wide scale program to rationalize, consolidate and secure its information systems Group-wide.

To do this, it invested in the deployment of an SAP system, which improves monitoring and management of the Group's activities, to make internal processes uniform, simplify the services offered to end-users and develop the Group's Internet presence.

The Group also made its computer infrastructure uniform. It now has a single network and security system and a consolidation of data centres, while relying on a significantly strengthened risk management program for its information systems.

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1.6.4 Product innovation and intellectual property

The Group has a long history of research and development. Innovations are incorporated into new products and processes in order to provide residential and commercial end-users with new solutions.

To the extent permitted by local law, the Group patents, trademarks or registers its industrial know-how and research and development innovations in order to protect its intellectual property.

1.6.4.1 Research and development

The Group's research, design and development policy

Research and Innovation is at the centre of the Group's strategy. Over the last 3 years, spending on research, design and development has been stable at €33 million (i.e. 1.1% of 2019 revenues).

In 2019, the Group continued to invest heavily in latest-generation laboratory equipment.

The Group has created an organization allowing to design various innovating flooring solutions, for which it has won several awards.

In order to position its products to respond to market's demands and to anticipate future needs, the Group also includes in its research and development initiatives the creation of unique designs responding to emerging market trends.

Organization of the Group's research and development activity

A network of internal experts

The Group's research and development activities are performed by more than 200 employees throughout the world. Research and development is organized around an international research and innovation centre located in Luxembourg, a local innovation centre in Dalton in the United States, as well as 24 development and application laboratories located in more than 15 countries around the world. This enables the Group to develop products that respond to the needs and tastes of local end-users, while relying on its centre of excellence in Research and Innovation.

The Group also formed an internal network of experts organized by speciality and accessible through a single digital platform. These internal experts support development and innovation project leaders throughout the world. They are also responsible for ensuring and developing the Group's level of technical and scientific knowledge and for identifying emerging technologies and market trends.

The directors of the research and development departments meet frequently to discuss product innovation, development and portfolio. New networks such as digital printing and extrusion have been established to facilitate this collaboration.

Close partnerships with outside scientific experts, universities and suppliers

In order to imagine the most innovative flooring solutions, the Group has developed close relationships with outside experts.

The Group's directors of research and development consult with scientific experts to validate their scientific orientations with respect to the Group's technologies and processes.

Within the framework of its*open innovation policy*the Group dedicates around 20% of its research and innovation budget to external research activities.

In this context, the Group has also formed partnerships with the research laboratories of the most prestigious universities, engineering schools and public research centres throughout the world in line with their expertise on highly specialised subjects, including for example the German scientific institute EPEA (*Environment Protection Encouragement Agency*), ENS Cachan, UNISTRA (*Strasbourg University*), Mines ParisTech (École des Mines de Paris), CRAN (Lorraine Epinal University) in order to develop new skills and attract young talent (engineers, doctors, PostDoc, etc.).

The Group has also developed special links with certain suppliers through innovative partnership contracts relating, for example, to surface treatment and inks.

1.6.4.2 High-performance innovation process

Key principles

The Group's innovation strategy is based on four key pillars.

The Group places a great deal of importance on the principle of eco-design in a virtuous circle based on the principles of *Cradle to Cradle®*Cradle to Cradle. To eco-design, Tarkett constantly seeks new materials and processes that protect the environment and human health. In order to select quality materials and to design healthy and environmentally friendly products, since 2010, Tarkett has had a third-party body (EPEA) evaluate more than 3,000 materials according to the principles of the *Cradle to Cradle®*.

Thanks to eco-design taking into account recycling from the product design phase, the Group tries to develop products using recycled materials that can again be recycled at the end of use. For example, Tarkett has developed technologies at its carpet sites in Waalwijk (Netherlands) and Dalton (United States) that allow fibres to be separated from the carpet sub-layer, thus allowing both components to be recycled separately. Through its partnerships with other industries, the Group is also seeking to use resources from other waste streams. In this way, PVB films from windshields and safety glass are used to manufacture carpet sub-layers and, since 2018, to manufacture sub-layers for resilient tiles. This initiative, deployed throughout the Group, allows offcuts from flooring and sports surfaces to be recycled after they have been used through collection systems (together, for example, with Veolia, in France and Germany) and supports the development of a circular economy. Eco-designed products are awarded Cradle to Cradle certification ® (C2C). In 2019, Tarkett had obtained 21 C2C certifications covering a wide range of product categories including carpets, linoleum, rubber, wood and artificial turf. Six of these C2C certifications have gained the Gold standard, which is the highest in the flooring sector.

The Group also aims to provide clear and precise information to consumers about its products' composition. In Europe, indicators are used to communicate on renewable material content in the product, whether the product can be recycled, and its levels of VOC emissions. In partnership with EPEA in Europe and North America, the Group freely discloses the composition of its products with the evaluation of each material in terms of its impact on human health and the environment and the related explanation. This information is available in the document entitled, "Material Health Statement", issued by EPEA either on Tarkett's North American website or at the customer's request in Europe.

The second pillar of the Group innovation strategy is the development of solutions that can reduce the Total Cost of Ownership by developing solutions that facilitate installation/desinstallation and the cleaning and maintenance of floor coverings. Therefore, the Group has developed a full range of modular products, carpet tiles, mineral tiles, Cementi Click (in 2018) and vinyl tile solutions, both soft and hard, iD Click Ultimate and Starfloor Click Ultimate (in 2018), offering a large choice of innovative models and design. Also, in order to facilitate fitters' work, Tarkett offers solutions that can be quickly fitted on floors while still humid, for example the RollSmart adhesive, carpet tiles with Omnicoat technology or the TruTEX roll vinyl solution. Furthermore, Tarkett offers solutions for users which are increasingly easy to maintain and are resistant to transit and staining such as Contour vinyl tiles with Tectonik technology® and IQ4, a resistant type of flooring which provides excellent stain resistance in hospital environments.

The third pillar is structured around new materials that provide at least the same performances as vinyl products. In 2018, the Group launched two new product categories, Cementi Click, the first mineral tile with a connection system, and iD revolution, a resilient tile made from PVB films recycled from windshields and PLA derived from corn.

Finally, the Group aims to provide innovative designs and allow the cross-categorization of its various product ranges. The Group has developed various digital printing technologies for wood and vinyl, allowing to offer unique designs and services such as co-creation with designers. Tarkett is also the first company to develop this technology for mass personalization of vinyl floor coverings. Tarkett therefore provides a large choice in terms of design to both consumers and professionals with, in Europe, the highly innovative iD Supernature and iD Tattoo design collection, accompanied by a free online service that assists architects and designers in creating their own designs for vinyl tiles and, in the United States, the ColourPlay range, with dozens of colours available in a wood, stone or abstract design.

An integrated innovation process

To offer innovative products to its clients, the Group regularly launches new product lines. To design and develop these new lines, the Group has implemented a five-phase innovation process.

During the exploratory phase, the Group monitors the latest flooring and interior design trends. The Group monitors major social trends as well as trends in the construction industry which will affect the future requirements of its customers (*Strategic Foresight*) as well as technological and regulatory monitoring to ensure that products developed in the future are compliant with the regulations in force. The Group has implemented an approach which focuses on the user (*Customer Centric Innovation*) inspired by Design Thinking. Small, cross-functional teams work to understand the needs of customers. This methodology enables to identify potential pain points, to quickly develop solutions, to test with prototypes and to launch pilots, just as a start-up would do. Tarkett involves its customers in this process from start to finish.

Each year, the Group launches internal or external creative challenges to support this exploratory phase. For instance, in 2017, the Group invited a large number of design and engineering schools to participate in the challenge on the topic of "Transition".

Following the exploratory phase, the teams enter the trial phase. During this phase, the teams test the designed product for market desirability, market demand, materials performance, technical feasibility and manufacturing process.

After validating the desirability, viability, and feasibility criteria from the exploration phase, the future project moves into an effective development phase following a robust product development process (Stage Gate Development Process). This phase involves an intimate collaboration between several functions including the design, marketing, operations and research and development teams. Before its launch, the future product will have gone through numerous pilot tests as well as industrial, technical, and installation tests to ensure alignment with market expectations in terms of performance and quality as well as financial expectations.

The Group's numerous innovations

The Group's research and development strategy helps provide its end-users with excellent flooring products. As early as 1942, the Group developed a new process for manufacturing wood flooring that reduced the amount of wood used. Since then, the Group has always worked to develop products and concepts that simplify end-users' lives while respecting the environment and human health.

In 2009, the Group launched the production of non-phthalate vinyl flooring with the iQ Natural range® developed from renewabl plasticizers.

Since 2010, Tarkett developed a new technology based on non-phthalate plasticizers for vinyl flooring for both commercial and residential use. In 2013 and 2014, Tarkett deployed its non-phthalate plasticizer technology widely in Europe and North America, conducting significant development and adaptation of the formulations. This eco-innovation, combined with that of products with low to very low TVOC emissions (10 to 100 times below the strictest standards), enables Tarkett to contribute to improving indoor air quality (See section 3.6.3.1 of the CSR Report, "Contribution to Healthy Living Spaces and Internal Air Quality").

At of the end of 2019, 100% of Tarkett vinyl production sites in Europe, North America, Serbia and China use a non-phthalate plasticizer technology. Tarkett is also using eco-innovative approaches at industrial level by recycling plasticizer emissions in its products. This is being carried out in the Farnham factory in Canada.

Another example of eco-innovation is the development of sub-layers for the Ethos carpet tiles® made up of recycled materials from glass films obtained from windshields and safety glass. This same raw material was used to develop the iD Revolution tile range, which was launched on the market in 2018 and which is certified Cradle to Cradle® Gold® Gold standard. Some of Desso's carpet product lines are designed using only healthy and environmentally friendly materials (such as recycled nylon fibres and calcium carbonate from water softening) and can be fully recycled at end of use. The Group is also innovating in its recycling technologies for carpet tiles and in particular the Ethos tiles® with PVB undersides (polyvinyl butyral) and EcoBase with polyolefin undersides.

In 2013, Tarkett launched its new Linoleum xf²™ collection, recyclable flooring made from natural and renewable materials (linseed oil, pine resin, cork flour and wood flour). For this collection, a new surface treatment, xf², was developed, for greater durability and resistance to wear and tear. In addition, one product in particular, the Veneto® Essenza 100% linen, was designed without pigment or with C2C pigments, offering an authentic decor, and it obtained in 2014 a *C2C gold-level certification®*, Gold standard.

In 2016, a non-PVC homogeneous flooring, iQ One, was developed to offer an alternative to vinyl, in particular for the Scandinavian market. This new product received a C2C gold-level certification.

In 2018, Tarkett introduced iD Revolution, a new non-PVC tile containing more than 80% of materials recycled, rapidly renewable or abundant in nature. It also received a C2C gold-level certification.

In 2018 also, Cementi Click, a fibre cement-based mineral tile that can be rapidly installed thanks to its integrated connection system, was launched on the market to offer an alternative solution to ceramic.

Tarkett also innovates in easy to install flooring solutions, in particular with its new modular lines. The LVT range (module vinyl strips and tiles - *Luxury Vinyl Tiles*) of loose laid tiles, launched in Europe in 2015, are quick and easy to install and are durable.

In 2016, in the United States, Tarkett innovated with the OmniCoat coating technology for Ethos® carpet tile backing, which allows the carpet to be installed on any humid surface without causing quality problems. This solution also saves time for installers, since they no longer need to test the floor for humidity before installing carpet. In 2018, for the residential use, Tarkett developed and launched TruTex, a roll vinyl floor covering that can be installed on humid surfaces such as in basements.

Tarkett also provides solutions that protect the surface of floor coverings, allowing for easier cleaning and maintenance. In 2018, Tectonik varnish began to be used on LVT Contour in the United States.® This varnish provides the best performance on the market in terms of stain and abrasion resistance.

Thanks to its innovations, the Group is also enhancing the performance of the sports flooring products, in particular with Cool Play™, launched by FieldTurf®which is a system which significantly reduces the temperature of artificial turf whilst maintaining a consistent level of product quality. In addition, in 2014 and 2015 FieldTurf developed the VersaTile™ system, a sub-layer made from recycled artificial turf that combines drainage and shock-absorption properties (installed, in particular, at Gillette Stadium in Foxborough, Massachusetts, USA). Tarkett Sports also innovates in the area of athletic tracks, with its Rise-n-Run™ technology, a hydraulically banked track system that creates a high-performance, safer indoor track for athletes.

In 2017, the Group launched industrial digital printing in Europe, in the Eastern European countries and in the United States supporting an open co-creation approach with architects and specifiers. Several new co-creation spaces were created at the Clervaux Design Center (Luxembourg) and at the Florence Design Center (USA) complementing the Textile Co-Creation Center of the Waalwijk Design Center (Netherlands). This unique expertise and technology opens up enormous and valuable perspectives on flooring's ability to meet the needs of new spaces and user expectations.

The Group developed in 2014 and launched in 2015 in the CIS countries, a new range of wood flooring using a unique digital printing technology, meaning that any wood material could be printed with unique wood designs. This technology made it possible to develop the Ideo collection with a one-strip oak décor on a 3-strip wood flooring at very competitive prices.

In Russia, the Diva resilient flooring collection was launched in 2017 and brought a new aesthetic experience thanks to the non-repeatability of designs (*Unreapetable Design Technology*). In Europe, the iD Mixonomi collection, created for architects and designers, is a new collection of modular vinyl tile flooring enabling infinite combinations to create custom spaces. Built on the principle of combining colours, shapes and patterns, iD Mixonomi is an intuitive tool used for creating custom and bespoke flooring installations, from timeless patterns to the most vibrant collages. The collection offers an inspiring palette of 33 colours and 10 shapes to combine. In 2018, Tarkett developed Pentagonals in the United States, a similar solution but one which is based on rubber tiles. Finally, the ColourPlay collection in the United States provides a huge amount of pure colours available in any type of design, wood, stone or abstract.

In 2015, at its factory in Serbia, Tarkett developed an innovative embossing in register technology for vinyl rolls that provides customers with products that have a real wood effect (the embossing of the surface follows the wood grain pattern).

In 2017, a new LVT Click range was launched for the residential as well as the commercial market, also with embossed in register designs. This new range is manufactured in the factory in Poland.

The Group's innovation awards

The Group has received numerous awards demonstrating that its innovations are internationally recognized.

Over the last five years, the Group has received awards and certifications in numerous areas, and in particular for:

- The application of principles *Cradle to Cradle®* The production of flooring Over recent years, Tarkett has obtained several certifications "*Cradle to Cradle®*" (Cradle to Cradle Certified CM (1)): Basic level for artificial turf, Basic level in 2014 and Bronze level in 2015 for rubber tile flooring and rubber accessories (BaseWorks®), Silver level for linoleum, wood, Ethos carpet tiles,®hybrid turf, Gold level for Veneto™ Essenza 100 % Linen linoleum and Desso EcoBase™ carpets with an EcoBase sub-layer. In 2015, Desso's "Gold Collection" carpet line was certified Cradle to Cradle® Gold standard. At the end of 2015, 93% of Desso carpet tiles® intended for commercial use were Cradle to Cradle certified®. In 2016, IQ One, a new non-PVC homogeneous flooring, received a C2C Gold certification. In 2018, iD Revolution, resilient tiles, received also a Gold certification. See Chapter 3 for further details;
- the development of products that contribute to resolve health problems, in particular for people suffering from asthma and allergy. The Asthma and Allergy Foundation of America (AAFA) awarded in 2013 Asthma and allergy friendly certification™ to various types of vinyl flooring for hotels, shops (I.D. Inspiration™), hospitals (iQ vinyl flooring®) and indoor sports floors (Omnisports™ 6.5 mm and 8.3 mm). The FiberFloor product® received the same certification in 2012. Since 2016, all the FiberFloor® ranges have been awarded this certification. In addition, since 2015, the Swedish Asthma and Allergy Association has recommended the vinyl modular product Starfloor Click;
- its global sustainable development strategy: Tarkett received the BFM Green Business Award in 2011; the strategic development trophy awarded by Ernst & Young and the Agence Française de l'Environnement et de la Maîtrise de l'Energie (French Agency for the Environment and Energy Management) in 2012; the responsible innovation prize awarded in 2013 by Bearing Point in partnership with Expansion magazine and the École des Ponts Paris Tech; the "Woman of Sustainable Development 2014" prize at the Women in Industry Awards organized by the French magazine Usine Nouvelle, which rewarded the commitment of Anne-Christine Ayed, Tarkett's director of Research, Innovation and Environment; and the Green Business Award of the Year prize in 2014 at the Green Business Summit in Luxembourg, initiated by GreenWorks and organized by the Farvest Group;
- its innovation management strategy: Tarkett received A.T. Kearney's Best Innovator prize in 2013 and the IMProve innovation management prize in the large company category in 2015;
- the development of products that respect human health and the environment: In 2014, Tarkett was awarded for the Linoleum Veneto® Essenza 100% linen product the Prix Janus de l'Industrie sponsored by the Ministry of Industry and Foreign Trade in France, in the category "Components and Materials" in the service of People, Industry, and the Community;
- the development of digital printing technology for vinyl, with the innovation prize awarded by the Fedil (Fédération des Industries Luxembourgeoises) in Luxembourg in 2016;
- the LVT Infinies collection, created by renowned designers in the United States and using digital printing technology, received the Best of Neocon prize award in 2016;
- the iD Mixonomi collection in 2017 won the RedDot Design award;
- in France, iD Revolution received the Innovation Team Best Practices 2018 prize, which is organized by the University of Paris Sorbonne and the Paris Innovation Directors Club. In addition, iD Revolution received the UK's Green World Award, where iD Revolution was Global World Winner in the Innovation Category;
- in 2018, the Pentagonals collection received the Best of the Year prize from Interior Design Magazine ;
- in 2019, iD Revolution received the FX Award from the interior design magazine FX Magazine in the United Kingdom;
- in Luxembourg, iD Revolution received the environmental prize in the product category of the Business Federation of Luxembourg (Fédération des Industriels Luxembourgeois (FEDIL));
- in the United States, ethos® Modular with Omnicoat Technology™ received the Re|focus Sustainability Innovation Award in the Design category form the Plastics Industry Association and the Society of Plastic Engineers Sustainability Division;
- in the United States, Tatami System received the prestigious Building Product Innovations Award at NeoCon 2019 ;

- in the United States, iD Mixonomi was awarded a #MetropolisLikes prize and a HiP prize for flooring designed for the hotel sector at the NeoCon Awards which celebrate innovative products;
- in France, iD Surface received the Architecture @ Construction prize at the Muuuz International Awards ceremony (MIAW) organised by Muuuz in partnership with the magazine D'A ;
- in the Netherlands, Desso Flores and Desso Colourant carpets received two prizes from "Good Industrial Design 2019" during the Dutch Design Week in Eindhoven.

1.6.4.3 Standards relating to the Group's products

The Group complies with a large number of regulations, standards and certifications in its various markets. These standards vary depending on the geographic region, the type of building in which a product is installed and the type of flooring. The Group also uses a monitoring process to ensure that its products comply with applicable regulations, standards and certifications.

Mandatory standards and standards with which the Group complies voluntarily

The Group is subject to two types of standards: mandatory standards based on legal requirements (such as European regulations or national decrees) and voluntary standards that it has chosen to comply with to respond to its customers' needs.

In most cases, compliance with mandatory standards must be certified by independent laboratories and/or organizations as well as by a governmental authority. The main aim is to guarantee safety and protect the health of users by demonstrating the product's compliance with statutory requirements. They relate mainly to properties such as fire resistance, skid resistance and the limitation of emissions of toxic products.

Voluntary standards are primarily testing standards to determine a product's technical performances such as acoustic properties or dimensional stability, and specifications relating to minimum thresholds for a specific use. These standards vary depending on the product and its intended use, such as schools, hospitals or homes.

Especially in the commercial market, specifiers often stipulate compliance with non-mandatory standards in their order specifications. Specifiers (architects, contractors, etc.) demand compliance with these standards in their specifications. Moreover, compliance with non-mandatory standards is also required by certain national or municipal governments for the construction or renovation of buildings that will be used as public administrations or government agencies.

The Group discloses the standards with which it has voluntarily chosen to comply. Purchasers, specifiers and users may also be informed of all the flooring characteristics. This enables them to differentiate the Group's products from those of its competitors. The technical specifications that the Group chooses to communicate vary depending on the requirements of the market in question.

Standard Organizations and the Standards Used in Different Geographical Markets

Organizations for standardization define the technical characteristics and performance that a product must meet, as well as the tests to be used.

At the international level, the principal organization in charge of publishing the standards applicable to the Group is the International Organization for Standardization ("ISO'*International Standardization Organization* ("ISO"). Compliance with ISO standards is based on the principles developed by the World Trade Organization, and is technically voluntary, although often required by architects and project managers, in particular for government buildings. Furthermore, agreements between ISO and the European Union enable the transposition of an ISO standard into a European standard.

In Europe, standards are established by the European Committee for Standardization ("CEN"). These standards, called "EN" standards, are mandatory when referenced by a European regulation. Each European Union Member State is required to transpose the European standards into its national standards, replacing the corresponding national standard.

The "CE" marking for construction products is governed primarily by Regulation No. 305/2011 of April 24, 2011, which entered into force on July 1, 2013. It covers health, user safety and energy savings, and defines the mandatory requirements in order to sell the Group's products in the European market. The CE marking indicates that the Group's products comply with the various harmonized standards specific to those products and attests that the flooring has been adequately tested. Among the requirements for the CE marking, products must demonstrate fire resistance, low levels of toxic fumes, and anti-slip properties. For example, the Group complies with the harmonized EN Standard 14041, which details requirements for resilient and laminate flooring and carpets.

In addition to CE marking, the Group is required to comply with Member State regulations, which may rely on national standards established by organizations in various European Union Member States, such as the Association Française de Normalisation ("AFNOR") in France and the Deutsches Institut für Normung ("DIN") in Germany. The Group is subject to national standards in the countries where it sells its products.

In the United States, environmental and workplace safety regulations are established at the federal level, whereas safety features such as fire resistance standards are generally regulated at the state or city level. The development of voluntary standards applying to flooring in the United States is mainly dealt with by the*American Society for Testing and Materials* ("ASTM") or the*American National Standard Institute* ("ANSI"). Both the federal and state governments may decide to adopt ASTM or ANSI standards, thereby making them mandatory. ASTM and ANSI standards are mandatory when referenced in federal or state regulations.

In Russia, flooring products must comply with numerous technical standards imposed by various federal laws and technical regulations, including, in particular, Federal Law No. 184-FZ on the verification and compliance system for flooring and Federal Law No. 123-FZ on fire safety requirements.

Countries such as Australia, New Zealand, Japan and China also develop standards as well as national regulations with which the Group may be required to comply.

Finally, certain laboratories and private sector organizations have established procedures for labelling products that comply with certain standards.

The Group actively participates with organizations such as ASTM, ANSI, ISO and CEN in the process of developing standards.

1.6.4.4 Intellectual property rights

The Group has a significant portfolio of trademarks and patents which gives it a strategic advantage over its competitors that it constantly works on maintaining,

Trademark Portfolio

The Group's products are sold under known brands targeted at specific geographic regions and markets.

The Group sells its products under an international brand which is known worldwide (Tarkett),® specialised international brands such as FieldTurf® and a number of leading regional brands such as Johnsonite® and Tandus® (North America), Sinteros™ (CIS), Desso® (Western Europe) and Beynon® for athletic tracks, which are well known in several local markets.

In certain markets, the Group uses a multi-brand strategy, using different brands for different distribution channels, to cover the entire market and optimize coexistence between the Tarkett Group's different distributors.

The Group's main trademarks are protected on the main markets where it does business.

Protection of the Group's trademarks is based on registration or prior use of the marks. Such protections are subject to either national, European or international registrations for varying lengths of time depending on the countries.

Patent Portfolio

The Group holds full rights over a portfolio of numerous active patents in more than 42 countries. The Group's patents cover flooring and sports surface products as well as technologies for the development of new products.

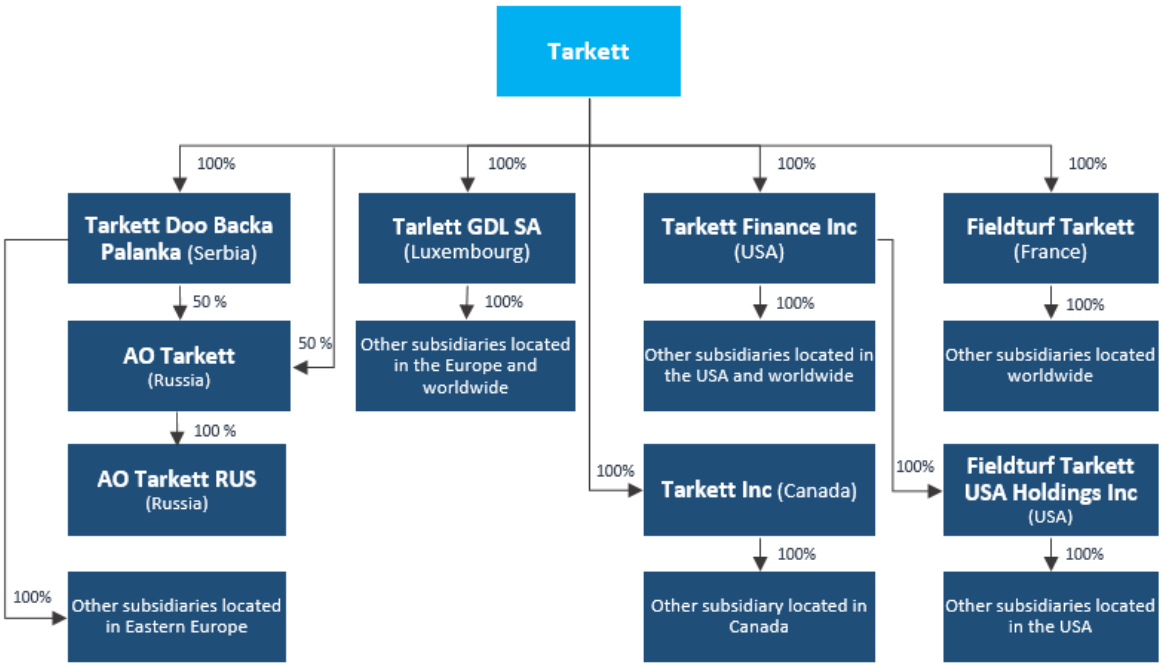
The Group's patents cover approximately 15 different categories of technologies. Each year the Group files 10 to 15 new patent applications. The average age of the patents' category in the Group's portfolio is approximately eight years, which is the same as the average age of its competitors' patents.

The geographical origin of the Group's patent portfolio is highly diversified, with 95 active patents' category originally filed in Western Europe, 2 in Eastern Europe and 23 in North America. Finally, the Group holds 38 specific patents' category relating specifically to its sports surfaces business.

Given the Group's research and development activity, it believes that it is not overly dependent on patents filed by third parties for its business.

1

1.7 Simplified Group organisation chart



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2.1 Governance

2.1.1 Corporate Governance Code

The Company adheres to the Corporate Governance Code for Listed Companies of the French Association of Private Sector Companies (Association Française des Entreprises Privées - AFEP) and of the Movement of the Entreprises of France (Mouvement des Entreprises de France - MEDEF), the "Afep-Medef Code" which constitutes the Company's corporate governance frame of reference. It may be consulted online (http://www.afep.com) and copies are permanently made available to members of its corporate bodies.

The Company ensures compliance with all the principles of corporate governance set out in the Afep-Medef Code, insofar as they are compatible with the Group's organization, size, and resources.

At December 31, 2019, on recommendation by the Nominations, Compensation and Governance Committee and following an analysis conducted by the Supervisory Board at its meeting on February 13, 2020, the Company believes that it is in full compliance with the Afep-Medef Code's recommendations, with the exception of Article 18.1 recommending that an employee representative be a member of the Compensation Committee. The Supervisory Board had not wished to change the composition of the Nominations, Compensation and Governance Committee given that its current composition (three-quarters being independent members) was the best guarantee of its effectiveness, as had indeed been emphasised during this year's self-assessment by the Board. In addition, the Nominations, Compensation and Governance Committee does not just deal with remuneration issues.

It is important to remember that Supervisory Board members, including the employee representative, have the possibility of expressing their views on remuneration-related matters raised by the Committee:

- the deliberations of the Committee are the subject of a report at Supervisory Board meetings;
- the recommendations made by the Committee are debated at Supervisory Board meetings.

2.1.2 Supervisory Board report on corporate governance

In accordance with the provisions of Article L.225-68 of the French Commercial Code, this chapter on governance and compensation contains information taken from the Supervisory Board report on corporate governance that was adopted at the Supervisory Board meeting on February 13, 2020, after considering the opinion of the Nominations, Compensation and Governance Committee.

A reconciliation table in Section 9.7.4 provides an overview of the information included in this document and that forms part of the corporate governance report.

2.2 Management and supervisory bodies

2.2.1 Management of the Company

The Shareholders' Meeting of January 2, 2001 opted for the two body management form of a French public limited company ("société anonyme") with a Management Board and a Supervisory Board. This organizational structure, which separates management and direction of the Company, which are the responsibility of the Management Board, from supervision of that management body, which is the responsibility of the Supervisory Board, addresses concerns about the balance of powers between the executive and control functions and is particularly suited to the Company's shareholding structure.

2.2.2 Management Board

2.2.2.1 Operation of the Management Board

As laid down in its Articles of Association, the Management Board is composed of at least two, and at most five, members appointed by the Supervisory Board for a three-year term of office.

2.2.2.2 Composition of the Management Board

At December 31, 2019, the Management Board was composed of the following two members.

	Age	Gender	Nationality	Date of 1st appointment	Effective date of the last renewal	Term end date	Number of shares held
Chairman							
Fabrice Barthélemy	51		French	23.05.2008	27.10.2019	27.10 2022	50,739
Member							
Raphaël Bauer	40		French	01.05.2019	27.10.2019	27.10.2022	3,951

2.2.2.3 Changes in the composition of the Management Board in 2019

On September 18, 2018, following the departure of Glen Morrison, the Supervisory Board, on recommendation by the Nominations, Compensation and Governance Committee, appointed Fabrice Barthélemy as interim Chairman of the Management Board. On January 11, 2019, the Supervisory Board, in line with the recommendations of the Nominations, Compensation and Governance Committee, decided to definitively appoint Fabrice Barthélemy as Chairman of the Management Board from January 14, 2019.

In addition, following the departure of Sharon MacBeath from her duties within the Group and her office as a member of the Management Board, the Supervisory Board, at its meeting on April 4 and 5, 2019, appointed Raphaël Bauer as a member of the Management Board, as recommended by the Nominations, Compensation and Governance Committee, with effect from May 1 , 2019. The terms of office of Fabrice Barthélemy and Raphaël Bauer were renewed by the Supervisory Board on October 23, 2019, on recommendation by the Nominations, Compensation and Governance Committee.

2.2.2.4 Main positions and corporate offices of the Management Board members, at December 31, 2019

FABRICE BARTHELEMY - Chairman of the Management Board

Experience and expertise

He was appointed as interim Chairman of the Management Board of Tarkett on September 18, 2018, and was confirmed in this position on January 14, 2019. He has been a member of the Management Board since May 2008.

He began his career as an industrial controller with Safran, joining Valeo in 1995 as Financial Controller of a division in the United Kingdom. From 2000 to 2003, he helped turn around Valeo's Lighting Division in France, before taking over the global financial management of Valeo's Electronics & Connective Systems and then of the Valeo's Wiping Systems.

He joined Tarkett in 2008 as Chief Financial Officer and also oversaw the Information Systems and Legal departments. He was President of the Target EMEA-LATAM Division from February 2017 to September 2019. He is a graduate of the French school of management, the École supérieure de commerce de Paris (ESCP) - Europe.

Professional address:

Tour Initiale - 1 Terrasse Bellini - 92919 Paris-La Défense

List of positions and corporate offices held in French and foreign companies during the last five years

Within the Tarkett Group

Current:

- Chairman of the Tarkett Management Board[1] (France)
- President of Tarkett Bois (France)
- Member of the Supervisory Board of Morton Extrusionstechnik GmbH (Germany)
- Chairman of the Board of Directors of AO Tarkett (Russia)
- Member of the Board of Directors of Laminate Park GmbH & Co KG (Germany)
- Member of the Board of Directors of Tarkett Capital SA (Luxembourg)
- Chairman of the Board of Directors of Tarkett GDL SA (Luxembourg)

Ended during the last five years:

- President of the EMEA & ATAM Division
- Twenty two positions within French and international subsidiaries

Outside of the Tarkett Group

Current:

- None

Ended during the last five years:

- None

1 *Listed company*

RAPHAEL BAUER - Member of the Management Board and Chief Financial Officer

Experience and expertise

Raphael Bauer has been the Group's Chief Financial Officer and a member of the Executive Committee since February 2017. He has been a member of the Management Board since May 1 , 2019.

Formerly the Group's Financial Controller, Raphael Bauer joined Tarkett in 2010 as financial controller within the EMEA Division, then for the Asia-Pacific and Latin American Regions.

Raphael Bauer began his career as a management controller at Valeo from 2002 to 2007, then joined Rexam as a financial officer from 2007 to 2010. He is a graduate of the Paris Institute of Political Studies (Sciences Po).

Professional address:

Tour Initiale - 1 Terrasse Bellini - 92919 Paris-La Défense

List of positions and corporate offices held in French and foreign companies during the last five years

Within the Tarkett Group

Current:

- Member of the Tarkett Management Board [1] (France)
- Group Chief Financial Officer
- Member of the Board of Directors of Tarkett GDL SA (Luxembourg)
- Chairman of the Board of Directors of Tarkett Capital SA (Luxembourg)
- Member of the Board of Directors of Somalré (Luxembourg)
- Member of the Board of Directors of Tarkett Hong Kong Limited (Hong-Kong)
- Member of the Board of Directors of Tandus Flooring (Suzhou) Co. Ltd (China)
- Supervisor for Tarkett Industrial (Beijing) Co., Ltd (China)
- Member of the Board of Directors of Tarkett Flooring India Private Limited (India)
- Member of the Board of Directors of Tarkett Flooring Singapore Pte. Ltd (Singapore)
- Member of the Board of Directors of AO Tarkett (Russia)
- Member of the Board of Directors of Tarkett Inc. (Canada)
- Member of the Board of Directors of Tarkett Finance Inc. (USA)
- Member of the Supervisory Board of Desso Holding B.V. (the Netherlands)

Ended during the last five years:

- Member of the Board of Directors of Tarkett Brasil Revestimentos LTDA (Brazil)

Outside of the Tarkett Group

Current:

- None

Ended during the last five years:

- None

1 *Listed company*

2.2.2.5 Activities of the Management Board in 2019

During 2019, the Management Board met nine times (six times in 2018). The attendance rate was 100%. Its meetings primarily focused on the:

Financial results:

- Fourth quarter 2018 activity report;
- review and approval of the Company and Consolidated Annual Financial Statements for the year ended December 31, 2018;
- first quarter 2019 activity report;
- approval of the half-year financial report at June 30, 2019;
- third quarter 2019 activity report;
- approval of forecast results documents;
- review of press releases relating to the financial results.

Annual General Meeting of April 26, 2019:

- proposed allocation of the results for the 2018 financial year;
- approval of the management report on the Company and the Group;
- review of regulated agreements and commitments;
- preparation of the agenda and the draft of the text of resolutions submitted for approval to the Shareholders' Meeting ;
- calling Shareholders' Meeting .

Other activities:

- decision on the renegotiation of the Schuldschein (promissory note loan) and revolving credit facility (RCF), in accordance with the decision and delegation of the Board;
- setting up a factoring programme;
- decision to increase in the Company's share capital following the exercise of the scrip dividend option by a number of shareholders, in accordance with the delegation issued by the Annual General Meeting of April 26, 2019;
- setting up the 2019-2022 LTI plan;
- implementation of the buyback program to cover the free share allocation plan and signing of the related mandate with the investment service provider.

2.2.3 Supervisory Board

2.2.3.1 Operation of the Supervisory Board

General operation

The operation of the Supervisory Board is described in Articles 17 to 23 of the Company's Articles of Association, drawn up in accordance with the laws and regulations in effect.

On November 21, 2013, the Company adopted Internal Regulations governing its organization and operation and the rights and duties of its members. These Internal Regulations follow industry guidance designed to ensure compliance with the fundamental principles of corporate governance, and in particular the recommendations of the Afep-Medef Code. The Internal Regulations are reviewed regularly by the Supervisory Board so that they can be adapted to any new legislation and regulations and, if appropriate, to any new recommendations of the Afep-Medef Code.

Chairman and Deputy Chairman

The Supervisory Board elects a Chairman and a Deputy Chairman from among its non-corporate members, for a duration that may not exceed that of the member's term of office.

In accordance with the legal provisions, the main mission of the Chairman of the Supervisory Board is to organize the work of the Supervisory Board so that the control of the Company's management can be exercised correctly. The Chairman of the Board is the principal point of contact for answering any request by a shareholder or investor addressed to the Supervisory Board.

If the Chairman is unavailable, Supervisory Board meetings are chaired by the Deputy Chairman.

Rights and obligations of Supervisory Board members

Each Supervisory Board Member must hold 1,000 shares in the Company, as required under the Internal Regulations. Each newly appointed Supervisory Board Member is therefore asked to devote one-half of their director's fees to acquiring these 1,000 shares in due time. Under the prevailing legislation and regulations, the Supervisory Board representing employees is not required to hold a minimum number of shares in the Company.

Each Supervisory Board Member agrees to comply with the applicable legislation and regulations with respect to market abuse and inside information (including observers). Supervisory Board members (including observers) are reminded of these statutory and regulatory provisions each year, and in the event of any significant changes to the provisions.

Supervisory Board meetings

The Supervisory Board meeting called to approve the financial statements for the first half-year draws up the calendar for meetings the following year to ensure that all members can attend. Prior to each meeting, a notice is sent by e-mail to each member, specifying the place, time, and agenda for the meeting. Detailed presentations on each item on the agenda are sent to each member in advance through a secure digital platform.

During the meeting, each item on the agenda is presented to the Supervisory Board members with an explanation. Issues reviewed and debated earlier by specialised committees are summarised by their Chairman at the next Supervisory Board meeting deliberating on these issues. For certain technical subjects, presentations are made by Group executives specialised in the subject area presented. Each item on the agenda is followed by questions, a discussion, and a vote. Written minutes are drawn up and provided to Supervisory Board members in advance of their approval at the next meeting.

Since October 2019, a delegate from the Company Social and Economic Committee, the employee representative body, has also attended Supervisory Board meetings without the right to vote. That delegate was also trained and made aware of the legislation and regulations applicable to market abuse.

2.2.3.2 Composition of the Supervisory Board

At December 31, 2019, the Supervisory Board was composed of twelve members, including one member representing employees and two observers, all appointed for four-year terms of office. At the time of the Company's Initial Public Offering on November 21, 2013, in accordance with the provisions of the Afep-Medef Code and Article 18 of the Articles of Association, the Supervisory Board members already in office on that date were either appointed or renewed early for a term of less than four years to ensure staggered renewal of their terms of office.

The composition of the Supervisory Board is designed to enable the Group to benefit from the diversified professional experience of its members and involve the representatives of the Company's majority shareholders in the definition of the Group's strategy and its implementation.

Moreover, on December 31, 2019, the proportion of women on the Supervisory Board reached 44%, above the legal requirements, and the proportion of independent members within the meaning of the Afep-Medef Code (44%) was above the level recommended in that for companies with controlling shareholders. *(For the purposes of calculating these percentages, no account was taken of the member representing the employees and observers.)*

At December 31, 2019, the composition of the Supervisory Board was as follows.

	Personal data and experience							Attendance at Supervisory Board meetings			Attendance at specialised committees	
Member	**Age**	**Gender**	**Nationality**	**Years of *service***	**Number of shares held [1]**	**Other positions [2]**	**Independence**	**1st appointment**	**Last renewal**	**End of term of office [3]**	**2019 attendance [4]**	**CARC [5]**	**CNRG [6]**
Eric La Bonnardière *Chairman*	38			4	17,971	-	-	24.04.15	26.04.18	2022	100%	-	-
Didier Deconinck *Deputy Chairman*	72			18	1 036	-	-	02.01.01	26.04.18	2022	100%	-	-
Eric Deconinck	71			18	16,117	-	-	02.01.01	26.04.16	2020	100%	-	-
Julien Deconinck	41			5	1,000	-	-	13.05.14	26.04.18	2022	100%	M	-
Jean-Hubert Guillot *Member representing employees*	46			<1	1,297	-	-	19.09.19 [7]	-	2023	100%	-	-
Didier Michaud-Daniel	61			<1	1,000	1	√	26.04.19	-	2023	89%	-	M
Françoise Leroy	67			6	1 035	1	√	26.11.13	26.04.19	2023	100%	M	P
Sabine Roux de Bézieux	54			2	1 035	1	√	27.04.17	-	2021	93%	-	M
Agnès Touraine	64			3	1,129	3	-	05.12.16	27.04.17	2021	100%	-	M
Guylaine Saucier	73			4	1,000	3	√	29.07.15	27.04.17	2021	93%	P	-
Bernard-André Deconinck *Observer*	75			18	11,394	-	N/A	02.01.01	26.04.18	2022	87%	-	-
Nicolas Deconinck *Observer*	39			4	5,437	-	N/A	24.04.15	27.04.17	2021	93%	-	-

(1)Number of registered shares held by Supervisory Board members. This table does not take into account the 33,222,659 shares held by Société Investissement Deconinck ("SID"), of which Eric, Didier, Bernard-André, Julien and Nicolas Deconinck and Eric La Bonnardière are direct and indirect shareholders, nor shares held by the "Groupe Familial Deconinck", as set out in Section 7.3.1 The observers and the member representing employees are not covered by the requirement to hold shares set out in Section 2.2.

(2) Number of corporate offices held in listed companies, other than the Tarkett Group.

(3) Date of the General Meeting of Shareholder called to approve the financial statements for the year in which the office expires.

(4)The attendance rate indicated takes into account so-called "exceptional" meetings, as defined in Section 2.3.9. Apart from so-called "exceptional" meetings (4 "exceptional" meetings in 2019), the attendance rate of Didier Michaud-Daniel was 83%.

(5) Audit, Risks and Compliance Committee.

(6) Nominations, Compensation and Governance Committee.

(7) Date of appointment by the Company Social and Economic Committee - Attendance at the first Supervisory Board meeting following appointment, i.e. October 23, 2019 (more details in Section 2.2.3.6).

N/A Not applicable P: Chairman. / M: Member.

2.2.3.3 Changes to the composition of the Supervisory Board in 2019

	Departure	Appointment	Renewal
Supervisory Board	Jacques Garaïalde	Didier Michaud-Daniel Jean-Hubert Guillot[1]	Françoise Leroy
Audit, Risks and Compliance Committee	-	-	Françoise Leroy [2]
Nominations, Compensation and Governance Committee	-	Didier Michaud-Daniel	Françoise Leroy [3]

(1) Date of appointment by the Company Social and Economic Committee
(2) Renewal of office as member of the Audit, Risks and Compliance Committee
(3) Renewal of office as Chairman of the Nominations, Compensation and Governance Committee

The Shareholders' Meeting of April 26, 2019, decided to:

- renew the term of office of Ms Françoise Leroy as an independent member of the Supervisory Board for a term of four years;
- appoint Mr Didier Michaud-Daniel as an independent member of the Supervisory Board for a four-year term of office, to replace Mr Jacques Garaïalde, whose term of office was coming to an end.

The Supervisory Board meeting of April 26, 2019, decided, on recommendation by the Nominations, Compensation and Governance Committee, to:

- appoint Françoise Leroy as (i) a member and Chairman of the Nominations, Compensation and Governance Committee, and (ii) member of the Audit, Risks and Compliance Committee;
- appoint Mr Didier Michaud-Daniel as a member of the Nominations, Compensation and Governance Committee.

On September 19, 2019, the Tarkett Social and Economic Committee appointed Jean-Hubert Guillot as a member of the Supervisory Board to represent employees, in accordance with Article L. 225-79-2 of the Code of Commerce and Article 17 of the Company's Articles of Association. He sat for the first time at the meeting that followed his appointment, that is to say October 23, 2019. In accordance with the Company's Articles of Association, his term of office is for four years and will come to an end following the Ordinary General Meeting convened to approved the financial statements for the financial year in which his term of office as a member expires.

2.2.3.4 Changes proposed in 2020

Following a review and on recommendation by the Nominations, Compensation and Governance Committee, the Supervisory Board proposed to the Shareholders' Meeting of April 30, 2020, that Nicolas Denoninck be appointed as a member of the Supervisory Board, for a four-year term of office, to replace Eric Deconinck, whose term of office was expiring and who had informed the Supervisory Board that he did not wish to extend his term of office.

The information relating to the Supervisory Board member whose appointment was proposed to the General Meeting on April 30, 2020, is given in Section 2.2.3.5 of this Universal Registration Document.

2.2.3.5 Biographies, main positions and corporate offices of the Supervisory Board members at December 31, 2019

ERIC LA BONNARDIERE - Chairman of the Supervisory Board

Experience and expertise

Eric La Bonnardière became a member of the Company's Supervisory Board and a member of the Audit Committee in 2015. He was appointed Deputy Chairman of the Supervisory Board in 2017. He has been Chairman of the Supervisory Board since April 2018.

He began his career in 2006 as a consultant at Capgemini and then joined the Advancy strategy consulting firm where he carried out assignments in industry and distribution. Since 2009, he has been the Chairman and co-founder of Evaneos, a travel marketplace and European leader in its segment.

He graduated from the Supelec engineering school and holds a Masters in management from the HEC business academy in Paris.

Professional address

Evaneos, 27 Rue de Mogador, F-75009 Paris.

List of positions and corporate offices held in French and foreign companies during the last five years

Within the Tarkett Group

Current:

- Chairman of the Supervisory Board of Tarkett[1] (France)

Ended during the last five years:

- Deputy Chairman of the Supervisory Board of Tarkett[1] (France)
- Member of the Tarkett Audit Committee[1] (France)

Outside of the Tarkett Group

Current:

- Chairman and Chief Executive Officer of Evaneos (France)

Ended:

- None

DIDIER DECONINCK - Deputy Chairman of the Supervisory Board

Experience and expertise

Didier Deconinck joined the Company's Supervisory Board in 2001, and was its Chairman from 2005 to April 2018, when he was appointed its Deputy Chairman. He is the Chief Executive Officer (CEO) of the Société Investissement Deconinck ("SID"), a family firm with holdings in the Company, and, since 2013, has been a member of the Management Board and Family Council (formerly "Bureau des Assemblées"), as a representative of the company DDA. He was a Managing Director of Société Investissement Familiale ("SIF"), a holding company that controlled the Company until its initial public offering in 2013. He also co-founded and was the Managing Director of Monin, a French hardware manufacturer for the building and industrial sectors, until its sale in January 2017.

From 1979 to 1984, Didier Deconinck was the Managing Director of Allibert-Mobilier-de-Jardin. He then became Managing Director of the Video division of Thompson and an executive officer of its German holding company, DAGFU, until 1987. From 1987 to 1990, he was the General Manager of Domco, a company traded on the Toronto Stock Exchange and the largest Canadian flooring manufacturer. He was also Chairman of ARDIAN Holding's Supervisory Board and of its Nomination and Compensation Committee from 2013 to 2015. Since 2019, he has also been a director of the Cercle de l'Orchestre de Paris and of the Fond du Musée d'Art Moderne de Fontevraud.

Didier Deconinck holds an engineering degree from École Polytechnique of Zurich and received additional training in marketing at the Wharton Business School and in finance at the European Business Administration Institute INSEAD (Fontainebleau).

Professional address

Tour Initiale - 1 Terrasse Bellini - F-92919 Paris-La Défense

List of positions and corporate offices held in French and foreign companies during the last five years

Within the Tarkett Group

Current:

- Deputy Chairman of the Supervisory Board of Tarkett[2] (France)

Ended during the last five years:

- Chairman of the Supervisory Board of Tarkett[1] (France)

Outside of the Tarkett Group

Current:

- CEO, a Member of the Management Board and Family Council (as DDA's representative) of SID (France).
- President of DDA (France)
- Deputy Chairman of the Supervisory Committee and Chairman of the Compliance, Internal Control, Risk and Audit Committee of ARDIAN Holding (France)
- Director and Treasurer of Cercle de l'Orchestre de Paris (France)
- Director of the Fond du Musée d'Art Moderne de Fontevraud (France)

Ended during the last five years:

- Chairman of the Management Board of SID (France)
- Director of the Museum of the Army (France)
- Member of the Management Board and Managing Director of SIF (France)
- Managing Director of Monin (France)
- Chairman of the Supervisory Board and of the Nominations and Compensation Committee of ARDIAN Holding (France)

1 Listed company
2 Listed company

ERIC DECONINCK - Member of the Supervisory Board

Experience and expertise

Eric Deconinck is a member of the Company's Supervisory Board and has been a member of the Management Board and Chairman of the Family Council (as the representative of Demunich) of SID since 2013. He has served as CEO of SIF. At Sommer Allibert, he was the Managing Director of the subsidiary Sommer Brazil from 1976 to 1981, and then President of Allibert Habitat from 1993 to 1997.

Eric Deconinck began his career with Publicis and then worked as a Budget Manager for Euro-Advertising from 1972 to 1976. He subsequently joined L'Oréal, where he was Managing Director of Garnier from 1981 to 1985, and then Managing Director of Lancôme from 1985 to 1988. He then joined LVMH Group as President of Christian Lacroix from 1990 to 1991. He founded and developed the consulting firm Marketing & Business from 1998-2013. Eric Deconinck holds a degree from the École Supérieure de Commerce de Lyon business school and served in the military as a part of the French mountain infantry, the Chasseurs Alpins.

List of positions and corporate offices held in French and foreign companies during the last five years

Within the Tarkett Group

Current:

> Member of the Supervisory Board of Tarkett[1] (France)

Ended during the last five years:

> None

Outside of the Tarkett Group

Current:

> Member of the Management Board, Chairman and member (as a representative of Demunich) of the Family Council of SID (France)

> Chairman of Demunich (France)

Ended during the last five years:

> Member of the Management Board of SIF (France)

Business address

Demunich - 32 Rue du Mont-Thabor, F-75001 Paris

JULIEN DECONINCK - Member of the Supervisory Board and of the Audit, Risks and Compliance Committee

Experience and expertise

He is a founding member of Clermount, a mergers and acquisitions consulting company specialised in fund raising for positive-impact companies. He began his career in 2002 as a mergers and acquisitions analyst at Lazard.

He then joined the Tarkett Group, where he held several positions in marketing development and project management from 2003 to 2006. From 2006 to 2015, he was a mergers and acquisitions associate at HSBC, then Director of Equity Investments at the investment firm Parcom Capital, and then a Director at Société Générale Corporate & Investment Banking.

Julien Deconinck is a graduate of the HEC business academy.

List of positions and corporate offices held in French and foreign companies during the last five years

Within the Tarkett Group

Current:

> Member of the Supervisory Board of Tarkett[1] (France)

> Member of the Audit, Risks and Compliance Committee of Tarkett[1] (France)

Ended during the last five years:

> Observer of the Supervisory Board of Tarkett[1] (France)

Outside of the Tarkett Group

Current:

> None

Ended during the last five years:

> None

Professional address

Clermount Ltd - 56 Lexham Gardens - London W8 5JA - United Kingdom

1 Listed company

2

JEAN-HUBERT GUILLOT - Member of the Supervisory Board representing employees

Experience and expertise

Jean-Hubert Guillot has been responsible for the Tarkett Group's Back Office Applications & Data since 2018.

He previously held various posts within the Information Systems Department. IT Business Partner Finance/Data (2012) the the Architecture & Performance/Data Department (2015).

In September 2019, Jean-Hubert Guillot was appointed by the Tarkett Social and Economic Committee as the employee representative on the Supervisory Board.

Jean-Hubert Guillot started his career with Bearing Point dealing with transformation projects for putting in place SAP applications in various groups (Bel, Schneider Electric, La Poste Courrier, Veolia Environnement, Euralis). He also worked for SAP AG in Germany for 4 years.

He is a graduate of the Institut du Commerce de Paris business school.

Professional address

Tour Initiale - 1 Terrasse Bellini - 92919 Paris-La Défense

List of positions and corporate offices held in French and foreign companies during the last five years

Within the Tarkett Group

Current:

> Member representing employees on the Tarkett Supervisory Board[1] (France)

Ended during the last five years:

> Member of the Tarkett Social and Economic Committee representing the College of Top Executives.

Outside of the Tarkett Group

Current:

> None

Ended during the last five years:

> None

DIDIER MICHAUD-DANIEL - Independent member of the Supervisory Board and member of the Nominations, Compensation and Governance Committee

Experience and expertise

Since March 2012, Didier Michaud-Daniel has been Managing Director of Bureau Veritas, a listed company in the Paris SBF 120 index of most actively traded stocks. He began his career in 1981 with OTIS, where he held various posts in the Sales Management and Operations Department. He was appointed Deputy General Manager of Operations in January 1998.

He then became Managing Director of OTIS UK and Ireland, then Chairman of OTIS for the UK, Germany and Central Europe region, before being appointed Chairman of OTIS Elevator Company in May 2008.

He is a graduate of the Poitiers business management school and European Business Administration Institute INSEAD and is Chevalier de la Légion d'honneur, the highest French order of merit.

Professional address

Immeuble Newtime - 40/52, Boulevard du Parc, F-92200 Neuilly-sur-Seine

List of positions and corporate offices held in French and foreign companies during the last five years

Within the Tarkett Group

Current:

> Member of the Supervisory Board of Tarkett[1] (France)

> Member the Nomination, Compensation and Governance Committee of Tarkett[1] (France)

Ended during the last five years:

> None

Outside of the Tarkett Group

Current:

> Managing Director of Bureau Veritas[1] (France)

> Chairman of Bureau Veritas International SAS (France)

Ended during the last five years:

> None

1 Listed company

FRANCOISE LEROY - Independent member of the Supervisory Board, Chairman of the Nominations, Compensation and Governance Committee and member of the Audit, Risks and Compliance Committee

Experience and expertise

Françoise Leroy has been a member of the Supervisory Board since 2013. She began her career in 1975 as Secretary General of the Union Industrielle d'Entreprise. Elle joined Elf Aquitaine in 1982, where she held various positions in financial management. In 1998, she became the Director of Financial Communications, and then, in 2001, she became Director of Chemical Subsidiaries Operations in the Finance Department of Total following its merger with Elf Aquitaine. She is the Secretary General of Total's Chemical Division since 2004 and a member of its Steering Committee since 2006. She was Head of Acquisitions and Disposals from January 9, 2012 until June 2013.

Françoise Leroy is a graduate of the Reims business management and administration school, the École Supérieure de Commerce et d'Administration des Entreprises.

Professional address

Tour Initiale - 1 Terrasse Bellini - 92919 Paris-La Défense

List of positions and corporate offices held in French and foreign companies during the last five years

Within the Tarkett Group

Current:

- Member of the Supervisory Board of Tarkett[1] (France)
- Chairman of the Tarkett Nominations, Compensation and Governance Committee[1] (France)
- Member of the Audit, Risks and Compliance Committee of Tarkett[1] (France)

Ended during the last five years:

- None

Outside of the Tarkett Group

Current:

- Member of the Board of Directors and a member of the Audit and Risk Committee and of the Nominations and Compensation Committee of Gaztransport & Technigaz GTT[1] (France)

Ended during the last five years:

- Member of the Supervisory Board and Chairman of the Audit Committee of HIME (Saur Group) (France)
- Member of the Supervisory Board of Argan SA[1] (France)

SABINE ROUX DE BÉZIEUX - Independent Member of the Supervisory Board and member of the Nominations, Compensation and Governance Committee

Experience and expertise

Sabine Roux de Bézieux has been a member of the Company's Supervisory Board since 2017.

After two years in investment banking, she spent 13 years with the Andersen Group in London and Paris. From 2002 to 2012, she ran her own consulting company, Advanceo, before joining the Board of Directors of several listed companies and taking over the General Management of Notus Technologies.

She has been involved with foundations for more than ten years, first with the ARAOK Foundation, which she co-founded in 2005, and then in the launch of Un Esprit de Famille association, which brings together family foundations in France. She is also active in community life, as the Treasurer of United Way, L'Alliance and President of Fondation de la Mer.

Sabine Roux de Bézieux graduated from the ESSEC business school in 1986. She also holds a DECF (Diploma of Accounting and Finance) and a bachelor's diploma in philosophy. She is a former auditor of IHEDN.

Professional address

Notus Technologies - 2 bis Rue de Villiers, F-92300 Levallois-Perret

List of positions and corporate offices held in French and foreign companies during the last five years

Within the Tarkett Group

Current:

- Member of the Supervisory Board of Tarkett[1] (France)
- Member the Nomination, Compensation and Governance Committee of Tarkett[1] (France)

Ended during the last five years:

- None

Outside of the Tarkett Group

Current:

- General Manager of Notus Technologies (France)
- Member of the Board of Directors of ABC Arbitrage[1] (France)
- Member of the Supervisory Board of Banque Transatlantique (France)
- Manager of SARL Galiseo

Ended during the last five years:

- Member of the Supervisory Board of Altur Investment[1] (France)
- Member of the Supervisory Board of ANF Real Estate (France)

1 *Listed company*

2

GUYLAINE SAUCIER - Independent member of the Supervisory Board and member of the Audit, Risks and Compliance Committee

Experience and expertise

Guylaine Saucier has been a member of the Supervisory Board since 2015.

Elle is a certified director with the Institute of Corporate Directors, and was awarded the title of Fellow by the Ordre des Comptables Agréés du Québec, the Quebec chartered accountants association.

She was the CEO of the Gérard Saucier Ltée Group from 1975 to 1989. A Director of numerous major companies, including Bank of Montreal, AXA Assurances Inc., Danone and Areva. She was also Chair of the Joint Committee on Corporate Governance (ICCA, CDNX, TSX) (2000-2001), Chair of the Board of Directors of the Canadian Institute of Chartered Accountants (1999 à 2000), a member of the Board of Directors of Bank of Canada (1987 to 1991). She was also appointed to chair the Quebec Chamber of Commerce.

Guylaine Saucier is a graduate of the École des Hautes Études Commerciales business school of Montreal.

Professional address

1321 Sherbrooke Ouest, Montreal, H3G 1J 4 - Canada

List of positions and corporate offices held in French and foreign companies during the last five years

Within the Tarkett Group

Current:

- Member of the Supervisory Board of Tarkett[1] (France)
- Chairman of the Tarkett Audit, Risks and Compliance Committee[1] (France)

Ended during the last five years:

- None

Outside of the Tarkett Group

Current:

- Member of the Supervisory Board of Wendel[1] (France)
- Member of the Board of Directors of Cuda Oil and Gaz Inc.[1] (Quebec)
- Member of the Supervisory Board of Rémy Cointreau[1] (France)

Ended during the last five years:

- Member of the Board of Directors, the Audit Committee and the Risk Management Committee of the Bank of Montreal (Quebec)
- Member of the Board of Directors of Scor[1] (France)
- Member of the Supervisory Board and Chairman of the Audit Committee of Areva[1] (France)

AGNÈS TOURAINE - Independent member of the Supervisory Board and member of the Nominations, Compensation and Governance Committee

Experience and expertise

Agnès Touraine the founding Chair of Act III Consultants, a consultancy firm specializing in digital strategies, and Senior Advisor with McKinsey.

Previously, she was the Chairman and CEO of Vivendi Universal Publishing, after spending 10 years with Lagardère Group and five years with McKinsey. She was also the Chair of the Institut Français des Administrateurs (IFA) until 2019.

She was a member of the Board of Directors of Proximus (formerly Belgacom), and a member of the Boards of Directors of Darty Plc and Neopost until mid-2016. She was also a member of the Boards of Directors of various non-profit associations such as IDATE and the French American Foundation.

In October 2017, she became a member of the "Partage de la valeur et engagement sociétal des entreprises" [sharing the value and social commitment of companies] Working Group for the Ministry of the Economy and Finance Action Plan for Business Growth and Transformation (Plan d'Action pour la Croissance et la Transformation des Entreprises - PACTE), a government action plan aimed at fostering entrepreneurship and corporate innovation. Since January 2018, Agnès Touraine has also been a member of the "Conseil d'orientation de la participation, de l'intéressement, de l'épargne salariale et de l'actionnariat salarié" (Advisory Board on Employee Share Ownership, Incentive, Savings and Shareholding Schemes) (Copiesas).

She has a law degree, from the Paris Institute of Political Studies (Sciences Po), and holds an MBA from Columbia University

Professional address

Act III Consultants - 32 Rue Notre Dame des Victoires, F-75002 Paris

List of positions and corporate offices held in French and foreign companies during the last five years

Within the Tarkett Group

Current:

- Member of the Supervisory Board of Tarkett[1] (France)
- Member the Nomination, Compensation and Governance Committee of Tarkett[1] (France)

Ended during the last five years:

- None

Outside of the Tarkett Group

Current:

- Chair of Act III Consultants (France)
- Member of the Supervisory Board of 21 Partners (France)
- Member of the Board of Directors of Proximus[1] (Belgium)
- Member of the Board of Directors of GBL[1] (Belgium)
- Member of the Board of Directors of Rexel[1] (France)

Ended during the last five years:

- Chair of the Institut Français des Administrateurs (France)

1 Listed company

BERNARD-ANDRE DECONINCK - Observer of the Supervisory Board

Experience and expertise

Bernard-André Deconinck is an observer at meetings of the Company Supervisory Board and, since 2013, been the Chairman of the Management Board and a member of the Family Council (as the representative of the Heritage Fund) of SID. He was also a member of the SIF Management Board.

He began his career with the Group in 1969 as a methods engineer, and, from 1970, held operational management positions (in the factories and in the divisions), then became Director of Purchasing, Investment, Style, and Research and Development for the Group.

Bernard-André Deconinck is a graduate of the École Centrale de Paris school of engineering and science.

Professional address

Tour Initiale - 1 Terrasse Bellini - 92919 Paris-La Défense

List of positions and corporate offices held in French and foreign companies during the last five years

Within the Tarkett Group

Current:

> Observer of the Supervisory Board of Tarkett[1] (France)

Ended during the last five years:

> Member of the Supervisory Board of Tarkett[1] (France)

> Member the Nomination, Compensation and Governance Committee of Tarkett[1] (France)

Outside of the Tarkett Group

Current:

> Chairman of the Management Board of SID (France)

> Co-manager of Heritage Fund SPRL (Belgium)

> Manager of Val Duchess SPRL (Belgium)

Ended during the last five years:

> Member of the Management Board and Managing Director of SIF (France)

NICOLAS DECONINCK - Observer of the Supervisory Board

Experience and expertise

Nicolas Deconinck is currently an Advisory Director with Publicis Sapient, an agency specialised in digital strategies. He supports key accounts in their process of digital change by applying new marketing, communications and management drivers.

He began his career in 2003 as a marketing analyst with Orange , and then became IT strategy consultant at Bearing Point. In 2006, he founded his own company, Attractive, later renamed SoActive, an international e-business platform specialised in sports equipment, which he sold to Bentley Hall Ivts fund in 2015.

Nicolas Deconinck graduated from Paris Institute of Political Studies (Sciences Po) and the University of Paris Dauphine.

Professional address

Tour Initiale - 1 Terrasse Bellini - 92919 Paris-La Défense

List of positions and corporate offices held in French and foreign companies during the last five years

Within the Tarkett Group

Current:

> Observer of the Supervisory Board of Tarkett[1] (France)

Ended during the last five years:

> None

Outside of the Tarkett Group

Current:

> None

Ended during the last five years:

> None

1 *Listed company*

2.2.3.6 Diversity and balance in the composition of the Supervisory Board

The Supervisory Board and the Nominations, Compensation and Governance Committee regularly assess the composition of the Supervisory Board and its specialised Committees, and in particular the variety of skills and experience contributed by each of its members. It also identifies the approaches to be adopted to ensure the best possible balance through complimentary profiles, whether in terms of nationality, gender and experience.

To achieve diversity, measures have been adopted within the Supervisory Board, with the help of the Nominations, Compensation and Governance Committee, that encompass the criteria taken into account, the objectives set by the Supervisory Board, the procedures for implementation and the results obtained during each financial year.

Balanced representation of men and women within the Supervisory Board

In accordance with the prevailing legislation and regulations, and in order to guarantee a balanced composition, the Supervisory Board ensures that at least 40% of the Supervisory Board members are women.

Each time the term of office of a member of the Supervisory Board comes up for renewal or a new member is to be appointed, on recommendation by the Nominations, Compensation and Governance Committee, the Supervisory Board examines the various nominees with a view to ensuring gender equality.

At December 31, 2019, the proportion of women on the Supervisory Board was 44% *(in calculating this percentage, the member representing employees and the observers were not taken into account)*. Subject to adoption of the motions to be put to the Shareholders' Meeting on April 30, 2020, this balanced representation of women and men will be maintained.

Employee representation

Member of the Supervisory Board representing employees

Jean-Hubert Guillot was appointed by the Company Social and Economic Committee at its meeting on September 19, 2019, and took up his seat on the Supervisory Board at its meeting on October 23, 2019. His biography is given in Section 2.2.3.5. With his knowledge of the Group, he will contribute additional insight to the discussions and decisions of the Supervisory Board. The member representing employees has the same status, rights and obligations as other members of the Supervisory Board.

In accordance with the prevailing legislation and regulations, he received the training provided by the Institut Français des Administrateurs (IFA) for directors, which is paid for by the Group. He also received internal training on the role and operation of the Supervisory Board, his rights, obligations and responsibilities as a member of the Supervisory Board, notably in the light of the legislation and regulations on market abuse. At the same time, he met the Secretary and Chairman of the Supervisory Board, who presented the Board to him and set out how it operates. He was offered other training on issues relating to governance and remuneration.

Also in accordance with the prevailing legislation and regulations, he resigned from his office as staff representative within eight days of his appointment, and he will be granted time credit and time to prepare for meetings. It was decided that he would not receive any remuneration (formerly, attendance fees) for his office as a member of the Supervisory Board. Being unconnected with his office as an employee representative, the components of his salary as a Company employee were not published.

Finally, with entry into effect of the provisions of the Action Plan for Business Growth and Transformation (PACTE) Act, amending the provisions on employee representation on Supervisory Boards, the Shareholders' Meeting on April 30, 2020, will be asked to amend the Articles of Associations so that a second member representing employees can be appointed by the Social and Economic Committee given that the Supervisory Board will have more than eight members. *(In accordance with the legislation and regulations, observers and the member representing employees are not taken into account in calculating the threshold figure)*

Company Social and Economic Committee delegate on the Supervisory Board

Emmanuel Pasquier, the elected member of the Company Social and Economic Committee, has also attended meetings of the Supervisory Board as the employee representative appointed by the Social and Economic Committee, without a right to vote, since the Supervisory Board meeting of October 23, 2019. He too was given the same training as the member representing employees, with the exception of the internal training relating to the office of member of the Supervisory Board, given that he does not have that status.

Experience and skills of the members of the Supervisory Board

As it does each year, the Supervisory Board has reviewed its composition, and that of its committees, in terms of achieving an appropriate balance in terms of the diversity of the professional skills and experience of its members, particularly at an international level.

With the assistance of the Nominations, Compensation and Governance Committee, the Supervisory Board seeks to achieve a balance between those members with a historical knowledge of the Group and members appointed more recently to the Supervisory Board. Their skills and expertise encompass the following areas of specific importance for the Group's strategy.

This analysis shows that the members give the Supervisory Board the benefit of indepth knowledge of the sector in which the Group operates and to take advantage of complementary skills, thereby ensuring deliberations of the highest quality in its meetings. Collectively, the members of the Supervisory Board also ensure that the measures adopted are in the Company's corporate interests and contribute to implementation of the Group's strategy.

2.2.3.7 Independence of the Supervisory Board members

The Company refers to criteria for independence defined in the Afep-Medef Code and set out in the Internal Regulations.

- **criterion 1** : not being, and not to have been, within the previous five years, an employee or executive officer of the corporation; an employee, executive officer or director of a company consolidated within the corporation; an employee, executive officer or director of the corporation's parent company or a company consolidated within this parent company;
- **criterion 2** : not being an executive officer of a company in which the corporation holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive officer of the corporation (currently in office or having held such office within the last five years) holds a directorship;
- **criterion 3** : not being a customer, supplier, commercial banker, investment banker or consultant that is significant to the corporation or its group or for which the corporation or its group represents a significant portion of its activities. The evaluation of the significance or otherwise of the relationship with the company or its group must be debated by the Board, and the quantitative and qualitative criteria that led to this evaluation (continuity, economic dependence, exclusivity, etc.) must be explicitly stated in the report on corporate governance;
- **criterion 4** : not to be related by close family ties to any company officer;
- **criterion 5** : not having been the company's auditor in the previous five years;
- **criterion 6** : not having been a member of the Supervisory Board of the Company for more than twelve years;
- **criterion 7** : not being, controlling or representing a shareholder holding, alone or jointly, representing more than 10% of the capital or voting rights at the Company General Meetings of Shareholders.

In accordance with the recommendations made in the Afep-Medef Code, Article 1.1 of the Internal Rules of Procedure, each time the term of office of a Supervisory Board members is to be renewed or a new member appointed and at least once a year prior to publication of the Universal Registration Document, the Supervisory Board, based on the recommendations and report of the Nominations, Compensation and Governance Committee, compares the status of its members against the independence criteria and checks that its composition is balanced and that at least one-third of its members are independent, as defined in the Afep-Medef Code. The Supervisory Board also seeks to ensure that its specialised Committees are chaired by independent members and are composed of at least two-thirds independent members, in accordance with the governance recommendations and good practices.

The Supervisory Board does not qualify as independent those members who have direct or indirect business relationships with the Company and companies in which members hold positions or offices. No analysis of the qualitative or quantitative criteria of those relationships has, therefore, been conducted.

In this regard, the Nominations, Compensation and Governance Committee at its session of February 11, 2020, and the Supervisory Board at its session of February 13, 2020, examined the independence of each of its members.

The outcome of this analysis is given in the table below.

	Criterion 1	Criterion 2	Criterion 3	Criterion 4	Criterion 5	Criterion 6	Criterion 7
Eric La Bonnardière		√			√	√	
Didier Deconinck		√			√		
Eric Deconinck		√			√		
Julien Deconinck		√			√	√	
Jean-Hubert Guillot		*N/A (Supervisory Board member representing employees)*					
Didier Michaud-Daniel	√	√	√	√	√	√	√
Françoise Leroy	√	√	√	√	√	√	√
Sabine Roux de Bézieux	√	√	√	√	√	√	√
Guylaine Saucier	√	√	√	√	√	√	√
Agnès Touraine	√	√		√	√	√	√

√: means that the Supervisory Board member satisfies the independence criterion concerned

This annual review shows that at December 31, 2019:

- The Supervisory Board had 4 independent members (Françoise Leroy, Sabine Roux de Bézieux, Guylaine Saucier and Didier Michaud-Daniel), alongside 5 members appointed on proposal by the principal shareholder of the Company and 1 member representing employees, that is to say 44% were independent members within the meaning of the Afep-Medef Code. *(In calculating this percentage, the member representing employees and the observers were not taken into consideration.)*
- two of the Audit, Risks and Compliance Committee's three members are independent, i.e. its Chairman (Guylaine Saucier) and Françoise Leroy, that is to say 2/3 of its members are independent within the meaning of the Afep-Medef Code.
- Three of the four members of the Nominations, Compensation and Governance Committee are independent, i.e. its Chair (Françoise Leroy), Sabine Roux de Bézieux and Didier Michaud-Daniel, that is to say 75% of its members are independent within the meaning of the Afep-Medef Code.

2.2.3.8 Assessment of the way in which the Supervisory Board functions

At least once a year, the Supervisory Board and its specialised committee assess the way in which they function and are organised to ensure that important issues are properly prepared and debated in their meetings. This also make it possible to assess the actual contribution of each member to the work of the Supervisory Board and its specialised committees.

This assessment is conducted:

- every year: By each of its members, under the supervision of the Chairman of the Nominations, Compensation and Governance Committee and the Chairman of the Supervisory Board (self-assessment).
- every three years: By an independent external consultant, in accordance with the recommendations of the Afep-Medef Code.

An assessment of the organization of the Supervisory Board was conducted by an independent external consultant In 2017. This external assessment led to a number of proposals for improving the way in which the Supervisory Board operates and concrete measures were taken in 2018.

A self-assessment was undertaken in 2018 and various lines for thought were identified and led to concrete initiatives in 2019, notably:

Lines for thought arising from the 2018 self-assessment	Action taken in 2019
Composition of the Supervisory Board: > inclusion of diversified profiles and maintenance of the Supervisory Board's level of independence; > inclusion of a member representing employees into the Supervisory Board;	**Composition of the Supervisory Board** > appointment of Didier Michaud-Daniel: a new independent member with the skills sought by the Supervisory Board (CEO of a listed company, operational skills, international experience); > inclusion of a member representing employees and a Social and Economic Committee delegate in meetings of the Supervisory Board;
Training for Supervisory Board members: > training proposal and information on the rights and obligations of new Supervisory Board members;	**Training for Supervisory Board members** > registration with the Institut Français des Administrateurs (IFA); > training proposal on compliance (competition, anti-corruption, etc.); > Member representing employees: a series of personalised internal and external training courses followed;
Meetings of the Supervisory Board: > creation of non-permanent ad hoc committees;	**Supervisory Board meetings** > holding of*executive sessions;* > two non-permanent ad hoc committees were set up: one worked on two strategic projects and the other on managerial change; > seminar on the new "Change to Win" strategy; > site visits and observation missions within the network and sales forces, thematic meetings;

A new individualised annual self-assessment was conducted in 2019. For this purpose, a questionnaire was drawn up, under the supervision of the Chairman of the Nominations, Compensation and Governance Committee, and submitted to the members (including the observers). This was followed by a series of individual interviews of each member with the Chairman of the Nominations, Compensation and Governance Committee and the Chairman of the Supervisory Board in order to develop the suggestions arising from the questionnaires and assess the actual contribution of each member to the work of the Supervisory Board and its committees.

A number of subject areas were tackled that extended beyond the composition and operation of the Supervisory Board: The quality and scope of information transmitted, the quality of debates, diversity within the Supervisory Board and cooperation with the Group's General Management.

Following these interviews, a summary was drawn up and submitted to the Nominations, Compensation and Governance Committee on February 11, 2020, then debated in an executive session. A synopsis of the results was then presented to the Supervisory Board on February 13, 2020. It was moreover agreed at this meeting that a formal assessment by an independent external consults would be undertaken for the 2020 assessment, in accordance with the recommendations of the Afep-Medef Code.

In the wake of this self-assessment, the overall picture was as follows:

General observation in 2019	Areas for improvement identified for 2020
Meetings and functioning of the Supervisory Board > functioning constantly improving; > strong dynamics underlying exchanges; > quality of the strategic seminar; > members involved, diligent and constructive; > appropriate contributions by the individual members; **Relations with the General Management and the Management:** > great confidence placed in the General Management; > interactions with the General Management and members of the Executive Committee were deemed to be satisfactory; **Supervisory Board specialised committees:** > productive and committed committees; > an effective relationship between the committees and the Supervisory Board; **Composition of the Supervisory Board:** > the members felt that there was no need to appoint an independent senior director, shareholder dialogue being conducted by the Chairman of the Supervisory Board;	**Meetings and functioning of the Supervisory Board** > increase the efficacy of Supervisory Board meetings to respond more effectively to the challenges faced by the Group; > *executive sessions*: hold at least one meeting a year with all the Supervisory Board members without the presence of management, and two meetings a year at which only the independent members of the Supervisory Board are present; **Information provided to the Supervisory Board** > continue in 2020 the indepth analysis of the subjects identified (notably the review of the risks, ESG, succession plans, procedures for identifying and developing talents within the Group); > hold more informal meetings with the operational teams (site visits, etc.); **Composition of the Supervisory Board:** > Identification of key skills with a view to forthcoming renewals of terms of office;

2.2.3.9 Activity of the Supervisory Board

	2019+	2018
Number of meetings	14 (1)	15 (3)
Mean attendance rate	99% (2)	96% (4)

(1)This figure includes 4 so-called "exceptional" meetings, as defined in Section 2.3.9, that were held in 2019.
(2)The average attendance rate of the members of the Supervisory Board, excluding the so-called "exceptional" meetings exceeded 98%.
(3)This figure includes 8 so-called "exceptional" meetings, as defined in Section 2.3.9, that were held in 2018.
(4)The average attendance rate of the members of the Supervisory Board, excluding the so-called "exceptional" meetings, exceeds 99%.

Financial Information

> review of the Company and Consolidated annual financial statements for the year ended December 31, 2018, presented by the Management Board;
> review of the quarterly information presented by the Management Board on March 31, 2019, and September 30, 2019;
> review of the half-year financial report at June 30, 2019, presented by the Management Board;
> review of the forward planning documents;
> validation of the press releases relating to financial information.

Shareholders' Meeting of April 26, 2019:

> proposed allocation of the results for the year ended December 31, 2018;
> review of the Company and Group management report approved by the Management Board;
> review of the status of the terms of office of the Supervisory Board members;
> annual review of the independence of Supervisory Board members and diversity measures put in place;
> review of regulated agreements and commitments;
> review of the terms and conditions for the allocation of attendance fees (reassessment of the remuneration received by members of the specialised committees);
> approval of the corporate governance report;
> approval of resolutions relating to Company share transactions submitted by the Management Board to the Shareholders' Meeting for approval;
> review of the agenda and the motions submitted by the Management Board to the Shareholders' Meeting for approval;
> review of the result of the vote at the Shareholders' Meeting ;

Governance:

> definitive appointment of Fabrice Barthélemy as Chairman of the Management Board;
> renewal of the terms of office of members of the Management Board;
> nomination of new executive officers (Presidents of the North America, EMEA & LATAM Divisions, as well as the Director of Human Resources and Communications);

Other activities:

- approval of the new "Change to Win" strategic plan and regular monitoring of its deployment;
- replacement of the Chairman of the Management Board: analysis of the succession plan and proposals of the Nominations, Compensation and Governance Committee;
- analysis and studies of strategic investment projects for the Group;
- monitoring of the integration of Lexmark;
- authorization to launch the renegotiation of the Schuldschein (promissory note loan) and revolving credit facility (RCF);
- authorization of various funding operations at Group level;
- authorization to put in place a factoring programme within the Group;
- implementation of the buyback program under the conditions set by the Shareholders' Meeting on April 26, 2019;

2.2.4 Specialised Supervisory Board committees

At its meeting of September 17, 2013, the Supervisory Board decided to create two specialised committees: an Audit Committee and a Nominations and Compensation Committee. Over the course of 2018, the appointments, tasks and duties of the specialised committees evolved to reflect the importance of their respective involvement in risk management and governance. The committees are therefore currently: the Audit, Risks and Compliance Committee and the Nominations, Compensation and Governance Committee.

These specialised committees are responsible for presenting proposals, recommendations and opinions, as the case may be, to the Supervisory Board. Their tasks and duties do not divest the Management Board or the Supervisory Board of their powers, these Boards alone having decision-making powers in their respective areas of competence. Each of the specialised committees has drawn up Internal Regulations setting out the rules to be applied in conducting their work.

The Internal Regulations of the committees state that they are each composed of at least two and a maximum of four members, at least two of whom (including the Chairman) must be independent members in line with the independence criteria of the Afep-Medef Code. The members of the committees are chosen by the Supervisory Board from among its members, on proposal by the Nominations, Compensation and Governance Committee, in the light, in particular, of their skills. The term of office of the members of the specialised committees coincides with that of their term of office as members of the Supervisory Board. Each Committee appoints its own Chairman, after consulting the Nominations, Compensation and Governance Committee. The Secretariat duties for committees meetings may be performed by any person designated by the Chairman of the committee or with the Chairman's approval.

Meetings of the committees are called by their Chairman or secretary and the members may conduct meetings in person or by video or telephone conferencing under the same terms and conditions as the Supervisory Board, provided at least half of their members are present.

Minutes must be drawn up for every committee meeting. The Chairman of the committee in question, or, in his absence, another member designated for that purpose, reports to the Supervisory Board on the work of the committee.

In addition, and in accordance with the resolution passed by the Supervisory Board on February 7, 2019, ad hoc committees devoted to specific projects may be set up on resolution by the Supervisory Board, in the light of the opinion and recommendation of the Nominations, Compensation and Governance Committee. In this regard, two ad hoc committees were put in place in the 2019 financial year:

- An ad hoc committee devoted to two strategic projects composed of the following members: Françoise Leroy, Eric La Bonnardière, Didier Deconinck and Jacques Garaïalde. The committee met once in the course of the financial year.
- An ad hoc committee devoted to two strategic projects composed of the following members: Françoise Leroy and Eric La Bonnardière. This committee met ten times in the course of the financial year.

The descriptions below present the main tasks and duties of these committees as set out in their Internal Regulations.

2.2.4.1 Audit, Risks and Compliance Committee

2.2.4.1.1 Composition and operation

At December 31, 2019, this Committee was composed as follows:

Member	Role	Independence
Guylaine Saucier	Chairman	√
Françoise Leroy	Member	√
Julien Deconinck	Member	

The members of this committee are chosen on the basis of their competence in financial and/or accounting matters, as presented in Section 2.2.3.6.

At December 31, 2019, the proportion of independent members on this committee was two-thirds and did not include any executive corporate officer, in accordance with the Committee's Internal Regulations and the recommendations of the Afep-Medef Code.

This Committee meets as often as necessary and, in any event, at least twice a year in connection with the Group's preparation of its annual and half-year financial statements. The meetings are held prior to the Supervisory Board meeting and, where possible, at least two days prior to that meeting when the Committee's agenda includes examination of the financial statements.

2.2.4.1.2 Duties and resources

The Committee is responsible for monitoring the preparation and auditing of accounting and financial information, as well as for ensuring the effectiveness of risk-monitoring and internal-control procedures to facilitate the Supervisory Board's review and approval thereof.

The Committee's Internal Regulations set out its main duties as follows:

- **regarding financial information:**
  - monitoring the process of preparing financial information (in particular parent company and consolidated annual or half-year financial statements) accompanied by a presentation of the Company's significant off-balance sheet commitments and the accounting options retained;
  - monitoring the efficacy of the internal-control, internal-audit and risk-management systems relating to financial and accounting information;
- **regarding risk management and compliance:**
  - regular review of risk mapping,
  - regular review of the functioning of the risk-management and internal-control systems;
  - monitoring the Group's exposure to the key risks, including those of a social and environmental nature;
  - review and follow-up of the systems put in place within the Group regarding compliance;
- **Statutory Auditors:**
  - monitoring the statutory audit of the Company and Consolidated Financial Statements by the Company's Statutory Auditors; and,
  - monitoring the independence of the Statutory Auditors.

In performing its duties, the Committee may ask the Management Board to provide it with any information it requires. In addition, subject to having informed the Chairman of the Management Board or the Management Board itself and provided it reports to the Supervisory Board and the Management Board, the Committee may contact the Group's executive officers and/or call for external technical studies on issues falling within its sphere of competence. The Committee may hear the Statutory Auditors of the Company and Group companies, the financial, accounting and treasury officers and the head of internal audit. At the Committee's discretion, these hearings may be held without the presence of the members of the Management Board.

The Committee regularly reports to the Supervisory Board and informs it without delay of any difficulties that it encounters.

2.2.4.1.3 Activities during the 2019 financial year

	2019	2018
Number of meetings	8	6
Mean attendance rate	100%	100%

The Committee met eight times during the 2019 financial year (six times in 2018), in particular in advance of the Supervisory Board meetings convened to approve the financial statements prepared by the Management Board. It reported on its work to the Supervisory Board.

In 2019, the work of this Committee included the following:

- **Financial Information**
  - a review of the Company and Consolidated annual financial statements for the year ended December 31, 2018;
  - a review of the management report of the Management Board;
  - a review of the operating income, exceptional items, the financial and tax result, balance-sheet changes, the cash flow performance and the Group's debt position;
  - a review of quarterly information at March 31, 2019, and September 30, 2019;
  - a review of the half-year Consolidated Financial Statements for the period ended June 30, 2019;
  - a review of the financial position at the end of November 2019 of the Tarkett North America (TNA) Division;
  - a review of the press releases relating to financial information;
  - putting in place an action plan/monitoring for investment management and the operational working capital requirement (WCR).
- **Risk management and compliance:**
  - review of the implementation of the 2018 and 2019 internal audit plans;
  - review of major risks and disputes;
  - editorial review of the 2018 Registration Document relating to internal control and risk management;
  - a review of progress with the Safety Action Plan;
  - a review of progress with the compliance program put in place within the Company (including anti-corruption, data protection, competition, international sanctions and duty of care);
  - a review of progress with risk mitigation measures with regard to cyber security and fire risks.
- **Terms of office of the Statutory Auditors** : Since the terms of office of KPMG and Mazars will come to an end following the Shareholders' Meeting in 2020, a call for tenders was organised by the Committee in 2019, in accordance with the provisions of the Committee's internal regulations, Article L.823-19 of the Code of Commerce and Regulation EU no. 537/2014. The Committee held meetings with four firms, including KPMG and Mazars, and their respective partners based on specifications drawn up internally and approved by the Committee. Following this call for tenders, the Committee decided to propose to the Supervisory Board that the terms of office of KPMG and Mazars be renewed under the new terms and conditions applied in the call for tenders procedure.
- **Current and future regulations:**
  - annual review of the Audit Guidelines focusing on services other than certification of the accounts;
  - presentation of the new International Financial Reporting Standard (IFRS) 16 and review of any impact on the Company and the Group.

2.2.4.2 Nominations, Compensation and Governance Committee

2.2.4.2.1 Composition and operation

At December 31, 2019, this Committee was set up as follows:

Member	Role	Independence
Françoise Leroy	Chairman	√
Didier Michaud-Daniel	Member	√
Sabine Roux de Bézieux	Member	√
Agnès Touraine	Member	

The members of the Committee are chosen based on their skills as regards corporate governance, human resources and/or remuneration of the executive officers of listed companies.

At December 31, 2019, the Committee was primarily composed of independent members (75%), exceeding the requirements laid down in the Afep-Medef Code.

This Committee meets as often as necessary and, in any event, at least once a year, prior to the Supervisory Board meeting called to decide on the status of its members based on the independence criteria and, in any event, in advance of any Supervisory Board meeting called to decide on the terms of office of members of the Supervisory Board and the Management Board, the allocation of remuneration to Supervisory Board members for their office (formerly, attendance fees).

The Committee makes its recommendations on these matters to the Supervisory Board.

2.2.4.2.2 Duties

The principal task of the Committee is to assist the Supervisory Board with the composition of the governing bodies of the Company and the Group and to determine and regularly assess all the remuneration, benefits and/or indemnities awarded to Group managers.

The Committee's Internal Regulations set out its main duties as follows:

> **functioning and composition of the Group's management and control bodies:**
- establishment of a diversity policy within the Supervisory Board and monitoring of its implementation;
- proposals for the appointment of independent members of the Supervisory Board and of its committees and assessment of applications for non-independent Supervisory Board members;
- proposals for the appointment of the members of the Management Board, executive officers and senior managers of the Group; in accordance with the recommendation of the Afep-Medef Code, the Chairman of the Management Board is associated in this work by the Committee;
- annual assessment of the independence of Supervisory Board members;
- annual assessment of the functioning of the Supervisory Board;

> **Remuneration for executive officers and senior managers of the Group:**
- a review and proposal to the Supervisory Board with respect to the allocation of attendance fees;
- a review and proposal to the Supervisory Board concerning all elements and conditions for remuneration of the executive officers and principal senior managers of the Group; the remuneration policy for executives is established taking into account practices in comparable companies; and,
- a review of any exceptional remuneration for exceptional assignments given by the Supervisory Board to any of its members;

> **Governance:**
- preparation and monitoring of a succession plan for members of the Management Board as well as for the Group's senior executives,
- a review of the draft corporate governance report to be approved by the Supervisory Board.

2.2.4.2.3 Activities during the 2019 financial year

	2019	2018
Number of meetings	5	7
Mean attendance rate	100%	100%

This Committee met five times during the 2019 tax year (seven times in 2018) and reported on its work to the Supervisory Board.

In 2019, the work of this Committee included the following:

Regarding the Management Board and the Group's senior executives, a review of:

- the renewal of the terms of office of Management Board members;
- the performance of the senior executives;
- achievement of the economic objectives set for senior executives;
- Changes in the management teams within the Group and the succession plan for these teams, in particular through the establishment of a succession plan for executive corporate officers. A meeting devoted to the identification of internal successors and employees with potential took place on June 3, 2019; In addition, the Committee worked on and made proposals that led to the appointment of a new President of the North America and EMEA and LATAM Divisions as well as the new Director for Human Resources and Communications for the Group;
- the 2016-2019 LTI plan and the final allocation of shares;
- Changes in remuneration and to the criteria for the 2019-2022 LTI pan, taking into account the comparisons made by external advisers and the external performance criterion: the relative Total Shareholder Return (TSR);
- Succession of the Chairman of the Management Board.

With regard to the Supervisory Board:

- setting up of two ad hoc committees;
- examination of the application of Didier Michaud-Daniel for the office of Supervisory Board member;
- annual review of the independence of existing and new Supervisory Board members;
- review of the offices and examination of the profiles of the Supervisory Board members whose terms of office are coming to an end;
- Review of the terms and conditions for the allocation of attendance fees paid to Supervisory Board members for the exercise of their offices, and in particular members of the ad hoc committees.

With regard to the Shareholders' Meeting of April 26, 2019:

- Preparation and review of the *"Say on Pay" motions* to be put to the vote at the Shareholders' Meeting on April 26, 2019;
- a review of the corporate governance report.

2.2.5 Group Executive Committee

Composition of the Group's Executive Committee at December 31, 2019

The Group's Executive Committee is composed of the following persons:

Members	Nationality	Age	Position
Fabrice Barthélemy	French	51	Chairman of the Management Board
Raphaël Bauer	French	40	Member of the Management Board and Chief Financial Officer
Pierre Barrard	French	54	Director Strategic Marketing, Digital & Innovation
Eric Daliere	American	52	President of the Sports Division
Jeff Fenwick	American	59	President of North America Division
Séverine Grosjean	French	48	Director of Human Resources and Communications
Wendy Kool-Foulon	French-Dutch	46	Group Legal Director
Gilles Lebret	French	46	Director of Customer Operations and Information Systems
Slavoljub Martinovic	Serbian	49	President of the Eastern European Division
Francesco Penne	French-Italian	48	President of the EMEA & LATAM Division
Antoine Prevost	French	49	Director of Operations, Research and Development

Meetings

The Group's Executive Committee meets monthly to review the Group's operational and financial performance and to discuss strategic projects and the business operations of the Group.

Policy on diversity and non-discrimination within the Group

The Nominations, Compensation and Governance Committee looked into the possibility of digitizing the HR function to facilitate internal mobility management, the identification and development of talents and performance within the Group. The intention is therefore to deploy a tool at global level to ensure that personnel development and career progress is consistent for all employees.

In addition, particular attention is focused on ensuring balanced representation within the Group's governing bodies. In this regard, Senior Management ensures that parity is maintained until the end of each recruitment process for top-level executives. Furthermore, given that the Group operates throughout the world and has a need for international experience, importance is given to international profiles.

2.3 Remuneration

Attention is drawn to the fact that the Company abides by the Afep-Medef Code.

The tables below show the remuneration and benefits of any kind paid to members of the Management and Supervisory Boards in connection with their offices by (i) the Company; (ii) companies controlled by the Company; (iii) companies controlled by companies that control the Company; or (iv) companies that control the Company, all of these being controlled companies within the meaning of Article L.233-16 of the French Commercial Code. Since the Company belongs to a group, this information includes amounts due by any company in the Group's control structure and relating to offices held in the Company.

The Company has put in place a Compensation Policy in order to recruit, develop, and retain its executives. This policy is based on the following principles:

1. Base salaries in line with market practices, in order to ensure that the Company remains competitive and attractive. This position is regularly measured through compensation surveys conducted by specialised firms using a benchmark of comparable companies in the SBF 120 index in France.
2. Variable remuneration based on annual objectives, in line with market practices, that reflect the Company's ambitious goals and expectations:

> quantifiable criteria based on performance over the year as compared with budgetary commitments. These criteria (adjusted EBITDA and Operating Cash Flow) have been unchanged for the last ten years;

> qualitative criteria precisely defined each year and reflecting the Group's main challenges, and in particular those relating to corporate social and environmental responsibility.

3. Incentives to motivate and encourage loyalty in the medium term: The *Long-Term Incentive Plan* (LTIP), put in place in July 2011 and involving an annual allocation of performance-related shares. The final vesting of the shares is subject to two conditions: (i) presence within the Company after three years, which encourages retention; and (ii) the Company's economic performance, reflecting value creation. For the plans established prior to 2018, performance is measured against achievement of the objectives laid down in the medium-term strategic plan with regard to EBITDA growth and debt reduction. This performance criterion is maintained for the 2018-2021 and 2019-2022 LTI plans but only up to 80%, the remaining 20% being linked to an external criterion, the Company's TSR (Total Shareholder Return) compared against the TSR for the SBF120 index, that has been added;

The real distribution rate as compared with the target envelope was:

2012-2015 LTI	2013-2016 LTI	2014-2017 LTI	2015-2018 LTI	2016-2019 LTI
43%	45%	53%	79%	37%

With regard to the plans under vesting period, the target capital amount was:

2017-2020 LTI	2018-2021 LTI	2019-2022 LTI
0.5%	0.6%	0.6%

4. Unlike most listed companies of comparable size, the Group has chosen not to set up a supplementary retirement plan for the present. Preference has been given to tools based on medium-term performance tying executives into the Company's capital.
5. Equal treatment of men and women, particularly in terms of remuneration

2.3.1 Summary of remuneration paid to members of the Management Board for the 2018 and 2019 financial periods

The following table provides a summary of the remuneration and shares awarded to Fabrice Barthélemy, Raphaël Bauer, Sharon MacBeath and Glen Morrison during the financial years ended December 31, 2018 and 2019.

Table 1 - Summary table of remuneration, share options and shares awarded to each Member of the Management Board (French Financial Markets Authority (AMF) nomenclature)

(in euros)	**2019 financial year**	**2018 financial year**
Fabrice Barthélemy, interim Chairman of the Management Board from September 18, 2018, to January 13, 2019, then confirmed as Chairman of the Management Board (1)		
Remuneration allocated for the financial year	1,058,418	588,298
Valuation of stock options granted during the year	N/A	N/A
Valuation of performance-based shares granted during the year	631,680	436,700
Total	**1,690,098**	**1,024,998**
Raphaël Bauer, a member of the Management Board since May 1 , 2019 (2)		
Remuneration allocated for the financial year	324,250	N/A
Valuation of stock options granted during the year	N/A	N/A
Valuation of performance-based shares granted during the year	197,400	N/A
Total	**521,650**	**-**
Sharon MacBeath, a member of the Management Board until April 30, 2019		
Remuneration allocated for the financial year (pro rata temporis) (3)	269,512	386,768
Valuation of stock options granted during the year	N/A	N/A
Valuation of performance-based shares granted during the year (4)	0	N/A
Total	**269,512**	**386,768**
Glen Morrison, Chairman of the Management Board until September 18, 2018		
Remuneration allocated for the financial year (*pro rata temporis*) (5)	N/A	1,464,971
Valuation of stock options granted during the year	N/A	N/A
Valuation of performance-based shares granted during the year (6)	0	N/A
Total	**-**	**1,464,971**

(1) Fabrice Barthélemy was interim Chairman of the Management Board from September 18, 2018, to January 13, 2019. The remuneration shown are a combination of his remuneration as interim Chairman of the Management Board from September 18, 2018, until January 13, 2019, and those awarded to him as Chairman of the Management Board from January 14, 2019. These amounts also include pro rata temporis exceptional annual remuneration of €120,000 for the additional responsibilities he had to assume as interim Chairman of the Management Board during the transitional period in addition to his responsibilities as President of the EMEA and Latin America Division. The exceptional annual remuneration granted (pro rata temporis) to Fabrice Barthélemy for the period running from January 1 to 13, 2019, is subject to approval by the Annual Shareholders' Meeting of April 30, 2020. The Supervisory Board definitively appointed Fabrice Barthélemy as Chairman of the Management Board from January 14, 2019, and set his gross annual fixed remuneration at €575,000, which was approved by the Shareholders' Meeting on April 26, 2019.

(2) The term of office of Raphaël Bauer as a member of the Management Board began on May 1 , 2019. The remuneration for 2019 is however indicated on an annual basis.

(3) The employment contract and term of office as a member of the Management Board of Sharon MacBeath came to an end on April 30, 2019.

(4) The 2018 Long-term Incentive Plan for Sharon MacBeath was terminated following her departure.

(5) The figure for 2018 includes a forced departure payment of €931,645

(6) With the expiry of the term of office, the 2018 LTI was terminated.

2.3.2 Remuneration for members of the Management Board for the 2018 and 2019 financial years

The table below gives a breakdown of the fixed and variable remuneration components and other benefits granted to Fabrice Barthélemy, Raphaël Bauer, Sharon MacBeath and Glen Morrison in the financial years ended December 31, 2018 and 2019.

Table 2 - Summary of the compensation paid to each Management Board member

(in euros)	2019		2018	
	Amount allocated (2)	**Amount paid (3)**	**Amounts allocated (2)**	**Amounts paid (3)**
Fabrice Barthélemy, Chairman of the Management Board				
Fixed remuneration (1)	570,548	570,548	414,292	414,292
Annual variable remuneration (1)	483,596	139,706	139,706	107,274
Exceptional compensation (1) (4)	4,274	38,574	34,300	0
Benefits in kind	3,313	3,313	2,943	2,943
Total	**1,061,731**	**717,841**	**591,241**	**524,509**
Raphaël Bauer (5)				
Fixed compensation (1)	240,000	240,000	-	-
Annual variable compensation (1)	84,250	29,592	-	-
Exceptional remuneration	-	-	-	-
Benefits in Kind	1,929	1,929	-	-
Total	**326,179**	**271,521**	**-**	**-**
Sharon MacBeath				
Fixed compensation (1) (6)	108,800	108,800	326,400	326,400
Annual variable compensation (1) (6)	51,000	76,688	60,368	93,232
Exceptional compensation (1) (7)	109,712	109,712	-	-
Benefits in Kind	2,175	2,175	3,730	3,730
Total	**271,687**	**297,375**	**390,498**	**423,362**
Glen Morrison, Chairman of the Management Board until September 18, 2018				
Fixed compensation (1)	-	-	465,833	465,833
Annual variable compensation (1)	-	-	67,493	129,489
Forced departure payment	-	-	931,645	931,645
Benefits in Kind	-	-	74,778	74,778
Total	**-**	**-**	**1,539,749**	**1,601,745**

(1) Gross remuneration before tax.
(2) Remuneration allocated for offices held during the financial year, regardless of the date they were paid.
(3) Remuneration paid during the financial year.
(4) The amount allocated in 2019 corresponds to the exceptional remuneration awarded from January 1 to 13 for interim appointment as Chairman of the Management Board
(5) Raphaël Bauer has been a Management Board member since May 1, 2019. The salary he received under his employment contract was not affected by this appointment. The remuneration indicated for 2019 is given on an annual basis
(6) This relates to prorata remuneration up to her departure from the Company on April 30, 2019
(7) This corresponds to the balance of all accounts due (including vacation pay)

Remuneration paid to Fabrice Barthélemy,, Chairman of the Management Board

The remuneration payable to Fabrice Barthélemy in 2019 for his office as Chairman of the Management Board (including the interim period) was validated by the Supervisory Board on February 7, 2019, on proposal by the Nominations, Compensation and Governance Committee and approved by the Shareholders' Meeting of April 26, 2019. Having decided, on October 23, 2019, to renew his term of office as Chairman of the Management Board, the Supervisory Board has maintained his remuneration.

This remuneration consists of:

- a fixed annual amount of €575,000;
- a variable amount capped at 170% of his base salary, with a payment of 100% of his base salary if the objectives are achieved in full, payable no later than the month following the Shareholders' Meeting authorizing this variable component for the previous year. The award criteria are reviewed each year by the Nominations, Compensation and Governance Committee and the amount is set by the Supervisory Board on proposal by the Committee. The criteria are detailed below.

Fabrice Barthélemy also has the use of a company car

Remuneration of Raphaël Bauer

Raphaël Bauer receives no remuneration or benefits for his office as a member of the Management Board.

Raphaël Bauer concluded an employment contract with the Company for his duties as Chief Financial Officer. Under this contract, he received a fixed annual salary, as well as variable remuneration, the criteria for which are reviewed annually by the Nominations, Compensation and Governance Committee and the amount of which is fixed by the Supervisory Board, on proposal by the Committee, and is based on the criteria set out below.

The variable remuneration paid to Raphaël Bauer may vary between 0% and 68% of the fixed portion of his salary depending whether or not the objectives set by the Supervisory Board are achieved or exceeded, 40% of his base salary if the objectives are met in full.

No exceptional remuneration was awarded to Raphaël Bauer for the financial year ended December 31, 2019.

Raphaël Bauer had the use of a company car.

Remuneration of Sharon MacBeath

Sharon MacBeath did not receive any remuneration for her term of office as a member of the Management Board running until April 30, 2019; The period for which she had an employment contract with the Company as Director of Human Resources and Communications. Under this contract, she received a fixed annual salary as well as variable remuneration based on performance criteria that are reviewed annually by the Nominations, Compensation and Governance Committee, the amount of which is fixed by the Supervisory Board on proposal by the Committee and based on the criteria set out below.

The amount of Sharon MacBeath's variable remuneration for her position as Director of Human Resources and Communications may vary between 0% and 85% of the fixed portion of her salary depending whether or not the objectives set by the Supervisory Board are achieved or exceed, that is to say 50% of her base salary if the objectives are achieved in full.

Sharon MacBeath had the use of a company car.

Criteria for the variable remuneration for members of the Management Board

Members of the Management Board receive fixed remuneration, as well as variable remuneration, for his duties as a corporate officer, in the case of the Chairman of the Management Board, and under their employment contract, in the case of the other members of the Management Board. The award criteria are reviewed each year by the Nominations, Compensation and Governance Committee and the amount is set by the Supervisory Board on proposal by the Committee. In 2019, the variable remuneration was determined as follows:

- 70% for the achievement of quantifiable economic goals (defined on the basis of the adjusted EBITDA and the level of Operating Cash Flow), each multiplied by a coefficient of 0% to 200%;
- 30% for the achievement of qualitative individual objectives, multiplied by a coefficient of 0% to 100%.

In 2019:

- There were five qualitative objectives for Fabrice Barthélemy relating to the following subject areas:
  - safety (transformation of the Group's safety culture and a reduction of the number of accidents resulting in stoppages)
  - financial performance
  - organization, talents and culture
  - the five-year strategy

The circular economy (development of the Refinity project, increase in the Restart® recycling collection volumes, definition of corporate social responsibility objectives and an action plan for 2030)

- Those for Raphaël Bauer related in particular to funding for the Group, the simplification of financial routines and procedures, the construction of the strategic plan and to objectives relating to the development of the finance team.
- Sharon MacBeath's main priorities were the evolution of the Group to become “One Tarkett”, involving organizational and cultural changes and the adoption of new identity guidelines; the pursuit of actions linked to “simplification” of the way in which the Group functions and support for changes to the Group's Executive Committee.

The table below summarizes the variable remuneration criteria met by Fabrice Barthélemy, Raphaël Bauer (from May 1, 2019) and Sharon MacBeath (until April 30, 2019):

2019 Group Criteria	Reference	Minimum	Target (100% of objectives achieved)	Maximum	Level of achievement in 2019
Quantifiable criteria					
Consolidated adjusted EBITDA	Budget	0%	40%	80%	9.4%
Operating cash flow	Budget	0%	30%	60%	200%
Sub-total for the quantifiable criteria		*0%*	*70%*	*140%*	91.1%
Qualitative criteria	(see details in 2.6)	0%	30%	30%	*See table below Total*
Total		**0%**	**100%**	**170%**	

The table below provides a breakdown of the individual performance goals achieved and the overall level of achievement for the purposes of the variable remuneration:

	Target variable remuneration as a % of fixed remuneration	Rate of achievement in 2019 as a % of the target		Variable remuneration due for 2019 as a % of fixed remuneration
		Criteria quantifiable (70%)	Criteria qualitative (30%)	
Fabrice Barthélemy	100%	91.1%	70%	84.8%
Raphaël Bauer *(from May 1 , 2019)*	40%	91.1%	80%	35.1%
Sharon MacBeath *(until April 30, 2019)*	50%	91.1%	100%	46.9%

2.3.3 Share subscription or purchase options awarded in 2019 to each member of the Management Board by the Company or any Group entity

No share subscription or purchase options were awarded to members of the Management Board in 2019.

2.3.4 Share subscription or purchase options exercised in 2019 by each member of the Management Board

N/A

2.3.5 Performance shares awarded to Company officers in 2019

Table 7 below details the amounts definitively vested in members of the Management Board under the 2016-2019 Long-term Incentive Plan, within the meaning of Articles L.225-197-1 et seq. of the French Commercial Code, due to mature in July 2019.

Table 6 set out the performance shares awarded on July 24, 2019, falling with the scope of Articles L.225-197-1 et seq. of the French Commercial Code and authorised under the 18th resolution of the Shareholders' Meeting of April 26, 2019.

Table 7 - Performance shares made available during the financial year for each corporate executive officer (French Financial Markets Authority (AMF) nomenclature)

Name of company officer	Number of performance shares initially awarded	Percentage achievement of the performance criteria	Number of performance shares vested during 2019
2016-2019 Long-term Incentive Plan			
Fabrice Barthélemy	13,600	50%	6,800
Sharon MacBeath	13,600	50%	6,800
Raphaël Bauer	2,500	50%	1,250
Total	**29,700**	**50%**	**14,850**

Calculation of the level of achievement for the 2016-2019 LTI plan was based on a theoretical shareholder value creation indicator.

The theoretical shareholder value is calculated as follows:

Adjusted EBITDA (audited and published financial aggregate) X **valuation multiple** (based on market multiples) - **Net debt** (audited and published financial aggregate) - **Other liabilities** (pension debt and option to purchase minority interests).

The target theoretical shareholder value is defined in the strategic three-year plan, by applying the above formula and allowing for the adjusted EBITDA and net debt targets set by the plan.

The strategic plan and its objectives are reviewed and approved by the Supervisory Board.

The theoretical value creation is measured on the basis of the difference between the theoretical shareholder value for the year in which the plan comes to an end (2018 in the case of the 2016-2019 LTI plan, calculated on the basis of the audited and published aggregates) and the theoretical shareholder value for the reference year for the plan (2015 in the case of the 2016-2019 LTI plan, based on the audited and published aggregates).

If dividends were paid to shareholders in the years covered by the plan, they are reincorporated into the value creation for the period.

The EBITDA multiple used to calculate the theoretical shareholder value actually reached is the same as that set in the strategic plan.

The level of achievement resulting from the application of this formula for the 2016-2019 LTI plan is 0%. As a consequence, the threshold rate of 50% applies. This rate was confirmed by the Supervisory Board on June 26, 2018, following a prior review by the Nominations, Compensation and Governance Committee.

Table 6 - Performance shares awarded during the financial year to each company executive officer by the issuer and by any Group company (AMF nomenclature)

Name of company officer	Number of shares Allocated in the financial period	Value of the share applying the method used for the consolidated accounts *(in €)*	Acquisition date	Availability date	Performance conditions
2019-2022 LTIP					
Fabrice Barthélemy	32,000	631,680	July 1 , 2022	July 1, 2022	80% achievement of the 3-year strategic plan and 20% achievement of the relative TSR [1]
Raphaël Bauer	10,000	197,400	July 1, 2022	July 1, 2022	80% achievement of the 3-year strategic plan and 20% achievement of the relative TSR [1]
Sharon MacBeath	0	0	N/A	N/A	N/A
Total	**42,000**	**829,080**			

(1) The relative TSR performance of the Company, which represents 20% of the overall performance criteria, is compared with the percentage change in the SBF 120 index between December 31, 2021, and December 31, 2018, with dividends reinvested. This indicator is provided by Thomson Reuters. If the relative performance is between 85% and 115% of that of the SBF120, the level of achievement of this external criteria will be 50% to 150%, the calculation will be a linear progression and will be capped at 150%.
The value creation criterion established in the 3-year strategic plan represents 80% of the overall performance criteria.

2.3.6 History of the award of share subscription or purchase options

No stock subscription or purchase options were granted during the fiscal years ended December 31, 2019, 2018, and 2017.

There was no stock subscription or purchase option plan in effect as of December 31, 2019.

2.3.7 Share subscription or purchase options awarded to the top ten employees

No stock subscription or purchase options were granted during the fiscal years ended December 31, 2019, 2018, and 2017. There was no stock subscription or purchase option plan in effect as of December 31, 2019.

2.3.8 Employment contracts, retirement payments, and severance payments for members of the Management Board

Table 11 - Employment contracts, retirement benefits and severance payments for members of the Management Board (AMF nomenclature)

Members of the Management Board	Employment contract	Supplementary pension plan	Payments or other benefits due or likely to be due as a result of termination or change of office	Payments under a non-compete clause
Fabrice Barthélemy Chairman of the Management Board *(ad interim from January 1 to 13, 2019)* Start of the term of office: 11/26/2013[2] Expiry of the term of office: 27/10/2022	No [1]	No	Yes	Yes
Raphaël Bauer Member of the Management Board and Chief Financial Officer Start of the term of office: 01/05/2019 Expiry of the term of office: 27/10/2022	Yes	No	No	Yes
Sharon MacBeath Member of the Management Board and Director of Human Resources and Communications Start of the term of office: 03/01/2017 Expiry of the term of office: 30/04/2019	Yes	No	No	Yes

(1) should be noted that following the definitive appointment of Fabrice Barthélemy as Chairman of the Management Board on January 14 2019, he resigned and ceased to have an employment contract with the Company from January 15, 2019.

(2) start of term of office as member of the Management Board

2.3.8.1 Supplemental Pension Plan

No members of the Management Board have supplementary pension plans. The Supervisory Board believes that it is the responsibility of the executive officers to set aside capital for retirement using the performance shares awarded under the Long-term Incentive Plans, and, as a result, the decision was taken not to set up a supplementary retirement plan.

2.3.8.2 Payments or other benefits due or likely to become due as a result of a loss of office

As Chairman of the Management Board, Fabrice Barthélemy has had the benefit of a forced departure clause since January 14, 2019.

This forced departure payment, which is subject to the performance criteria set out below, equates to two years of the gross fixed and variable remuneration received by Fabrice Barthélemy in the 12 months prior to his forced departure from his office as Chairman of the Management Board.

It is subject to a performance criterion, measured on the basis of the level of achievement of the annual objectives set by the Supervisory Board, on proposal by the Nominations, Compensation and Governance Committee, which serve to calculate the variable remuneration. It is equivalent to the average performance achieved by Fabrice Barthélemy over the 3 calendar years preceding his departure. If the departure occurs within three calendar years of his appointment, performance is measured on the basis of the level of achievement of the annual objective serving to calculate the variable component of his remuneration as Chairman of the Management Board (i.e. from his appointment on January 14, 2019).

The forced departure payment is dependent on a performance level of between 50% and 100% so that if that level is below 50%, no payment is due, but if the performance level is at least equal to 100%, payment is due in full. It is calculated strictly in proportion to the amount for the performance level concerned. (For example: if the performance level is 90%, the forced departure payment due equates to 90% of the amount.)

This severance is due, subject to the achievement of the performance conditions, in the event of forced departure of the corporate officer, including, in particular, because of a change of control or a disagreement as to strategy, on the initiative of the Supervisory Board, regardless of whether the officer's term was terminated early or not renewed.

No forced departure payment is due if Fabrice Barthélemy has committed gross misconduct (defined wrongdoing of an extremely serious nature preventing any continuation of the corporate office) or serious misconduct (defined as wrongdoing of an extremely serious nature committed by an officer with the intention of harming the Company) or has the possibility of claiming his pension rights in the near future.

Should Fabrice Barthélemy be eligible for both a forced departure payment and the non-compete payment, the total amount that he would receive is limited to two years of the gross fixed and variable remuneration received in the twelve months prior to his forced departure from his office as Chairman of the Management Board.

2.3.8.3 Unemployment insurance for company officers

The Company took out an unemployment insurance policy for corporate officer for Fabrice Barthélemy, providing him with cover in the event of his forced departure (under an "F 70" policy, with the period of cover being extended to 24 months in accordance with the rules currently in effect).

2.3.8.4 Payments under a non-compete clause

It should be noted that following his appointment as Chairman of the Management Board on January 14, 2019, the Supervisory Board has put in place a non-compete payment for Fabrice Barthélemy that equates to the gross fixed and variable remuneration received in the twelve months prior to his departure from his office as Chairman of the Management Board and is payable in 24 monthly instalments over the duration of the non-compete clause.

It is pointed out that the Company reserves the right to waive this clause within a reasonable time, as decided by the Supervisory Board, on recommendation by the Nominations, Compensation and Governance Committee.

In accordance with the recommendations of the Afep-Medef Code referred to by the Company, no non-compete payment is due if, on departure, the Chairman of the Management Board has the possibility of invoking his retirement rights within a short time frame, has claimed his pension rights or has reached the age of 65.

The Supervisory Board indicates in this regard that the non-compete payment is deducted from the forced departure payment, so that the total amount due for both does not exceed 2 years of the gross fixed and variable remuneration received by Fabrice Barthélemy in the 12 months preceding his departure from his office as Chairman of the Management Board.

The non-compete clause concluded withSharon MacBeath was lifted on her departure.

Under the non-compete clause, Raphaël Bauer would receive a fixed monthly amount, for a maximum of two years, equating to half his monthly salary calculated on the basis of the average gross fixed and variable remuneration (excluding benefits in kind) in the 12 months preceding termination of his employment contract. The Company reserves the right to waive the benefit of the non-compete clause.

2.3.9 Remuneration of members of the Supervisory Board and its Chairman

2.3.9.1 Compensation policy

The total compensation package to be paid to members of the Supervisory Board was set by the Shareholders' Meeting at a fixed total amount of €500,000.

As a result of the resolution passed by the Shareholders' Meeting on April 26, 2019, on proposal by the Supervisory Board, which itself had acted on the recommendation of the Nominations, Compensation and Governance Committee, the breakdown of this package was adjusted as follows:

- The remuneration paid to members of the Supervisory Board committees was increased by €2,000. It had been noted that the amount paid to committee members was slightly below the market practices seen with other issuers. It is specified that the amount of the penalties imposed for non- attendance at the committees meetings remains unchanged;
- addition of details of how the package will be allocated: when non-permanent ad hoc committees are created to analyze specific projects of importance for the Group, and on proposal by the Nominations, Compensation and Governance Committee, an annual package of €60,000 will be allocated among the members of the Supervisory Board attending meetings of one or more of those ad hoc committees during the financial year in proportion to the number of meetings and the time devoted.

Based on the recommendations of the Nominations, Compensation and Governance Committee, the Supervisory Board, which met on February 13, 2020, reconfirmed, for 2020, the rules for the allocation of the remuneration granted to members of the Supervisory Board and the committees for the offices they hold (formerly, attendance fees).

The package has therefore allocated as follows since January 1 , 2019:

Remuneration by office held:

Position	Annual base *(in euros)*
Member of the Supervisory Board	35,000
Chairman of the Supervisory Board	35,000
Deputy Chairman of the Supervisory Board	10,000
Chairman of a specialised committee	15,000
Member of a specialised committee	7,000
Attendance at a non-permanent ad hoc committee meeting *(annual package allocated in proportion to the number of meetings and time devoted)*	60,000
Penalties applied in the event of absence	
Absence from a specialised committee meeting	1,000
Absence from a Supervisory Board meeting	3,000

It is specified that the observers and the member of the Supervisory Board representing employees do not receive any remuneration for the offices they hold. However, the Supervisory Board may authorize the reimbursement of any expenses they incur in performing those offices.

At its meeting of December 3, 2018, the Supervisory Board clarified that it would be legitimate not to apply the criterion of actual presence to so-called "exceptional" meetings, i.e. to meetings convened at short notice, for reasons beyond the control of the Company, due to the urgency of decisions that must put to the Supervisory Board and that have been brought late to the attention of the Company. If certain Supervisory Board members are unable to attend because the meetings were convened late, the absence penalties would not be applied.

2.3.9.2 Remuneration paid or allocated in the 2018 and 2019 financial years

The table below sets out the remuneration paid or allocated to members of the Supervisory Board in the 2019 financial year for their offices and applying the compensation policy approved at the Shareholders' Meeting on April 26, 2019, allowance being made for the fact that two ad hoc committees were set up in 2019.

- An ad hoc committee devoted to two strategic projects composed of the following members: Françoise Leroy, Eric La Bonnardière, Didier Deconinck and Jacques Garaïalde. This committee met once during the financial year. The Supervisory Board therefore decided, on December 18, 2019, to allocate €2,500 to each member of the committee.
- An ad hoc committee devoted to two strategic projects composed of the following members: Françoise Leroy and Eric La Bonnardière. This committee met ten times during the financial year. The Supervisory Board therefore decided, on December 18, 2019, to allocate:
  - €37,500 to Françoise Leroy for his attendance at meetings of this committee but also for his involvement in the preparation and follow-up of the meetings;
  - €12,500 to Eric La Bonnardière for his attendance at committee meetings.

The table above sets out the remuneration awarded to Supervisory Board members for the offices they hold (formerly, attendance fees) and other types of remuneration received by those members.

Table 3 - Summary of the compensation received by each Supervisory Board member (AMF nomenclature) *(in euros)*

Members of the Supervisory Board	Gross amounts allocated for FY 2019	Gross amounts allocated for FY 2018
Eric La Bonnardière - *Chairman of the Supervisory Board*		
Remuneration awarded for the office held	85,000	63,644 (1) (2)
Other remuneration	-	-
Didier Deconinck - *Deputy Chairman of the Supervisory Board*		
Remuneration awarded for the office held	47,500	52,945 (1) (3)
Other remuneration	-	-
Bernard-André Deconinck		
Remuneration awarded for the office held	-	11,123 (1)
Other remuneration	-	-
Eric Deconinck		
Remuneration awarded for the office held	35,000	35,000
Other remuneration	-	-
Julien Deconinck		
Remuneration awarded for the office held	42,000	27,288 (1)
Other remuneration	-	-
Jacques Garaïalde		
Remuneration awarded for the office held	10,623 (1)	35,000
Other remuneration	-	-
Jean-Hubert Guillot		
Remuneration awarded for the office held	- (4)	N/A
Other remuneration	- (5)	N/A
Didier Michaud-Daniel		
Remuneration awarded for the office held	25,652 (1)	N/A
Other remuneration	-	-
Françoise Leroy		
Remuneration awarded for the office held	104,000	60,000
Other remuneration	-	-
Sabine Roux de Bézieux		
Remuneration awarded for the office held	42,000	40,000
Other remuneration	-	-
Guylaine Saucier		
Remuneration awarded for the office held	57,000	55,000
Other remuneration	-	-
Agnès Touraine		
Remuneration awarded for the office held	42,000	40,000
Other remuneration	-	-

(1)It is applied pro rata temporis in the event of appointment, resignation, or change of office during the year as set out in Section 2.2.3.3.
(2)Of which €15,890 in respect of his duties as Deputy Chairman of the Supervisory Board and a member of the Audit Committee until April 26, 2018, and €47,754 for his duties as Chairman of the Supervisory Board since April 26,2018.
(3)Of which €22,247 in respect of his duties as Chairman of the Supervisory Board until April 26, 2018.
(4) Member representing employees - the member representing employees does not receive any remuneration for his office as a member of the Supervisory Board.
(5) Jean-Hubert Guillot receives a salary under his employment contract with the Company. This remuneration is not linked to the corporate office he holds and is not the subject of a disclosure.

2.4 Other information about company officers

2.4.1 Holdings in the Company's share capital held, directly or indirectly, by Management Board and Supervisory Board members.

At December 31, 2019, holdings in the Company's share capital held, directly or indirectly, by Management Board and Supervisory Board members were as follows:

Company officers	Number of ordinary shares	Percentage of share capital	Number of voting rights	Percentage of real voting rights	Number of shares awarded under incentive schemes [2]		
					LTIP 2019-2022	LTIP 2018-2021	LTIP 2017-2020
Members of the Management Board [4]							
Fabrice Barthélemy [1]	50,739	0.08%	78,486	0.08%	32,000	22,000	20,000
Raphaël Bauer	3,951	0.01%	3,956	0.00%	10,000	8,000	7,000
Members of the Supervisory Board							
Eric La Bonnardière	17,971	0.03%	18,571	0.02%	-	-	-
Didier Deconinck [3]	1,036	0.00%	2,036	0.00%	-	-	-
Eric Deconinck [3]	16,117	0.02%	17,117	0.02%	-	-	-
Julien Deconinck [3]	1,000	0.00%	1,000	0.00%	-	-	-
Jean-Hubert Guillot	1,297	0.00%	1,297	0.00%	600	500	500
Didier Michaud-Daniel	1,000	0.00%	1,000	0.00%	-	-	-
Françoise Leroy	1,035	0.00%	2,035	0.00%	-	-	-
Sabine Roux de Bézieux	1,035	0.00%	1,035	0.00%	-	-	-
Guylaine Saucier	1,000	0.00%	1,000	0.00%	-	-	-
Agnès Touraine	1,129	0.00%	1,129	0.00%	-	-	-
Total	**97,310**	**0.15%**	**128,662**	**0.13%**	**42,600**	**30,500**	**27,500**

(1)Registered shares held by company officers and related persons.

(2)The number of performance shares that will be definitively awarded under the 2017-2020, 2018-2021, and 2019-2022 Long-term Incentive Plans may vary between 0.5 and 1.5 times the number of shares initially granted, as indicated in this table, depending on the Company's performance.

(3)Didier, Eric and Julien Deconinck and Eric La Bonnardière are direct and indirect shareholders of the Société Investissement Deconinck (SID), which in turn holds 33,222,659 of the Company's shares. Didier Deconinck is also a partner of DDA and DDA Bis, which held 197,834 and 52,000 of the Company's shares, respectively, at December 31, 2019. Eric Deconinck is a partner of Demunich, which holds 9,115 shares as of December 31, 2019.

2.4.2 Share subscription or purchase options

At December 31, 2019, no members of the Management Board or the Supervisory Board held Share subscription or purchase options.

2.5 Performance shares (LTIP)

Since 2011, as part of its policy to motivate and encourage the loyalty of its management teams, the Company has put in place, on an annual basis, Long-term Incentive Plans (LTIP).

Long-term Incentive Plans are based on the principle of the award of Company's shares subject to a performance criterion based on value creation, to which the relative Total Shareholder Return has been added since the 2018-2021 Long-term Incentive Plan, together with the presence of the beneficiary within the Company for the term of the plan, i.e. for 3 years.Until the 2014-2017 plan, the plans could also be unwound by their cash equivalent. This is no longer the case since the 2015-2018 LTIP.

The vesting period of the plan (3 years) is the same whether the beneficiaries are in France or abroad.

The performance criteria are applicable to all performance shares awarded and to all beneficiaries.

The use of hedging instruments is prohibited for members of the Group's Executive Committee.

At December 31, 2019, three Long-term Incentive Plans could result in the allocation of Company's shares. These are the 2017-2020, 2018-2021 and 2019-2022 LTIP, each corresponding to the year in which the plan was put in place and the year in which the allocation vests.

Table 9 - History of performance-related share allocations (AMF nomenclature)

	LTIP 2017-2020	LTIP 2018-2021	LTIP 2019-2022
Date of the Shareholders' Meeting	April 27, 2017	April 26, 2018	26 April 2019
Date of Management Board's resolution	July 25, 2017	July 25, 2018	June 24, 2019
Number of shares potentially awarded (1)	325,000	400,000	400,000
Number of shares awarded to:			
> *Fabrice Barthélemy*	*20,000*	*22,000*	*32,000*
> *Raphaël Bauer*	*7,000*	*8,000*	*10,000*
> *Sharon MacBeath* (2)	*0*	*0*	*0*
Share vesting date	July 1 , 2020	July 1 , 2021	July 1 , 2022
Retention period end date	July 1 , 2020	July 1 , 2021	July 1 , 2022
Performance conditions	(3)	(3)	(3)
Number of shares vested as of the filing date for this Universal Registration Document.	**1,200** (4)	**1,200** (4)	**0**
Cumulative number of cancelled or expired shares	91,400	92,683	17,400
Number of performance shares remaining at December 31, 2019	**228,765**	**271,417**	**364,245**

(1) The number of shares potentially allocated corresponds to the total package approved by the Supervisory Board, on recommendation by the Nominations, Compensation and Governance Committee, and to a performance achievement of 100%, which may vary from 50% to 150% depending on the performance calculated.
(2) The shares allocated to Sharon MacBeath under the 2017-2020 (13,600 shares) and 2018-2021 (13,600 shares) plans were cancelled following her departure on April 30, 2019.
(3) The performance criteria are given in Sections 2.5.1 "2017-2020 Long-term Incentive Plan", 2.5.2 "2018-2021 Long-term Incentive Plan" and 2.5.3 "2019-2022 Long-term Incentive Plan", below.
(4) These shares were acquired by the heirs following the death of one of the beneficiaries in April 2019, in accordance with the rules of the LTI.

Retention requirement

For the term of his office as Chairman of the Management Board, Fabrice Barthélemy must hold Company shares equating to 50% of the shares allocated to him (after payment of tax and employment-related charges) under a Long-term Incentive Plan. It should be noted that this retention requirement applies to a number of Tarkett shares to be held until the end of his term of office. In addition, members of the Management Board and of the Group Executive Committee must hold 33% of the Company shares allocated to them (after payment of tax and employment-related charges) for the terms of their respective offices.

2.5.1 2017-2020 Long-term Incentive Plan

The 2017-2020 Long-term Incentive Plan, as authorized by the Shareholders' Meeting of April 27, 2017, is a Company performance-based incentive plan that falls within the scope of Articles L.225-197-1 et seq. of the French Commercial Code and that gives entitlement to the free allocation of shares.

These shares will vest in July 2020, subject to compliance with the presence and performance criteria (achievement of the strategic objectives between December 31, 2016, and December 31, 2019). These allocations shall come into effect in July 2020, without any holding requirement other than that specified above.

The number of free shares vested pursuant to the 2017-2020 Long-term Incentive Plan may vary depending on the performance of the Company and the presence of the beneficiary in the Group on the vesting date.

With respect to the members of the Management Board, the 2017-2020 LTI plan represented 20.15% of the total number of shares potentially allocated in July 2017.

It is specified that the settlement of this plan expressly provides that, in accordance with the recommendation of the Afep-Medef Code, the Management Board members must not resort to hedging instruments on their performance shares.

2.5.2 2018-2021 Long-term Incentive Plan

The 2018-2021 Long-term Incentive Plan, as authorized by the Shareholders' Meeting of April 26, 2018, is a performance-based incentive plan that falls within the scope of Articles L.225-197-1 et seq. of the French Commercial Code and that gives entitlement to the free allocation of shares.

This free allocation relates to shares that are already outstanding on the date on which they are vested, i.e.July 1 , 2021, and have no retention requirement other than the partial retention requirement imposed on members of the Executive Committee set out above.

This allocation is governed by criteria relating to presence within the Company and performance (80% achievement of the objectives of the strategic plan between December 31, 2017, and December 31, 2020, and a performance criterion of a relative Total Shareholder Return of 20%).

The Total Shareholder Return measures, as a percentage, the change in the average price of a Company share over the last 20 listed prices in 2020 as compared with the last 20 listed prices in 2017, dividends reinvested, as compared with the change in the SBF120 index between December 31, 2020, and December 31, 2017, dividends reinvested. This last indicator is provided by Thomson Reuters.

The number of free shares vested under the 2018-2021 Long-term Incentive Plan may vary depending on the Company's performance and the presence of the employee or company officer within the Group on the vesting date.

With respect to members of the Management Board, the 2018-2021 LTI plan represented 18.5% of the total number of shares potentially allocated in July 2018.

It is specified that the settlement of this plan expressly provides that, in accordance with the recommendation of the Afep-Medef Code, the Management Board members must not resort to hedging instruments on their performance shares.

2.5.3 2019-2022 Long-term Incentive Plan

The 2019-2022 Long-term Incentive Plan, as authorized by the Shareholders' Meeting of April 26, 2019, is a performance-based incentive plan that falls within the scope of Articles L.225-197-1 et seq. of the French Commercial Code and that gives entitlement to the free allocation of shares.

This free allocation relates to shares that are already outstanding on the date on which they are vested, i.e.July 1 , 2022, and has no retention requirement other than the partial retention requirement imposed on members of the Executive Committee set out above.

This allocation s governed by criteria relating to Company presence and performance (80% achievement of the objectives of the strategic plan between December 31, 2018, and December 31, 2021, and a performance criterion of a relative Total Shareholder Return of 20%).

The Total Shareholder Return measures, as a percentage, the change in the average price of a Tarkett share over the last 20 listed prices in 2021 as compared with the last 20 listed prices in 2018, dividends reinvested, as compared with the change in the SBF120 index between December 31, 2021, and December 31, 2018, dividends reinvested. This last indicator is provided by Thomson Reuters.

The number of free shares vested under the 2019-2022 Long-term Incentive Plan may vary depending on the Company's performance and the presence of the employee or company officer within the Group on the vesting date.

With respect to members of the Management Board, the 2019-2022 LTI plan represented 11% of the total number of shares potentially allocated in July 2019.

It is specified that the settlement of this plan expressly provides that, in accordance with the recommendation of the Afep-Medef Code, the Management Board members must not resort to hedging instruments on their performance shares.

2.6 Shareholder consultation on the compensation awarded to company officers

2.6.1 Consultation on principles and criteria applying to the component elements of the remuneration of company officers ("ex-ante" vote-Resolutions nos 13 to 15 of the Shareholders' Meeting of April 30, 2020)

2.6.1.1 Principles governing compensation for Management Board Members

2.6.1.1.1 Fundamental principles

These principles have been established in accordance with the recommendations of the Afep-Medef Code, to which the Company refers.

- **Principle of balance and measurement** : The Group ensures that each component of the compensation paid to Management Board members is clearly justified and that no component is disproportionate.
- **Principle of competitiveness** : The Group ensures that the compensation paid to Management Board members is competitive, notably by carrying out industry compensation surveys.
- **Principle of alignment of interests** : The Group's compensation policy is both a management tool designed to attract, motivate, and retain the talent that the business needs, and aimed at meeting the expectations of shareholders and other Company stakeholders, in particular in terms of a correlation with performance.
- **Principle of performance** The compensation paid to Management Board members is directly linked to the Company's performance, in particular through the variable component that is measured each year. The payment of this variable component is subject to achievement of simple and measurable objectives (both quantifiable and qualitative) closely linked to the Group's objectives and regularly communicated to shareholders. It is pointed out that these annual variable components do not result in any guaranteed minimum payment, and are based on clear and demanding operational performance criteria. In addition, in order to incentivize Management Board members over the long term, a portion of their compensation consists of performance shares. This compensation component is linked to the Group's performance in two ways: by the number of shares ultimately allocated at the end of the vesting period and by the Company's share price at the end of the vesting period.
- **Principle of equity and non-discrimination** : With regard to compensation, equal treatment of women and men is ensured at Management Board level as well as within the Group's Executive Committee.

It is specified that, except in exceptional cases, the payment of all the variable and exceptional components of the remuneration of the Chairman of the Management Board relating to his office is subject to a favourable "ex-post" vote by the Shareholders' Meeting in the year following the financial year in question, under the terms and conditions laid down in Article L.225-100 of the French Commercial Code.

2.6.1.1.2 Methods for determining and changing the principles applied

The principles for determining the compensation to be paid to Management Board members are set by the Supervisory Board, on recommendation by the Nominations, Compensation and Governance Committee.

They are reviewed annually, taking into account the Group's strategic plan and any changes in legislation and regulations and in good governance practices.

It should be remembered that only the Chairman is remunerated for his office on the Management Board. Raphaël Bauer, a member of the Managing Board, receives no remuneration for the office he holds. He receives a salary under this employment contract. In accordance with the provisions of Article R. 225-56 II of the French Code of Commerce, the employment contract concluded between Raphaël Bauer and the Company has the following characteristics:

- Term of the contract: an open-ended contract
- Notice periods: 3 months, in accordance with the collective labour agreement applicable to Company employees falling within the "Executives" category.
- Terms and conditions for removal from office or termination: The terms and conditions for termination are those authorised under the prevailing legislation and regulations and laid down in the collective labour agreement applying the Company employees. If the contract is terminated, Raphaël Bauer is also bound to the Company by a non-compete clause.

It is also pointed out that the compensation policy is in line with the interests of the Company and contributes to the continuity of the Company, in particular through the structures based on short-term and long-term variables that have been put in place.

2.6.1.2 Criteria governing the compensation paid to the Chairman of the Management Board

2.6.1.2.1 Criteria governing the compensation paid to the Chairman of the Management Board

The components of the compensation are as follows:

- fixed remuneration;
- variable annual remuneration;
- medium-term remuneration (with performance shares);
- loss of office payments;
- non-compete payments;
- contributions to a specific unemployment insurance policy for corporate officers;
- other components and benefits in kind.

Fixed compensation

The fixed remuneration is approved by the Supervisory Board, on proposal by the Nominations, Compensation and Governance Committee. It is in line with market practices, in order to ensure that the Company remains competitive and attractive. This positioning is measured on the basis of national and international compensation surveys, as well as more qualitative feedback (executive search firms).

Annual variable compensation

Objective : Variable annual remuneration is designed to reward performance in the previous financial year. The payment of this variable component is subject to achievement of simple and measurable objectives (both quantifiable and qualitative) closely linked to the Group's objectives and regularly communicated to shareholders.

Functional principles : The variable remuneration consists of two components:

- the first is based on quantifiable objectives defined at the beginning of the financial year, representing 70% of the variable annual remuneration of members of the Management Board where the objectives have been achieved in full.

For the last eleven years, the adjusted EBITDA and Operating Cash Flow have been the key indicators for measuring this quantifiable component of the variable annual remuneration. These key indicators may be supplemented by other relevant indicators in any given year. The weighting given to each of the criteria is decided by the Supervisory Board.

The target level set for each of the quantifiable criteria is information that is strategically and economically sensitive and cannot be made public.

The level achieved will be communicated once the performance analysis is complete;

- the second component is based on qualitative objectives defined at the beginning of the financial year based on the challenges face by the Group.

The variable annual remuneration may vary from:

- 0% to 200% based on the quantifiable economic criteria that make up 70% of the variable remuneration; and
- from 0% to 100% based on the qualitative criteria that constitute 30% of the variable remuneration.

Exceptional remuneration

By definition and in accordance with the Afep-Medef Code recommendations, exceptional remuneration may only be granted under very specific circumstances.

Medium-term remuneration - Long-term Incentive Plans

Objective : The objective of the medium-term compensation plans is to create loyalty and to compensate beneficiaries for achieving or surpassing the objectives of the medium-term strategic plan.

The *Long-term Incentive Plans* were put in place from July 2011 to have a policy that allocated performance shares - or their equivalent in cash - up to their vesting in 2014. Vesting of the shares only occurs only if the beneficiary remains with the Group for three years and if the Company achieves its economic performance goals. The relative performance of the Company based on the Total Shareholder Return was also added for the 2018-2021 plan. The Company intends to set up a Long-term Incentive Plan in 2020 that is similar to the 2019-2022 plan.

Legal framework : The Long-term Incentive Plans were initially put in place in the form of a free allocation of shares falling within the scope of Articles L225-197-1 et seq. of the French Commercial Code. Between 2012 and 2014, the Long-term Incentive Plans set up fell outside the scope of this legal framework and could be paid out in cash. Since 2015, the Long-term Incentive Plans have fallen within the scope of Articles L225-197-1 et seq. of the French Commercial Code. The Company plans to continue this practice in the future, barring any legislative or regulatory changes or legal circumstances that would render it impossible.

Performance level : For each Long-term Incentive Plan, performance is defined as the achieving of the objectives set in the medium-term strategic plan and measured in terms of EBITDA growth and debt reduction. An external relative criteria of the Total Shareholder Return versus the Total Shareholder Return of SBF120 index has been added since the 2018-2021 plan. Its weighting represents 20% of the objectives, the weighting for achievement of the objectives of the medium-term strategic plan having been reduced to 80%.

The target level set for the criterion relating to achievement of the mid-term strategic plan is information that is strategically and economically sensitive and cannot be made public.

The level to which the objectives are achieved will be communicated once the performance analysis has been completed;

Presence criterion : Except under exceptional circumstances, vesting of the shares is subject to the Management Board members remaining with the Company until the end of the vesting period. The Management Board, or the Supervisory Board in the case of the Chairman of the Management Board, may decide to waive this condition in exceptional circumstances and in the light of the recommendations of the AMF.

Retention obligation : The Chairman of the Management Board is a beneficiary of these plans and is subject to a requirement to retain, for the term of his office, 50% (after tax and social security contributions) of the Tarkett shares actually vested when the plans come to an end.

With the exception of the Long-term Incentive Plans set up annually, the Chairman of the Management Board does not benefit from multi-year remuneration.

Payments linked to appointment to or loss of office

The Chairman of the Management Board is entitled to a forced departure payment under certain terms and conditions (see below).

Supplemental Pension Plan

Unlike most listed companies of comparable size, the Group has chosen not to set up a supplementary pension plan. Preference was given to tools based on medium-term performance, giving management a stake in the share capital and leaving it to them to build up their own supplementary pension savings.

Non-compete payments

The Chairman of the Management Board is bound by a non-compete clause that the Company reserves the right to waive.

Unemployment insurance

The Chairman of the Management Board benefits from unemployment insurance for corporate officers - under an "F 70" policy, with the period of cover being extended to 24 months in accordance with the rules currently in effect - providing him with cover in the event of his forced departure from his office.

2.6.1.2.2 Application to the 2020 annual compensation of the Chairman of the Management Board

The components of the annual compensation of the Chairman of the Management Board were reviewed by the Supervisory Board at its meeting on January 11, 2019, which, on recommendation by the Nominations, Compensation and Governance Committee, took the following decisions on the components of the compensation to be paid to Fabrice Barthélemy, the new Chairman of the Company's Management Board, from January 14, 2019. The components of the compensation were approved by the Shareholders' Meeting of April 26, 2019. These components were not changed when Fabrice Barthélemy's term of office as Chairman of the Management Board was renewed on October 27, 2019.

Remuneration

Fixed compensation : €575,000 gross per year.

Variable remuneration :

Variable remuneration, payable no later than the month following the Shareholders' Meeting authorizing this variable component for the previous year.

This variable remuneration consists of two components:

- the first component is based on quantifiable goals defined at the beginning of the financial year by the Supervisory Board, on recommendation by the Nominations, Compensation and Governance Committee, and represents 70% of the annual fixed remuneration if the quantifiable objectives are achieved) to which a coefficient ranging from 0% to 200% is applied, with the result that it may represent up to 140% (if the goals are exceeded) of the annual fixed remuneration, based on a linear progression;
- the second component is based on qualitative goals defined at the beginning of the financial year by the Supervisory Board, on recommendation by the Nominations, Compensation and Governance Committee, and represents 30% of the annual fixed remuneration (if the qualitative objectives are achieved) to which a coefficient ranging from 0% to 100% is applied, with the result that it may represent up to 30% of the annual fixed remuneration.

  For the 2020 financial year, the qualitative objectives of the Chairman of the Management Board, Fabrice Barthélemy, relate in particular to:

  - The structuring of the circular economy procedures
  - Enhancing safety;
  - Organization, talents and culture in order to create a more agile culture focusing on clients
  - Improvement of financial performance in North America
  - An indepth examination of certain issues relating to the five-year strategy predetermined by the Supervisory Board
  - Reduction in costs
  - Compliance, and in particular to ensure that the anti-corruption programme is deployed

Benefits

- **Company car** : Use of a company car.
- **Civil liability insurance** : Benefit of liability insurance for corporate officers taken out by the Company
- **Unemployment insurance** : The benefit of unemployment insurance for corporate officers (garantie social de chef d'entreprise) (an "F 70" policy, with the period of cover being extended to 24 months in accordance with the rules currently in effect), providing Fabrice Barthélemy with cover in the event of his forced departure from his office..
- **Healthcare insurance** : Benefit of the existing healthcare insurance taken out by the Company.
- **Welfare scheme** : Benefit of the Group welfare scheme (death, incapacity, disability) applicable to the Company's employees.

Terms and conditions of cessation of office

Non-compete commitment

Term : 2 years.

Amount :

A non-compete payment equal to the gross fixed and variable remuneration received by Fabrice Barthélemy in the twelve months prior to his departure from his office as Chairman of the Management Board, to be paid in 24 monthly instalments for the duration of the non-compete commitment.

Terms and conditions :

It is pointed out that the Company reserves the right to waive this clause within a reasonable time, as decided by the Supervisory Board, on recommendation by the Nominations, Compensation and Governance Committee.

In accordance with the recommendations of the Afep-Medef Code referred to by the Company, no non-compete payment is due if, on departure, the Chairman of the Management Board has the possibility of invoking his retirement rights within a short time frame, has claimed his pension rights or has reached the age of 65.

The Supervisory Board notes, in this regard, that the non-compete payment will be deducted from the forced departure payment, so that the total amount due for both does not exceed an amount equal to 2 years of the gross fixed and variable remuneration received by Fabrice Barthélemy in the 12 months prior to his departure from his office as Chairman of the Management Board.

Severance payment

Amount :

The forced departure payment, which is subject to the performance criteria set out below, equates in an amount equal to two years of the gross fixed and variable remuneration received by Fabrice Barthélemy in the 12 months prior to his forced departure from his office as Chairman of the Management Board.

Performance criteria:

Performance is measured by level of achievement of the annual objectives determined by the Supervisory Board, on proposal by the Nominations, Compensation and Governance Committee, and used to calculate the variable remuneration. It is equivalent to the average performance achieved by Fabrice Barthélemy over the 3 calendar years preceding his departure. If the departure occurs within the next 3 calendar years, the performance will be measured by the level of achievement of the annual objectives used to calculate the variable component of his remuneration as Chairman of the Management Board.

The forced departure payment is subject to a performance level of between 50% and 100%. If the performance level is less than 50%, no payment is due, and if the performance level is at least equal to 100%, the payment is due in full. It is calculated strictly in proportion to the performance level amount. (For example, if the performance level is equal to 90%, the forced departure payment paid is 90% of the amount as defined in the first paragraph.

Payment :

This severance is due, subject to the achievement of the performance conditions, in the event of forced departure of the corporate officer, including, in particular, because of a change of control or a disagreement as to strategy, on the initiative of the Supervisory Board, regardless of whether the officer's term was terminated early or not renewed.

No forced departure payment is due if Fabrice Barthélemy has committed gross misconduct (defined wrongdoing of an extremely serious nature preventing any continuation of the corporate office) or serious misconduct (defined as wrongdoing of an extremely serious nature committed by an officer with the intention of harming the Company) or has the possibility of claiming his pension rights in the near future.

Common ceiling

Should Fabrice Barthélemy be eligible for both the forced departure payment and the non-compete payment, the total amount that he receives will be limited to two years of the gross fixed and variable remuneration received in the twelve months prior to his forced departure for his office as Chairman of the Management Board.

Non-solicitation clause

Fabrice Barthélemy undertakes to refrain from soliciting, directly or indirectly, any employee or corporate officer of Tarkett in the 24 months following his departure from the Company:.

Shares arising from Long-term Incentive Plans

The Chairman of the Management Board is one of the beneficiaries of the various Long-Term Incentive Plans and is bound by the terms and conditions of these plans.

The Chairman of the Management Board would be a beneficiary of the 2020-2023 Long-term Incentive Plan, subject to its implementation.

The Chairman of the Management Board is under an obligation to hold at least 50% of the Tarkett shares he is allocated under Long-term Incentive Plans - after deduction of the corresponding after tax and social security contributions - during his term as Chairman of the Company's Management Board.

The initial grant under the next Long-term Incentive Plan, planned for 2020, would be 32,000 shares subject to the objective being achieved.

The Chairman of the Management Board does not receive any remuneration for any office held within the Tarkett Group. Nor does he receive any deferred, multi-year or exceptional remuneration nor a supplementary pension scheme.

2.6.1.3 Principles and criteria underlying the components of the compensation received by the members of the Supervisory Board and its Chairman

Principles

Based on the total amount approved by the Shareholders' Meeting, the Supervisory Board allocates an amount to its members, on proposal by the Nominations, Compensation and Governance Committee.

This overall amount is distributed among the members of the Supervisory Board based on their actual attendance at meetings of the Supervisory Board and of its specialised committees.

Finally, it is specified that under the Company's internal regulations, the members of the Supervisory Board are required to use half of the remuneration their receive each year for their offices as Supervisory Board members to acquire and hold at least 1,000 Tarkett shares.

Application

The maximum remuneration authorized by the Shareholders' Meeting for payment to members of the Supervisory Board for their offices is €500,000.

In 2019, the distribution policy was readjusted with effect from[1], January 1, 2019, since it was noted that (i) the amount paid to members of the specialised committees was slightly below the market practices observed among other issuers, and (ii) the major projects being undertaken by the Group called for the creation of non-permanent ad hoc committees.

The remuneration distribution policy for members of the Supervisory Board, as approved by the Shareholders' Meeting on April 26, 2019, is as follows:

- each Member of the Supervisory Board receives €35,000 annually;
  - a penalty of €3,000 is applied if a member fails to attend a duly convened meeting of the Supervisory Board;
- an additional €35,000 a year are paid to the Chairman of the Supervisory Board;
- an additional €10,000 a year are paid to the Deputy Chairman;
- €7,000 are paid each year to each member of the specialized committees;
  - a penalty of €1,000 is applied if a member fails to attend a duly convened meeting of a specialized committee;
- an additional €15,000 a year are paid to the Chairmen of the specialized committees; and
- an addition €60,000 a year are distributed among the members of the Supervisory Board participating in non-permanent ad hoc committees set up by resolution of the Supervisory Board that are involved in the analysis of specific major projects for the Group. The amount to be paid in this regard, distributed in proportion to the number of meetings and the time allocated, will be decided by the Supervisory Board, on proposal by the Nominations, Compensation and Governance Committee.

In addition, as stated at the Supervisory Board meeting of December 3, 2018, the Supervisory Board felt hat it would be legitimate not to apply the criterion of actual presence to so-called "exceptional" meetings, i.e. to meetings convened at short notice, for reasons beyond the control of the Company, due to the urgency of decisions that must put for prior approval to the Supervisory Board and that have been brought late to the attention of the Company.

Member of the Supervisory Board representing employees

The member of the Supervisory Board representing employees does not receive any remuneration for the office he holds and receives a salary under his employment contract.

In accordance with Article R. 225-56 II of the French Code of Commerce, the employment contract concluded by the Company with Jean-Hubert Guillot has the following characteristics:

- Term of the contract : Open-ended contract;
- Notice periods : 3 months, in accordance with the collective labour agreement applicable to Company employees falling within the "Executives" category;
- Terms and conditions for removal from office or termination: : The terms and conditions for termination are those authorised under the prevailing legislation and regulations and laid down in the collective labour agreement applying the Company employees. In addition, if the contract is terminated, Jean-Hubert Guillot is bound to the Company by a non-compete clause.

2.6.2 Consultation on the components of the compensation paid or granted in the financial year ended December 31, 2019(*"ex post"* vote - Resolutions nos 10 to 12 of the Shareholders' Meeting on April 30, 2020)

2.6.2.1 Components of the compensation paid or granted to Fabrice Barthélemy (including as interim Chairman of the Management Board from January 1st to January 13, 2019) in the financial year ended December 31, 2019 (Resolution no. 12 of the Shareholders' Meeting of April 30, 2020)

Components of the compensation paid or granted for the financial year ended December 31, 2019	Amount or accounting value submitted for approval *(in €)*	Presentation
Fixed compensation	570,548	i.e. €450,000 *(on an annual basis from[1], January 13, 2019)* Then €575,000 on an annual basis from January 14, 2019. The fixed component represents 34% of the 2019 fixed and variable annual and long-term remuneration.
Annual variable remuneration for his office as Chairman of the Management Board	483,596	Remuneration calculated for the period from[1], January 1 to December 31, 2019, not yet paid. The 2 quantifiable objectives represent 70% of the annual variable remuneration and may equate to a maximum of 140% of the base remuneration if they are exceeded. The qualitative objectives represent 30% of the variable annual remuneration and cannot be exceeded. The 2019 qualitative objectives for Fabrice Barthélemy were the following: > safety (transformation of the Group's safety culture and a reduction of the figures for the number of accidents resulting in stoppages) > financial performance > organization and talents > the five-year strategy > The circular economy (development of the Refinity project, increase in the Restart recycling collection volumes)®definition of corporate social responsibility objectives and an action plan for 2030 The annual variable component represents 27% of the 2019 fixed and variable annual and long-term remuneration. For the record, the annual variable remuneration for 2018, paid in 2019 after approval by the Shareholders' Meeting , for the period running from September 18 to December 31, 2018, for his office as interim Chairman of the Management Board was €47,723.
Deferred variable remuneration	N/A	
Multi-year variable remuneration	N/A	
Exceptional compensation	4,274	This relates to exceptional remuneration paid on an annual basis in an amount of €120,000*pro rata temporis*for the additional responsibilities that Fabrice Barthélemy had to assume as Chairman of the Management Board during the transitional period running from September 18, 2018, to January 13, 2018 (i.e. 13 days in 2019).
Stock options, performance shares, and any other long-term compensation component	Options = N/A	No options awarded
	Performance shares: 32,000 shares *(value: €631,680)*	Target amount for the allocation of performance shares under the 2019-2022 LTI plan This plan was authorized in Resolution no. 18 passed by the Shareholders' Meeting of April 26, 2019, and allocated following the decision of the Supervisory Board on June 24, 2019. The 80% of performance criteria that apply to the allocation as a whole are linked to the strategic plan and 20% to the Total Shareholder Return.

Components of the compensation paid or granted for the financial year ended December 31, 2019	Amount or accounting value submitted for approval *(in €)*	Presentation
		The allocation to the Long-term Incentive Plan in 2019 represented 37% of the 2019 annual fixed and variable remuneration and long-term component. The allocation of the 2019 Long-term Incentive Plan to Fabrice Barthélemy represented 0.05% of Tarkett capital.
Remuneration allocated for the office of director or a member of the Supervisory Board	N/A	
Valuation of benefits of all kinds	3,313	Company car
Retention bonus	N/A	
Severance payment	0	In the event of a forced departure from an office as corporate officer, the payment would equate to 2 years' of the gross fixed and variable remuneration received by Fabrice Barthélemy in the 12 months preceding his forced departure from his office as Chairman of the Management Board. This payment is subject to a performance criterion that is measured by the level of achievement of the annual objectives serving to calculate the variable remuneration. It is equivalent to the average performance achieved by Fabrice Barthélemy over the 3 calendar years preceding his departure. The forced departure payment is subject to a performance level of between 50% and 100%. If the performance level is below 50%, no payment is due. No forced departure payment would be due if Fabrice Barthélemy were to commit gross or serious misconduct or had the possibility of claiming his pension rights in the near future. The terms and conditions for this forced departure payment were confirmed by the Supervisory Board on January 11, 2019, and approved by the Shareholders' Meeting on April 26, 2019.
Non-compete compensation	0	The non-compete payment would be equal to the gross fixed and variable remuneration received by Fabrice Barthélemy in the twelve months prior to his departure from his office as Chairman of the Management Board, and would be payable in 24 monthly instalment for the duration of the non-compete commitment. The Company reserves the right to waive the non-compete clause. No non-compete payment may be paid if, on departure, the Chairman of the Management Board has the possibility of claiming his pension rights in the near future or has reached the age of 65. The terms and conditions of this non-compete payment were confirmed by the Supervisory Board on January 11, 2019, and approved by the Shareholders' Meeting of April 26, 2019.
Supplemental Pension Plan	N/A	No supplementary pension scheme

2.6.2.2 Components of the compensation paid or granted to Eric La Bonnardière as Chairman of the Supervisory Board in the financial year ended December 31, 2019 (Resolution no. 12 of the Annual Shareholders' Meeting of April 30, 2020)

Components of the compensation paid or granted for the financial year ended December 31, 2019	Amount or accounting value submitted for approval *(in €)*	Presentation
Fixed compensation	N/A	
Annual variable compensation	N/A	
Deferred variable compensation	N/A	
Multi-year variable compensation	N/A	
Exceptional compensation	N/A	
Stock options, performance shares, and any other long-term compensation	N/A	
Remuneration allocated for the office of member of the Supervisory Board	85,000	See Section 2.3.9
Valuation of benefits of all kinds	N/A	
Severance payment	N/A	
Non-compete compensation	N/A	
Supplemental Pension Plan	N/A	

2.6.2.3 Components of the compensation paid or granted to members of the Supervisory Board (other than the Chairman) in the financial year ended December 31, 2019 (Resolution no. 11 of the Annual Shareholders' Meeting of April 30, 2020)

Components of the compensation paid or granted for the financial year ended December 31, 2019	Amount or accounting value submitted for approval *(in €)*	Presentation
Fixed compensation	N/A	
Annual variable compensation	N/A	
Deferred variable compensation	N/A	
Multi-year variable compensation	N/A	
Exceptional compensation	N/A	
Stock options, performance shares, and any other long-term compensation	N/A	
Remuneration allocated for the office of member of the Supervisory Board	405,775	See Section 2.3.9
Valuation of benefits of all kinds	N/A	
Severance payment	N/A	
Non-compete compensation	N/A	
Supplemental Pension Plan	N/A	

2.6.2.4 Pay equity ratios between the compensation paid to the Chairmen of the Management Board and of the Supervisory Board and the average and median salaries

This presentation has been drawn up in accordance with the provisions of the PACTE Act.

The ratios below have been calculated on the basis of the fixed and variable remuneration, incentives and benefits in kind paid in the years considered, together with the performance shares allocated in the same periods and stated at their fair value. The averages and medians have been calculated for all employees in France who were present for the entire year considered and for the previous year.

	2015	2016	2017	2018	2019
Chairman of the Management Board					
Ratio based on the average remuneration	49	58	43	29	23
Ratio based on the median remuneration	66	83	59	39	30
Chairman of the Supervisory Board					
Ratio based on the average remuneration	1.3	1.2	1.2	1.2	1.4
Ratio based on the median remuneration	1.7	1.7	1.6	1.5	1.9

The remuneration taken into account in calculating the ratios for the Chairman of the Management Board includes *prorata temporis*

- Michel Giannuzzi from 2015 to August 31, 2017;
- Glen Morrison from September 1, 2017 to September 18, 2018;
- Fabrice Barthélemy from September 18, 2018.

The remuneration taken into account in calculating the ratios for the Chairman of the Supervisory Board includes *prorata temporis* :

- Didier Deconinck from 2015 to April 26, 2018;
- Eric La Bonnardière since that date.

2.7 Profit-sharing agreements and incentive schemes

2.7.1 Profit-sharing agreements and incentive schemes

Profit-sharing agreements and incentive schemes have been in place for many years within the Group companies in France and extend to all French employees.

There are three principal profit-sharing agreements with their own calculation formulas, adjusted to the reality of each entity and taking into account value creation, as well as criteria relating to safety in the workplace and commitment to corporate social responsibility. The duration of each agreement is three years.

2.7.2 Company savings plans and similar schemes

The Group created a company savings plan on June 29, 2004, for a term of one year, renewable automatically. This plan offers employees, based in France, who have been with the Company for over three months the ability to allocate amounts paid to them immediately and in full to subscribe for shares in company investment funds (FCPE). In particular, this plan can receive amounts from an incentive scheme or profit-sharing agreement, as well as voluntary payments.

2.8 Security transactions by corporate officers

The table below shows, for the financial year ended December 31, 2019, the share acquisitions, disposals and exchanges, as well as transactions in closely related financial instruments, that fall within the scope of Articles L.621-18-2 and R.621-43-1 of the French Monetary and Financial Code and Article 19 of Regulation (EU) No. 596/2014 of April 16, 2014, on market abuse and that have been the object of disclosure to the AMF.

Identification	Positions held within the Company on the date of the transaction	Nature of the transaction	Financial instrument	Place of the transaction	Number of securities	Unit price *(in €)*	Date of the transaction	Amount *(in €)*
Didier Michaud-Daniel	Member of the Supervisory Board	Purchase	Share	Euronext Paris	1,000	13.47	20/12/19	13,470.00
Marie Deconinck	Person related to Didier Deconinck, Deputy Chairman of the Supervisory Board	Purchase	Share	Euronext Paris	413	12.06	06/12/19	4,980.78
DDA BIS	Legal entity related to Didier Deconinck, Vice-Chairman of the Supervisory Board	Purchase	Share	Euronext Paris	17,000	13.48	12/08/19	229,156.12
DDA BIS	Legal entity related to Didier Deconinck, Vice-Chairman of the Supervisory Board	Purchase	Share	Euronext Paris	35,000	14.04	05/08/19	491,487.50
DDA BIS	Legal entity related to Didier Deconinck, Vice-Chairman of the Supervisory Board	Sale	Share	Euronext Paris	10,017	20.35	24/06/19	203,797.87
SID	Legal person related to Bernard-André Deconinck, Observer at Supervisory Board meetings	Exercise of the scrip dividend option	Share	Euronext Paris	1,147,588	16.77	04/07/19	19,245,050.76
DDA BIS	Legal entity related to Didier Deconinck, Vice-Chairman of the Supervisory Board	Exercise of the scrip dividend option	Share	Euronext Paris	1,790	16.77	04/07/19	30,018.30
Tarkett GDL	Subsidiary of the Company in which the members of the Management Board hold an office	Exercise of the scrip dividend option	Share	Euronext Paris	2,485	16.77	04/07/19	41,673.45
DDA	Legal entity related to Didier Deconinck, Vice-Chairman of the Supervisory Board	Exercise of the scrip dividend option	Share	Euronext Paris	6,834	16.77	04/07/19	114,606.18
DDA	Legal entity related to Didier Deconinck, Vice-Chairman of the Supervisory Board	Purchase	Share	Euronext Paris	28,000	18.00	19/12/18	504,000
DDA	Legal entity related to Didier Deconinck, Vice-Chairman of the Supervisory Board	Purchase	Share	Euronext Paris	5,386	18.25	18/12/18	98,290.73

2.9 Other information

2.9.1 Declarations linked to corporate governance

2.9.1.1 Conflicts of interest

To the Company's knowledge and apart from the matters set out in Sections 2.2.3.2 and 2.9, at December 31, 2019., there were no potential conflicts of interest between the duties of Management Board or Supervisory Board members vis-à-vis the Company and their private interests or other duties. Indeed, in accordance with Article 2.2. of the internal regulations of the Supervisory Board, each of its members has the obligation to inform it of any conflicts of interest, even if potential.

Notwithstanding the provisions of Section 2.5, "Performance shares (LTIP)", at December 31, 2019, the members of the Management and Supervisory Boards had not agreed to any restriction of their right to sell their holdings in the Company's equity capital, with the exception of the rules relating to the prevention of insider trading and the recommendations of the Afep-Medef Code impose a share retention requirement.

2.9.1.2 Personal information relating to company officers

At December 31, 2019, there were no family relationships between the Company's officers other than the family relationships between Didier Deconinck (Deputy Chairman of the Supervisory Board), Bernard-André Deconinck (observer) and Eric Deconinck (Supervisory Board Member), and between these three members and Eric La Bonnardière (Chairman of the Supervisory Board), Nicolas Deconinck (observer) and Julien Deconinck (Supervisory Board Member), their nephews.

Other than the related party agreements set out in Sections 2.9.2 and 8.6, there are no business ties between the members of the Supervisory Board and the Management Board, on the one hand, and the Company, on the other.

To the Company's knowledge, over the course of the past five years:

- no corporate officer has been convicted of fraud;
- none of the company officers has been associated in any bankruptcy, receivership or liquidation;
- none of the company officers have been held guilty of an offence and/or had an official public sanction imposed by statutory or regulatory authorities (including designated professional bodies); and,
- none of the aforementioned persons has ever been prevented by a court from acting as a member of an administrative, management, or supervisory body of an issuer, nor from being involved in the management or conduct of the business of an issuer.

2.9.2 Regulated agreements

2.9.2.1 Procedure for reviewing current and regulated agreements

In accordance with Article L.225-87 of the French Code of Commerce, the Supervisory Board adopted an internal policy ("the Policy") making it possible to categorize agreements subject to the regulated agreements procedure and to distinguish them from agreements relating to the ordinary course of business entered into under normal conditions, as well as to facilitate compliance by the Group with the new statutory requirements on this matter that provide for regular review of the conditions under which the various agreements are entered into and for their categorization to be analyzed. This Policy was reviewed in advance by the statutory auditors and the Audit, Risks and Compliance Committee.

In addition to summarizing the legislative and regulatory framework applicable to the different types of agreement likely to be concluded, this Policy sets out a procedure for regular review by the Supervisory Board of the terms and conditions for the conclusion of standard agreements entered into and makes it clear that persons with a direct or indirect interest in any such agreement may not take part in that review.

2.9.2.2 Service agreement with Société Investissement Deconinck (SID)

The Company has entered into a service agreement with Société Investissement Deconinck (SID) under which the latter can avail itself of the Company's administrative support services in relation to business management, tax declaration and accounting, for a fixed annual fee of €55,000, before tax.

2.9.2.3 Assistance and guidance agreement with Société Investissement Deconinck (SID)

SID and the Company entered into an assistance and guidance agreement for the provision of assistance in determining the strategic approach to be adopted by Tarkett and in taking major decisions. In return for its services, and in particular the work undertaken by its Management Board members and its role in assisting with the definition of the strategic approaches to be adopted by the Company, the SID receives a fixed annual amount before tax of €300,000 which subject to indexation each year based on an index agreed between the parties.

2.9.3 Principal related-party transactions

Material transactions entered into or ongoing between the Company and related parties (whether individuals or entities), other than those referred to in Section 2.9.2, consist of the following.

2.9.3.1 Guarantees

The Company:

- Granted a counter-guarantee ("*General Indemnity Agreement*") for a maximum amount of USD 75 million in favour of the *Federal Insurance Company* to enable that company to issue construction bonds in favour of FieldTurf Inc. On the balance-sheet date, the outstanding bonds, whether active or in the process of restitution, totalled USD 89.2 million;
- signed a joint and several guarantee, for a maximum amount of USD 75 million, in favour of Ester Finance Titrisation for the collections made on its behalf in relation to the securitization line put in place with the Company's subsidiary Tarkett USA Inc.
- granted a guarantee to the Swedish retirement insurance company Pri-Pensions to insure Tarkett AB's employee benefit commitments in the amount of SEK 201.8 million;
- granted a guarantee covering 50% of a credit line for a maximum amount of €10 million that was granted to its joint venture Laminate Park GmbH & Co KG, of which €2.2 million had been drawn down at the balance-sheet date;
- granted a guarantee to a raw materials supplier of its Morton Extrusiontechnik (M.E.T. GmbH) subsidiary in order to secure its commitments up to an amount of €7 million, commitments of €4.7 million having been made at the balance-sheet date;
- granted a guarantee as a parent company to the banks of certain subsidiaries, including Tarkett Limited (United-Kingdom), Tarkett BV (Netherlands), Tarkett Asia Pacific (Shanghai) Management Co Ltd (China), Tarkett Industrial (Beijing) Co Ltd (China) and Tarkett Spa (Italy), to obtain credit lines or letters of credit for a maximum total amount equivalent to €35.1 million, an amount of €11.7 million being committed at the balance-sheet date.

Furthermore, in the ordinary course of business, Tarkett and several of the Group's subsidiaries granted payment guarantees to various suppliers, customers, government bodies, lessors and cash pooling or trade finance operators, either directly or through bank guarantees, for an amount of €14.8 million at the balance-sheet date.

2.9.3.2 Cash management agreements

The Company has entered into cash management agreements with some of its subsidiaries to organize the financial flows between the Group's entities and manage the cash pooling.

2.9.3.3 Service agreements

The Company has entered into service agreements with some of its French and foreign manufacturing subsidiaries. The purpose of these agreements is the provision of the following services: general management, financial, legal, human resources, operations and communications. These agreements represented an aggregate amount of €16.9 million in 2019.

The Company has also entered into IT assistance agreements with certain of its subsidiaries. The purpose of these contracts is the provision of the following IT services: IT support, project management, development, IT licensing and advice (auditing and SAP project preparation) These agreements represented an aggregate amount of €28.6 million in 2019.

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3.1 Tarkett's CSR ambition and commitment

3.1.1 Message from the CEO

Fabrice Barthélemy
Chief Executive Officer

In June 2019, we shared our new strategic plan "Change to Win" with all employees and presented it to the financial community. Our ambition is clearly focused on our global commercial activities and residential businesses in focused geographies, but not only. I personally decided to include the circular economy as part of our ambition. I strongly believe that as a responsible flooring and sports surfaces company we have a role to play to change the game of our industry with circular economy – a widely recognized solution to address resource scarcity and the climate emergency. This is a key challenge for the building industry.

At Tarkett, we are convinced that there is an urgency to shift models to preserve the world's finite natural resources. It became clear to us that the transition to a fully circular economy in the flooring industry is one of our strategic objectives. We need to move away from a linear economy, based on production, use and disposal of a product to a circular economy model, where waste can be a resource for our manufacturing, and where our products can be recycled to create new resources after use. That is why we have set a target of tripling to 30% the share of recycled materials in our purchased raw materials by 2030.

To achieve this transition there are two main drivers:
- Eco-designing products with recycled materials and make them recyclable at the end of use with the implication notably of our R&D, purchasing and manufacturing.
- Implementing circular solutions to take-back, collect, sort and recycle / reuse, involving our marketing, sales, supply-chain and R&D teams in close collaboration with our customers, suppliers and other partners.

However, we know that we cannot make the transition from a linear to a circular economy alone. We need all stakeholders to get involved if we want to change our behaviors and economic model: policymakers, to encourage an economy based on recycling; suppliers, to offer new sources of secondary raw materials and collection services; and customers, to embrace sorting and recycling flooring, and to ask for more and more recycled and recyclable products.

We believe in this power of collaboration and dialogue and we stepped up our efforts in 2019 working closely not only with our employees, customers, suppliers and other business partners, but also with thought leaders – such as the Ellen MacArthur Foundation CE100 initiative, scientific institutes, universities, standardization bodies, public authorities and professional trade associations. The challenge is to build together a circular economy with good quality safe materials, creating beautiful spaces that contribute to healthiness and well-being.

In addition to our ambition to change the game with a circular economy, we also set targets in the three other areas of our 'care for the people and planet' pillar of our Change to Win strategy:
- **Safety is our number one commitment** and by strengthening further our safety culture we aim to reduce our recordable accident frequency rate[1] to 1 by 2025.
- **Contributing to the global effort against climate change** is another priority. Our transition to a circular economy will contribute significantly to reducing greenhouse gas emissions in the value chain, complementing our existing efforts in our plants. Here, through continued improvement of energy efficiency and an increase in the use of renewable energies we aim to reduce our emissions[2] by 30% by 2030 compared to 2020.
- Lastly, we cannot achieve any of these objectives without the implication of **our diverse and talented teams.** In this area we will continue to grow our human capital by upholding business ethics, ensuring diversity, applying our talent philosophy, and by promoting internal mobility – which we aim to increase to 70% by 2025 (vs 53% in 2018).

Through this new strategic plan, we will continue to contribute, at our level, to the United Nations' Sustainable Development Goals and to the ten principles of the Global Compact defined by the United Nations, making good on our values and on our customer promise.

(1) Injury frequency rate for all employees (# of workplace accidents with lost time less than or greater than one day per million hours worked hours)
(2) Scope 1 & 2 greenhouse gas emissions per square meter of flooring (kg CO_2e/sqm)

3.1.2 Tarkett's business model

Our business model is presented in the introduction of this universal registration document.

3.1.3 Our CSR approach dedicated to serving our clients

Our new strategy, Change to Win, sets out our path to future growth across four strategic pillars: Sustainable growth, OneTarkett for our customers, People and the Planet and Cost and financial discipline. At Tarkett, social and environmental responsibility is a long-standing commitment and a lever for business growth. This commitment for a sustainable and responsible development is at the heart of our strategy, as has been confirmed in 2019 with our Change to Win Strategic plan. It is integrated in all our activities, such as talent development via our Talent Philosophy, our circular economy and eco-design approach according to Cradle to Cradle® principles, and our operational excellence program via World Class Manufacturing (WCM). Every day, we strive to combine these elements not only to best serve our clients, but also to anticipate and respond to the expectations and requirements of our different stakeholders – employees, customers and users, investors, NGOs, public authorities.

Our client's expectations and requirements regarding sustainable and responsible development

Our clients face various challenges and have continually increasing expectations regarding sustainable and responsible development, for example:

- Installers and contractors: install and easily remove, collect and recycle post-installation and post-consumer flooring waste;
- Architects and designers: select materials responding to more and more stringent certification and label criteria regarding indoor air quality, healthy spaces and recycling, and transparently understand the composition of our products;
- Distributors: offer products responding to market trends, obtain support for sales force notably regarding products' technical and environmental characteristics, and guarantee a quick availability of the products;
- Final users, who live on our flooring and sports surfaces on a daily basis: make no compromise between price, design (visual aspect), performance (comfort, resistance, acoustics, safety, easy maintenance) and respect for health and the environment.

Our CSR / sustainability ambition is expressed by "Doing Good. Together.". The objective is to go beyond simply "doing better" through improvements to the existing model, to actually "doing good" by building a sustainable business model that integrates the challenges of tomorrow's world. This approach is based on the main constituents of Tarkett's sustainable development approach: Designing for life, Closing the loop, Driving collaboration, Supporting communities, and Developing talents.

In 2015, the United Nations adopted the 2030 Agenda for Sustainable Development along with a set of 17 Sustainable Development Goals. This framework defines a blueprint to achieve a better and more sustainable future for all by spurring local and global ecological, social, and humanitarian changes. The action plan aims to address key issues in areas such as poverty eradication, environmental protection, and economic development. Through its ambitious CSR approach implemented since 2010, Tarkett contributes to several of the UN Sustainable Development Goals.

Tarkett contributes to several of the United Nations Sustainable Development Goals (SDG) through our "Doing Good. Together." Approach

- **Designing for life**: respect the planet's natural capital by reducing our environmental footprint (SDG 15) and fighting climate change (SDG 13); develop products that contribute to people-friendly spaces, with good health and well-being in working, leisure, and living spaces (SDG 3).
- **Closing the loop**: building a circular economy based on programs and business models that encourage take-back, reuse, recycling and elimination of waste (SDG12).
- **Driving collaboration**: inspiring others to join us in "Doing Good. Together." Through education, collaboration, transparency, and communication (SDG17).
- **Supporting communities**: contributing to the development of communities and territories where we operate, and making sure our business is inclusive by bringing together various stakeholders, including suppliers, and encouraging them to take part in our responsible value chain (SDG 11).
- **Developing talents**: involving and engaging each employee, which we consider crucial for the successful implementation of our projects, therefore creating a safe, respectful, inclusive and rewarding work environment (SDG 8).

3.1.4 Tarkett Sustainability Journey: Our progress in 2019

RESPECTING RESOURCES THROUGH CIRCULAR ECONOMY

RENEWABLE, ABUNDANT OR RECYCLED MATERIALS

67%

of raw materials do not contribute to resource scarcity

2020 objective: 75%

FLOORING TAKE-BACK

105,000

tons of flooring collected from 2010 to 2019 by Tarkett ReStart® take-back and recycling program in Europe, Brazil and North America

RECYCLED RESOURCES

126,000

tons of recycled materials in production

12%

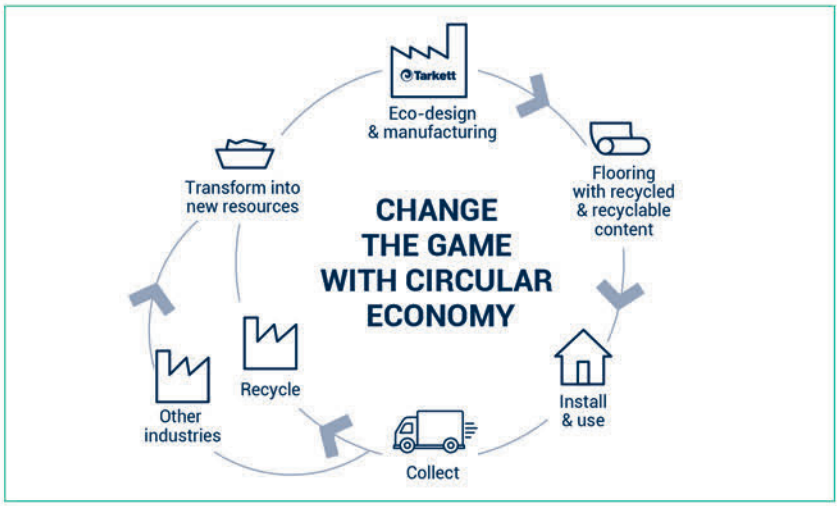
of our raw materials in purchased volumes are recycled materials

2030 objective: 30%

WATER CONSUMPTION

-50%

versus 2010 (intensity l/m²)



FIGHTING CLIMATE CHANGE

RENEWABLE ENERGY

28%

of energy consumption comes from renewable energy

CO_2 EMISSIONS

-15% versus 2010

(Scope 1 & 2 intensity kg CO_2e/m^2)

2020 objective: -20% vs 2010

2030 objective: -30% vs. 2020

243,000 tons CO_2 (2019 CO_2 emissions, scope 1 & 2)

CO_2 SAVINGS THANKS TO RECYCLED RAW MATERIALS

~270,000

tons of CO_2 avoided* corresponding to **~126,000** tons of recycled resources instead of using virgin raw materials and sending waste to incineration.

(*estimation for part of scope 3)

USING GOOD MATERIALS FOR PEOPLE'S HEALTH AND THE ENVIRONMENT

C2C MATERIALS ASSESSMENT

98%

of our raw materials are third-party assessed for their impact on people's health and the environment based on Cradle to Cradle® criteria

2020 objective: 100%

INDOOR AIR QUALITY

98%

of flooring have low VOC (levels of volatile organic compounds emissions)

2020 objective: 100%

HEALTHY INDOOR ENVIRONMENT / PHTHALATE-FREE

100%

of our vinyl production sites in Europe, North America, Serbia and China use phthalate-free plasticizer technology* (end 2019)

74%

of our vinyl flooring are phthalate-free on a global level*

2020 objective: 100%

RESPECTING AND DEVELOPING TEAMS

SAFETY

2.19

injury frequency rate (Recordable Lost Time Accident Frequency Rate FR1t)

2025 objective: 1.0

INTERNAL MOBILITY

65%

of management positions filled by internal candidates

2025 objective: 70%

DIVERSITY

27%

of women among managers

30%

among senior executives

SUPPORTING LOCAL COMMUNITIES AND GLOBAL INITIATIVES

TARKETT CARES

1,400

employees involved in **180** community initiatives, representing **920** days and **€700,000** contributions**

TARKETT ACADEMY

31,000

professionals or students trained as professional installers or in flooring installation techniques from 2012 to 2019

THE GLOBAL GOALS For Sustainable Development — Contribute to the Sustainable Development Goals defined by the United Nations

THE GLOBAL COMPACT WE SUPPORT — Comply with the 10 United Nations principles

CE100 — Build a circular economy model

*Except recycled content for certain products and countries

**Tarkett Cares contribution: values of financial and product donations and employee hours donated

3.2 CSR governance

3.2.1 Our CSR governance integrated at all levels of the Group

With our new Change to Win strategy, Tarkett has made the transition to a circular model a central and key element of its new strategic plan with the strong ambition to "change the game with circular economy". This constitutes the highlight of the "Care for the people and the planet" pillar of the plan announced in June 2019. Governance of the execution of this plan and of CSR in general is likewise central, being led by the Executive Management Committee, deployed by the divisions, animated by support functions and delivered by the concerted effort of all our employees:

- **Execution of our Change to Win strategic plan and associated CSR strategy is monitored by the CEO and the Executive Management Committee**, involving the divisions' Presidents (EMEA & LATAM, TNA, TEE, Sports) and the functions' Executive Vice Presidents / Chief Officers. The Executive Management Committee meets monthly to review the Group's operational and financial performance and to discuss progress on the main strategic objectives and other key business matters.
- **The strategy is rolled-out, driven and implemented at divisions, functions, sites and networks level** in every country where we operate. The divisions' and functions' management committees develop and monitor roadmaps depending on priorities and specificities of the concerned sites, countries and divisions and on the Group's Change to Win objectives.
- **A new organization for innovation program management** was implemented in November 2019 to accelerate on innovation and to leverage synergies for delivering on the Change to Win Strategy. Global program managers were nominated to lead the seven priority programs which include 'Circular Economy and Recycling' and 'Health and Well-being'.
- **The dedicated environmental committee**, created in 2011, also participates in the definition and implementation of the environmental strategy and of best practice sharing. This committee consists of a network of environmental / sustainability experts from the divisions and of members from different functions (research and innovation, operations/WCM, communication, marketing). The proposals of this committee, notably in terms of objectives and indicators, are presented to the Executive Management Committee for validation.
- The Change to Win strategy and associated CSR objectives, along with initiatives and achievements, are **shared with company employees**, in particular via the internal newsletter (special edition on Change to Win in July 2019), intranet news, and communications and training organized at divisions' level. Progress and challenges are also shared with the senior executives as part of quarterly results presentations and during the *annual "Focus" meeting.*
- Our commitment and results are also **presented to the shareholders and the financial community** during the annual Shareholders Meeting, and to all our stakeholders via our different publications (the annual Universal Registration Document with the non-financial statement / annual CSR report, Tarkett in brief brochure and on Tarkett internet website).

Furthermore, two committees support the Supervisory Board and are involved in our CSR approach:

- **The Audit, Risk and Compliance Committee** ensures the effectiveness of risk-monitoring and internal control procedures, which cover CSR-related topics;
- **The Nominations, Compensations and Governance Committee** determines and regularly reviews the compensation and benefits awarded to the Company's top executives, for whom some CSR objectives have been included in the criteria for awarding variable compensation. For example in 2019, safety (transformation of the Group's safety culture, and a decrease in the number of lost-time accidents), the circular economy (development of the Waalwijk, the Netherlands, carpet recycling center project, increase in ReStart® collection volumes, definition and action plan of CSR 2030 objectives) and the organization and talent management were included in the variable criteria for the CEO. For other members of the Executive Management Committee, objectives were set depending on their areas of responsibilities.

Example

Sharing the new strategic plan "Change to Win" with our teams across the globe

For maximum success, our teams needed to understand and engage with our strategy and what it means for them. With this in mind, our CEO, Fabrice Barthélemy, visited each division to exchange with local teams and answer questions, including about his vision on sustainability and Tarkett's commitment to a circular economy. He began by visiting four plants and the main head offices of Tarkett North America in the US. Subsequently he visited plants and offices in Russia starting with a visit to the Otradny vinyl production site where he discussed with managers and employees on site, and where a video-conference was organized with teams from Serbia, Ukraine and Kazakhstan. He went on to our offices in Moscow, then our laminate and wood plant in Mytishchi (Russia) exchanging with a further 300 managers and employees. He continued with further one day sessions at production sites and offices in Poland, the Netherlands, Germany, Luxembourg and France. In total, he shared the plan with around 1 000 managers and key employees during his tour, which was completed with an online video translated to 12 languages, a newsletter and cascading tool kit.

3.2.2 Our robust reporting process to drive CSR performance

The reporting process of CSR / sustainability indicators is managed and consolidated since 2018 by the Financial department with the support from the different relevant functions (including Operations/WCM, HR, Legal, Research & Development…), divisions and sites. The CSR report (Non-financial statement), managed by the Communication & CSR department, is included in the annual Universal Registration Document. The reported indicators and the CSR report are audited by a third-party independent organization (see section 3.9.4 Report of Independent Third-Party Organization).

A detailed, rigorous and audited reporting process: Since 2017, the reporting process has been strengthened with the drafting and diffusion of an accurate and comprehensive CSR reporting guide, which provides the Group with a foundation of common knowledge shared by all people involved in CSR reporting at all levels of the organization. This guide describes in detail CSR reporting principles, the scope, the definition of indicators, as well as the tools / calculation methods and controls carried out by contributors at the local level, and consolidation of data at the Group level. The process and the indicators are audited by internal audit teams and by a third-party independent organization. This formalization of the reporting process with the existing rules demonstrates the commitment of the Group to being rigorous and transparent towards its stakeholders.

Dashboards that allow accountability and management of CSR performance at each level: The Group follows a dashboard, which notably includes environmental indicators for which 2020 objectives have been defined as early as 2012. Divisions and functions also have dashboards with all indicators, allowing the different entities to drive their performance and focus their efforts on the material challenges associated with their activities. The analysis of indicators over time is crucial to measure progress achieved, identify room for improvement and the challenges which still need to be tackled, and implement ambitious and pragmatic action plans.

Progress review meetings are also jointly organized at different levels: Group, divisions, functions and sites, and as part of "networks" (WCM, HR, etc.).

3.2.3 Our CSR approach aligned with international standards

Tarkett's commitment, as well as the CSR report, the indicators dashboard, the 2020, 2025 and 2030 objectives and the strengthened reporting process, meet the European and French regulatory obligations, and are in line and consistent with the requirements of internationally recognized standards:

- the European Union Directive and the French regulations on non-financial statement, known as the extra-financial performance declaration ("déclaration de performance extra-financière" or DPEF);
- the French duty of care ("Devoir de Vigilance") and anti-corruption law ("Loi Sapin 2"), which are applicable in France since 2017 and 2016 respectively;
- the Global Reporting Initiative (GRI) Standards – see in particular Section 3.9.3 "GRI and DPEF concordance table";
- the ten principles of the United Nations Global Compact (UNGC), to which we communicate our results to comply with the "Advanced" level standard;
- several Sustainable Development Goals (SDGs) defined by the United Nations;
- the Task-force on Climate-related Financial Disclosures (TCFD);
- the Carbon Disclosure Project (CDP) climate change questionnaire;
- the calculation and reporting of greenhouse gas (GHG) emissions in line with the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI) GHG Protocol;
- the AFEP-MEDEF recommendations, notably regarding corporate governance and the DPEF.

3.2.4 Our commitment to high ethical standards

3.2.4.1 *Ensuring business ethics and integrity*

Among our most important company assets are our reputation and credibility for high standards of ethics and integrity. We consider that adherence to these principles as well as compliance with applicable laws and regulations are "non-negotiable" and central to how we do business every day and in every country. This corporate responsible commitment is evident in our core values, and we urge every Tarkett employee to follow and act according to these principles.

These principles are transcribed in **several Group's Codes and Policies**, for example:

- **The Code of Ethics** was originally developed in 2009. It defines essential principles which guide employees, as well as fundamental principles which should not be infringed, in terms of fair competition, selection of suppliers and service providers, conflict of interest, safeguarding of company property and information, and truth and accuracy of accounts.
- **The Anticorruption Code of Conduct** was deployed from 2018 in replacement of the Anticorruption Policy which was in effect since 2012 (see Section 3.2.4.2 "Preventing corruption"). At the end of 2019 only Germany and Belgium have yet to complete deployment which is planned for the first quarter of 2020.

3

- **The Competition Policy** complements the Code of Ethics on the topic of compliance with competition laws. It provides essential principles and rules to be respected in terms of relationship with competitors (horizontal agreements, exchange of information, membership and participation in trade associations), relationships with suppliers and customers, good practices to avoid abuse of dominance, misleading advertising, etc.

To ensure that all Tarkett employees are aware of and respect the values and behaviors that we wish to share, we have implemented **several training and monitoring programs**:

- **Compliance training:** the new compliance training program initiated in 2018 focuses on fair competition and anti-corruption. The program consists of customized 15-minute e-learning modules which are organized each year for all Tarkett employees who have computer access (covering approximately 6,500 employees worldwide). The topics covered on anti-corruption deal, for example, with bribes, relations with intermediaries, gifts and invitations, donations to charities and the whistleblowing system. Those on fair-competition deal, for example, with horizontal (competitors) and vertical (suppliers and sub-contractors) competition restraints such as the participation to professional trade organizations. Face-to-face training sessions have also continued in 2019 via dedicated compliance workshops tailored to groups more exposed to the previously mentioned risks, notably teams in France, Asia and Serbia, the sales and procurement functions, and those performing more stringent controls, such as the internal audit team and the legal department.
- **Participation in trade associations:** Guidelines of good behavior practices when joining trade associations and more generally when attending meetings where competitors are present were developed in 2018 and are now included in the training sessions.
- **Code of Ethics training:** The new compliance e-learning program comes in addition to the existing training program on the Code of Ethics, which has to be completed every other year by all Tarkett employees (either via e-learning or face-to-face session).
- **Cybercrime and fraud training:** We have also implemented training sessions to raise awareness and empower teams on cybercrime and fraud.
- **Whistleblowing system:** While a professional whistleblowing system, the Ethics Hotline, was already available for our activities in North America, we introduced in 2018 a second similar tool, the Compliance Hotline for other countries. This system, hosted by a third-party provider, enables Tarkett's employees and business partners to raise their concerns and/or report potential violations they may witness within Tarkett, including in an anonymous way if they wish to. Deployment of the system is subject, in certain countries, to the approval of local works councils (this has been completed in all cases, except for Belgium and Germany where it is programmed for first quarter of 2020). These whistleblowing systems are presented and explained in all the compliance training modules and whistleblowing procedures.

Example

Our Compliance Hotline: a tool for conveying concerns to Tarkett

- Easy access on the internet and the company intranet or by phone from 103 countries in 52 languages.
- Accessible to Tarkett's employees and business partners (suppliers, clients, etc.).
- To report any type of violation, for example regarding accounting, anti-trust, conflict of interests, corruption, fraud, harassment, discrimination, environmental damage, etc.
- Presented for consultation to Tarkett's Works Councils and Health, Safety and Working Conditions Committees in countries where local law enforces it.
- Supported by a Whistleblowing Procedure to ensure the protection of whistleblowers.
- Guaranteeing the confidentiality of cases.

The compliance section of Tarkett's intranet was updated and completed in 2018 to provide all employees who have intranet access with readily available information on ethics, competition, anti-corruption, the whistleblowing procedure and Tarkett's professional alert mechanisms (Compliance Hotline and Ethics Hotline). Similar information has moreover been publicly disclosed on Tarkett's website, including in 2019 Tarkett's supplier Code of Conduct.

Compliance risks have been included in the controls and work programs of the internal audit department, with all internal controllers and auditors trained on compliance issues.

Data privacy: The Group is committed to ensuring the fair use of all personal data it processes, in compliance with applicable regulations, in particular the EU General Data Protection Regulation ("GDPR"). The Group has deployed a Data Privacy Compliance Program under the supervision of the Group Legal Department, covering notably:

- Insertion of standard clauses to ensure the confidentiality and security of personal data communicated to business partners;
- Implementation of internal records of personal data processing activities performed by the Group;
- Deployment of a Privacy Impact Assessment (PIA) when required;
- Information to customers and employees on the processing of their personal data by Tarkett;
- Reinforcement of awareness-raising actions and in-person training for employees most exposed to personal data protection issues.

Cybersecurity: The Group uses complex information systems (notably for production management, sales, logistics, accounting and reporting), which are essential for conducting its commercial and industrial activities. Recognizing that a failure of any one system could have a material adverse effect on the Group's business, financial position, results, or prospects, Tarkett has procedures, tools and trainings in place to continually strengthen the security of its information systems, as detailed in Chapter 6 "Risk factors and internal control" of the 2019 Universal Registration Document.

Responsible tax practices: As part of its activities, Tarkett does not resort to complex financial arrangements aiming at obtaining a tax benefit conflicting with the purpose or the aim of applicable tax law. Tarkett does not have legal entities in any of the eight countries of the European Union (EU) black-listed tax havens, which include countries refusing to engage a dialogue with the EU or to remedy shortcomings in terms of good tax governance. With regard to the 32 countries of the EU grey-listed tax havens, which include countries committed to comply with international standards but having signed less than twelve agreements, Tarkett has commercial legal entities in two countries (Australia and Turkey) and one production subsidiary in Australia. The list of these countries, updated as of 8th November 2019, is available at the following link: https://ec.europa.eu/taxation_customs/sites/taxation/files/eu_list_update_08_11_2019_en.pdf.

In the EU, Tarkett operates in Luxembourg since 1961 (where it has a vinyl flooring manufacturing site and a research and development center employing over 500 employees) and in the Netherlands (where it has two carpet manufacturing sites and sales activities employing close to 400 employees). Finally, it is specified that the Tarkett Group has not signed any tax rescript with tax authorities in its different countries of operation.

Further details on tax practices and associated fiscal risks are provided in Chapter 6 "Risk factors and internal control" of the 2019 Universal Registration Document.

3.2.4.2 Preventing corruption

In line with the requirements of the French anti-corruption law ("Loi Sapin 2") and the guidelines of the Anticorruption French Agency (AFA), Tarkett has implemented a Corruption Prevention Program, which provides a framework to our teams and business partners globally and which includes the following components:

- **A corruption risk mapping** exercise was initiated in 2017 for Tarkett activities. The risk identification and assessment process was based on interviews of 70 internal stakeholders covering the whole range of Tarkett activities worldwide. The risk mapping is continually expanded and updated annually based on elements gathered through additional interviews and/or potential alerts or incidents and/or NGO reports we have been informed about. The granularity of the assessment is thus refined as these elements are collected by Tarkett. In 2019, an important update of the corruption risk mapping was undertaken to identify and then assess risks in a more refined and relevant way. 17 new people were interviewed in France, Spain, Ukraine and China, including country managers, purchasers, financial controllers, supply chain managers, IT and sales managers, identifying new mitigation actions.
- **The Anticorruption Code of Conduct**, which was developed and rolled-out in 2018 in replacement of the Anticorruption Policy, defines clear guidelines allowing our teams to understand, identify and prevent inappropriate behavior in terms of corruption and influence peddling. This code lists prohibited practices (illegal payment, facilitation payments and political contributions), practices governed by strict rules (gifts and invitations, donations to charities, interest representation and/or lobbying action), and required internal practices (proper and exact accounting, declaration of conflict of interest) and with our business partners (anti-corruption contractual clauses, implementation of due diligence procedures, use of intermediaries).
- **The Whistleblowing system** implemented with the Compliance Hotline in 2018 complementing the Ethics Hotline which was deployed earlier in 2016 in the United States and in Canada. The system is supported by the Whistleblowing Procedure to enable employees and business partners to report any corruption-related concern.
- **The assessment of our business partners:** Tarkett performed an assessment of its suppliers aspart of our **Responsible Sourcing Program** (see Section 3.7.1.1 "Promoting good and positive practices along the supply chain") as well as anticorruption due diligences on its intermediaries. In 2019, Tarkett retained a specialized service provider to assist with the anticorruption evaluation of 115 of its business partners.

- **Control procedures** on corruption risks are included in the work program of the internal audit department with additional controls on gifts and invitations added in 2019. We also prepared in 2019 the introduction of a new accounting controls procedure which defines our practices to prevent and fight corruption.
- **The new compliance training program**, initiated in 2018 and targeting all Tarkett employees who have internet access, includes three annual e-learning modules on corruption, covering anti-corruption practices in general, and reminding our teams of good practices in this regard, with a particular focus on use of intermediaries, gifts and invitations, and donations to charities. Anti-corruption workshops have moreover been delivered to specific publics.
- Every employee is fully informed that non-compliance with any one of the provisions listed in the Anticorruption Code of Conduct may give rise to **disciplinary sanctions**, including dismissal.

3.3 CSR risks and opportunities

At our scale and with our resources, we are committed to positively contributing to tomorrow's changes and challenges:

World's Changes	Challenges Tarkett can contribute to
By 2050, one in six people in the world will be over age 65 (16%), up from one in 11 in 2019 (9%) according to the UN, and nearly two thirds of this population will live in cities, according to the United Nations.	**Increase of the population** and of the share of **elderly people in the cities**, along with expectations and challenges regarding **quality of life** (indoor air quality, healthy spaces, comfort, acoustics, spaces flexibility and modularity, etc.).
With a global population expected to reach 9.7 billion people by 2050, according to the UN, and aspiring for a better quality of life, the pressure on natural resources will continue to rise and become an even greater critical issue in the future. The United Nations Environment Program (UNEP) 2019 Resource Panel report found that global resource use has more than tripled since 1970 to reach 92 billion tons in 2017 and projects that without action resource use will more than double to 190 million tons by 2060.	**Scarcity of natural resources and waste management**, issues which challenge the linear economy model (based on production, use and disposal of a product) and call for the **development of a circular economy model**, where waste becomes a resource, and where a product can be reused or transformed into a new resource.
In 2015 the UN COP21 set out a course of action (Paris Agreement) aimed at keeping the rise of global temperature below two degrees. The 2018 Intergovernmental Panel on Climate Change (IPCC) Climate Report set out the clear benefits to people and natural ecosystems of limiting global warming to 1.5ºC compared to 2ºC which could go hand in hand with ensuring a more sustainable and equitable society. The UN Secretary General called for urgent and far more ambitious action, to cut emissions by half by 2030 and reach net zero emissions by 2050, noting that alternative building materials along with other innovations can have a major role in reducing greenhouse gas emissions. The Circularity Gap Report launched at the World Economic Forum in 2019 underlined that 62% of global greenhouse gasses are emitted during extraction, processing and production of goods.	**Reduce greenhouse gas emissions**, not only in our production cycle, but also along the whole value chain, by transitioning to a circular economy model, **notably by using more recycled materials** which are less energy intensive than extraction and transformation of virgin materials, by fostering waste recycling, and by having production sites close to our clients (thus reducing transportation requirements).
The society is constantly evolving, and so are its expectations, with the Millennials and Generation Z living in a hyper-connected world with growing concerns, notably about the climate and environment, diversity, ethics and the importance of having a positive impact on society, etc.	**Play an active role in responding to societal challenges, such as in building a circular economy**, respecting ethical and compliance values, and promoting transparency and proximity with local communities, and the development and diversity of talents.

As one of the world's leading flooring and sports surfaces companies, Tarkett is committed to contribute, at its scale, in achieving the fundamental changes required to address these challenges, which generate various risks and opportunities.

3.3.1 Our risk identification and assessment process

Tarkett identifies CSR risks primarily through our company risk mapping process, which is managed by the internal audit department and which covers the range of financial and extra-financial or environmental, social and governance (ESG) related risks applicable to our activities. This mapping exercise, initiated in 2011, is updated every other year. The process for identifying risks uses a three-step method:

- the Internal Control and Audit Department, sometimes in collaboration with external experts, interviews members of the Executive Management Committee and key employees holding strategic positions at the Group and Division level in order to identify risks within their areas;
- the qualification and quantification of risks according to the following areas: precise definition, possible causes, impact assessments (financial, operational, strategic, legal, or reputational) and the degree of control by the Group;
- the review and validation of the risk mapping by the Executive Management Committee and presentation to the Audit, Risk and Compliance Committee.

In 2019, the biennial update involved the interview of 17 Group and Division managers and experts to individually re-assess each risk in the risk mapping and to consider any potential new risks. Each risk was reviewed to assess:

- the extent to which they had materialized over the past two years;
- the state and effectiveness of controls and mitigation efforts and
- the level of the potential absolute and residual impacts.

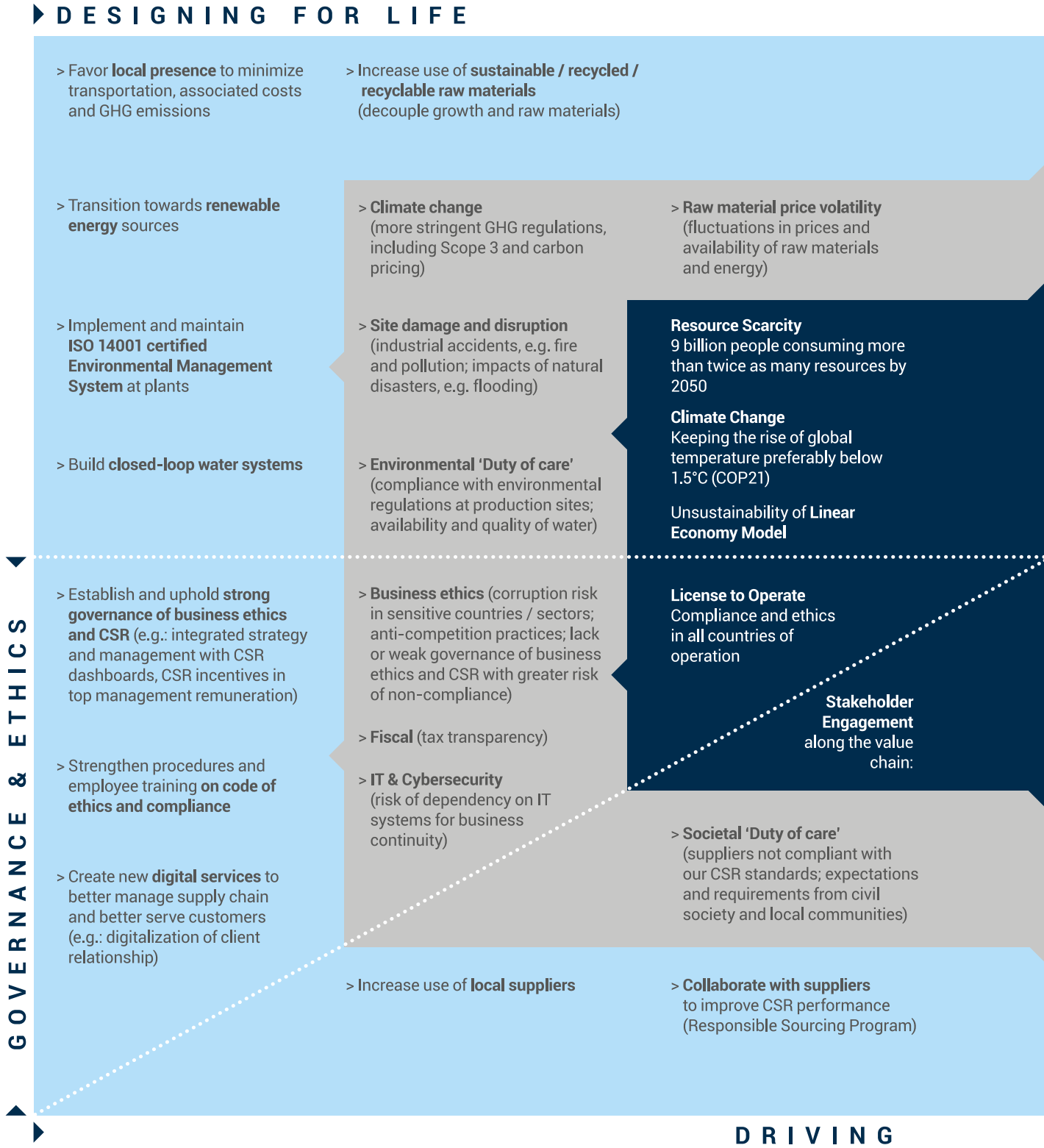
The feedback from other operational initiatives to identify and evaluate risks are also taken into account:

- At manufacturing sites, Health, Safety and Environmental (HSE) risks are identified and evaluated as part of the World Class Manufacturing program (which includes annual site audits by a third-party consultant – ERM) and of the management systems for health and safety (OHSAS 18001 / ISO 45001), environment (ISO 14001) and energy (ISO 50001), which are implemented at most of our sites;
- At supply chain level, a procurement CSR risk mapping covering the vast majority of our suppliers was completed in 2018 in partnership with a company specialized in sustainability ratings and supply chain intelligence (see Section 3.7.1.1 "Promoting good and positive practices along the supply chain");
- A specific corruption risk mapping, developed in 2017 in line with the requirements of the "Loi Sapin 2" was reviewed and updated in 2019 (as previously described in Section 3.2.4.2 "Preventing corruption");
- Finally, Tarkett participated in an assessment, conducted by Trucost (S&P Global) in 2018, of its performance in light of the Sustainable Development Goals (SDG) defined by the United Nations. This provided insight to our exposure, risk mitigation and positive impact regarding the most relevant SDGs for our activities.

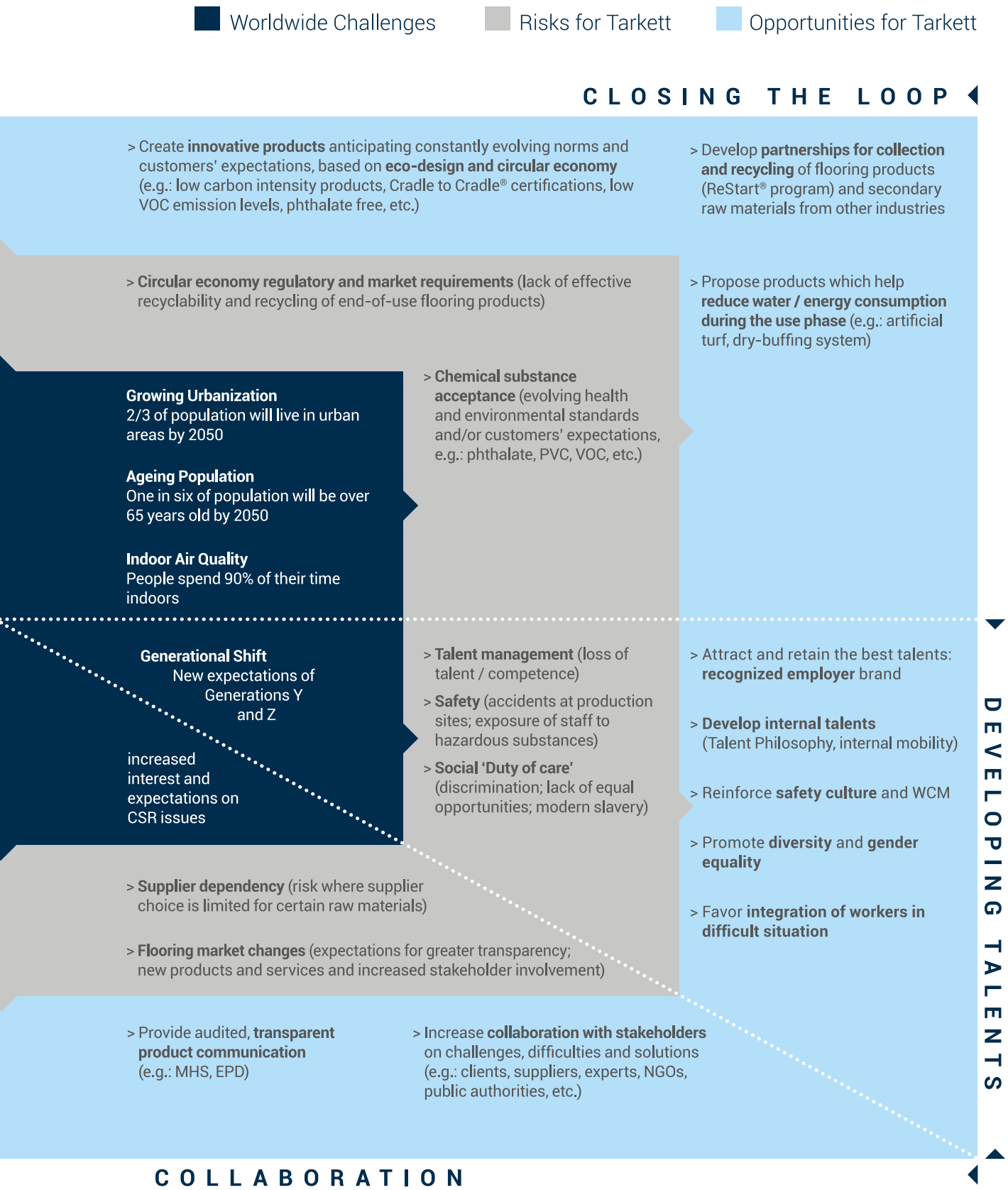
In 2019 the company risk mapping was also completed with an evaluation of the probability of each risk materializing in the next five years to further qualify the materiality of the risks in accordance with the EU Prospectus Regulation (EU 2017/1129) and the European Securities and Market Authorities guidelines published in 2019. The risk mapping identified 16 material risks, which are presented in Chapter 6 "Risk factors and internal control" of the 2019 Universal Registration Document, including 5 ESG risks (business ethics, climate change, circular economy regulatory and market requirements, chemical substance acceptance and duty of care) and a number of other ESG-related risks (e.g. fiscal, site damage and disruption and safety) which are also covered in this CSR report.

3.3.2 Our mapping of key challenges, risks and opportunities

Mapping of major challenges, risks and opportunities



The main worldwide challenges and ESG and ESG-related risks applicable to Tarkett (as identified by Tarkett's Risk Mapping and other risk identification and evaluation initiatives previously described), along with resulting opportunities, are summarized in the above infographic.


Worldwide Challenges
Risks for Tarkett
Opportunities for Tarkett
CLOSING THE LOOP
> Create innovative products anticipating constantly evolving norms and customers' expectations, based on eco-design and circular economy (e.g.: low carbon intensity products, Cradle to Cradle® certifications, low VOC emission levels, phthalate free, etc.)
> Develop partnerships for collection and recycling of flooring products (ReStart® program) and secondary raw materials from other industries
> Circular economy regulatory and market requirements (lack of effective recyclability and recycling of end-of-use flooring products)
> Propose products which help reduce water / energy consumption during the use phase (e.g.: artificial turf, dry-buffing system)
Growing Urbanization
2/3 of population will live in urban areas by 2050
Ageing Population
One in six of population will be over 65 years old by 2050
Indoor Air Quality
People spend 90% of their time indoors
> Chemical substance acceptance (evolving health and environmental standards and/or customers' expectations, e.g.: phthalate, PVC, VOC, etc.)
Generational Shift
New expectations of Generations Y and Z
increased interest and expectations on CSR issues
> Talent management (loss of talent / competence)
> Safety (accidents at production sites; exposure of staff to hazardous substances)
> Social 'Duty of care' (discrimination; lack of equal opportunities; modern slavery)
> Attract and retain the best talents: recognized employer brand
> Develop internal talents (Talent Philosophy, internal mobility)
> Reinforce safety culture and WCM
> Promote diversity and gender equality
> Favor integration of workers in difficult situation
> Supplier dependency (risk where supplier choice is limited for certain raw materials)
> Flooring market changes (expectations for greater transparency; new products and services and increased stakeholder involvement)
> Provide audited, transparent product communication (e.g.: MHS, EPD)
> Increase collaboration with stakeholders on challenges, difficulties and solutions (e.g.: clients, suppliers, experts, NGOs, public authorities, etc.)
DEVELOPING TALENTS
COLLABORATION

3.3.3 Our risk management process

Our systematic and integrated approach towards risk management, which includes CSR risks, is based on the following steps:

- Presentation of the biennial update of the Tarkett's Risk Mapping to the Executive Management Committee for approval and empowerment;
- Regular presentation to the Audit, Risk and Compliance Committee, which is in charge of ensuring the effectiveness of risk-monitoring and internal control procedures;
- Integration of the review of risks and controls into the work programs of the internal audit department.

The Group CSR strategy and policies developed to manage our material CSR risks and challenges are defined at the Executive Management Committee level, then implemented at Division and function level, and finally at the level of sites/networks in each country. Different programs are implemented in order to deploy these CSR policies, such as World Class Manufacturing (WCM) for operations, Cradle to Cradle® (C2C) principles for eco-design, Innovation and ReStart® programs for circular economy and take-back and recycling, or Talent Philosophy for talent management.

Our policies and initiatives intended to manage CSR risks and challenges, their objectives and results, and the related key performance indicators are described in detail in the relevant sections of this CSR Report 2019, namely:

- Section 3.2 "CSR governance", for risks and issues related to governance and business ethics;
- Section 3.6 "Designing for Life and Closing the Loop": creating a healthy circular economy, for risks and issues related to the environmental and health impacts of our products along the value chain (from raw materials supply to end-of-use of flooring products, through manufacturing and use of our products);
- Section 3.7 "Driving Collaboration" in value chain and in communities, for risks and issues related to our suppliers and our activities within local communities;
- Section 3.8 "Developing Talents": Developing our human capital, for risks and issues related to our employees.

Concerning the risk "flooring market changes", our policies and actions intended to manage the risks and opportunities related to ESG aspects of this risk are described throughout this chapter and in particular detailed in the following sections:

- Expectations for greater transparency: Section 3.6.2 "Our careful choice of materials and our commitment to product transparency"
- New products and services: Section 3.6.1 "Our engaged and collaborative approach to transitioning to a circular economy", complementing Section 1 "Presentation of the Group"
- Increased stakeholder involvement: Section 3.5 "Stakeholder engagement""

Example

Focus on our World Class Manufacturing (WCM) operational excellence program

World Class Manufacturing (WCM), is a continuous improvement program inspired by lean manufacturing, focused on improving employee's safety, reinforcing customer service and quality, reducing the impact of the Group's operations on the environment while optimizing resource management, and improving industrial performance.

WCM is applied globally in almost all our plants and distribution centers using a proven methodology, with structured tools, a central dedicated team at Group level which defines objectives and provides the required support, through coaching, training and sharing of best practices, to the WCM network for on-site deployment of the program. Completion of internal WCM audits enables the teams to monitor the progress of production sites and to define action plans.

3.3.4 Our materiality assessment

The materiality assessment helps identify and specify the material CSR issues and challenges for Tarkett, in other words the most important issues in the context of the Group's activities, their impact on our business model and our stakeholders' expectations.

In 2016, a survey was completed to determine the material topics for Tarkett and ensure that our CSR strategy and our objectives were aligned with them. A stakeholders' mapping was completed followed by a survey that was sent to both external stakeholders (customers, suppliers, sales partners, NGOs, trade organizations, experts, research and educational institutions, etc.) and internal stakeholders (members of the Tarkett Supervisory Board and the Executive Management Committee, Tarkett employees). The survey involved stakeholders based in France, Germany, the Netherlands, Serbia, Sweden, Russia, the United Kingdom and the United States. The survey covered key topics included in the GRI Standards and Cradle to Cradle® principles, organized into five categories: the environmental impacts of production, responsible products, work, human rights, and societal issues.

Four specific issues emerged from the 2016 survey and are still considered to be among the most material CSR topics for Tarkett: health and safety at work, health and safety related to products and materials, the environmental impact of products, and responsible use of materials and resources.

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

When comparing the materiality matrix with our CSR risk mapping, it is clearly visible that priority topics and other topics of importance identified by the materiality assessment in 2016 are covered by and consistent with the identification of our CSR risks and opportunities.

3.4 Duty of Care / Vigilance Plan

In line with the requirements of Article L. 225-102-4 of the French commercial code ('Code de commerce'), Tarkett develops and implements a vigilance plan to identify risks and prevent serious violations towards human rights and fundamental liberties, health and safety of people, and the environment. This vigilance plan must cover the Company's activities, as well as activities of our subcontractors and suppliers with whom an established commercial relationship is maintained. At Tarkett, the vigilance plan is incorporated into the Group's CSR strategy and policies, as described hereafter.

Risk mapping

Our CSR risk identification process and mapping are described in detail in Section 3.3 "CSR risks and opportunities". Tarkett's Risk Mapping covers risks related to environment, health and safety, and human rights as follows:

- At manufacturing sites, HSE risks are identified and evaluated as part of the WCM program and the management systems implemented at most of our sites: OHSAS 18001 / ISO 45001 for health and safety aspects, ISO 14001 and ISO 50001 for environmental aspects. Human rights risks have not been assessed as significant for activities at our production sites to date. We are however aware that current geopolitical trends can generate new risks (e.g. risk of modern slavery due to the influx of migrants in Europe), which we endeavor to identify and take into consideration as they appear.
- At supply chain level, a procurement CSR risk mapping covering the vast majority of our suppliers was completed in 2018 in partnership with a company specialized in sustainability ratings and supply chain intelligence, and includes environmental, health and safety risks, as well as those related to a potential violation of human rights, among others (see Section 3.7.1.1 "Promoting good and positive practices along the supply chain").

Assessment procedures

At manufacturing sites, the assessment of HSE risks are conducted internally on a continual basis via our WCM program (see Section 3.3.3 "Our risk management process"). In addition, all our sites are audited annually by a third-party (ERM), and most of our sites are subject to surveillance and re-certification audits for OHSAS 18001 / ISO 45001, ISO 14001 and/or ISO 50001.

At supply chain level, the evaluation of our suppliers started in 2019 as part of our responsible sourcing program based on the outcomes of the procurement CSR risk mapping, in parallel to the deployment of a new Supplier's Code of Conduct (see Section 3.7.1.1 "Promoting good and positive practices along the supply chain").

Alert mechanism

The Compliance Hotline implemented in 2018 and accessible from 103 countries, and the Ethics Hotline deployed in 2016 in the United States and in Canada, enable Tarkett's employees and all third parties (including our business partners and suppliers) worldwide to raise any concerns and/or report potential violations they may witness within Tarkett, in particular regarding human rights, environment, health and safety (see Section 3.2.4.1 "Ensuring business ethics and integrity").

Actions and monitoring scheme

Our objectives and actions / initiatives implemented to prevent risks covered by the vigilance plan, as well as the related key performance indicators enabling to assess the efficiency of implemented measures and their results, are described in detail in the relevant sections of this CSR Report 2019, namely:

- Section 3.6 "Designing for Life and Closing the Loop": creating a healthy circular economy, for risks and issues related to the environmental and health impacts of our products along the value chain (from raw materials supply to end-of-use of flooring products, through manufacturing and use of our products);
- Section 3.8 "Developing Talents": Developing our human capital, for risks related to our employees' health and safety;
- Section 3.7 "Driving Collaboration" in value chain and in communities, for risks related to our suppliers.

3.5 Stakeholder engagement

"Driving Collaboration" is a key feature of our "Doing Good. Together." CSR approach: we seek to enhance internal and external collaboration by building partnerships and dialogue that help us achieve our objectives and by collaborating with key stakeholders, including NGOs, experts and public institutions, to tackle global challenges together and find innovative solutions, notably for building a more circular economy.

This stakeholder engagement and collaboration approach is summarized in the table below for 2019.

Stakeholder Groups	Examples of engagement and collaboration in 2019 on CSR topics	CSR Report section
Shareholders / Investors	> Shareholder's Annual General Meeting	
	> Financial statements / Universal Registration Document	
	> New Strategic plan (Change to Win) including circular economy ambition, presented to the financial community (Investors Day in June 2019)	
	> Roadshow presentations to investors – around 45% of the 130 meetings conducted in 2019 included environmental, social and governance (ESG) topics demonstrating the growing importance of ESG issues amongst investors. This year the questions and dialogue focused mainly on governance, recycling and circular economy.	-
	> Response to investor questionnaires on ESG topics (e.g. Dorval AM, BlackRock, AXA IM)	
	> Regular roadshows and presentations to asset management companies such as Française Asset Management, Sycomore and Amundi	
Socially Responsible Investment (SRI) Community	> Participation in SRI rating agencies analysis: Vigeo, Gaïa, MSCI, etc.	
	> Participation in 2018 Trucost (S&P Global) UN SDG assessment	-
	> Biennial response to the Carbon Disclosure Project (CDP) questionnaire	
Employees	> Biennial employee feedback survey	3.9.1
	> Group Intranet Tarkett-Inside	3.9.4.4
	> Global Safety Day	3.9.5.1
	> 'Embrace sustainability practices in workplace' program launched in Tarkett Eastern Europe, mobilizing teams on sustainability to generate savings, limit waste and raise awareness of practical solutions	3.9.5.2
	> Recycling program at Tarkett North America headquarters (Solon, Ohio), initiated by the local sustainability committee and involving employees, aiming to eliminate all non-recyclable plastics and reduce landfill waste. The project engaged and educated our local employees with results including more than 1.3 tons of food waste being composted.	
	> Internal newsletter 'Experiences' (including a special edition on Change to Win strategic plan in July 2019)	
	> Relationship / dialogue with trade unions, including Tarkett Forum in Europe	
	> Tarkett Awards, recognition program to reward employees' best contributions	
	> Annual meeting for senior executives (« Focus Meeting ») and quarterly conference call on financial, safety and environmental results	

Stakeholder Groups	Examples of engagement and collaboration in 2019 on CSR topics	CSR Report section
Customers / End-Users	> Transparent product information, via Material Health Statements (MHS), specific Environmental Product Declarations (EPD in Europe, FDES – Fiche de Déclaration Environnementale et Sanitaire in France, GreenTag in Australia), Environmental tags in Europe > Certifications and labels meeting customer's expectations, e.g. Cradle to Cradle® (C2C – which positively contributes to achieving LEED certification), asthma and allergy friendly®, Living Product Challenge Imperative, etc. > Tarkett Academy to train professional installers and architects > Green Tours presenting our sustainability approach and initiatives on our production sites in Narni (Italy), Clervaux (Luxembourg), Ronneby (Sweden), Sedan (France), Waalwijk (the Netherlands) and Otradny (Russia) > Showrooms, such as Tarkett Atelier in New York City (US), Madrid (Spain), Atelier Tarkett in Paris (France) or San Francisco (US) > Participation in conferences and exhibitions, e.g. C2C Summit at C2C Lab in Berlin (Germany) and C2CPII Design & Innovation Forum in Stockholm (Sweden), nationwide procurement summit organized by the Recycling Council of Ontario in Ontario (Canada), Metropolis Perspective Sustainability event in Los Angeles (US), Green Chemistry & Commerce Council annual Innovators Roundtable in Cincinnati (US), Greenbuild in Atlanta (US), Stockholm Furniture Fair (Sweden), Commercial Flooring Trends Seminar & Acoustics Continuing Professional Development Training at FRONT construction exhibition in Sydney (Australia), Revestir Exhibition and Circular Economy Seminar (Sao Paulo, Brazil) > ReStart® program for take-back and recycling of post-installation and post-use flooring > Responding to customers growing expectations for sustainable solutions, receiving customer awards, e.g. Tarkett UK received the most sustainable partner award in 2019 (Willmott Dixon's Mandated supplier award), Tarkett Brazil was recognized as supplier "A" regarding Environment/ Sustainability, after a local audit by Leroy Merlin > Marketing events, such as the Tarkett Show in Russia for retailers and distributors in 20 different cities to present new products and inform on Tarkett C2C approach and Russian eco-label Green Leaf	3.7.2.2 3.7.4.3 3.8.2.2 3.9.4.1
Suppliers	> Responsible sourcing program > Suppliers involved in materials selection, e.g. work with suppliers to provide phthalate-free plasticizers in the US and in Russia > Suppliers involved in materials assessments and C2C approach, e.g. partnerships with suppliers to propose C2C flooring maintenance and installation option; assessment of coloring agents with key suppliers in 2019	3.7.2.2 3.8.1.1 3.8.1.2
Industrial Partners	> Purchase of recycled or recovered materials from industrial partners for use as secondary raw materials, e.g. Econyl® fibers from Aquafil in Italy and calcium carbonate from a drinking water distribution company in the Netherlands for carpet, recycled PVB (Polyvinyl butyral) safety films from windshields and used protective glass in the US and in Europe > Collaboration with logistical / transport partners for development of ReStart® program, e.g. with Veolia in France, Kuijs transport in the Netherlands, Verhoek in Germany	3.7.1.1 3.7.4.2 3.7.4.3

Stakeholder Groups	Examples of engagement and collaboration in 2019 on CSR topics	CSR Report section
Public Institutions / Standardization Groups	> Participation in European Commission consultations and in standardization work on topics such as hazardous substances, waste or plastics in circular economy > Contribution to a panel at European Commission stakeholder conference on Circular Economy, sharing Tarkett's challenges and achievements, with a focus on transparency and the concept of material passport's role in support of a transition towards a healthy circular economy > Dialogue with EU institutions, Finland's Presidency of EU Council, OECD and NGOs on product transparency and circular economy > Participation to EU Circular Plastics Alliance through Tarkett's membership of Vinylplus, European Carpet and Rug Association and European Plastics Converters > Participation, through French and Brazilian national standardization bodies, to the work of ISO TC323 on ISO Circular Economy standard – Standardization in the field of circular economy to develop requirements, frameworks, guidance and supporting tools related to the implementation of circular economy projects > Participation to the work of the French National Institute on Circular Economy and its paper on the "Promotion of a new circular economy strategy" > Participation in Almedalen Week, Sweden's biggest political meeting, during which sustainability and circular transition / circular economy were at the heart of the discussions	3.7.1.3 3.7.2.1 3.7.3.1 3.8.2.4
Academic Institutes / Experts	> Work with EPEA (Environmental Protection Encouragement Agency) scientific institute for material health assessment and C2C certifications	3.7.2.2 3.7.2.3
Associations / Organizations	> Tarkett maintains an active dialogue through membership or other collaborations with various associations / organizations, where we contribute to discussions, working groups and other initiatives on sustainability, circular economy and wellness: > Circular Economy 100 (CE100) initiative of the Ellen MacArthur Foundation – Tarkett co-lead work on Mass balance for chemical recycling co-project > European Plastics Converters (EuPC), the professional representative body of plastics converters in Europe, and the Vinyl Foundation to support VinylPlus®, the sustainable development program of the European PVC industry > Ecopreneur.eu, the European Sustainable Business Federation based in Brussels which encourages a circular economy in Europe > Creation of the ERFMI (European Resilient Flooring Manufacturers' Institute) Circular Economy Platform to develop the collection, identification and traceability of used flooring materials and address specifically used vinyl floors through ERFMI's REVINYLFLOOR platform > EU Business @ Biodiversity Platform, a dialogue and policy interface with the aim to help businesses integrate biodiversity considerations into business practices > Natural Capital Coalition, an international collaboration to conserve and enhance natural capital > Cradle to Cradle Products Innovation Institute (C2C PII), a non-profit organization created to guide product manufacturers and designers in making safe and healthy products > Carpet America Recovery Effort (CARE) in the US, an organization that fosters recycling of carpets and rugs > Chair of the V-Cycle PVC recycling initiative of the Vinyl Sustainability Council in the US, to enable value chain wide recycling efforts	3.7.1.3 3.7.3.1 3.9.3

Stakeholder Groups	Examples of engagement and collaboration in 2019 on CSR topics	CSR Report section
	> U.S. Green Building Council (USGBC), an organization committed to transforming how buildings are designed, constructed and operated through LEED (Leadership in Energy and Environmental Design), the most widely used green building rating system in the world > International Living Future Institute (ILFI), participation to the annual Living Future unconference in Seattle (US) and at the Living Product Expo in Nashville, Tennessee (US), a forum for leading minds in the green building movement to make strides toward a healthy future for all > Green Chemistry and Commerce Council (US), participation to the Annual Innovators Roundtable speaking on Circular economy & green chemistry > Circular Sweden and Cireko, two networks promoting recycling and circular business in Sweden > Asthma and allergy organizations in various countries such as the Asthma and Allergy Foundation of America the leading organization for people with asthma and allergies in the US; Asthma Australia, a not-for-profit body dedicated to supporting & educating Australians suffering from Asthma & Allergies to help people to breathe so they can live freely > Design Museum Foundation, Boston (US) a partnership to develop and implement "We Design project" on diversity and inclusivity	
Non-Governmental Organizations (NGOs)	> Dialogue with organizations Changing Markets and Zero Waste after the publication of several reports on the issue of waste in the carpet industry. This engagement dealt with ecodesigning products for disassembly, transparency and use of healthy materials in products. It includes recommendations for the development of regulatory tools for implementing systems of extended responsibility for carpet producers within the EU, based on best practice, modulated fees and support of green public procurement measures to accelerate the market growth for truly circular solutions.	-
Local and Worldwide Communities	> Initiatives and donations as part of Tarkett Cares, e.g. partnership with Habitat for Humanity in the US; flooring donations in US, Serbia and India; volunteering during World Clean Up Day in Italy and Turkey; volunteering to help at children's hospital in Brazil; education and support around asthma and allergy issue in Australia > Support to development and climate change projects worldwide, e.g. REDD+ Tambopata Project in Peruvian Amazon, partnership with EarthEnable in rural Rwanda and Uganda	3.8.2.3 3.8.2.4
Schools / Universities / Potential Candidates to join Tarkett	> Partnerships with local schools / universities, e.g. Bačka Palanka with the Faculty of Forestry and the Faculty of Applied Arts at the Belgrade University (Serbia); Clervaux with the Ecole des Mines de Nancy (France); Sedan with the university IUT (Institut universitaire de technologie) Reims-Châlons-Charleville (France) where two employees give lessons on purchasing and exports; Narni (Italy) with 4 universities, the High Specialization Academy and 4 local secondary schools, with local managers giving lessons on environmental sustainability, circular economy and production process > Participation in job fairs, e.g. in events organized by schools in Champagne-Ardennes region around Sedan plant (France) to introduce students to Tarkett; Kedge Business School Forum in Talence (France); IESEG (Institut d'Économie Scientifique et de Gestion) Forum and Forum Group IGS (Institut de Gestion Sociale) at La Défense (France) and in the US > Tarkett Positive Legacy Design Award with the University of Melbourne (Australia) to support the most sustainable project of the year developed by university students	3.9.4.1

3.6 Designing for Life and Closing the Loop: creating a healthy circular economy

Our policies and actions, along with their objectives and results / key performance indicators, aiming to manage risks and respond to opportunities related to the environmental and health impacts of our products along the value chain (as identified in Section 3.3 "CSR risks and opportunities") are summarized in the table below and detailed in the sub-sections of this chapter.

Opportunities / Risks	Policies / Actions	Key Performance Indicators	2019	2018	2017	Objective 2020	CSR Report section
Environmental 'Duty of Care' (compliance with environmental regulations at production sites; availability and quality of water) **Site damage and disruption** (industrial accidents, e.g. fire, pollution; impacts of natural disasters, e.g. flooding)	> World Class Manufacturing (WCM) program > ISO 14001 certified Environmental Management System > Emergency response plans implemented at production sites > Environmental yearly audits and follow-up of industrial sites by third party (ERM)	Percentage of production sites certified to ISO 14001	85%	89%	89%	-	3.4
	> Implementation of closed-loop water systems at production sites	Percentage of production sites equipped with losed loop water circuits (or not using water in their process)	66%	68%	67%	100%	3.6.5.1
Raw material price volatility (fluctuations in prices and availability of raw materialsand energy)	> Materials selection as part of New Product Development Process (NPDP)	Percentage of raw materials not contributing to resource scarcity (abundant, rapidly renewable or recycled)	67%	70%	71%	75%	3.6.2.1
	> Maximize recycled content in our products: post-installation/ post-consumer flooring; secondary raw materials from other industries	Percentage of recycled raw materials [1]	12%	10%	12%	30% in 2030	3.6.4
	> Energy consumption per m² of manufactured product	Energy consumption per m² of manufactured product	4.09 kWh/m²	4.05 kWh/m² [2]	3.92 kWh/m² [2]	-	3.6.5.2
	> Percentage of energy consumption coming from renewable energies	Percentage of energy consumption coming from renewable energies	28%	23% [2]	24% [2]	-	3.6.5.3

1 Recycled materials: Materials that would otherwise have been sent for waste disposal; internal post-manufacturing recycled volumes are included.
2 Restated – see methodological note for details

Opportunities / Risks	Policies / Actions	Key Performance Indicators	2019	2018	2017	Objective 2020	CSR Report section
Circular economy regulatory and market requirements (effective recyclability and recycling of end-of-use flooring products)	> New Product Development Process (NPDP) to ensure recyclability of new flooring products > Post-installation and post-consumer flooring take-back and recycling (ReStart® program) > Maximize recycled content in our products: post-installation / post-consumer flooring; secondary raw materials from other industries	Tons of collected post-installation and post-consumer flooring through the ReStart® program	3,300 tons	3,300 tons	4,100 tons	38,000 tons	3.6.4.3
Climate change (more stringent GHG regulations, including Scope 3 and carbon pricing)	> Scope 1 & 2 GHG: energy efficiency projects, development of renewable energies > Scope 3 GHG: increasing the share of pre- and post-consumer recycled origin in raw materials, developing post-installation and post-consumer flooring take-back and recycling (ReStart® program) > Annual audits and follow-up of industrial sites by third party (ERM)	Percentage reduction of Scope 1 & 2 GHG emissions per m² of manufactured product compared to 2010	-15.3%	-10.5%[2]	-11.1%[1]	-20% in 2020 and -30% in 2030 vs 2020	3.6.6
Chemical substance acceptance (evolving health and environmental standards and/or customer's expectations for flooring products, e.g. phthalate-free plasticizers, alternative to PVC, VOC[4] emission levels; expectations for greater product's transparency)	> Systematic materials assessment based on C2C criteria > Transparent product information, e.g. Material Health Statements, Environmental Product Declarations > C2C certifications of our products	Percentage of raw materials third-party assessed for their impact on people's health and the environment based on C2C criteria	*98%*	*98%*	*96%*	*100%*	*3.6.2.2* *3.6.2.3*
	> Materials selection and assessment as part of NPDP to develop products with low levels of VOC emissions	Percentage of flooring with low VOC emission levels	*98%*	*97%*	*96%*	*100%*	*3.6.3.1*
	> Use of phthalate-free plasticizer technology for our vinyl flooring	Percentage of phthalate-free vinyl flooring [3]	*74%*[2]	*65%*	*57%*	*100%*	*3.6.3.1*

1 Volatile Organic Compounds
2 Except recycled content for certain products
3 At the end of 2019, 100% of our vinyl production sites in Europe, North America, Serbia and China use phthalate-free plasticizer technology
4 Except recycled content for certain products

3.6.1 Our engaged and collaborative approach to transitioning to a circular economy

The circular economy is a regenerative business model in which resources are continuously reused and recycled, thus limiting the use of virgin raw materials and the impact on our planet. Our long-term vision is that in the future flooring will be recyclable and recycled. To do so and to become a truly circular company, we have to design and manufacture products with more and more recycled materials and we also have to build circular solutions in partnerships with our customers and suppliers. We set an ambitious goal in 2019 to drive this approach – for our products to contain on average 30% of recycled materials in 2030, compared to 10% in 2018. There are two main routes to reach this objective:

1. **Increase the use of secondary raw materials**, either with recycled post-manufacturing waste from within our industrial process or by sourcing recycled materials from other industries. Secondary raw materials are recycled materials that can be used in manufacturing processes instead of or alongside virgin raw materials. The use of secondary raw materials presents a number of advantages, including increased security of supply, reduced material and energy use, reduced impacts on the climate and the environment, and reduced manufacturing costs[1].
2. **Grow our ReStart® program to take-back and effectively recycle flooring**, not only off-cuts from installation, but also after use.

3.6.1.1 Working collectively towards a circular economy

Our **R&D teams** are rethinking the design and formulation of our products, looking to use more recycled materials without compromising technical and visual performance. They are reflecting on ways to design products that will be easy to disassemble and on the development of new technologies to recycle post-use products.

> For example, we are starting up in Sweden a new in-house solution to recycle all Tarkett homogeneous vinyl flooring produced from 2011 onwards, expanding the recycling options we offer to customers. This innovation was announced at the Milan Design Week in April 2019 while showcasing our new iQ Surface vinyl flooring. Tarkett teams at the plant in Ronneby (Sweden), where the iQ Surface is produced, had been investigating new techniques to recycle post-use homogeneous vinyl flooring as part of our strive to develop circular solutions. After months of research and development, the team managed to establish a customized process using low-risk chemicals to remove glue and other residues from the used flooring before shredding and creating vinyl granules that can be integrated into new homogeneous flooring. Key to the research, the granules offer the same properties and deliver the same performance as virgin raw materials, conserving natural resources and creating a lower impact on the environment, compared to using virgin raw materials. The challenge remains to scale up the process to an industrially viable level. The local sales networks are constantly searching for projects where material can be recycled. The biggest project so far is a hospital in Skellefteå (Sweden) where 1500 sqm of Tarkett homogenous vinyl floor from 2013 was taken out due to renovation and successfully cleaned and recycled in Ronneby.

Our **Purchasing teams** are looking to extend their supply sources of secondary or innovative raw materials working with multiple industries, thus reducing the use of virgin or fossil-based materials, and the exposure to the price volatility of fossil-based materials.

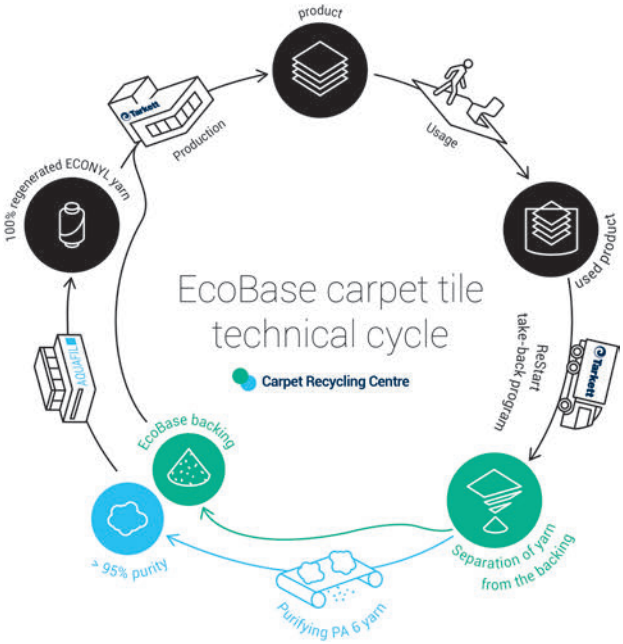
> For example, in 2019 Tarkett announced the sourcing of BIOVYN™, the world's first commercially available grade of bio-attributed[2] vinyl by INOVYN, using a supply chain recognized by The Roundtable on Sustainable Biomaterials (RSB). The Roundtable on Sustainable Biomaterials (RSB) is a global, multi-stakeholder independent organization that drives the development of a new world bio economy through sustainability solutions, certification, and collaborative partnerships. BIOVYN™ is made using bio-attributed ethylene, a renewable feedstock derived from non-food biomass. BIOVYN™ is recognized by RSB as delivering a 100% substitution of fossil feedstock in its production system, enabling a greenhouse gas saving of over 90% compared to conventionally produced vinyl. Sourcing BIOVYN for a new flooring collection to be launched in Europe in 2020 is a key step in our journey to shift toward a circular economy model and respond to climate challenges.

> Other examples include sourcing upcycled chalk, recycled PVB[3] and recycled post-industrial medical blister packs and mobile phone SIM cards (for more detail see >ection 3.6.4.2 "Using secondary raw materials from other industries").

Our **Manufacturing teams** are adapting to create and use various types of secondary raw materials (recycled waste) while delivering efficiency and quality performance.

1 Source: EU Strategy for secondary raw materials 2016
2 Bio-attribution measures the extent to which fossil fuel-derived feedstocks have been substituted by renewable or bio-feedstocks
3 Polyvinyl butyral

> For example, our vinyl flooring recycling center at our Clervaux site (Luxembourg) which recycles post-installation flooring along with post-manufacturing waste to produce secondary raw materials which are used on-site to produce underlayers. These underlayers are then incorporated in the production of finished flooring products at Sedan (France), Konz (Germany) and Lenham (UK) as well as at Clervaux (see also Section 3.6.4.1 "Managing production waste – reduce, reuse, recycle, recover").



Example

Innovative partnership to close the loop on the life cycle of commercial carpet tiles in Europe

In 2019, Tarkett has made a major breakthrough for the circular economy by fully closing the loop on the life cycle of commercial carpet tiles in Europe through a pioneering partnership with Aquafil. This breakthrough is the result of several years of intense collaboration between the two companies.

Tarkett has made significant investments in its production site and carpet tile recycling center in Waalwijk, the Netherlands. The new recycling center can now generate two material streams (yarn and carpet tile backing), which can then be recycled and transformed into high quality secondary raw materials for the production of new carpet tiles.

In effect, Tarkett has developed an innovative technology to separate the two main components of carpet tiles - the carpet backing and the yarn - while maintaining more than 95% yarn purity. This level of purity is vital to ensure that the polyamide 6 (PA6) yarn can be recycled by Aquafil and later transformed into regenerated ECONYL® nylon yarn. The carpet tile consisting of an EcoBase® backing and PA6 nylon yarn is now 100% recyclable. Furthermore, recycling carpet tiles made of EcoBase® backing and ECONYL® yarn reduces CO2 emissions by 84% compared to incineration[1].

Tarkett has sourced PA6 and ECONYL® nylon yarn from Aquafil for more than a decade and uses ECONYL® in its Desso AirMaster carpet tiles, for example. Tarkett is thus the only carpet manufacturer in Europe to have verified evidence of circular economy production of carpet tiles, as documented by the Environmental Product Declarations (EPDs) for carpet tiles with EcoBase® backing.

In this context, Tarkett has increased its production capacity for EcoBase® carpet backing at its Waalwijk site in order to meet the growing customer demand for this sustainable product. Tarkett has invested approximately 15 million Euros in this set of initiatives to successfully close the loop for carpet tiles in Europe.

his major step towards the circular economy in the flooring industry falls also within the framework of the European Commission's "European Green Deal", which promotes recycling and encourages the use of sustainable materials, thus accelerating the transition to the circular economy.

Example

Our Marketing and Sales teams are working together with the supply chain to develop and implement cost-efficient take-back and recycling services for our customers through our ReStart® program.

> For example, our teams in Germany in 2019 have worked on simplifying and improving the ReStart® collection process with the supply of appropriate containers (big-bags, intermediate bulk containers, lattice boxes), the use of existing logistic partners and routes as well as the streamlining of order handling with SAP. This project has seen our internal expertise grow at the same time as improving customer service. Various communication materials (flyers, posters, leaflets) to inform and promote the ReStart® service to our local customers were also developed.

Our experts are also engaging with our customers, our suppliers, our business partners, with public authorities and NGOs, to advocate for greater collaboration in identifying and trialing solutions and in the necessity to develop a political and economic framework in favor of a circular economy.

> For example, our teams in Europe and North America are sharing knowledge and building collaborative approaches with the Ellen MacArthur Foundation's Circular Economy 100 (CE100) program (for more details see Section 3.6.1.3 "Building a circular economy together").

1 Based on end-of-life stage only at Tarkett's Carpet Recycling Center, for the same product, externally verified by Bureau Veritas

3.6.1.2 Applying principles, methods and tools to design for a circular economy

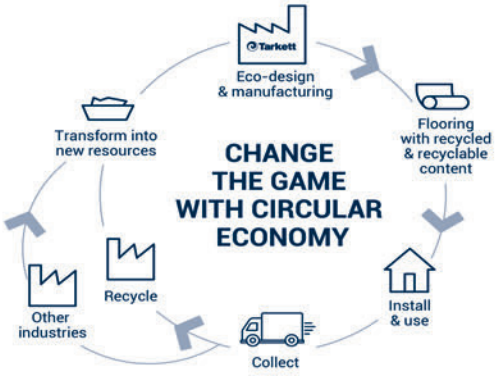
Tarkett applies Cradle to Cradle® (C2C) principles for the design of its products, from material selection and product manufacturing, to installation, use, maintenance, end of use and product recovery. Tarkett has developed a "closed-loop circular design" eco-design methodology which strives, right from the upstream phase of a design process, to integrate various aspects – economical, performance, respect for the health and the environment – throughout different stages of the product's life cycle[1]. All impacts on health and the environment are studied and assessed and the approach requires the engagement of many functions within the company: research & development, marketing, procurement, production and quality, among others.

Our New Product Development Process (NPDP), which has been in place for several years, includes sustainability and circular economy questions right from the initial design phase. These criteria, in line with the Cradle to Cradle® methodology, have been integrated from the design and development phase of a new flooring product. This process encourages on the one hand the selection of "good" raw materials (i.e. positively defined according to C2C assessment) for the product composition, and on the other hand the product design to ensure it is recyclable and potentially "ReStart® ready" (i.e. eligible to post-installation and post-consumer collection as part of our ReStart® program, to be later recycled in one of Tarkett's recycling centers). Following these NPDP requirements allows us to target potential C2C certification right from the outset.

We also **use life cycle analysis (LCA), one of the methodologies to assess the environmental impact of a product**. This standardized method (ISO 14040 and ISO 14044) identifies and compares the environmental impacts of a system throughout its lifecycle, from extraction of raw materials through its fabrication and processing up to its end-of-life or end-of-use (landfill, recycling…) including use phases, maintenance and transportation. Our EMEA division is equipped with dedicated software to systematically perform LCA and develop specific environmental product declarations.

All these principles, methods and tools applied by Tarkett are part of the same concept and are based on the following pillars:

- Good materials: selecting materials that respect health and the environment (e.g. recycled, renewable, not contributing to resource depletion);
- Resource stewardship: promoting optimized, sustainable use of resources in all phases of production, while protecting the environment (minimization of use of water and energy, and of generation of waste during manufacturing; reduction of scope 1 to scope 3 greenhouse gas emissions);
- People-friendly spaces: contributing to the health and well-being of people during the product use and maintenance phase (e.g. products with low VOC emissions, phthalate-free);
- Recycling: recycling no longer used products (e.g. post-installation / post-consumer flooring wastes, wastes from other industries) to eliminate waste, while helping to design new products with quality recycled materials.



The ultimate purpose of this approach is to design products which contribute to the health, comfort, well-being and safety of people while also preserving the natural capital of the planet.

3.6.1.3 Building a circular economy together

The drive towards a circular economy involves many technical, logistical and economic challenges. Tarkett is convinced that the best way to achieve our circular economy ambitions, and to overcome the complexity of these challenges is to work together with other organizations in a collaborative approach.

We work closely with institutions, such as the EPEA (Environmental Protection Encouragement Agency) scientific institute, companies and organizations specialized in the field such as Veolia in France for our ReStart® program, Carpet Recycling UK, the AGPR in Germany, a recycling site for used vinyl flooring, or Carpet America Recovery Effort (CARE) in the United States, a non-profit trade organization that fosters recycling of carpets and rugs, and of which Tarkett is a founding member.

1 *Standard NF X 30- 264 Environmental management – Assistance to the implementation of an eco-design approach, 2013.*

Example

Sharing knowledge and building collaborative approaches with the Ellen MacArthur Foundation

Tarkett joined the Ellen MacArthur Foundation's Circular Economy 100 program (CE100), in 2013 as one of the first companies, when it was created following the publication in 2012 and 2013 of two reports on the circular economy by the Foundation, the second of which identified possible savings of 700 billion US dollars from the circular economy of raw materials[1].

The CE100 network provides opportunities to learn, share knowledge, and build new collaborative approaches. Tarkett participates to the work of CE100 in different co.projects and workshops. Co.Projects leverage the CE100 network with the aim of exploring opportunities and overcoming challenges which are commonly and collectively faced by organizations making the transition to a circular economy, and which organizations may not be able to address in isolation. One co.project was on "circular business competencies building" where Tarkett participated alongside other companies and universities. This co.project set out to identify key knowledge and skills needed for certain business functions to bring circular economy ideas into their line of work. Tarkett also contributed to the co.project "Circular Business Models for the built environment" which published its paper in January 2019 and to the co.project "Enabling a circular economy for chemicals with the mass balance approach" which also produced a white paper.

Moreover, Tarkett participated to two Acceleration Workshops, the first in Barcelona, on Circular Models and the second in Stockholm, on circular Economy Enablers. These workshops provide an opportunity to share knowledge, to learn from expert input, build new relationships, and progress collective approaches.

In North America, Tarkett participated to the CE100 Spring Event in Portland, Oregon (US) on Materials and Circular Design and in September in Niagara, Ontario (Canada) on Circular Economy Enablers.

During 2019, with our new strategy Change to Win and its focus on "changing the game", our teams brought renewed energy and conviction in advocating for a transition to circular economy:

At the **European level**, we are actively involved in a number of different fora to share our expertise, experience and also our acute understanding of the challenges, with the aim of promoting solutions and frameworks that will aid a quicker transition to a circular economy. For example:

- Contribution to the work of the French Institute on the Circular Economy (INEC) in preparing input for the Finish presidency of the EU council and new European Commission on promoting the circular economy as a key opportunity to mitigate climate change.
- Participation to a panel at European Commission stakeholder conference on Circular Economy in Brussels (Belgium), sharing the challenges and achievements for a healthy circular economy.
- Support to the Circularity Database Initiative (www.circularitydataset.lu) launched by the Ministry of the Economy of Luxembourg, an initiative which aims at developing an industry standard at European level for circular data on products throughout the whole value chain, from raw materials to finished products, from the use phase to recycling. The project addresses the difficulty for industry and consumers to access reliable data on the circular properties of a product.
- Collaboration with Ecopreneur.eu, the European Sustainable Business Federation based in Brussels which encourages a circular economy in Europe.
- Chairing of the European Plastics Converters market session on Building & Construction at the Circular Future with Plastics conference in Berlin (Germany).
- Involvement in the EU Circular Plastics Alliance through Tarkett's membership of Vinylplus, European Carpet and Rug Association and European Resilient Flooring Manufacturers' Institute. The Circular Plastics Alliance gathers public and private stakeholders in the plastics value chains to promote voluntary actions and commitments for more recycled plastics with a target to ensure that 10 million tons of recycled plastics are used to make products in Europe in 2025, which represents an increase of more than 150% compared to 2016.
- Creation of the European Resilient Flooring Manufacturers' Institute (ERFMI) Circular Economy Platform. The aim of the platform is to develop the collection, identification and traceability of used flooring materials.

1 *Source: Ellen MacArthur Foundation "Towards the Circular Economy Vol. 2: opportunities for the consumer goods sector", January 2013*

In **Sweden**, Tarkett actively participated to **Almedalen** Week, in July, in the city of Visby, Gotland. This event is a combination of a political meeting place and an open, democratic forum with the gathering of industry, public organizations, politicians, media and NGOs to discuss current societal topics. For its third participation, Tarkett organized a round table discussion as well as a Circular Mingle in collaboration with Circular Sweden, a network that promotes circular economy across industries with NCC, Ikea, H&M, SSAB and others. The round table discussion was dedicated to the way of increasing demand of recycled content in new products, a key topic for Sweden to become a circular society. Subject matter experts then discussed how the industry can work together with public and private sector to achieve the best conditions for a circular transition. More than 200 people participated in the Circular Mingle which brought together people from different parts of Swedish society to discuss solutions to building a circular economy. Finally, Tarkett was invited, as expert, to contribute in other on-stage discussions on plastics recycling. Overall, the 2019 event underlined the need for public authorities to facilitate and drive the circular economy, for example, by creating an appropriate regulatory framework and through stricter public procurement criteria. It was also clear, further collaboration amongst actors is vital to develop practical solutions for a circular transition.

In the **US**, Tarkett joined a panel discussion on Circular Economy and Green Chemistry, at the Green Chemistry & Commerce Council annual Innovators Roundtable in Cincinnati. Tarkett underlined the importance of a holistic approach with material assessment using the C2C Certified™ process to enable future recycling.

In **Canada**, Tarkett participated to a nationwide procurement summit in Ontario organized by the Executive Director of the Recycling Council of Ontario. Some 200 people from provinces across Canada participated. The aim of the summit was to help the government purchasing agents learn about best practice circular economy. Tarkett participated to a panel session on facility and building management to discuss the Circular Economy.

In **Brazil**, Tarkett participated to the Circular Economy Seminar in Sao Paulo, with the biggest Brazilian plastics companies, educational institutions and public authorities. The aim of this seminar was to discuss challenges and opportunities to plastics industries regarding the transition to a circular economy.

Example

An international ISO standard to provide a framework and guidelines on the circular economy

In 2019 **the International Organization for Standardization (ISO) launched a new committee (ISO/TC323) to work on developing a circular economy standard**. Tarkett contributed as part of the French national organization for standardization (AFNOR) delegation as the committee convened in Paris with 47 countries and 120 experts. The original idea for the committee came from AFNOR, ISO's member for France, where business leaders from many sectors including Tarkett, have developed the AFNOR standard on circular economy project management XP-X30-901 to support and provide guidance to shape projects ensuring a move from a linear to a circular economy model while addressing the effects of resource and biodiversity depletion, climate change and the social aspects of consumption patterns. An expert from Tarkett currently chairs AFNOR's standardization committee on the circular economy. The ISO Technical Committee 323 covers standardization in the area of the circular economy with a view to developing requirements, frameworks, guidelines and support tools for the implementation of circular economy projects. Tarkett's experts in Brazil are also participating to the work as a member of the Brazilian National Forum for Standardization (ABNT).

Tarkett was the first French company to adopt perennially the Cradle to Cradle® principles which embody a circular approach, signing in 2010 a long-term partnership agreement with the German Environmental Protection Encouragement Agency (EPEA) founded by Prof. Dr. Michael Braungart who co-developed the Cradle to Cradle concept. In September 2019, Tarkett's CEO gave a keynote speech at the C2C Summit in Berlin, presenting Tarkett's ambition to "change the game with circular economy" as a key part of our new Change to Win strategy. Representatives from the construction and design sector, the economy and the political sector discussed topics such as innovation and building, best practice examples and the future of construction. Tarkett's CEO underlined the importance of the C2C philosophy and how it can help and guide the building industry. Tarkett also sponsored 250 square meters of flooring at the new Berlin "C2C Lab", including C2C Certified™ products AirMaster® carpet tiles, Linoleum Essenza, parquet and iD Revolution.

3.6.2 Our careful choice of materials and our commitment to product transparency

3.6.2.1 Selecting good materials to preserve natural resources

Choosing quality materials is one of the pillars of our eco-design approach according to Cradle to Cradle® principles, with the objectives to respect people's health, preserve resources and protect the environment.

From an environmental point of view, Tarkett strives to conserve natural resources by designing for life, prioritizing healthy materials that can be recycled and that are sourced from abundant sources (for example calcium carbonate), rapidly renewable (such as cork or faster-growing wood species e.g. pine and spruce) and recycled (including waste from other industries), so that the materials used for our products do not contribute to resource scarcity.

Specifically on recycling, with Tarkett's strengthened commitment to a circular model, we are taking a holistic approach focusing on closed loop recycling (collecting and recycling Tarkett post-industrial and post-use materials), open loop recycling (sourcing post-industrial and post-use materials from other industries as well as procuring raw materials with recycled content) and the circular design of products (how to re-design products and processes to increase the uptake of recycled material).

Concerning renewable origin materials, wood is the main renewable material procured by Tarkett for parquet, laminate and linoleum flooring as well as for certain indoor sports surfaces. Linoleum also uses other renewable materials such as linseed oil, pine resin, jute and cork. Another example is the Eco Shell rubber flooring developed in North America, which includes as a component, leftover walnut shells from local walnut tree culture. For outdoor sports surfaces, Tarkett's FieldTurf offers a growing range of alternative renewable material performance infill layers such as PureFill which uses organic cork granules and sand, PureSelect which uses locally sourced olive cores in the United States and PureGeo which uses coconut peat and cork. In Europe, FieldTurf now also proposes PureSelect with a European sourced olive core-based infill. In addition to these renewable alternatives FieldTurf in Europe proposes infills composed of recycled materials such as ProMax HydroFlex which incorporates 30% recycled polyethylene sourced from end-of-life pitches and other various infill solutions made from recycled rubber granules from tires which would otherwise have been landfilled.

Example

First field with organic infill in US to obtain FIFA Quality Pro certification

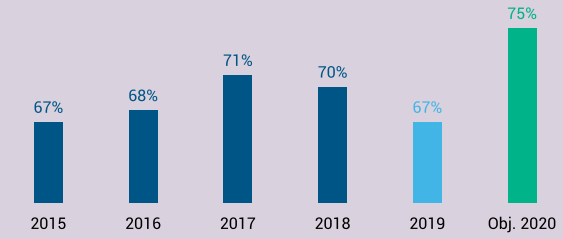
The City of Hartford (Connecticut, US) partnered with FieldTurf to design and install the new home surface for Hartford Athletic, a new professional club in the United Soccer League. The city opted for FieldTurf CORE with PureGeo infill, using coconut pat and cork materials. The facility is the first field with organic infill in the U.S. to obtain FIFA (Fédération Internationale de Football Association) Quality Pro certification, the governing body's highest standard.

Zoom on key indicators

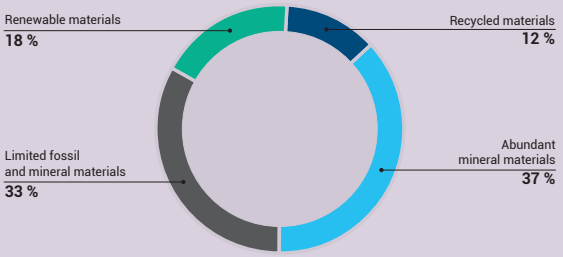
Selection of quality materials

In 2019, 67% of our raw materials did not contribute to resource scarcity (being abundant, rapidly renewable or recycled). This is slighty down compared to 2018 (70%) mainly due to the impact of the closure of Laminate Park where most of the volume of raw materials for the laminate production was renewable. The share of recycled materials has however progressed to 12%, compared to 10% in 2018.

Share of raw materials which do not contribute to resource scarcity (%)



Breakdown of raw materials used in 2019 (%)



Furthermore, Tarkett is committed to the responsible use of PVC (polyvinylchloride), a plastic resin of which the building industry is the first consumer. Since 2010, we have initiated a transparent dialogue with various stakeholders on the topic, defining conditions for sustainable design and production, usage and recycling of PVC for long-term applications such as flooring.

Our current approach is to develop the use of phthalate-free plasticizers, to favor suppliers using newer, less polluting manufacturing technologies, and to promote the recycling of PVC-containing flooring notably through our ReStart® program.

In Europe, Tarkett is participating to the Platform MORE (MOnitoring Recyclates for Europe) which was launched in 2019, establishing a unified, digital platform to monitor the use of recycled polymers in the European plastics converting industry. MORE is helping the plastics industry to become more circular by collecting the volume of recycled polymers that is used by plastics converting companies to create new products, and by stimulating a higher uptake of recycled polymers. The platform was created by the European Plastic Converters trade association EuPC in collaboration with its member organizations, and in support of the European Commission's Plastics Strategy and the Circular Plastics Alliance with the aim to register 10 million tons of recycled polymers reused in products annually by 2025.

3.6.2.2 Assessing materials and their impact on health and the environment

Tarkett works closely with the EPEA (Environmental Protection Encouragement Agency), a research institute founded in 1987 **which promotes the Cradle to Cradle® design methodology**. The goal is to evaluate our products and materials based on health and environmental impact criteria, so as to optimize the composition and manufacturing of our products. The results of these assessments enable us to better understand the impact of our products and to more carefully select our raw materials by sharing our specifications with our suppliers. In 2019 progress continued on optimizing product composition with for example work at the vinyl production site at Sedan (France) leading to the substitution for better alternatives of heat stabilizers in vinyl products.

With 33 plants worldwide and an active pipeline of new and improved products, there are always new materials that we need to evaluate. In 2019, we completed a pre-assessment of laminate materials related to our production site in Mytishchi (Russia) and made good progress in the assessment of coloring agents. Further assessment was also conducted of yarns for carpet as well as continuous assessment of new raw materials for wood, linoleum, rubber and some PVC and carpet plants.

Zoom on key indicators

Material assessment

98% of our raw materials (representing more than 3,000 materials) are third-party assessed (by EPEA) for their impact on health and the environment based on Cradle to Cradle® criteria. New assessments compensated the loss of raw material assessments associated with the production at Laminate Park, Eiweiler (Germany) which closed in 2019.

Challenges to material assessment include when information is at tier 2, tier 3 level of the supply chain or when we are procuring very small quantities of raw material from larger suppliers.

This materials assessment work with the EPEA is the origin of the **creation of a new transparency tool, the Material Health Statements (MHS)** launched in 2016 in North America and expanded to Europe in 2018. More than a simple list of ingredients, an MHS accurately describes the composition of a product and provides information related to ingredient concentration (chemical molecules), their role in the product, and any health or environmental risks in case of exposure to these substances, notably for the user of the flooring and for those who install the floors. The MHS process encompasses several steps:

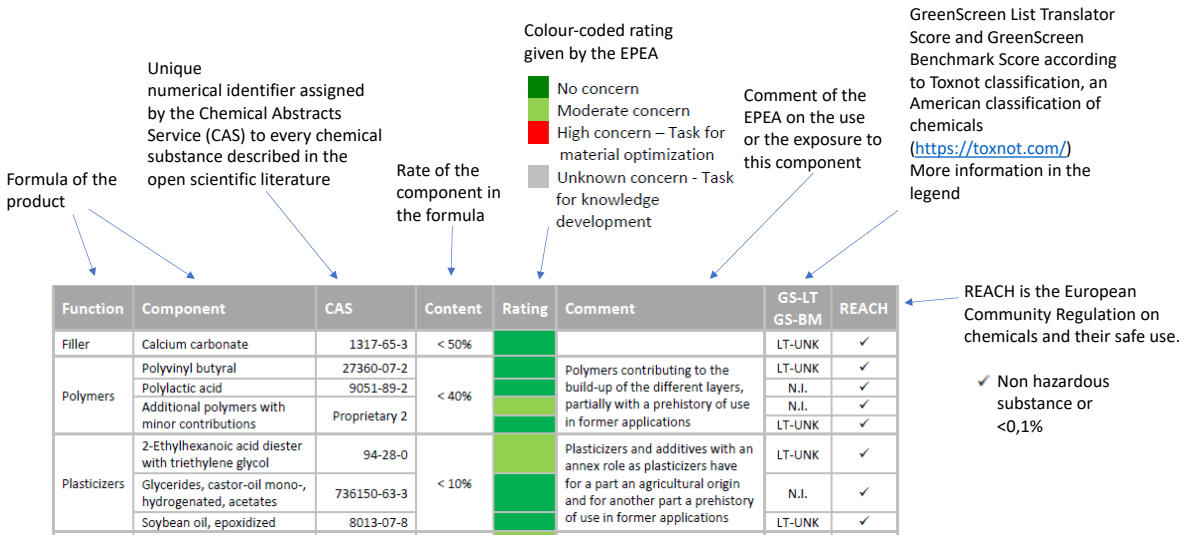
- Material inventory: in collaboration with our suppliers, we compile an inventory of the raw materials used in our products, down to 100ppm (parts per million/0.01%).
- Material Screening: the hazard rating of individual chemicals is analyzed according to European REACH and CLP[1] regulations, the Green Screen List Translator (GSLT), and based on more than 100 other chemical hazard lists and scientific sources of toxicological information used by EPEA.
- Material assessment: materials are assessed over their lifecycle including sourcing, production, use and post-use handling. The safety of every chemical ingredient is assessed using eco-toxicological information, scientific literature, supplier data and analytical testing. The chemical role in the finished product and its effect on occupant exposure is also evaluated.

1 *REACH: Registration, Evaluation, Authorization and Restriction of Chemicals; CLP: Classification, Labelling and Packaging of substances and mixtures*

- Verification: MHS are verified by an independent third-party organization.
- Optimization: we then strive to reformulate our products using Cradle to Cradle® principles, by selecting materials that are safer and healthier for people and the environment and can be recycled.

The MHS tool was developed to promote total product transparency, by providing our customers with information tools that are easy to read and understand.

How to understand and use the MHS



Function	Component	CAS	Content	Rating	Comment	GS-LT GS-BM	REACH
Filler	Calcium carbonate	1317-65-3	< 50%			LT-UNK	✓
Polymers	Polyvinyl butyral	27360-07-2	< 40%		Polymers contributing to the build-up of the different layers, partially with a prehistory of use in former applications	LT-UNK	✓
	Polylactic acid	9051-89-2				N.I.	✓
	Additional polymers with minor contributions	Proprietary 2				N.I.	✓
						LT-UNK	✓
Plasticizers	2-Ethylhexanoic acid diester with triethylene glycol	94-28-0	< 10%		Plasticizers and additives with an annex role as plasticizers have for a part an agricultural origin and for another part a prehistory of use in former applications	LT-UNK	✓
	Glycerides, castor-oil mono-, hydrogenated, acetates	736150-63-3				N.I.	✓
	Soybean oil, epoxidized	8013-07-8				LT-UNK	✓

Abstract of the MHS of iD Revolution

Since the launch in North America we have published MHS for a range of products and references, including vinyl flooring, vinyl tiles and strips, carpet, linoleum and rubber. Following the deployment to Europe of the MHS information tool in 2018, Tarkett has been continuing to establish MHS for its range of products, with a further 4 published in 2019 bringing the total to 17.

We also use other product information and transparency tools, depending on the regions and countries where we operate:

- Environmental Product Declarations (EPDs) are developed in Europe on the basis of life cycle analysis (LCA), according to a standardized framework and process for development, verification and communication. There is a strong demand for EPDs in Europe, in particular because it enables the clients to earn points for sustainable building labels (such as BREEAM®, LEED, HQE). Generic EPDs have been issued by professional associations based on consolidated information from manufacturers since 2013. In 2018 Tarkett started developing specific EPDs for some of its products so as to provide more specific and transparent information: by end of 2019, 18 specific EPDs had been issued for various vinyl, linoleum, laminate and carpet products.
- In France, upon request the EPDs are made available as Health and Environmental Product Declaration (Fiches de Déclaration Environnementale et Sanitaire - FDES), adding health information to the environmental ones.
- In Russia, Tarkett uses the Vitality Leaf ecolabelling program, an ecolabel (type I) in accordance with international standard ISO 14024, which is a member of the Global Ecolabelling Network. Tarkett joined the program in 2009, completing the voluntary certification procedure which included a full life-cycle analysis of products. Tarkett received the ecolabel for all its branded vinyl and laminate collections. In 2019 Tarkett kicked off a new retail campaign to promote its Vitality Leaf ecolabelled products.
- In Serbia, in 2019, Tarkett was awarded an eco-label (type I) for parquet flooring as the product and company met criteria on reducing resource consumption, reducing energy consumption, reducing emissions of pollutants into the environment, reducing waste generation and ensuring product recyclability. Tarkett received the award from the Serbian Minister of Environmental Protection at the International Fair of Environmental and Natural Resources in Belgrade.

- In Australia, Tarkett utilizes the Global GreenTag certification tools such as LCARate which scores products against six main Sustainability Assessment Criteria and more than twenty other life cycle and social criteria and the EPD program which is compliant with ISO 14025 as well as the green building programs LEEDv4® and BREEAM®.
- Since 2011, most of our products in Europe moreover have an environmental labeling system, which specifies the percentage of recycled content, the absence of plasticizers containing phthalates, as well as the total VOC emissions. This has also been extended to China since 2016.

3.6.2.3 Obtaining product certifications

Within the scope of product assessments carried out by EPEA, Tarkett has obtained several Cradle to Cradle® certifications. The C2C – Cradle to Cradle® Certified™ validates the eco-design approach on the basis of five criteria: material health, material reutilization, renewable energy and carbon management, water stewardship, and social fairness. Each criterion is given a score from Basic to Platinum (from the lowest to the highest: Basic, Bronze, Silver, Gold and Platinum) and the lowest ranked criterion defines the global score.

Tarkett was notably one of the first flooring manufacturers to obtain C2C Gold level certifications for certain product categories. In 2019 three new carpet tile AirMaster products were certified C2C Gold. With AirMaster®, the concentration of fine dust particles in the air is as much as eight times lower than with hard floors and four times lower than with standard carpet. The fine dust particles are trapped by the unique threads in the carpet until it is time to vacuum clean again, contributing positively to indoor air quality. The AirMaster Nazca, AirMaster Salina and AirMaster Tierra are all made with good materials, 100% Econyl® yarn (100% recycled content) and have EcoBase® carpet tile backing specifically designed with disassembly and recycling in mind.

In 2019, Tarkett had 21 C2C certifications covering a wide range of product categories, including carpet, linoleum, rubber, wood and artificial turfs. 6 of these C2C certifications achieved Gold level, the most in the flooring sector. The detailed list of products covered by C2C certifications is provided in appendix to the CSR report.

Some of our products also hold other certifications, such as Living Product Challenge Imperative in North America. We moreover ensure that Tarkett obtains a range of third-party certifications to prove that our products can help architects and project developers reach the highest standards in green building – whether LEED (international), BREEAM® (UK), or HQE (France).

Example

Cradle to Cradle® Platinum level Material Health Certificate for Eco-Ensure™ soil protection

Tarkett's Eco-Ensure™ soil protection technology, a fluorine-free chemistry based on a mixture of common organic elements found in the natural environment has received the Cradle to Cradle® Platinum level Material Health Certificate. This innovative surface treatment is now used on all Tarkett-branded soft surface products in North America. For example, the new Interleave modular carpet for commercial environments integrates Eco-Ensure™ soil protection technology. It is available on the ethos® Modular with Omnicoat Technology™ backing, which earned the International Living Future Institute (ILFI) Living Product Challenge Imperative certification as well Cradle to Cradle Certified™ Silver.

The Living Product Challenge (LPC) is a rigorous certification encouraging manufacturers to use healthy materials, optimize the chemistries of products, create environments that promote well-being, drive circular economy, and support a just and sustainable world. The LPC is organized into seven performance areas called Petals: Place, Water, Energy, Health & Happiness, Materials, Equity, and Beauty. Each Petal subsequently has more detailed requirements, called Imperatives. Imperative certification requires the achievement of at least seven of the twenty imperatives.

As well as the ethos® Modular carpet backing, our rubber tile collection also earned the ILFI LPC Imperative certification, both collections being able to achieve twelve of the twenty imperatives. **In North America, Tarkett is thus the first flooring manufacturer to achieve an LPC Imperative certification for both resilient and soft surface flooring products.**

3.6.3 Our flooring products contributing to healthy and people-friendly spaces

3.6.3.1 Contributing to healthy spaces and indoor air quality

Flooring with low VOC emissions

For the past twenty years, both new and renovated buildings are more and more effective in terms of insulation, and consequently in terms of energy efficiency. One consequence of this progress is a possible degradation of indoor air quality, if provisions are not made to counterbalance the insulation levels that do not foster renewal of air. Yet, we spend nearly 90% of our time indoors, which makes indoor air quality a major public health issue. Tarkett is committed to designing products which help create healthy indoor spaces and preserve indoor air quality. This challenge is especially critical for the most sensitive populations such as the elderly, young children, or people with allergies or asthma.

Since 2011, Tarkett has been a pioneer in developing flooring with low or ultra-low levels of Volatile Organic Compounds (VOC) emissions in nearly all of its product ranges. Tarkett offers products with total VOC emissions that are 10 to 100 times lower than the most stringent world standards, at levels that are so reduced they are non-quantifiable[1]. This effort had been recognized by several certifications:

- The modular vinyl Starfloor Click was recommended by the Swedish association against asthma and allergies in 2015;

The Asthma and Allergy Foundation of America (AAFA) awarded the asthma and allergy friendly® certification to all FiberFloor® vinyl ranges as well as to other products (iD Inspiration®, Acczent, and several laminated ranges);

In 2018, several linoleum ranges manufactured in the Narni factory received the label Allergy UK Seal of Approval from the British association Allergy UK, which is valid in 135 countries;

Several vinyl and linoleum ranges manufactured in Europe are subject to regular plant audits by Eurofins (an international laboratory network conducting consumer product testing) to ensure that our products have low or very low levels of VOC emissions (Tarkett labels « Indoor Air Quality Gold » and « Indoor Air Quality Platinum »).

Phthalate-free flooring

Phthalates are mainly used in the plastics industry, in order to give the plastic a certain flexibility. The potential impact on human health of certain phthalates in this group of chemical products is the subject of scientific debate and is regularly featured in regulatory news and general public news stories, notably through work carried out by health agencies that assess the impact of substances on health and the environment (ANSES in France and EFSA at the European level); at the level of ECHA (European Agency for Chemical Products), within the framework of evolutions in REACH and CLP regulations[2]; or in information campaigns run by health and environmental protection non-profit organizations.

Since 2010, Tarkett has been proactively seeking alternatives to phthalate plasticizers in collaboration with its suppliers. We have considerably invested in research and development and consequently have been able to modify our formulas and our processes to manufacture vinyl flooring with phthalate-free plasticizer technology. Phthalate-free plasticizer technology was first introduced by Tarkett in North America in 2010 and in Europe in 2011, then gradually deployed in Brazil, Ukraine and Serbia since 2016, and finally at the Otradny site in Russia in 2019 and 2020.

At the end 2019, 100% of our vinyl production sites Europe, North America, Serbia and China use phthalate-free plasticizer technology[3]. In addition, our vinyl production plant in Russia continued in 2019 testing formulations to gradually transform production to phthalate-free in the course of 2020.

At some sites (North America and Brazil), we also use recycled contents in addition to virgin raw materials for some products which may then contain traces of phthalate plasticizers. At the end of 2019, our European sites produce 100% phthalate-free vinyl flooring, recycled content included.

The entire flooring industry gradually follows our example in the interest of flooring customers and users: for example, in North America, certain DIY and decoration retailers, such as Menards and Home Depot, have changed their supplier specifications to exclude phthalate products.

1 Total VOC at 28 days < 100 µg/m3 or even < 10 µg/m3
2 REACH: Registration, Evaluation, Authorization and Restriction of Chemicals; CLP: Classification, Labelling and Packaging of substances and mixtures
3 Except recycled content for certain products

Zoom on key indicators

Indoor air quality:

Our 2020 objective is to reach 100% of our flooring with low total VOC emissions (<100 µg/m³). In 2019, the percentage of m² of products with low VOC emissions rate made a step closer to this goal reaching 98% compared to 97% in 2018.

Phthalate-free flooring:

Our 2020 objective is to reach 100% of phthalate-free vinyl flooring (except recycled content). At the end 2019, 100% of our vinyl production sites in Europe, North America, Serbia and China use phthalate-free plasticizer technology. At a global level, we reached 74% in 2019, compared to 65% in 2018 and 57% in 2017. This good progress reflects the efforts to continue to deploy the phthalate-free plasticizer technology in Russia, Ukraine, Serbia and Brazil taking into consideration that deployment also depends on availability of plasticizers alternatives (in volumes and in quality).

Dust retaining flooring

Tarkett has developed carpet tiles which retain dust particles: the AirMaster® carpet tile combined with the EcoBase® backing range is designed using a patented technology which retains four times more fine dust particles than traditional carpets. Since 2015, this product is the first worldwide to be certified with a GUI Gold Plus Label, the highest possible accreditation awarded by GUI (Gesellschaft für Umwelt- und Innenraumanalytik), Germany's leading independent air quality testing organization.

Example

Healthy schools for healthy kids – promoting indoor air quality in educational facilities, Australia

In October 2019, Tarkett Australia launched a campaign for the education and childcare segments 'Healthy Schools for Healthy Kids' with Asthma Australia, a non-profit body dedicated to supporting and educating Australians suffering from asthma and allergies to live their lives and breathe easily. This campaign, which went out to over 2 000 schools and childcare centers nationally, raises the importance of indoor air quality in educational facilities to assist in managing asthma and allergies. The campaign included a competition for schools to win a 15 000 Australian dollar flooring transformation with Tarkett flooring. 28 education centers submitted entries on how they would improve indoor air quality to make a safer and healthier school environment for kids with asthma and allergies.

3.6.3.2 Participating to people's well-being

Tarkett products have the qualities to create pleasant spaces, contributing to people's well-being and comfort.

Designing for elderly care

Through in-depth field research, interviews with the senior care community, and years of expertise in flooring solutions we have developed clear recommendations on what the right choice of flooring in care homes can contribute to residents' well-being. Our aim is to support those who design and manage elderly care facilities, to ensure the well-being of all involved. This means helping residents feel comfortable and at home, preserving their autonomy and independence and limiting factors that can lead to anxiety or confusion. It also means helping carers do their jobs more easily and effectively, and helping facility owners and managers keep a handle on their budgets so their facilities can continue to offer the best service possible.

In 2019 Tarkett published a white paper[1] following a study to explore and better understand the impact of design on the well-being of elderly people and on the importance of understanding the problems posed by ageing, both with and without dementia. Furthermore Tarkett in the UK adopted the Virtual Reality Empathy Platform (VR-EP), a tool endorsed by the leading experts in dementia design, which provides an evidence-based dementia filter enabling architects, building or interior designers to create homely and familiar environments that could reduce accidents, lessen anxiety and help those living with dementia live more independent lives by better understanding how color, contrast, texture and material play a key role.

Already in 2012, Tarkett carried out a scientific study involving doctors and Alzheimer's specialists, in order to analyze the sensory and psychological impact of flooring on patient quality of life. In addition to hygiene, safety and other regulatory aspects, the patterns and colors of flooring provoked emotions that can stimulate or calm patients with Alzheimer's disease, thereby helping to better manage the effects of the disease. Flooring also influences the biological rhythms and acoustic comfort of patients[2].

1 *https://designingfordementia.tarkett.co.uk/*
2 *https://professionals.tarkett.com/en_EU/node/designing-facilities-for-alzheimer-s-and-dementia-patients-830.*

Color perception

Tarkett products created for educational organizations (schools, day-care centers, etc.) and nursing or retirement homes are specifically designed with colors and patterns that stimulate mobility and cognitive capacities.

A 2017 study, carried out by Tarkett in collaboration with color specialists, designers and educational specialists, focused on the impact of colors on the development and well-being of children, in educational environments. The results of the study show that children and adolescents develop their learning capacities differently depending on their ages but always with a strong interaction with the world surrounding them, and with the colors of which it is composed. Hence, for example, memory capacities are 55 to 78% greater when the child is in an environment where he or she likes the colors[1].

Lighting and Acoustics

Tarkett has developed carpet products which help improve the lighting and acoustic environment of buildings: the Desso Light Reflection Master® carpet has the ability to enhance brightness on interior walls and ceilings by up to 14%, leading to reductions of as much as 10% in artificial lighting; while the Desso SoundMaster® carpet can improve impact sound insulation by up to +10 dB[2] compared to standard carpets.

Health and Safety

In areas with a high risk of hospital-acquired infections - such as operating theatres, medical laboratories and cleanrooms - floors must meet the highest hygiene standards to ensure infection control and air cleanliness. To this end, our floors provide sealed surfaces and fewer joints, and are resistant to stains and chemicals. They also prevent electrostatic discharges, so that the risk of equipment malfunction or discomfort during surgeries is drastically reduced. Our solutions, including several homogeneous vinyl products from our iQ range and our static control linoleum products, thus offer durable and easy-to-maintain flooring options that meet the health and safety requirements of the healthcare sector.

Tarkett has also developed seamless, anti-slip vinyl flooring solutions specially designed to reinforce health and safety conditions in bathrooms ("wet room System").

In the sports area, Tarkett develops artificial turfs for sports grounds with the objective to improve quality gameplay and athlete safety.

Example

Meeting the multiple requirements of the health care segment at Boston Medical Center (US)

The 100-year-old Boston Medical Center's vision is to make Boston the healthiest urban population in the world by 2030 and to achieve carbon net zero by 2020. The 514-bed Boston Medical Center is a private, not-for-profit, academic medical center where 57% of patients are from under-served populations. The Center recently undertook renovation work, including the creation of new spaces at the facility, setting stringent criteria for their flooring surfaces with health and wellness as the guide. This center required phthalate-free products, durable, easy to maintain and asthma and allergy certified. Tarkett's vinyl flooring products: iQ Optima, iD Freedom and Acczent; as well as the Millwork wall finishing fulfilled these requirements and were chosen, with 6 000 sqm of flooring installed in 2019.

1 http://kidsstudy.tarkett.co.uk/
2 A 10 dB decrease in the sound pressure level will be perceived by human's hearing as a halving of the loudness.

3.6.4 Our commitment to limiting waste and building a circular economy

3.6.4.1 Managing production waste- reduce, reuse, recycle, recover

Tarkett is firstly committed to avoiding the generation of waste through its World Class Manufacturing program, which applies the 4 R's approach: reduce – reuse – recycle – recover. The continual monitoring and where possible the direct reuse of production scraps helps limit waste generation. Then priority is given to closing the loop through recycling, first internally, where possible, and then externally. When recycling is not feasible, waste recovery can be a solution either on-site or externally.

Recycling initiatives at Tarkett started as early as 1957, with vinyl production recycling at the Ronneby plant (Sweden).Currently 15 plants reprocess and internally recycle their post-manufacturing waste using various techniques such as regrinding and reformulation to produce a secondary raw material. These processes avoid having to send the waste for external recycling, recovery or disposal and enable the material to be used in production in the place of virgin raw material. In 2019 a post-manufacturing recycling project was completed at Bačka Palanka (Serbia) following studies and tests with investment now approved to acquire and install the necessary equipment to recycle vinyl waste material for reuse in the production process. A similar solution is being analyzed for the vinyl production at Tarkett's Kalush plant in Ukraine and Otradny plant in Russia.

Where post-manufacturing waste cannot be recycled and used on-site then it may be sent to another Tarkett site where the facilities and capacity exist to process and reincorporate it into production. For example, our recycling center at Clervaux (Luxembourg) received approximately 10 000 tons of post-manufacturing waste and semi-finished products for recycling in 2019 from other Tarkett plants at Sedan (France), Konz (Germany), Bačka Palanka (Serbia), Lenham (UK) and Ronneby (Sweden).

At our wood parquet manufacturing facilities, sawdust waste is recovered and used as a biomass fuel for heating avoiding fossil fuels or externally sourced biomass. With the opening of the new wood parquet flooring line at Mytishchi (Russia), the site quickly implemented a solution to recover the sawdust and produce pellets for use as a biomass fuel for heating saving approximately 6 MWh of energy a year. This solution is also applied at Hanaskog (Sweden), Orzechowo (Poland), Kalush (Ukraine) and Bačka Palanka (Serbia).

Where production waste cannot be recycled on-site or at other Tarkett sites or recovered internally, then Tarkett sends it for external recycling and use, or for recovery in other industries. This includes other industrial waste (such as metal, paper, cardboard, electronic waste, used oils, etc.) which are sorted and sent preferably for external recycling or recovery, with disposal to landfill being the last resort.

Zoom on key indicators

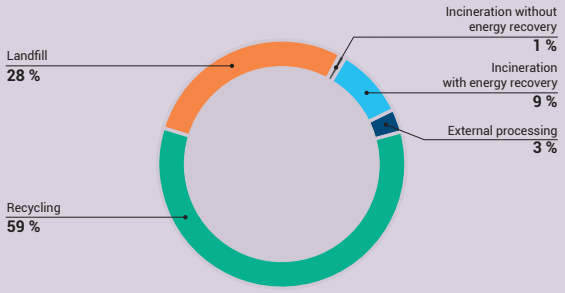
Waste

59% of our industrial waste is effectively recycled, and a third of our industrial sites in 2019 did not dispose of any waste to landfill.

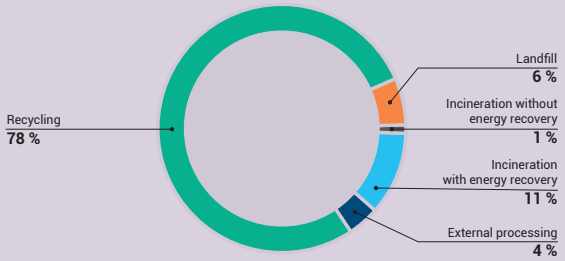
Compared to 2018[1], the quantity of industrial waste (including hazardous waste) disposed to landfill has increased in 2019, from 16,400 tons to 27,300 tons, mainly due to continued operational and waste recycling difficulties at one of our sites in North America. If we exclude this particular site (which alone accounts for 85% of the Group's waste disposed to landfill), the total volume of industrial waste disposed to landfill by all the other production sites of the Group in 2019 amounts to 4,200 tons. For the same scope, the share of waste sent for recycling increased slightly to 78%.

Despite our continual efforts, reaching our objective of zero production waste to landfill by 2020 will be challenging, primarily due to the lack of recycling facilities or other alternative options than landfilling in some countries where we operate.

Share of industrial waste (hazardous and non-hazardous) by destination (%)



Share of industrial waste (hazardous and non-hazardous) by destination (%) – excluding one of our sites in North America



1 *Restated – see methodological note for details*

3.6.4.2 Using secondary raw materials from other industries

More and more, our teams are looking to procure secondary raw materials to reduce our exposure to the price volatility of fossil-based materials and to meet our circular economy ambitions. We are sourcing recycled materials from a number of different partners in different industries. These include Econyl® fibers from Aquafil, an Italian company, which are composed of 100% regenerated nylon threads from pre and post-consumer nylon waste, such as discarded fishing nets, textile scraps and used fiber waste from our Desso® carpets; upcycled chalk from a drinking water distribution company in the Netherlands, which is used in our EcoBase® carpet backings; recycled medical blister packaging and mobile phone SIM cards which are incorporated into our vinyl tiles in Brazil and recycled PVB from safety glass used in resilient flooring in Europe and in carpet backing in North America.

One of the main challenges of initiatives to promote the use of recycled materials is to trace the precise composition of materials that we incorporate into our manufacturing processes, and to guarantee their health and environmental quality. In addition to recycling our own products, we only work with partners able to provide this traceability, and which can guarantee a consistent level of quality in line with our specifications.

At our Jacareí plant in Brazil, we locally source waste medical blister packaging and mobile SIM cards, which we recycle and incorporate into our VCT (vinyl composite tile) product formulation and in the core layer of LVT (luxury vinyl tile). These two waste streams were identified by our local production and engineering teams who were able to develop an industrial solution to reprocess and recycle the material into a high grade secondary raw material suitable for use in the production of our LVT and VCT flooring. Since 2015 we've recycled more than 4 000 tons of this post-industrial waste material at our Brazilian plant, replacing equivalent quantities of virgin raw materials.

Example

EcoBase® carpet backing with upcycled chalk – an example of collaboration and determination on the part of our teams to develop solutions for the transition to a circular economy

In the Netherlands, we established a partnership a number of years ago with drinking water companies to upcycle waste chalk into a stabilizer for our Cradle to Cradle Gold-certified Desso EcoBase® carpet backing. This solution was identified thanks to our open dialogue on our circular economy ambition. We shared our approach to circular innovation with other companies from multiple industries at Cradle to Cradle events organized at our Waalwijk site. At one such event, the head of a local water company approached us to explain that he had a significant amount of chalk residues available from converting ground water to drinking water. This was the beginning of an unlikely collaboration that completely transformed the way we source raw materials for this backing. Tarkett was sourcing virgin chalk from a mine in northern France. Turning the idea into reality required commitment, resources and funding which both Tarkett and AquaMinerals BV (an association of drinking water companies in the Netherlands) readily provided to create value from the water treatment waste. Tarkett engineers partnered with other companies including Brabant Water and Water Maatschappij Limburg, as well as industrial minerals specialist Sibelco, to achieve the exact composition and size of chalk particles for use in our backing and manufacturing processes. Difficulties were overcome, for example, initially the particles were so hard that they blunted the blades of our carpet-cutting machinery. The EcoBase® carpet backing contains at least 75% chalks, derived from 100% positively defined recycled materials. In other words, every material used within EcoBase® backing has achieved a Green (low risk) or Yellow (moderate risk) Cradle to Cradle assessment rating for material health. Our circular collaboration played a key role in EcoBase® achieving its Cradle to Cradle Gold certification in 2015 and AirMaster EcoBase® Cradle to Cradle Gold certification in 2019. Importantly, EcoBase® can be 100% safely recycled within our own production process. In 2019, we used 19,450 tons of chalk from this waste stream for our carpet tiles, and we have used around 80,000 tons to date. We have continuously invested in expanding our EcoBase® production facility in order to boost its production and replace traditional bitumen-based carpet backing in all our carpet tile ranges.

Example

Circular airline carpet from upcycled stewardess uniforms

Through our long-term partnership with Dutch airline KLM, the airline sought our sustainability expertise back in 2013 to help advance its own commitment to sustainable aviation. We worked with renowned Dutch designer Hella Jongerius, who was creating a fresh look for interior of the company's aircraft, and textile recycler Texperium, to create the Wilton carpet incorporating upcycled stewardess uniforms. Today we continue to work with Texperium, the Open Innovation Centre for High-quality Textile Recycling, and with Frankenhuis a specialist in sustainable processing of textiles in Haaksbergen, The Netherlands to deliver this 'circular' woven carpet for KLM, which since its launch has been fitted within 110 aircraft of KLM's passenger fleet, in both economy and business class. Furthermore, Tarkett collects and reprocesses the end-of-lif0e carpet which in aviation must be replaced every 12-20 weeks due to intensive use. Since 2012, over 270 tons of carpet have been collected via Tarkett's ReStart® take-back and recycling program for co-processing.

Example

Using recycled post-use polyvinyl butyral (PVB) from safety glass in our floorings

Polyvinyl butyral (PVB) resin is a tough, clear, adhesive, and water-resistant plastic film. PVB is primarily used as a raw material for laminated safety glass in car windscreens, buildings and solar panels.

Tarkett has worked closely with two innovative companies to incorporate post-use recycled PVB instead of virgin material in its product formulation. These European companies both developed a treatment process to clean and recycle post-use PVB, transforming this once unrecyclable material into a high-quality secondary raw material that could be used by the automotive, construction and plastics industries. Working closely with one company, Tarkett's European teams conducted four years of tests to ensure a high quality, consistent product formulation that met our rigorous quality and environmental criteria, including very low VOC (Volatile Organic Compounds) levels. The result a circular economy post-use recycled material for our iD Revolution resilient modular tiles.

Example

Importantly, recycled PVB has a carbon footprint that is 25 times lower than virgin PVB, so it helps us to reduce our scope 3 greenhouse gas emissions. iD Revolution, a Cradle to Cradle certified™ Gold resilient modular flooring, achieves Cradle to Cradle® Platinum level for material health. More than 83% of the materials used to make iD Revolution are either recycled, mineral or bio-sourced, helping to conserve natural resources. This includes 24% recycled PVB, 11% bio-plastic (PLA) and 49% chalk, a mineral found abundantly in nature. In 2019 this product received various rewards including the FX Award for floor coverings organized by interior design FX Magazine in the UK and the Prize for the Environment in the category "Products" from the Federation of Luxembourgish Industrials (FEDIL - Fédération des Industriels Luxembourgeois). FEDIL noted that the prize winners met the criteria set in the Environment Prize regulation, namely ecology, innovation, practical realization and economic efficiency, showing that the concepts of circular economy, responsible use of resources and energy, and the reuse of recycled products are already a reality in companies.

In the US, through a similar long-lasting cooperation with another company, we incorporate recycled post-use PVB in our ethos® Modular with Omnicoat Technology™, a high-quality soft surface floor solution made from healthy, safe materials, including 33% post-consumer recycled PVB. In 2019 it received the Re|focus Sustainability Innovation Award in the Design category from the Plastics Industry Association and the Society of Plastic Engineers Sustainability Division. The awards are designed to recognize the companies that are pushing the boundaries of innovation, driving environmental advantages in product design, sustainable materials and end-of-life recovery. From 2004 to 2019, we reused around 29,000 tons of PVB films from 28.2 million windshields.

Zoom on key indicators

Recycled Materials

In 2019, we used more than 126,000 tons of recycled materials[1] as an alternative to virgin materials, which represents over 12% of our raw materials in purchased volumes. Our new objective set as part of our Change to Win strategy is to triple the 10% share we had in 2018 to 30% by 2030.

1 Recycled materials: Materials that would otherwise have been sent for waste disposal; internal post-manufacturing recycled volumes are included.

3.6.4.3 Collecting and recycling post-installation et post-consumer flooring waste

Developing capacity and solutions for recycling flooring waste

In addition to recycling post-manufacturing waste, we have developed our capacity to recycle post-installation flooring scrap and post-used flooring materials in our own manufacturing processes, which required developing on-site recycling units.

Tarkett has **eight recycling centers** on its production sites all over the world: Florence (US), Dalton (US), Ronneby (Sweden), Clervaux (Luxembourg), Waalwijk (the Netherlands), Narni (Italy), Otradny (Russia) and Jacareí (Brazil). For instance, the recycling center located in Luxembourg, on the Clervaux site, treats both post-manufacturing waste from other European sites, and flooring post-installation scraps. The backing produced using this recycled material is used at several vinyl flooring manufacturing sites in Europe and on the vinyl production line in Clervaux.

In the United States, the Tarkett "Dalton Environmental Center" operates on the same principle and its recycled products are used to manufacture "ER3" backings for carpets. Clervaux and Dalton recycling centers are moreover certified for their recycling process (EuCertPlast certification for Clervaux, SCS Recycling Facility certification for Dalton).

We continue to conduct research and to trial new recycling techniques with the quest to develop technically and economically feasible solutions for recycling flooring waste.

- For example we are operating in Sweden an in-house developed solution to recycle Tarkett homogeneous vinyl flooring produced from 2011 onwards, expanding the recycling options we offer to customers and making a further stride towards promoting circular solutions (for more details see Section 3.6.1.1 "Working collectively towards a circular economy").
- Also in Sweden, where wooden flooring makes up one third of the flooring market, we have successfully recycled 1,000 square meters of solid parquet to create a wooden flooring with a wear layer made entirely of recycled oak, the first of its kind. This is an exciting project which responds to growing customer demand and will allow us to increase the volume of recycled materials we use in our products, thus helping to conserve natural resources and create energy savings, compared to sourcing virgin oak. The pilot project concerned the removal and recycling of solid oak parquet flooring that had been installed in the 1970s in an industrial site operated by Les 3 Suisses near Lille (France). Firstly, we removed nails, metal or wood affected by moisture from the parquet. We then applied a special process to convert the remaining oak wood into a wear layer, adapted to our new design. Among the Tarkett customers who welcomed this new flooring was leading Swedish property development business AMF Fastigheter in Stockholm, where 500 m² were installed in one of their office blocks in 2019. Following this trial, we are now seeking more post-use wooden flooring to help us achieve the steady supply of secondary raw materials we need for the production of this new collection, called Fenix, named after the mythological bird symbolizing rebirth.

Example

Finding technical solutions to build a circular economy – recycling old end-of-life PVC[1] flooring

Tarkett is an active member and promoter of the EU project "Circular Flooring", aimed at developing environmentally friendly recycling of post-consumer PVC floor coverings. The project is managed by the Circular Flooring consortium consisting of eleven companies and research institutions from Austria, Belgium, France, Germany and Greece and led by the Fraunhofer Institute for Process Engineering and Packaging IVV in Freising (Germany). The project is focused on the recovery of a PVC compound from post-consumer PVC floor coverings and the separation of legacy plasticizers in order to create a recycled material for the manufacturing of new PVC floor coverings.

End-of-life flexible PVC floor coverings potentially contain 'legacy plasticizers' which may no longer be used today for reasons of consumer protection (EU REACH requirements) and which in the meantime have been replaced in the EU by safer alternatives. State-of-the-art recycling of such flooring with recovery of PVC in virgin-like quality therefore requires a technically sophisticated separation of these 'legacy plasticizers'. The new EU project Circular Flooring will meet this challenge with the innovative plastics recycling process CreaSolv®, which is patented by the Fraunhofer Institute for Process Engineering and Packaging IVV. The objective is to carefully recycle end-of-life PVC floor coverings by dissolving and removing respective substances in order to achieve a high-quality virgin-like PVC material that is processed into granules. These are ready for re-use in new floor covering products which are compliant with current EU legislation and meet consumer expectations regarding a circular economy. The aim of the EU project Circular Flooring is to elaborate on the technical and commercial feasibility of this recycling process for PVC floor coverings at an industrial scale. Life cycle analysis will be applied to compare the impact of different technologies.

1 *Polyvinyl chloride*

Collecting and recycling post-installation and post-consumer flooring: the ReStart® program

ReStart®, a flagship Tarkett program for flooring waste collection and recycling, meets a double goal:

- increasing the collection of post-installation and post-consumer Tarkett flooring (or in some cases from other flooring manufacturers), to obtain a growing volume of secondary raw materials and limit the need for virgin resources, thus developing a circular model with quality and economically viable products; and
- offer our customers a responsible, cost-effective, circular solution to contribute to safeguarding the world's natural resources, protecting the environment and avoiding incineration or landfilling.

Flooring taken-back via ReStart® is primarily meant to be reinjected into our manufacturing cycle, but we also evaluate other "open-loop" recycling opportunities when relevant.

At the end of 2019 the ReStart® program exists in several formats in different countries in Europe (Sweden, Norway, Finland, Denmark, France, United Kingdom, Belgium, Netherlands, Luxembourg, Germany, Italy, Spain and Poland), Brazil and North America:

In **Europe** we are mainly collecting vinyl installation off-cuts and post-use carpet tiles. We are now proposing the ReStart® take-back and recycling service for vinyl at no cost to our customers in an effort to encourage them to join and participate to the transition to a circular economy. For vinyl flooring, Tarkett provides big-bags and organizes the collection of post-installation or post-use (currently for post-consumer homogeneous flooring installed since 2011) materials which are sent to our recycling centers either at Clervaux (Luxembourg) or Ronneby (Sweden). In France we also use PVC Next network operated by Kalei for the recycling of other types of post-use vinyl flooring materials. They are sent to Germany to the AGPR (Association for the Recycling of PVC Floor-Coverings). We are developing local partnerships with logistical operators to carry out the waste collection and in some cases preliminary sorting. Once at our recycling centers the waste is sorted then assessed before processing and reintegration into our production process. For carpet flooring, Tarkett provides a support to facilitate the on-site collection, then the waste flooring is sent to our carpet recycling center in Waalwijk (the Netherlands) for recycling. We are also taking back linoleum for recycling at our Narni site (Italy) and following a successful trial looking to collect used solid wood parquet flooring for recycling in Sweden. In the UK, one of Tarkett's strategic customers, a family owned national construction company (Willmott Dixon), awarded Tarkett with its Sustainable Partner award, notably for Tarkett's ReStart® take-back and recycling service.

Example

Sensations in Strasbourg real estate program with on-site collection of flooring waste

Tarkett was retained to equip the floor and organize ReStart® collection and recycling of on-site installation off-cuts from the new Sensations apartments in Strasbourg (France). This real estate program, realized by Bouygues Immobilier, is part of the Ecocity "Strasbourg Métropole Deux Rives" addressing climate issues, proposing low-carbon housing programs and improving the quality of life of residents. The program achieved the highest level of certification from the Low Carbon Buildings Association (BBCA) which measures 4 pillars: construction, exploitation, carbon storage and circular economy. Tarkett's vinyl iD Inspiration® 55 range, with very low VOC and phthalate-free emissions, containing 32% recycled material, was selected by the contracting authority. Another critical factor was iD Inspiration®'s recyclability and the ReStart® take-back and recycling service. The installers gathered off-cuts in big-bags which were then collected and sorted by Veolia, Tarkett's ReStart® partner in France, before being processed and reintroduced into the production cycle at Tarkett's Clervaux plant in Luxembourg.

In **Brazil**, we launched ReStart® in 2019 following a pilot phase in 2018. Tarkett takes back post-installation material for vinyl composite tiles, luxury vinyl tiles, as well as homogeneous and heterogeneous resilient flooring from clients close to our site at Jacareí for recycling.

In **North America**, the program has existed since the end of the nineties for collection and recycling of carpet tiles and was expanded to vinyl flooring in 2010. ReStart® collection and recycling has been and still remains predominately post-use rather than post-installation. The challenge is to develop logistics solutions, notably finding the right logistical partners, to collect and recycle larger volumes of post-use products and the small quantities of post-installation flooring waste as well as re-introducing materials into existing products.

Zoom on key indicators

Flooring collection and recycling program ReStart®

From 2010 to 2019, Tarkett has collected more than 105,000 tons of flooring (post-installation and post-consumer flooring: vinyl, linoleum, carpet). In 2019 3,300 tons of installation scrap and used flooring were collected through the ReStart® program, on a par with 2018 (3,300 tons).

Encouraging progress was made in Europe with more countries proposing the take-back service to our clients at no extra cost to organize the collection of post-installation vinyl offcuts. Furthermore, with the new carpet recycling center in the Netherlands now operational, more post-use carpet flooring will be collected and recycled. In North America, the volumes of post-consumer carpet that are still low today are expected to increase in the coming years when our newer products designed for recycling will have reached the end of their useful life and become available for collection and recycling. See below for more explanations and details on the challenges of flooring collection and recycling.

Tarkett is committed to building a circular economy and understands the challenges and the obstacles that it needs to overcome to achieve the desired transformation. In 2019 we announced as part of our Change to Win strategy the need to "change the game" and this has energized our efforts on all fronts:

1. **Developing practical solutions and finding the right partners for collection and sorting in each market to facilitate take-back**. For example, Veolia in France, Kuijs transport in the Netherlands and Verhoek in Germany.
2. **Onboarding customers, with a simple, cost-effective ReStart® take-back and recycling service**. We are actively inviting our customers to join our ReStart® take-back program which help them manage their flooring waste while contributing to shifting to a circular economy model. As project owners are increasingly including site waste management in their calls for tender, ReStart® allows Tarkett's customers to sign up to a simple local take-back and recycling program for flooring. For example, Tarkett now proposes in Europe the ReStart® service for vinyl flooring at no extra cost.

In Germany Tarkett simplified its take-back service and developed communication materials to inform and promote the ReStart® service to its local customers (for more details see Section 3.6.1.1 "Working collectively towards a circular economy").

3. **Collaborating, sharing experiences and contributing to the push for a circular economy friendly framework**. Tarkett contributes and participates in various platforms to share experience, learn from others and promote a framework that facilitates the transition to a circular economy (for more details see below Tarkett feedback and Section 3.6.1.3 "Building a circular economy together").

Our commitment and our actions over the past several years have enabled us to understand and better grasp the challenges and opportunities for developing the circular economy on the ground.The volumes collected in 2019 are comparable with 2018. A number of factors can explain this situation:

- First of all, the principle decrease in volume concerns North America, where collected volumes of post-use flooring have declined over the past few years. The main reasons being commercial (end of key client contracts), technical (difficulties for separating the different layers to be recycled, materials traceability and compatibility with the composition of new eco-designed products) as well as structural (reverse logistics, regulations lacking incentives, lack of client demand). The ethos® Modular carpet, which has been commercialized since a few years, can be recycled post-use and used in our current production. However, there is a certain time lag between marketing, installation and replacement by our customers, which further limits the potential volume of products to be recycled.
- In Eastern European we are mainly supplying the residential market, meaning less opportunity for scaled post-installation collection. Furthermore, in these markets compared to western Europe, there is very limited stimulus for recycling by local authorities.
- In Europe, until the development of our carpet recycling center in the Netherlands, we have had limited capacity to disassemble and recycle post-installation and post-use carpet tiles.
- Finally, Tarkett is also faced with difficulties developing the collection and recycling of used artificial turf. In most markets there are no tried and tested solutions for recycling the old product and generating a useful secondary raw material. For example, in North America the cheapest solution remains landfill, making it hard to onboard cost-conscious local public authorities when proposing more costly alternative solutions to recover and recycle used artificial turf.

Example

Carpet replacement and recycling for Bank of America in the United States

Bank of America has participated in Tarkett's ReStart® collection and recycling program since 2001 and to date (end of 2019) Tarkett has recycled as part of this program 590 tons of flooring. Flooring returned is recycled in a closed-loop process and used as secondary raw material for new ER3 floor coverings. Utilizing recycled carpet as a major component in new flooring such as ethos® Modular carpet tiles (with between 48 and 64% total post-manufacturing and post-use recycled content) greatly reduces the environmental impacts and the greenhouse gas emissions associated with raw material extraction, processing and transportation. As a result, the embodied energy of Tarkett modular flooring is 35% to 45% lower than industry average products made from virgin material (based on BEES database LCIA industry average data).

Exemple

Circular economy solution for artificial turf pitches in Rotterdam, the Netherlands

Tarkett's FieldTurf won a call for tender from Rotterdam city public authority which was looking to find a circular economy solution to renewing its artificial pitches. Rotterdam has set an ambitious target to reach a circular economy for all its waste by 2050. The old artificial grass of the 3 fields was rolled up and processed in order to separate the different plastics. The waste fiber was then sent to our Absteinach MET site in Germany to produce ProMax Hydroflex infill which was then shipped to Rotterdam to be used in the new pitches. ProMax HydroFlex infill incorporates up to 30% of polyethylene from recycled artificial grass fibers from end-of-life pitches.

In summary, Tarkett is taking action to identify, develop and implement solutions in response to these current challenges and to progress on its transition to a circular economy.

Challenges	Potential solutions / Tarkett initiatives
1. **Old post-use flooring not compatible as a secondary raw material for new generation flooring products**	> Looking for other uses for recycled flooring and sports surface materials > Developing technologies and industrial processes to make vinyl flooring and carpets easier to recycle after use > The majority of Tarkett's current generation of product are better designed and more adapted to recycling > Tarkett's New Product Development Process includes steps to check to ensure design for recycling of future products
2. **Technical and capacity difficulties to recycle old product**	> Tarkett's carpet recycling center in the Netherlands is now operational > Trials with homogeneous vinyl flooring recycling in Sweden > Trials with solid wood parquet recycling in Sweden > Supporting the European project CIRCULAR FLOORING to scale up old PVC flooring recycling
3. **Lack of structure and incentives to promote recycling and barriers related to the use of secondary raw materials**	> Tarkett engaging in dialogue to share experiences and challenges with public authorities to promote a more favorable framework > Tarkett encouraging customers to join its ReStart® take-back and recycling program

Eco-designing the flooring installation system for easy removal and effective recycling

Tarkett endeavors to integrate easy removal right from the design stage, ultimately allowing more efficient collection, sorting and recycling. Beyond the flooring product itself, the challenge is to design flooring systems including products, installation and removal methods, which facilitate the collection of flooring at end of use while allowing the separation of different layers and materials.

For example, the modular vinyl ranges in freestanding installation and with clip-on system do not require any adhesives, enabling the flooring to be very easily removed.

Introduced in 2018, our Cementi Click category of premium mineral tiles and planks produced from 95% clay, also uses the click system for easy installation and removal. In North America, Tarkett has the modular range of flooring, ProGen™, which is waterproof, and resistant to shocks, traffic and heavy use, while being easy to install and remove thanks to a fast lock mechanism. Quick-Fix carpet tiles (produced in partnership with Velcro®) and the Tape+ / Tape products offer solutions so that carpets can be installed, re-installed, and recycled easily, without damaging the flooring surface. Our modular resilient flooring iD Revolution can also be installed with a tackifier, enabling quick installation and removal.

Tarkett feedback: the challenges of collection and reuse of flooring

Following several years of experience with the ReStart® take-back and recycling program and circular economy initiatives, Tarkett has identified several key challenges and recommendations in terms of collection and recycling of flooring

Developing an enticing, economically viable ecosystem for the different stakeholders:

- Urge the prime contractors or architects / designers to demand and prescribe floorings made from recycled and recyclable products, and compliant with established standards and labels;
- Encourage the installers or the construction managers to sort and carry away their waste rather than paying for it to be sent to landfill or incineration;
- Facilitate for the intermediaries the collection and sorting of waste to optimize the quality of volumes collected and ensure its traceability;
- Commit the flooring manufacturers to eco-design and use recycled materials on the one hand, and to train their sales teams and customers in collection and recycling on the other hand;
- Implement regulations and a taxation system favoring circular economy (at national and territorial levels): penalize landfilling and incineration, promote recycled, recyclable and/or reusable products in public tenders;
- Strengthen consistency between public policies related to circular economy, in particular regulations on waste management and chemicals (such as REACH), with product regulations;
- Develop research programs and inter-industry dialogue to transform waste from one industry into quality resources for another industry.

Implementing reverse logistics with a dense network of collection points, near building or renovation sites, to facilitate the process for customers sorting and returning their installation off-cuts and post-use flooring materials;

Ensuring product traceability, as well as that of collected and recycled materials. In view of recycling, it is essential to know exactly the composition of products that have been collected, in order to use good and healthy recycled materials. It is also with this in mind that Tarkett has developed MHS (see section 3.6.2.2 Assessing materials and their impact on health and the environment) and advocates for the introduction of **"material and product passports"**. Our approach on the circular economy is to be as open and transparent as possible on the quality of the materials that we use in our products. By transparency, we mean the disclosure and communication of the chemical content of materials by suppliers and component manufacturers along the supply chain, including to consumers and waste management actors. Our experience shows that material and product passports like the MHS can help turn the circular economy into a reality. Tarkett advocated for such transparency tools at the 2019 Circular Economy Stakeholder Conference in Brussels (Belgium) and at the G7 Alliance for resource efficiency workshop in Paris ("Tools making value chains more circular and resource efficient"). This information – about the product, its chemical composition, and the health and environmental risks associated with it – need to be available throughout the entire lifecycle of the product, particularly for construction products, which can last for decades.

3.6.5 Our preservation of water and energy resources

3.6.5.1 Reducing water consumption

Aware of the critical importance of preserving this vital resource, Tarkett has been managing water responsibly on its production sites for many years as part of its environmental strategy. Our 2020 water consumption goal is ambitious: all our industrial sites should not use water in their industrial process or should be equipped with a closed loop water system, in other words reusing a minimum of 98% of the water used.

In 2019, we kept working on improving water management at our production sites, for example:

- The Dalton (US) carpet site further reduced its water consumption as it continued to eliminate the jet dying processes, completing the work in August 2019. This brought significant savings in water consumption (96% reduction vs same month in previous year) as well as energy consumption (for more details see Section 3.6.5.2 "Improving energy efficiency").
- At our Calhoun (US) carpet site, a new chiller system was installed bringing a 40% reduction in consumption compared to the previous year.
- At Dendermonde (Belgium) due to the size and the complexity of the water systems it appears difficult to attain a closed loop water system, so our local teams are concentrating on improving water efficiency. Furthermore, measurements confirm that the on-site treated water leaves the plant cleaner than the water we discharge in.

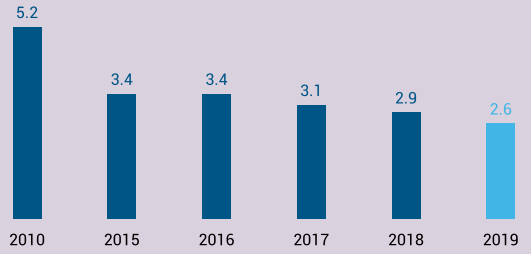
Zoom on key indicators

Water consumption

In 2019 we have made significant progress on water savings. Total water consumption is down 15% in 2019 vs 2018[1] (0.73 million m^3 in 2019, against 0.86 million m^3 in 2018[1]) with water intensity measured as water consumption per m^2 of manufactured product also reduced by 10.5% (2,6 l/m^2 in 2019, compared to 2.9 l/m^2 in 2018[1]).

The proportion of sites using closed loop water systems or not consuming any water in their manufacturing process decreased slightly in 2019 to 66% (compared in 68% in 2018), however overall, the share has increased from 57% in 2015 contributing to improved water intensity and to water savings.

Water intensity (l/m^2)[1]



Some of our flooring and sports surface solutions moreover contribute to reduce water and chemicals consumption **during the use phase of our products**.

For example, our iQ vinyl flooring range benefits from a unique surface restoration technology with dry buffing cleaning, where small scratches and surface wear traces are removed without using any chemicals or water, thus contributing to an improved indoor air quality and significant savings.

The use of our artificial turfs instead of natural grass for sports grounds also helps reducing water consumption by removing the need for watering, thus saving up to 4,000 m^3 water per year and per field, in addition to eliminating the use of fertilizers.

3.6.5.2 Improving energy efficiency

Constantly improving energy efficiency is a key part of the WCM program, with monthly reporting, best practice sharing, audits and with the support of the central WCM team helping plants to identify new opportunities for optimization. Since 2011, the ISO 50001 standard recognizes companies' commitment to better energy management. In 2019, all Tarkett European sites that employ more than 250 people are ISO 50001 certified. Tarkett's Florence East (US) plant achieved ISO 50001 certification in 2019, the first plant to be certified in North America. Independent from certification systems, some of our production sites already engage in practices that meet standards similar to ISO standards. This provides us with our own feedback and enables us to identify best practices to implement.

In 2019, as part of the WCM program, our production sites continued to optimize their manufacturing processes and improving their energy efficiency, in order to reduce their energy consumption per square meter of manufactured product, for example:

- Our Sedan vinyl site (France) identified and implemented a heat recovery system by installing new heat exchangers to recover and reuse calories (heat) from exhaust gases. The recovered energy is reused both in the industrial process (ink drying) and for employee comfort (building heating). This brought savings of natural gas consumption of 3,4%, saving money and reducing associated greenhouse gases by approximately 140 tCO_2 per year.
- Our sites at Bačka Palanka (Serbia), Mytishchi and Otradny (Russia) installed LED lightning. For example, Mytishchi also uses radio-frequency identification (RFID) to turn off lights where not necessary. The new LED lighting will save, for example, at Otradny 534 MWh electricity per year, avoiding the equivalent of 147 tCO2e of greenhouse gas emissions.
- Mytishchi (Russia) also made further energy savings by improving the dust aspiration system – the biggest source of consumption at the site. This was achieved by installing a frequency converter to turn off the system during down periods.
- At our Otradny site (Russia), an energy workshop was organized by WCM to identify energy losses with some of the best experts in the group from Clervaux (Luxembourg), Narni (Italy) and Bačka Palanka (Serbia). The workshop applied a WCM methodology, successfully identifying and documenting solutions for heat recovery.

Example

More efficient dying processes for carpet manufacturing in US

At our Dalton carpet site (US) the elimination of the jet dying processes brought significant energy, water and cost savings. An in-depth review of the existing dying process and an evaluation of alternative solutions found the jet dying process to be overly energy, water and labor intensive as well as generating significant volumes of wastewater. New more efficient coloring processes are now used, either directly at our Calhoun extrusion site or in some cases for some smaller volumes at outsourced companies.

1 *Restated – see methodological note for details*

Zoom on key indicators

Energy efficiency

Energy consumption per m² of manufactured product remained relatively constant in 2019 at 4,09 kWh per m² compared to 2018[1] (4,05 kWh per m²) as overall energy savings were offset by the growing customer demand for more modular products which require more energy to produce compared to rolls products. Furthermore, when production volumes decrease in a plant, energy consumption generally does not decrease at the same rate (due to structural consumption), thus deteriorating energy intensity. Despite these factors, Tarkett's World Class Manufacturing Program continues to search for and implement solutions to achieve energy savings. In 2019 12 plants saw their energy intensity improve, such as the vinyl production at Sedan in France (-12%) and at Bačka Palanka in Serbia (-13%) or the rubber tile production at Middlefield in the US (-10%).

Some of our flooring solutions moreover contribute to reduce energy consumption during the use phase of our products. For example, the Tapiflex, Acczent Excellence Premium and iQ collections, and the Linoleum xf xf² collections, contribute to reducing energy consumption during the use phase of our products thanks to surface treatments which limit scratches and the appearance of wear, thus delaying deep cleaning operations which are very energy demanding.

3.6.5.3 Developing renewable energy

Developing the use of renewable energy sources on our sites represents one solution to combat climate change. In this area, different initiatives have been implemented which continue to produce and use renewable energy:

- Wood waste from our production is used as biomass for energy production at seven of our plants: Hanaskog and Ronneby (Sweden); Narni (Italy); Orzechowo (Poland); Kalush (Ukraine); Bačka Palanka (Serbia) and Mytishchi (Russia). The same energy consumption using natural gas would emit 15,7 $ktCO_2e$ more scope 1 GHG emissions equivalent to 6,5% of total 2019 scope 1 & 2 GHG emissions.
- Solar energy is used at our carpet sites in Dendermonde (Belgium) and in Waalwijk (The Netherlands), as well as at the linoleum site in Narni (Italy) which also uses geothermal energy.

In addition to on-site actions, Tarkett also encourages the use of green energy sources produced by third parties, such as hydraulic, wind or solar power, or for example, by purchasing certified renewable electricity.

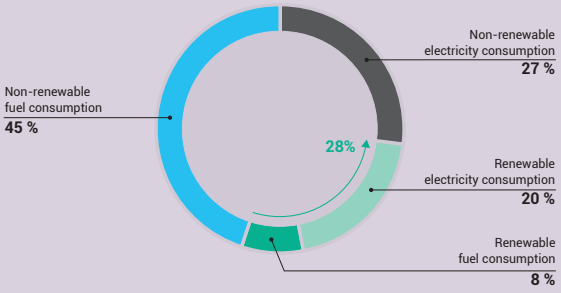
In 2019, our site at Clervaux (Luxembourg) began sourcing 100% renewable electricity, bringing the total to 8 plants that source 100% renewable electricity. The other plants are Chagrin Falls and Middlefield (United States), Narni (Italy), Dendermonde (Belgium), Waalwijk (The Netherlands) and Jacareí (Brazil). Collectively this prevents some 30,8 $ktCO_2e$ per year of greenhouse gas emissions (base 2019 for these plants), the equivalent of 12,7% of total 2019 scope 1 & 2 GHG emissions. Our Serbian site at Bačka Palanka also signed an agreement to source 100% renewable electricity from 2020.

Zoom on key indicators

Renewable energies

Thanks mainly to a new renewable electricity contract at Clervaux (Luxembourg), the share of renewable electricity has increased in 2019 to 42% from 34% in 2018[1] of the Group's total electricity consumption. The share of other renewable energies, such as biomass, in Tarkett's energy mix is now lower following the closure of the laminate plant at Eiweiler (Germany), bringing the overall share of renewable energies to 28% in 2019. Overall, the use of biomass and the purchase of renewable electricity avoids the equivalent of some 46,5 $ktCO_2e$ of GHG emissions, which corresponds to more than 19% of Tarkett's 2019 total scope 1 & 2 GHG emissions.

2019 energy consumption breakdown (%)



1 *Restated – see methodological note for details*

3.6.6 Our commitment to tackling climate change

Industrial activity is only one of the main contributors to greenhouse gas (GHG) emissions. To achieve the objectives of reducing these emissions, defined at the national and international levels, industrial companies must go beyond the scope of their direct responsibility, and act on the entire life cycle of their products. This involves not only reducing energy requirements (production, transport, etc.) and increasing the use of renewable energy, but also eco-design, the use of recycled raw materials and the implementation of waste recycling in a circular economy approach. The importance of a circular economy and the more effective use of resources in contributing to efforts to limit greenhouse gas emissions and thus tackling climate change has gained large recognition by a number of institutions such as the UN, the World Economic Forum and the Ellen Macarthur Foundation.

Tarkett is committed to addressing the climate emergency, notably:

- by reducing scope 1 and scope 2 greenhouse gas emissions through its WCM program on production sites and
- by limiting scope 3 greenhouse gas emissions through its initiatives in favor of a circular economy, especially the sourcing and use of secondary raw materials instead of virgin material and the development of collection and recycling of end-of-use flooring.

It is also a responsibility for our governments to accelerate the development of ambitious and incentive-based regulations to achieve the transition to a circular economy by all economic actors, not only by manufacturers, consumers, but also public authorities through the promotion of public procurement incorporating circular economy criteria.

3.6.6.1 Reducing greenhouse gas emissions (scope 1 & 2) at our production sites

As detailed in sections 3.6.5.2 Improving energy efficiency and 3.6.5.3 Developing renewable energy, our approach to continually reduce our Scope 1 and 2 greenhouse gas (GHG) emissions from fuel and electricity consumption at our production sites is based on the following hierarchy:

- Improve energy efficiency through changes and optimization of our manufacturing processes;
- Develop on-site renewable energy production (e.g. biomass, geothermal, solar);
- Purchase 100% renewable electricity.

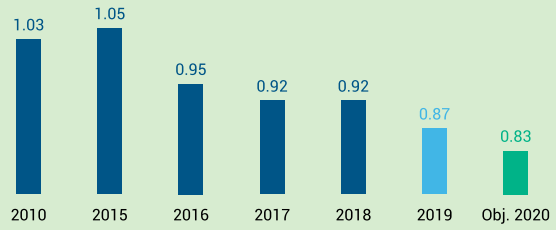
Zoom on key indicators

Climate change

Our Scope 1 and 2 GHG emissions from fuel and electricity consumption at our production sites amounts to 242,677 tons CO_2e in 2019, a 10,3% decrease over 2018[1] in absolute value, mainly due to the increased purchase of renewable electricity. Compared to 2010[1], Tarkett records a decrease in absolute GHG emissions of 23,7% which corresponds to a reduction of more than 75k tons CO_2e.

Tarkett announced in June a new long-term GHG emissions reduction goal as part of our Change to Win strategy. The aim is to reduce Scope 1 and 2 GHG emissions intensity by 30% in 2030 compared to 2020 (per square meter of manufactured product, $kgCO_2e/m^2$). This follows on from Tarkett's current objective for 2020 (-20% compared to 2010). In 2019, Scope 1 and 2 GHG emissions intensity reached 0.87 $kgCO_2e/m^2$, a 15,3% reduction over 2010.

Intensity of GHG emissions ($kgCO_2eq/m^2$)[1]



3.6.6.2 Limiting greenhouse gas emissions through the value chain (scope 3)

A Scope 3 greenhouse gas (GHG) emissions assessment was undertaken in 2018 in order to obtain a better understanding of our impact on climate change across the entire life cycle of our products and our activities. Based on the methodology of the "GHG Protocol - Corporate Value Chain (Scope 3) Accounting and Reporting Standard", we estimated Scope 3 GHG emissions for the following categories:

- Upstream: purchased goods and services, waste generated in operations, and business travel;
- Downstream: transportation and distribution, processing (i.e. installation) of sold products, use of sold products, and end-of-life treatment of sold products.

1 *Restated – see methodological note for details*

Other categories such as employee commuting, leased assets, franchises or investments were excluded from the assessment, as they were determined to be either not relevant to Tarkett's activities or not material based on a preliminary analysis. Using actual and estimated Tarkett's activity data for 2015, and conversion factors from various sources (e.g.: generic datasets such as GHG Protocol, Ecoinvent, European Life Cycle database; or supplier specific data), Scope 3 GHG emissions were calculated for each category.

This work enabled Tarkett to identify (see table below) the main sources of Scope 3 GHG emissions along the value chain (emissions originating from the production of raw materials, the end-of-life disposal and the transportation of products as well as potential emissions associated to floor cleaning).

In 2019, we undertook work to better evaluate the contribution of our circular economy commitment to Scope 3 emissions reductions arising from the use of secondary raw materials instead of virgin raw materials. Using data from Tarkett LCAs via SimaPro Software and our GHG emissions reporting we estimate that the use of approximately 100 000 tons of recycled material avoids approximately 200 000 tons CO_2e emissions compared to the use of virgin primary raw materials. This is about the annual GHG emissions of a European town with 16 000 inhabitants. The scale of these GHG emissions savings further underlines the importance of increasing our efforts on our circular economy initiatives :

- Product eco-design to ensure recycled content and recyclability;
- Collection and recycling of post-installation and post-consumer flooring.

Overview of estimated scope 3 emissions[1] :

Scope 3 Category	Emissions (tCO_2eq/ year)	Share of Scope 3 Emissions (%)	Comments / Actions	CSR Report section
Raw materials purchases	1,200,000	20%	Upstream, Tarkett can have an impact on GHG emissions resulting from raw materials by increasing recycled content in our products, as recycled materials contribute less to GHG emissions compared to extraction and transformation of virgin materials.	3.7.2 3.7.4.2
End-of-use of sold products	1,000,000	17%	Tarkett contributes to reducing GHG emissions resulting from the end of use of its products through: - design to ensure recyclability of flooring products; - flooring take-back and recycling ReStart® program; - recycling of post-installation and post-consumer flooring (in our manufacturing process or by other industries).	3.7.4.3
Transport and distribution of products	300,000	5%	- Favor local presence. - Use rail transportation (e.g.: Otradny in Russia).	-
Cleaning of products sold (use phase)	2,900,000*	49 %	- The potential volume of GHG emissions arising from the cleaning of our flooring products during their life is all the more important as the use phase can be very long (estimated over 10 years). Nevertheless, we believe that Tarkett's influence on this stage remains very limited because floor cleaning is necessary regardless of the type of flooring. However, some of our products contribute to reduce water and energy consumption during the use phase through surface treatments (see sections: 3.6.5.1 "Reducing water consumption" and 3.6.5.2 "Improving energy efficiency")	3.7.5

* Estimated potential GHG emissions during the use phase include emissions related to the hypothetical use of water, detergent and electricity for cleaning, considering a 10 years lifetime of the flooring. However, many uncertainties underly this assessment (variability of conversion factors, assumptions on flooring lifetime, lack of conventional cleaning procedures, etc.) which can lead to very different results. Furthermore, Tarkett has no control and limited influence on the type of equipment and cleaning protocol used by the various end users, so we do not consider this category of emissions as the most critical compared to other sources of emissions on which Tarkett has greater leverage.

1 *Based on 2015 activity data*

3.7 Driving collaboration in value chain and in communities

Our policies and actions, along with their objectives and results / key performance indicators, aiming to manage risks and respond to opportunities related to our suppliers and our activities within local communities (as identified in section 3.3 CSR risks and opportunities) are summarized in the table below and detailed in the sub-sections of this chapter.

Opportunities & Risks	Policies / Actions	Key Performance Indicators	2019	2018	2017	CSR Report section
Supplier dependency (risk where supplier choice is limited for certain raw materials) **Societal 'Duty of Care'** (suppliers not compliant with our CSR standards; expectations and requirements from civil society and local communities)	> Responsible sourcing program > Suppliers involved in materials selection, materials assessment and C2C approach > Diversification of supplier's portfolio and use of local suppliers	Percentage of raw materials purchased from suppliers committing to United Nations Global Compact	69 %	76 %	74 %	3.8.1
		Percentage of targeted suppliers adhering to Supplier Code of conduct or equivalent	81 %	-	-	3.8.1
	> Tarkett Academy > Tarkett Cares > Support to worldwide development projects	Total value of contributions to Tarkett Cares community initiatives (financial, product and employee hours donations)	710 k€	808 k€	508 k€	3.8.2.

3.7.1 Our responsible sourcing program and supplier engagement

3.7.1.1 Promoting good and positive practices along the supply chain

The commitment of Tarkett to shifting to a circular economy model, founded on the Cradle to Cradle® principles, necessarily depends on the engagement and cooperation of the different stakeholders throughout the entire value chain. To this end, we engage with suppliers with whom we can develop genuine partnerships and we also seek to develop long-term sales relationships with companies that share our ethical values. In particular:

> We developed and launched in 2018 a responsible sourcing program in order to ensure and promote good and positive practices along the supply chain, focusing on three main pillars:
  - Sourcing healthy and sustainable materials;
  - Ensuring suppliers conduct their business ethically, with respect for human rights and fair treatment of a safe and healthy workforce;
  - Ensuring suppliers manage their operations with environmental responsibility.

> Since 2011 we have committed our main suppliers to respecting the principles of the United Nations Global Compact (UNGC), which cover the themes of human rights, working conditions, the fight against corruption and respect for the environment.

> We have established partnerships with wood suppliers that are either FSC® (Forest Stewardship Council®) and/or PEFC (Programme for the Endorsement of Forest Certification) certified, which enhances the sustainable management of forests and respect for human rights throughout the value chain. Since the late 1990s in EMEA we have annually maintained our Chain of Custody certification that today covers 12 production sites and sales subsidiaries; more than 60% of our wood is FSC® (FSC® C008972) or PEFC (PEFC/05-35-125) certified. In Eastern Europe division, 4% of the purchased wood is covered by FSC® certification. Finally, in North America, on the maple wood ClutchCourt range, used for production of basketball courts, we offer an FSC® certified product.

> Our linoleum manufacturing plant in Narni (Italy) obtained the social responsibility SA 8000 certification in 2016 which was renewed for a second time in 2019.

Zoom on key indicators

Responsible suppliers

Following the launch of our Supplier Code of conduct in 2019, 81% of targeted suppliers (in number, focused on suppliers based on product categories of highest risk and based on Tarkett spend) have adhered to our Code of conduct or equivalent. The code of conduct refers, among other things, to the 10 principles of the United Nations Global Compact.

While we began rolling out our new responsible sourcing program, we continued to track those suppliers committed to respect the principles of the UN Global Compact within the scope of our contractual terms and conditions. In 2019 we purchased 69% of our raw materials from suppliers that respect the UNGC principles (compared to 76% in 2018 and 74% in 2017). This slight drop is explained by our new focus on the deployment of Tarkett's responsible sourcing program and the launch of the associated Supplier Code of conduct (which is in line with the Global Compact).

We continued the development and deployment, in 2019, of our **responsible sourcing program**, which includes the following components:

- **A procurement CSR risk mapping covering the majority of our suppliers** (purchasing spend equivalent to 87% of our total purchase value) was performed in 2018 in partnership with a company specialized in sustainability ratings and supply chain intelligence. This allowed us to identify the main environmental, social and ethical risks along our supply chain, based on procurement categories, countries of operation, flexibility of our supplier panel and on our purchase volume, etc. This risk mapping sets the new starting point for our responsible sourcing program, which aims to limit the CSR risks in the supply chain and to encourage and accompany suppliers in adopting more responsible practices.
- **The Code of Conduct for Tarkett Suppliers** provides a clear and common set of requirements relating to the three pillars of the Tarkett Responsible Sourcing Program and aims to promote continuous improvement. It is consistent with the UNGC principles and International Labor Standards as defined by the International Labor Organization (ILO) and includes social responsibility expectations on modern slavery, child labor, freedom of association, discrimination, health and safety, working conditions, business ethics, and environmental compliance. The Code of Conduct has been published on Tarkett's internet site and translated to 11 languages. We are progressively requesting our suppliers to sign our Code of Conduct or to demonstrate adherence to equivalent standards. As part of this process, we selected 385 suppliers based on product categories of highest risk and based on Tarkett spend. At the end of 2019, 81% of these suppliers have signed the Code of Conduct for Tarkett Suppliers.
- **Supplier evaluation and control** through detailed supplier assessment and where appropriate supplier audits. Based on the findings of procurement CSR risk mapping, we initiated in 2019 a more detailed assessment of 176 suppliers considered to present the most risk in terms of social responsibility. The aim of the supplier social responsibility assessment is to measure the level of management in four areas: environment, labor and human rights, ethics and sustainable procurement. Suppliers are scored out of 100, based on their responses to a questionnaire and based on the supporting documentation they provide. Suppliers who have already completed the questionnaire for other clients will only need to approve sharing with Tarkett. Depending on the supplier assessment result, the supplier will be considered as either compliant, requiring improvement or non-compliant. Tarkett considers that compliance with any standard referred to in its Code of Conduct may require a process of gap analysis, corrective action planning, training for management and workers, capacity building and other measures. For this reason non-compliant suppliers will be given one year to demonstrate they have made sufficient progress before Tarkett decides to discontinue sourcing. These suppliers, along with suppliers requiring improvement will be re-assessed to measure progress. Suppliers considered compliant will be re-assessed every 3 years. At the end of 2019, 43 out of the 176 suppliers had been assessed, with the aim of completing all assessments by the end of 2020.
- **Alert mechanisms** are in place via our Compliance Hotline and our Ethics Hotline (see Section 3.2.4.1 "Ensuring business ethics and integrity").

Example

Methodology and results of our procurement CSR risk mapping

Tarkett appointed a company specialized in sustainability ratings and supply chain intelligence to perform a procurement CSR risk mapping covering most of Tarkett's suppliers worldwide. The results of this mapping have been shared and analyzed internally.

Their methodology covers 21 criteria across four themes: environment, fair labor & human rights, ethics (including corruption), and sustainable procurement. It is built on international CSR standards including the Global Reporting Initiative, the UNGC, and the ISO 26000, and uses a comprehensive database covering over 50,000 companies, 190 spend categories and 150 countries.

3.7.1.2 Involving suppliers in our eco-design approach

We involve our suppliers in the development and assessment of new materials, in line with the Cradle to Cradle® (C2C) principles or when we need data for the lifecycle analysis of our products.

In 2019, for example, we continued our collaboration with suppliers on the material assessment at portfolio level on inks, pigments, varnishes, yarns and latex.

From flooring product design to installation and maintenance, Tarkett does not limit its research to its products. Using a holistic approach, we also are interested in the entire system, in other words the impact of our products on health and the environment during the installation, use and maintenance phase. Within the scope of our C2C commitment, we strive to develop partnerships with other industrial firms engaged in the same approach so as to be able to recommend complete C2C product solutions, installation and maintenance.

In North America, for example, Tarkett has worked closely with supply chain actors to ensure that the adhesives we provide are assessed and have a C2C material health certificate.

3.7.2 Our involvement in supporting local communities

3.7.2.1 Contributing to local economy

The nature of Tarkett activities, its development through acquisition of local companies and the Group's decentralized structure contribute to the development of local economic activity. Tarkett sells its products in over 100 countries and has a worldwide presence through its 33 industrial sites, its commercial networks and local branches, as well as its research and design centers. Products are manufactured in 17 countries (France, Italy, Luxemburg, United Kingdom, Poland, Belgium, Sweden, the Netherlands, Germany, Russia, Serbia, Ukraine, US, Canada, Brazil, China and Australia), located in the heart of commercialization areas to serve our highly fragmented and diverse customer base.

Tarkett develops relationships with local stakeholders including installers, sub-contractors, and distributors, while respecting local cultures: in its way, Tarkett is Russian in Russia, American in the United States and Chinese in China. While benefiting from a global presence, the Group has always striven to anchor its activities locally, favoring the quality and long-term nature of its customer relationships, in order to offer a local service. We adapt our products as well as their technical characteristics, in particular their designs (colors, patterns, formats, materials) to the tastes and local habits of our customers and to local regulations. In addition to our production sites, we have a solid distribution network to guarantee fast, efficient delivery and sufficient volumes to our local customers. From local manufacturing sites in China and in Brazil, to customer service and distribution centers in Russia, as well as a strong presence in North America and Europe, the Tarkett network is the right choice for many flooring installation projects in the world, both for local customers and for key international accounts.

3.7.2.2 Sharing expertise: the Tarkett Academy

The Tarkett Academy trains professionals and future flooring installers in techniques for installing and laying floor coverings. The training programs are delivered at 12 Tarkett Academy centers in 8 countries: Australia, Brazil, China, France, Poland, Sweden, Russia and Serbia. The training is designed for both young professionals and experienced installers. Sessions last a few hours to a week and mainly focus on flooring installation and maintenance.

In North America, Tarkett experts directly train architects and designers, via their trade organizations, allowing them to earn a certain number of continuous education credits. In France, Tarkett Academy, created as early as 1993 in the Sedan factory, trains professionals or future professionals in vinyl, linoleum, wood and carpet flooring installation techniques. The training is validated by a degree (CAP flooring-carpet installer) recognized by the Ministry of National Education or a professional degree (flooring-carpet installer) recognized by the Ministry of Employment or an attestation of competence.

Zoom on key indicators

Tarkett iAcademy

From 2012 to 2019, Tarkett trained over 31,000 professionals and students in the flooring profession and in installation techniques at Tarkett Academy centers all over the world, including 8,229 people in 2019.

3.7.2.3 Engaging with and helping local communities : Tarkett Cares

Launched in 2016, the Tarkett Cares program formalized the Group's and employees' engagement with local communities in many countries. One of the main goals of this program is to help improve people's lives in communities in which we are based, and more generally to help meet local needs. Tarkett Cares is a flexible program that provides this support in different ways, corresponding to our corporate values and our sustainable development approach:

- Volunteer work: Tarkett encourages each employee to spend up to two days a year of his or her work time on a charitable initiative and to share his time and expertise on a volunteer basis. This can be done individually or as part of a team;
- Donations: Tarkett entities can also support local initiatives through making financial, material or product donations and involving employees in these projects.

There are many, diverse local initiatives: helping to build or enhance living areas, improving the quality of life and health of local populations, sharing expertise and developing talents, encouraging entrepreneurship or protecting the environment. For Tarkett teams, these voluntary initiatives offer invaluable opportunities to share common values, in particular generosity, solidarity, and team spirit.

Zoom on key indicators

Tarkett Cares

Tarkett Cares in 2019 :

- 2 days of volunteer activity for charity initiatives possible for all employees.
- Over 180 initiatives worldwide, an increase of 8% compared to 2018.
- More than 1,400 employees, corresponding to 11% of Tarkett staff, participated in 2019 an increase of 9% compared to 2018
- 921 work days, the equivalent of 6,447 hours of work.
- 19,800 m² of flooring donated.
- A total value of more than €700k (values of financial and product donations and employee hours donated).

In 2019, Tarkett Cares supported many communities through different initiatives, a few examples of which are provided below:

- In Italy, over 30 employees from our Narni plant volunteered on World Clean Up Day helping to clear up the city park in Narni Scalo.
- In Luxembourg, employees from our site at Clervaux organized a toy collection for an emergency center for children.
- In the Netherlands, Tarkett supports a non-profit organization called Jinc, which helps young people into the labor market despite tougher starting conditions, such as poverty and limited educational background. In 2019 Tarkett Netherlands' HR team provided training to 32 young people on job interviews techniques.
- In Turkey on World Clean Up Day, 10 volunteers including family members from our local offices supported the "Let's Do It, Türkiye" organization, dedicating time clearing waste in one of the historical neighborhoods of Istanbul – Balat.
- In Serbia, a volunteer team from Tarkett installed floor donated to the Kolibri Kindergarten school (140 children) in Macvanski Prnjavor in partnership with the Novak Djokovic Foundation and 25 employees from Bačka Palanka volunteered for an ecological project cleaning up green areas, planting flowers and collecting plastic waste.
- In India, 11 employees from our local teams installed luxury vinyl tile (LVT) flooring donated by Tarkett in the consultation room at the Narayan Seva Sansthan Hospital in Udaipur in northwestern India. The hospital is run by an NGO and provides free care to underprivileged people irrespective of caste, creed or religion.

- In Brazil, 18 volunteers from Tarkett's teams gave their time to help out at the São José hospital for Children with Cancer (Grupo de Assistência à Criança com Câncer). The hospital is only funded by donations, so the team were pleased to have been able to contribute.
- In Calhoun, US, 16 FieldTurf employees participated in the Susan G. Komen Race, organized by Susan G. Komer, a non-profit organization dedicated to saving lives and ending breast cancer.
- In Orlando, US, Tarkett's North American sales and marketing teams donated their time during their annual sales meeting to 3 local NGOs. In total 300 employees assisted with 3 community programs: Sleep in Heavenly Peace: where employees built bunk beds for children in need, A Gift for Teaching: where employees assembled school supply bags for children who cannot afford to purchase them and Soldiers Angels: where employees assembled hygiene kits and lunch boxes and made blankets for soldiers and veterans.
- In Cleveland, US, Tarkett North America donated flooring, installed by Tarkett volunteers, at local Boys & Girls Clubs. For example, in Cleveland (Ohio) Tarkett donated over 370 square meters of product to support the development of the All-Star Digital Arts Suite at Boys & Girls Clubs of Cleveland's East Tech Teen Center.
- Tarkett North America also donated material and employees time to "Military Makeover" a television series, which enlists companies, designers, contractors, and other home improvement professionals to transform the homes and lives of military families across the country and make a difference in their communities.

Example

Tarkett North America supports Home Builders Blitz organized by Habitat for Humanity

In North America Tarkett continued supporting the Home Builders Blitz organized by Habitat for Humanity, a non-governmental organization committed to helping families obtain safe, decent and affordable housing. The Home Builders Blitz is a week-long initiative each year that enlists help from thousands of professional home builders who, working alongside Habitat homeowners, volunteer their time and talents to construct, repair, and renovate homes. A total of US$ 150,000 of product and freight were donated to the nonprofit housing organization, contributing to building, renovating and repairing 230 homes during the builders' blitz in 76 communities across 30 states. The total contribution of Tarkett to Habitat for Humanity, in product donation to date is US$ 550,000 following the donation of flooring products worth approximately US$ 400,000 in 2018.

3.7.2.4 Suppporting projects worldwide

The Group and its employees also get involved in economic and social development projects worldwide.

Example

Combating climate change and improving livelihoods in the Peruvian Amazon

Tarkett is supporting a sustainable agro-forestry project in the Peruvian Amazon as part of the REDD+ Business Initiative. The Tambopata-Bahuaja Biodiversity Reserve project aims to protect by 2021, local biodiversity (including over 30 high conservation value species such as jaguars, giant river otters and spider monkeys), conserve endangered forests in a 591,951 ha area – an area which represents the size of Los Angeles – and restore 4,000 ha of damaged land, while supporting the livelihoods of 288 farmers by cultivating high quality cacao in a sustainable way – offering them a better income and avoiding further deforestation. Stopping deforestation is one of the most effective measures in the fight against climate change. Tarkett and more than 30 other companies are supporting this project which is expected to avoid 4 million tons of carbon emissions by 2021.

Example

Contributing to health and well-being in Africa

Since February 2018, Tarkett has partnered with EarthEnable, a social enterprise that aims to improve health and housing in low-income communities in rural Rwanda and Uganda. Tarkett provides its flooring expertise to help EarthEnable replace dirt floors with affordable, sanitary flooring that can be washed, cleaned and used to create healthy home environments.

3.8 Developing talents

Our policies and actions, along with their objectives and results / key performance indicators, aiming to manage risks and respond to opportunities related to our employees (as identified in section 3.3 CSR risks and opportunities) are summarized in the table below and detailed in the sub-sections of this chapter.

Opportunities / Risks	Policies / Actions	Key Performance Indicators	2019	2018	2017	Objective 2025	CSR Report section
Safety *(safety at production sites, exposure of staff to dangerous substances)*	> *World Class Manufacturing* Program (WCM) > OHSAS 18001 / ISO 45001 certified Health and Safety Management System	Percentage of production sites certified to OHSAS 18001 / ISO 45001	67 %	69 %	69 %	-	3.9.1 3.9.2
		Recordable Lost Time Accident Frequency Rate (FR1t[1]) for all employees	2,19	2.18	2.07	1.0	
Social 'Duty of Care' *(non-discrimination, diversity and equal opportunities)*	> Non-discrimination policies > Promotion of gender equality > Employment of people in difficulty (e.g. with disabilities, long-term unemployment, immigrants)	Percentage of management positions filled by women	27 %	27 %	27 %	-	3.9.3
Talent management *(management of talent / competence, attraction, retention)*	> Recognized employer brand > Talent Philosophy > Performance and Development Review > Learning and development programs > Internal mobility > Tarkett Awards > Biennial employee feedback survey	Percentage of employees trained at least 1 day during the year	58 %	60 %	56 %	-	3.9.4 3.9.5
		Percentage of permanent employees who had a Performance & Development Review (or equivalent) during the year	55%	53 %	56 %	-	
		Percentage of open management positions filled by internal candidates	65 %	53 %	52 %	70 %	
		Absentee rate (employees)	2.6 %	2.7 %	2.5 %	-	
		Permanent employee turnover rate	17 %	16 %	13 %	-	

[1] *Number of accidents with lost time more or less than 24 hours per million hours worked for all employees*

"One Tarkett, Agile and Performance-driven"

We have developed our Human Resources 2021 Vision based on four pillars: Tarkett recognized employer brand, Entrepreneurial leaders, Organizational agility, and High-performance culture. Our objectives are to increase our ability to accelerate our development and to strengthen our customer centric capability by being "One Tarkett, Agile and Performance-driven", with four priority actions:

Apply our Talent Philosophy;

- Promote and develop Tarkett's seven entrepreneurial leadership traits: Think business, Accountable, Risk for results, Kind to customers, Empowers collaboration, Talent developer and Thorough;
- Have the best talents in critical positions; and Implement a compelling employee value proposition, based on three promises: "Expand your horizons, Change the game, Design the future of society. Together."

Our 2021 Vision is translated into actions through a Group roadmap and a detailed action plan, while a dashboard of Tarkett HR indicators has been developed to monitor progress and measure performance..

3.8.1 Our employees' safety is our number one commitment

Beyond regulatory compliance, the Tarkett Group considers safety as its number one commitment, constantly working to ensure that all employees, contractors and visitors are committed to safe work practices and procedure, every day and everywhere. These principles are displayed throughout the business and form the basis of Tarkett's commitment to safety culture.

Important progress in terms of safety has been made over the last years, significantly reducing the number of accidents (48 recordable lost time accidents in 2019 vs 148 in 2010). This has been achieved through the commitment of all employees, from managers and supervisors to operators, and from the implementation of the safety pillar of our World Class Manufacturing (WCM) program. This program brings methodologies, procedures, objectives and key performance indicators and provides training and sharing of best practices. The feedback survey covering all employees completed in 2018 showed that 84% of our employees consider that Tarkett provides a safe working environment. In addition, 83% of the latter consider that managers lead by example in the area of safety (a 9% improvement over 2016).

This progress is encouraging but Tarkett is committed to doing more to attain a stronger safety culture.

To achieve this Tarkett's Executive Management Committee renewed its commitment to safety in 2018 with an action plan to strengthen safety measures and mobilize all employees around safety. The main actions are the following:

- **Safety Pledge:** The top 100 leaders of the Group signed a Safety Pledge in December 2018: "Safety is our #1 commitment. Every day. Everywhere".
- **Global Safety Day:** An annual Global Safety Day is organized at all Tarkett plants worldwide each year following the first such day in December 2018. In 2019 the Global Safety Day took place in November with a video message from the Chief Executive Officer and the Executive Vice President for Operations and R&D where they emphasized the importance of safety as our number one commitment at Tarkett. The objective of the Global Safety Day is to strengthen safety culture, awareness of risks, abidance to safety procedures and rules and to empower employees to identify and report risk areas for themselves and for their colleagues.
- **Safety action plan:** A strict action plan in each plant, notably concerning the assessment of risks specific to Tarkett production lines. This plan is monitored at Executive Management Committee level. In 2019 this included the review and improvement of the protection of nip points at all sites. A nip point is any point at which it is possible for a person or part of a person's body to be caught between moving parts of a machine.
- **Safety procedures and rules:** Continuous review and improvement of WCM safety procedures and standards and their application. In 2018 particular attention was given to personal protective equipment, clothing rules, hazardous installations and machine guarding. In 2019 a focus was made on continuing to deploy the "lock-out tag-out" (LOTO) procedure designed to ensure safe maintenance of equipment, on implementing solutions to secure safety at crossings between vehicles and pedestrians as well as the action plan on nip points.

- Safety training: Continuous organizational learning at all levels, with in September 2019 a dedicated training session for Tarkett's Executive Management Committee held at its Dendermonde site in Belgium. Tarkett's WCM Director animated the day using the Gemba Walk approach. Gemba walk is an essential part of the lean management philosophy, coming from the Japanese term meaning actual place, in other words referring to 'where it actually happens', with the purpose being to observe the actual work situation, engage with employees, gain knowledge about the work process and the opportunities for improvement. In this case the Executive Management Committee observed first-hand the management and practices for ensuring safety on the shop floor.

Example

Tarkett's Global Safety Day

In November 2018, the Executive Management Committee dedicated one full day to safety in all Tarkett plants to raise employee awareness about safety risks. This initiative was renewed in 2019 with plants organizing their annual safety day in the first week of November. At every plant, the Safety Day opened with video messages from Tarkett CEO and Executive Vice President of Operations and R&D underlining the importance of safety as our number one commitment at Tarkett. This was followed by a presentation on the theme "think twice before acting", after which each plant conducted their own program of activities tailored to their specific location. A general focus was made on 12 safety basics, identifying danger points on production lines, discussing risk-reduction measures and creating safety checklists. Sales and other offices also participated to this initiative which provided new opportunities for dialogue between employees and management, with operators making many concrete suggestions for safety improvements.

The challenge to reinforce the safety culture and to train and empower each employee to have safe behavior at any time, in every situation is not limited to the plants, but applicable for all Group employees (sales force, offices, headquarters). In addition to the above initiatives, Tarkett continues with the measures already implemented at different levels of the organization, including:

- **Top management are notified immediately following each accident**, as plant managers inform directly Tarkett's CEO, Executive Vice President for Human Resources & Communications, Executive Vice President of Operations and R&D and the corresponding Division President.
- **Safety results (including fire risks) are monitored and analyzed during the Group's Executive Management Committee meetings**, as well as Tarkett's **Supervisory Board**.
- They are also **presented and discussed with senior executives** as an introduction to each Quarterly Information Session, as well as at the annual senior management seminar (Top 100).
- **The safety topic is evaluated by all employees** during the biennial internal employee feedback survey.
- **The development of safety skills** at production sites is a major focus of the WCM safety pillar, through complementary measures: regular training, frequent audits of our sites' practices (via our Safety Management Audit Training – SMAT process), open and continuous dialogue between managers and employees on risks and safety behaviors at work stations, testing and implementation of best practices shared after annual site audits.
- **An active global network of safety experts** facilitates knowledge sharing among sites and encourages dialogue on risk identification and reduction, audit conclusions and outcomes of measures tested and implemented in the field. This network also relays safety news and information to all plants. In addition to monthly conference calls, the extended safety network meets annually at the occasion of a global safety forum.
- After each incident or accident, a **rigorous assessment of causes** ("root cause analysis") is carried out. Action plans are then developed and deployed, within the scope of our WCM continual improvement approach. Safety alerts summarizing the incident's causes, its outcomes and the corrective actions implemented to prevent re-occurrence are systematically prepared and shared with all manufacturing sites.

By the end of 2019, 67% of the Group's manufacturing sites had obtained certification for either the OHSAS 18001 or the ISO 45001 health and safety standards. These international standards are benchmarks in managing workplace health and safety.

Example

Sharing best practices on safety through WCM Forums

WCM Forums provide unique opportunities for Tarkett professionals to share best practices and discuss practical solutions, while observing one plant's concrete action on WCM pillar topics such as safety. In 2019 Tarkett's Narni plant in Italy invited 79 production managers and maintenance managers from 15 plants to come and improve their safety knowledge and understand ways to work more efficiently on maintenance during two specific forums. The first forum covered the individual machine operators' activities, including how to effectively care for their machines and to interact with their working environment, notably adopting zero tolerance for unsafe behavior. The second forum emphasized that maintenance people should be ambassadors for safety, focusing on improper interaction with the machine, including nip points and safe behaviors to avoid incidents. These included, for example, Lock-out-Tag-out (LOTO) procedures, whereby maintenance operators use their own key to deactivate the machine, ensuring it cannot be turned on during repairs thus ensuring that energy sources (electrical, pneumatic, hydraulic, etc.) are properly shut off and isolated prior to starting work.

Zoom on key indicators

Safety

The Recordable Lost Time Accident Frequency Rate (FR1t) for all Tarkett employees was stable at 2.19 (compared to 2.18 in 2018). In June, as part of its Change to Win strategy, Tarkett announced a new goal of reducing this frequency rate to 1.0 by 2025.

This indicator (FR1t) measures the number of accidents with time off work less than or more than 24h, per million hours worked.

We also monitor accidents concerning our teams outside of factories (in administrative buildings and for the sales network). In 2018 Tarkett's WCM experts cooperated more closely with Division teams to share best practice and guidance on safety in the sales networks. In 2019 new safety rules for sales networks and offices were drawn up and shared. These set out mandatory and recommended behaviors for employees in sales networks and offices, covering visits to industrial sites, handling samples, driving, working in warehouses and offices. In EMEA the safety community dedicated for the sales network and offices continued their actions analyzing incidents, sharing best practices, communicating on new topics and monitoring indicators. In North America a Sales Safety Force was created to drive safety initiatives, e.g. organizing events around Fire Safety in October at all Tarkett North America plants.

Example

Promoting safer driving (EMEA)

Following the new safety rules for sales networks and offices, introduced in July 2019, the EMEA team developed training sessions to promote safer driving and reduce the risks of accidents. This training is recommended for all users of company cars and was delivered in 2019 to the sales networks in Germany, Portugal and Italy. In total around 500 employees will receive this training which consists of a theoretical part about the risks and a practical part to test car driver skills.

3.8.2 Our concern for the health and well-being of our workforce

Professional health risks, such as exposure to hazardous materials, musculoskeletal disorders, etc. are identified and mitigated via the WCM program and the OHSAS 18001 / ISO 45001 certified health and safety management systems implemented at our manufacturing sites. The occupational illness frequency rate for Tarkett employees is 0,27 in 2019 with 6 cases (compared to 0.13 with 3 cases in 2018).

The way that work is organized on the Group's sites varies depending on the regulatory framework of the country and the specific needs of each production site. A large part of work organization is established through collective bargaining and agreements have been signed in areas such as working hours, part-time work and teleworking. However, beyond collective agreements, Tarkett is also concerned about psycho-social risks, and pays attention to sources of stress and issues related to work life balance.

Promoting health and improving wellbeing at work comes in addition to the measures related to occupational health and work-life balance. The initiatives are engaged locally and focus on raising the awareness of all employees through prevention and assistance programs in the areas of work-related stress, diet, physical activity, and tobacco use, among others.

The new head office for Tarkett's UK and Ireland team, inaugurated in 2019 close to our Lenham (UK) plant, was specifically designed to improve the wellbeing of the 43 employees and other visitors to the office. Our team worked with a workplace designer to create an environment that was friendly and inspiring with a good balance of task and relaxation areas, taking employee wellbeing into account in design decisions. AirMaster carpet tiles were used for the flooring helping to achieve gold standard for the environmental SKA rating - an assessment method, benchmark and standard for non-domestic fit-outs.

Example

Flexible working and employee wellness (Australia)

Tarkett Australia proposes flexible working arrangements including working from home (remote working) and staggered working hours to help employees balance work and life. Remote and part-time work are also available for a transition period to employees unable to attend the office and to work full-time hours due to health restrictions. To facilitate remote working Tarkett is transitioning product information resources and administrative activities online.

As well as promoting the role of flooring in designing fit-for-purpose comfortable working environments to the architectural community, Tarkett Australia has taken steps in 2019 to encourage employee wellness for its own teams, introducing an online program educating and encouraging employees to make behavioral changes around nutrition, physical activity, stress management and sleep to contribute to improving their health and wellbeing.

3.8.3 Our respect for equality, diversity and non-discrimination

The fundamental principles of non-discrimination and equality are an integral component of our Code of Ethics and our Human Resources policies, for use on a daily basis by all employees. These principles cover issues including equality between men and women, respect for the rights of disabled people, age diversity, maternity rights and benefits, as well as non-discrimination on the basis of sexual orientation, ethnical background, nationality or religion.

Tarkett cares deeply about the principle of diversity and inclusion, and defends equal treatment for men and women.

We are striving to implement concrete measures in the field to further promote the role of women within the company, notably through internal mobility or during the external recruitment process where at least one female candidate is included in each recruitment shortlist. We track progress by monitoring the share of women among different categories of managers.

Tarkett also contributes to wider initiatives to promote diversity such our partnership with Women in Design & Construction in Australia, which is encouraging employment of females in the design & construction industry or our partnership with the Design Museum Foundation, Boston (US), to develop and implement the "We Design project" on diversity and inclusivity. "We Design" is a multimedia exhibition celebrating a variety of creative professionals — of differing ages, genders, backgrounds, ethnicities, sexual orientations, and abilities — showcasing their unique career paths through stories and photos, along with examples of their work. The exhibition also explores the need for more diversity in the design and innovation industries.

Zoom on key indicators

Parity between men and women

Several indicators allow us to monitor the number of women managers in the company. We note a sustained increase in the share of women among senior executives since 2016 (30% in 2019, or 26 women out of 87 top senior executives for the Executive Management Committee and those reporting to them, compared to 27% in 2018, 24% in 2017 and 18% in 2016).

For the population of managers, the share of women is 27% (i.e. 464 women among 1,747 managers), a stable trend (27% in 2018 & 2017) considering that the industrial and building sectors generally attract fewer women than other sectors.

The share of women in the Supervisory Board is stable with 44% (in compliance with French regulations and AFEP-MEDEF Code). Following changes in 2019 in the Executive Management Committee, one female and two males joined (respectively the new Executive Vice President of Group Human Resources & Communications, President & CEO of Tarkett North America and President of EMEA & LATAM Division), bringing the share of women to 18% (compared to 27% in 2018).

In France, Tarkett calculated and published, in accordance with the new legislation on gender equality (French "Act for the freedom to choose one's future career"), the "Gender Equality Index" for two legal entities. The index is comprised of five indicators covering gender pay gaps, differences in individual salary rises, promotion differences, rates of promotion following maternity leave and female representation in the top 10 salaries. In 2019, Tarkett (corporate teams in France) scored 91/100 and Tarkett France (teams from flooring activities in France) scored 82/100. Tarkett is committed to continuing its efforts on gender pay equality. For several years, part of the pay rise budget in France has been allocated to reducing the pay gap between men and women.

Depending on the country, the local regulations permit or not the identification and tracking of people with disabilities within the company. For this reason, it is difficult to determine a unique global indicator to track progress in this area. In 2019, the share of Tarkett's disabled employees identified as such was 1%.

Tarkett is working to facilitate the integration of disabled employees in the work environment, through the implementation of concrete measures at the local level. For example, Sedan (France) has established a partnership with CapEmploi, an unemployment agency specialized around the employment of disabled professionals. In 2019 CapEmploi visited the plant and Tarkett shared details with them on open positions. Next CapEmploi will propose candidates to Tarkett and assist with the interviews. The plant has also identified "a disability single point of contact person" who has been trained on their role by Agefiph (the French organization dedicated to employment of disabled people). At Clervaux (Luxembourg), we work with a state agency to help adapt the workstations for disabled employees.

At our Hanaskog plant in Sweden we have cooperated with government initiatives to facilitate the integration of long-term unemployed people, notably immigrants. Faced with an aging workforce the plant has been looking for opportunities to integrate younger generation workers. This was achieved through the government initiative which involved taking on individuals to gain practical work experience and training over a two-month period, before providing short- or long-term employment opportunities. In 2019, 18 individuals benefited from the program, with 8 being hired on a short-term contract and 2 immigrants coming from war zones being hired permanently. In a similar manner our Ronneby plant in Sweden has provided opportunities to immigrant workers (4 in 2019) with the assistance of a staffing and training company which is participating in the same government initiative to facilitate the integration of long-term unemployed people.

3.8.4 Our talent philosophy with continuous learning and promotion of internal mobility

3.8.4.1 Identifying and promoting talents

Tarkett's more than 12,500 employees are an essential asset and the leading actors in achieving our goals, making the Human Resources function highly strategic. While Tarkett has grown as a result of many acquisitions, the sense of belonging to the Group is very strong. This is the result of a Human Resources policy that has both preserved entrepreneurial spirit in the field, and the advantages of an international group.

To further support Tarkett's growth and talent development, we have strengthened our Human Resources management and talent development by reinforcing our **Talent Philosophy approach**, which is based on five main pillars:

- Talent acquisition: systematically promote internal mobility, recruit outside high potential candidates, always foster talent diversity;
- Accountability: to develop our people, to role model the values and drive performance;
- Performance: expect and enable high performance with ambitious goals and regular feedback;
- Differentiation: value high standards, where level of reward will reflect contribution; and
- Development: promote continuous learning and anticipate developmental career moves.

A global talent team was created in 2019 led by the Group with talent directors in our EMEA, Eastern Europe and North American divisions. In a structured and very regular way the team shares best practices, works on new projects, initiates or contributes to the development and deployment of new tools. Nine Talent Forums were organized in 2019 (one per major function: Operations, Sales, Supply Chain, R&D, Legal, Marketing, IT, Finance and HR) focused on getting a better vision of the talents in the functions including high potential candidates, young talents and internationally mobile staff and on generating opportunities for internal and international mobility within and between functions.

Another priority action of our "One Tarkett, Agile and Performance-driven" strategy is to promote and develop Tarkett's seven entrepreneurial leadership traits: Think business, Accountable, Risk for results, Kind to customers, Empowers collaboration, Talent developer and Thorough. In 2019 this included integrating them into the annual performance appraisal tool (for all non-blue collar employees), documenting examples of the corresponding behaviors expected at each level in the organization, developing a guide for the human resources network to help the understanding and the application of the seven traits as well as creating another specific guide to help managers and HR professionals better identify the 7 traits in the recruitment process. The 360-feedback survey, launched in 2019, provides another opportunity to analyze the way managers embody the leadership traits and to accompany them to identify areas for development and to initiate action plans with the support of a neutral HR Coach. The first group of employees took the 360 feedback in July 2019 with 4 more groups completed in October and November involving in total 151 managers. Finally, various training programs were updated, integrating the leadership traits.

Example

Our compelling employee value proposition

To promote the expertise of its teams, the career development opportunities and the work experience within the Group, Tarkett decided to launch in 2017 a plan to promote its employer brand, both internally and externally. The objective is to attract the best talents and to value the teams within the Group. A specific career website (https://careers.tarkett.com/) was created with employee testimony videos to inform about company's jobs and culture. Three Tarkett promises as an employer were defined for this new policy:

> "Expand your horizons. Together." – Because Tarkett offers a rich working environment through the diversity of its clients, its range of jobs and its geographic coverage, creating development opportunities for its teams.

> "Change the game. Together." – In line with our entrepreneurial roots, we expect our employees to actively take initiative and we create a trust-based, empowering environment so that they can fully express their talents and personalities, directly contributing to the success of the Group.

> "Design the future of society. Together." – By having a long-term vision, Tarkett invites its employees to make CSR and sustainable development issues a part of their decisions, their operations and activities, to design sustainable economic models.

In 2018, we deployed our employee value proposition in 10 major countries of Tarkett's operations through communication plans including information booklets, mini-websites, and active communication on social media. In 2019, at EMEA level, 20 employee value proposition (EVP) ambassadors from different countries and different functions were appointed. These ambassadors will actively promote Tarkett values and EVP key messages internally and externally, in particular through social media (e.g. LinkedIn). Additionally, the EMEA Division is currently developing a new recruitment training, including, but not limited to, recruitment interview techniques and an onboarding survey for new joiners.

Tarkett has developed a number of successful internship and recruitment programs with top engineering schools such as its partnership with the 'Ecole des Mines de Nancy' in Clervaux (Luxembourg) which includes Tarkett's participation to job days and conferences organized by the school as well hosting plant visits for the students. Narni (Italy) has also established partnerships in recent years with 4 universities, a specialized academy and 5 secondary schools, offering regular work experience placements. Local managers give lessons on quality, safety, environment and human resources strategy at the schools and students have the opportunity to visit the plant (350 attending the Narni Green tours in 2019).

Wiltz (Luxembourg) has a program for taking Ph.D students on specific research topics such as the resistance of different surface treatments to use or the interaction of flooring and light. Other Tarkett plants have developed similar programs such as Sedan (France), Konz (Germany) and Lenham (UK) in EMEA and Bačka Palanka (Serbia) in eastern Europe. In the United States, Tarkett has a national internship program which works with a number of universities and schools in different states providing opportunities to interns in both corporate and technical/ manufacturing functions at its sites (in Georgia, Alabama and Ohio) and head office in Solon (Ohio). In 2019, the third year of the program, Tarkett welcomed 11 interns.

Example

Showcasing Tarkett's business and fostering partnerships with higher education at Bačka Palanka (Serbia)

Tarkett in Serbia has established partnerships with several high schools and universities in recent years. The aim is to provide students with hands-on knowledge of the production process, contribute to the development of their skills and give them an opportunity to consider their talent as part of our teams in different fields of business. At the same time, we present the company, our achievements and give them an insight into future employment and career opportunities at Tarkett. In 2019 Tarkett's Bačka Palanka plant hosted more than 100 students from various schools, such as students from the Faculty of Forestry and the Faculty of Applied Arts at the Belgrade University and the Electrotechnical school from Bačka Palanka. The students from the Faculty of Forestry received a presentation of the company, a tour of the plant and an opportunity to observe the parquet production process, management system and planning process. The visit with the Faculty of Applied Arts included a creative workshop organized by our Design Center. These partnerships also include onboarding programs for selected candidates with coaching and trainings on both soft-skills and hard-skills.

3

Having a proactive talent management approach is our priority. A formal process for resource and talent planning ensures that resources match needs both on the quantitative level (jobs) and the qualitative level (skills). The process anticipates the needs of the company for the next three years and is based on the vision of the future presented in the strategic plan of the Group. This formal approach is articulated through a set of initiatives, described below:

- **The Performance and Development Review:** this annual interview is the foundation of our performance management system. It is an opportunity for managers and their teams to spend valuable time together to engage in a constructive, attentive dialogue. From the company's perspective, this allows us to understand the career goals of our employees and to assess their progress.
- **Talent Inside, a career management digital platform**, was deployed in 2016 to complete the Performance and Development Review process. Easy to use, the platform makes it possible to monitor and manage the Performance and Development Review and the definition of each employee's career goals. The system allows employees to track their own progress (annual assessments, objectives, development plans…). As for managers, they can monitor the progress of employees and inform them about team requirements. In this way, managers directly participate in the HR performance monitoring process, and career management. The system also makes it possible to consolidate action plans concerning talent management and to effectively monitor them.
- **The Talent Review** is a structured process which aims to assess career opportunities against the company's long-term needs and the mobility options for our employees. It involves people from the management and Human Resources team during regular meetings where anticipated organizational changes are examined in accordance with the needs and business environment of the company, and in light of the skills, potential and career development goals of employees. The Talent Review, which mainly concerns managers, experts and critical positions essential for the Group's operations and expertise, makes it possible to define succession planning and internal mobility. In 2019, the review was updated for the close to 1 500 employees who were included in the Talent Review process in 2018.
- **The WCM program development plan** has the objective to identify key skills for implementation of the WCM program and achievement of industrial objectives. Structured WCM training programs are implemented in factories in the light of the priorities there, with the aim of developing the growth potential of all employees, whether they are senior executives or workers.

Zoom on key indicators

Performance and Development Review

55% of Tarkett permanent employees had a Performance and Development Review (or equivalent) in 2019, compared to 53% in 2018.

3.8.4.2 Strengthening learning and development programs

We are convinced that training programs are key to helping our employees develop and deliver on our ability to accelerate our development and to strengthen our customer centric capability. In 2019 Tarkett continued to strengthen and deploy various learning and development programs, notably:

- **The BusinessLeader@Tarkett program**, launched in 2016 in partnership with the London Business School (LBS), aimed to train tomorrow's leaders by developing their in-depth understanding of the Tarkett entrepreneurial culture, and their strategic skills in an ever-changing economic context. The program alternatively delivered a complete week of training at LBS, plenary sessions and group workshops covering 5 main topics: global trends and impact on Tarkett, strategy development, innovation for growth, vision to action – executing strategy and making change stick. During the 3 year-long program, 171 people from 24 different countries benefited from this advanced managerial improvement initiative.
- Other targeted training programs on **management skills**, launched in previous years, continue to be deployed, such as Manager@Tarkett with 1480 managers trained over the last 10 years including 75 in 2019 and the COACH program for middle management or the Operations Leadership program for future plant directors. The Manager@Tarkett program was reviewed and adapted to integrate the seven leadership traits in 2019.
- Tarkett's management was **trained on talent management**, notably during preparatory meetings as part of the Performance and Development Review and Talent Review campaigns.
- Various **trainings on health, safety and environmental topics** are delivered on the plants as part of the WCM program.
- We have developed **targeted training programs on sustainability**, mainly for our sales force and marketing teams, in order to leverage our approach and the sustainability features of our products. In the EMEA division, Tarkett renewed efforts to provide support and training to marketing and sales teams to help them communicate on Tarkett's commitment to transparency and sustainability, and to value it as a key differentiator. A new program of training modules and webinars was deployed on specific topics such as Cradle to Cradle® principles, circular economy, product transparency and Tarkett products' sustainability benefits. In 2019, 1022 employees from the EMEA region were trained through online webinars and 2 dedicated sessions to head office teams at La Défense (France) covering topics such as Cradle to Cradle®, green building labels, indoor air quality and circular economy. Tarkett North America implemented a Sustainability Leaders program, training 10 regional Sustainability Leaders to become LEED associates (LEED credentials are delivered by the US Green Building Council – USGBC and denote proficiency in sustainable design, construction and operations standards). These sales professionals are trained on sustainability in general and on Tarkett's approach to sustainability with regular training and monthly webinars. They will be focused on the 10 top major markets for sustainability driven projects. In Australia, in addition to

sustainability and well-being presentations for new employees, Tarkett partnered with a certified consultant for the WELL™ standard, to deliver a training program for the senior sales team to understand how our products comply with the WELL™ standard for healthier buildings.

- Continued **compliance training** focusing on fair competition and anti-corruption, consisting of six e-learning modules, five delivered in 2019 and the sixth to be delivered in 2020, completed by all Tarkett employees who have internet access (see section 3.2.4 Our commitment to high ethical standards) as well as in-person training for staff most exposed to corruption and competition risks.
- We moreover train our employees and **develop their competences through experience**, by having them participate in cross-functional initiatives and multidisciplinary projects, and by encouraging best practice sharing and knowledge transfer (for more details see section 3.8.4.4 Sharing expertise and recognizing achievements).

Example

A complete Operations Leadership Training program for plant managers

29 plant managers from 12 different countries (France, Spain, Belgium, the Netherlands, Luxembourg, Poland, Russia, Serbia, Ukraine, China, Brazil & US) have been participating in the Operations Leadership Program, consisting of three sessions of training organized at three different Tarkett production sites. The first session was dedicated to the challenges of developing a World Class Manufacturing culture and to the role of management beyond the WCM methodological and technical aspects. The safety dimension is of course included in this program. The second session is based on essential features from the Manager@Tarkett training and from project management techniques, adapted to the role of plant manager. The third session enables to put the training in practice through workshops, notably on project management, problem-solving methodology, leadership role, performance evaluation, and action plans resulting from internal employee feedback surveys.

Zoom on key indicators

Training

58% of Tarkett employees were trained (at least 1 day) in 2019, compared to 60% in 2018 and 56% in 2017.

3.8.4.3 Fostering career mobility

The growing international dimension of the Group makes career mobility of great importance and offers employees motivating career perspectives. To foster career mobility opportunities, Tarkett has set up appropriate processes and tools:

- **Tarkett Careers**, a platform for international mobility and recruitment: employees who join the platform can be informed about internal job opportunities and may recommend or communicate this information to their professional network. The platform is also used by managers to post job offers and follow-up associated recruitment processes.
- **The Talent Review process** focuses on internal career mobility, and in particular international mobility, as previously described.
- **Orientation documents** are available, such as the Internal Mobility Charter available to all employees via intranet, and the Mobility Guide, a reference document used by the Human Resources network.

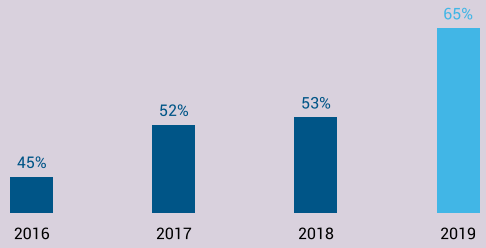
Further work was undertaken to facilitate and promote international mobility in 2019, notably for senior management. In 2019, 45 Tarkett employees were on international mobility status, including 21 members of senior management. 6 senior managers received international mobility moving for example, from Group WCM roles to Plant Manager roles, or from Group Customer Experience Director role to an International General manager role. All international mobility packages are aligned with Tarkett's international mobility policy, which includes preparation on new assignment, support on immigration, relocation, compensation, social benefits (medical and life insurance), tax advice, language lessons, cultural orientation and facilitating return to home country.

Zoom on key indicators

Internal mobility

Tarkett set a new target of 70% internal mobility by 2025 which represents more than 2 out of 3 open management positions filled by internal candidates. In 2019, 65% of open management positions were filled by internal candidates, continuing the progress of the last few years (53% in 2018, 52% in 2017 and 45% in 2016).

Share of open management positions filled with an internal candidate (%)



3.8.4.4 Sharing expertise and recognizing achievements

The development of "collective expertise" is a key element to anticipate the changes needed in order to fulfil the company strategy. It involves sharing of expertise which also allows employees to improve their know-how, their employability and their mobility. The company can thus value its talent pool and improve results.

Many initiatives and networks promote **expertise sharing and competency development**, for example:

- We strongly encourage multidisciplinary teamwork, by bringing together employees from diverse backgrounds on projects taking place at the Group or division scale.
- We also encourage networking, best practice sharing, internal benchmark forums (comparative analysis), as well as knowledge transfer.
- Within the scope of the WCM program, we organize every year a series of specific meetings on one of the Tarkett manufacturing sites. The objective is to develop the skills of our experts in manufacturing processes and share knowledge in terms of operational excellence. These benchmark initiatives have been organized within the Group's plants since 2012.
- The WCM program also encourages plant operators to get involved and propose ideas for improvement, hence becoming actors in the development and improvement of their working environment.
- The Tarkett Expert Program, launched in 2015, capitalizes on the technical expertise of our Research & Development and Operations teams. Our objective is to use the know-how of our technical experts, and to help them develop their long-term career development, via tutoring, training and knowledge sharing. This network is supported by a dedicated IT platform where each Tarkett Technical Expert is present with a clear mention of their expertise, thus facilitating their identification by other technical experts and the connection between them, as well the use of their expertise by other "Technical Expertise consumers". Additionally, they can identify and contact, through the platform, some external key Technical Experts, if expertise is not present at Tarkett. In order to boost the Tarkett Expert Program, an audit was made at the end of 2019 and corrective actions are ongoing, such as individual communications to all key stakeholders in this program and a general assessment of all expertise with a clear goal of more knowledge sharing, more connection, and more openness to the outside.

Example

Coming together and sharing, key to the successful transition to "One Tarkett" in North America

After the announcement to transition the various North American flooring brands (Johnsonite, Tandus Centiva, Desso, Lexmark) to the single Tarkett brand, the North America teams came together under the mantra of "One Tarkett" in December 2018, then accelerated the collaboration and successfully delivered the transition in 2019.

The principle impact from this change was for our commercial sales teams who would come together as One with a focus on selling our full commercial portfolio. The main challenge was in knowledge development as we had to educate and equip our sales people with the information and tools that would enable them to effectively sell both resilient and soft surface flooring; transitioning from a mindset of selling products to selling full flooring solutions.

With collaboration from across the business including the learning & development, product management, operations, marketing, segment, distribution channels and, of course, commercial sales teams, we completed six product framework training sessions. Each week-long training session focused on a key product category and provided participants with an insight into aspects such as: product offerings by category, technical specifications, product design, sustainability, manufacturing processes, customer information, routes to market, industry and competitive information, samples and the ordering process. In total, over a five-month period, we logged nearly 4,500 training hours.

Tarkett also recognizes its teams, successful initiatives and best practices through its renowned **Tarkett Awards** program initiated in 2010. The goal of the awards is to encourage exceptional achievements, collaboration and teamwork.

The 2019 edition rewarded 7 projects out of more than 300 submitted. One project was recognized by the CEO ("President Award"), one selected by employees and five others selected by divisions. Among the winning projects, several were related to safety and the circular economy such as:

- a Family Safety Day at Bačka Palanka (Serbia) where family and friends participated in activities organized on site to develop safety awareness, applicable both at home and at work;
- the carpet recycling center in Waalwijk (the Netherlands) – see Section 3.6.1.1 "Working collectively towards a circular economy";
- ProMax HydroFlex infill using recycled end-of-life artificial turf produced on a new line at our MET plant at Absteinach (Germany).

3.8.5 Our actions in favor of social dialogue

3.8.5.1 Listening: the internal satisfaction survey

To efficiently organize on-going dialogue with all employees, across all our sites, we conduct an internal employee feedback survey every two years. The survey covers all of the Group's divisions and functions and includes all employees worldwide. It is translated into 17 languages, is totally anonymous and entirely overseen by an independent third party to prevent any bias. It consists of 69 questions organized in 15 different categories: employee engagement, employee enablement, loyalty and engagement, empowerment and accountability, performance management, communication, management, training and development, entrepreneurial leadership, teamwork and collaboration, work organization, ethics and integrity, leadership, company image, World Class Manufacturing.

In 2018, 88% of employees, representing 10,635 people, participated in the survey (vs. 89% in 2016). The high participation rate reflects employee commitment and confidence in the independent nature of the survey, and in the fact that results are acted upon.

For the 2018 edition of the internal employee feedback survey, while some results may significantly differ depending on the divisions, functions or countries of operation, Tarkett's employees generally appear to be rather satisfied with their work situation, which is demonstrated by some significant progress:

- Out of 54 comparable questions between 2016 and 2018, 26 have improved significantly, primarily around management (notably regarding the ability by managers to develop and empower their teams, the care and concern they demonstrate for their teams, and how they provide feedback), communication of the Group's strategy and commitment to the success of Tarkett.
- Results are moreover generally higher than the industrial benchmark: out of 44 questions having a benchmark, 29 are above the industrial norm, especially on the topics of safety, environmental responsibility, interest in work, ability to make good use of skills, understanding of how performance is evaluated, belief in the success of the company and intention to stay a long time.
- Some items however showed a decrease between 2016 and 2018 in some entities, such as the feeling that Tarkett has changed for the better or the collaboration between departments. Some results are moreover behind the industry benchmark, for example those regarding the definition of responsibilities.

At both the scale of the Group and locally, the Tarkett employee satisfaction survey is an invaluable and used management tool. Based on the analysis of the survey results, each site / entity develops a customized action plan to be implemented at the local level. These local plans are reinforced by action plans determined at the Group and division levels, and consistently implemented. In 2018 and 2019, our teams developed more than 400 action plans across the globe based on the results of the 2018 survey. What is more, Tarkett was one of three French companies honored with an award on employee enablement from Korn Ferry. Seventy-one companies from across the globe were recognized by Korn Ferry "Engaged Performance Awards". The program recognizes employers with superior levels of performance in two key categories: employee engagement and employee enablement. The awards are based on results from the Korn Ferry employee engagement database, which holds opinion survey data from 7 million respondents in more than 60 countries across the globe. Winners are calculated according to the percentage of respondents in the organization who either 'strongly agree' or 'agree' with the key question statements.

3.8.5.2 Organizing social dialogue

The regulatory scope of dialogue between employers and employee representatives varies from one country to another. However, in addition to respecting local labor legislation, Tarkett applies in all the countries in which it operates the same respect for its fundamental values and principles of freedom of association, and in particular respect for trade unions.

The Tarkett Forum, the Group's European works council, has been created to foster social dialogue in Europe. Several times per year, this council brings together trade union representatives of our main European sites to dialogue with Group Management, including our CEO. This council strengthens cooperation and social dialogue and focusses on issues pertaining to the general functioning of the company and discusses HR issues common to different sites and countries in Europe.

In 2019, the Tarkett Forum discussed, among other topics, safety, the new Change to Win strategy, the commitment to promote internal mobility, the development of sales teams, Group results, as well as restructuring topics, such as Laminate Park (Eiweiler, Germany).

At our Otradny plant (Russia) 22 employees, who are members of the local trade union, were trained as local health and safety committee members in 2019, giving them the possibility to participate in plant level organizational health and safety activities as official representatives of Tarkett employees. Additionally, the plant in collaboration with the trade union nominated several employees to a local and regional level award for outstanding employees, whom have shown dedication and responsibility during their careers. Three Tarkett employees were rewarded and recognized at the regional level, receiving memorable gifts from the Governor of the Samara region.

3.8.5.3 Establishing collective agreements

Tarkett is committed to respecting, in addition to the legal obligations specific to each country, employee freedom of association, collective bargaining and representation. We apply these principles without exception and in the same way in all countries where the Group operates whether in Europe, the United States, Russia, Serbia, Ukraine, Kazakhstan, Brazil, China or India.

In line with this policy, 144 collective agreements are in place at Tarkett (agreements identified as of 2017), 100 of which concern the Group or the sites as a whole and 15% of which cover issues related to occupational health or safety. The agreements cover a wide range of topics such as compensation and benefits, overall work time, work organization, and employment classification. They apply in 20 countries where Tarkett engages in sales and / or industrial activity.

3.8.5.4 Accompanying the changes and adjustments of our workforce

Tarkett has a mid and long-term vision of its development plan and strives to ensure profitable, sustainable growth. The Group is committed to growing the skills and employability of its employees, not only to allow each individual to contribute and to grow within the company, but also to anticipate and support the evolution of the organization. Whenever possible, the Group strives to anticipate the consequences of variations in activity. In case of reduction in activity, the Group may be called to occasionally or structurally downsize. Adapting work organization to the activity level, downsizing or restructuring plans are carried out in compliance with local regulations and the principles of the Tarkett Code of Ethics, in consultation with employee representatives. Within the scope of measures to adjust to reduced activity, Tarkett seeks above all to adapt work organization (taking paid vacation, reorganization of work time, partial unemployment, etc.), reduce temporary employees (interim and fixed term contracts), favor internal re-employment solutions, and include social criteria for people leaving the company (retirement, age, career or personal projects).

Subsequent to Tarkett's decision to optimize its industrial footprint as part of its new strategic plan launched in June 2019, four plant closures were announced in 2019.

In North America the manufacturing of flooring accessories from Waterloo (Canada) was transferred to the recently expanded Chagrin Falls (Ohio, US) facility. The manufacturing of broadloom commercial carpets in Truro (Canada) was transferred to the Dalton (Georgia, US) facility which was acquired with the purchase of Lexmark. Both movements have also made it possible to optimize logistics and shipments. The closure of both Waterloo (70 people) and Truro (240 people) facilities was completed by the end of July with some employees transferring to our Farnham (Canada) site and outplacement support provided to the other affected employees.

In Europe, Tarkett and its partner Sonae Arauco launched the process to close the jointly owned LaminatePark Eiweiler plant (Germany), following declining sales and overcapacity in laminate flooring. A social plan was agreed with local works councils which includes severance pay and support from an employment agency. The plant (230 people) stopped production and closed at the end of 2019. In 2020, the warehousing and carpet production site (30 employees) at Goirle (Netherlands) will also close following the investment in a state of the art warehouse facility in Waalwijk (Netherlands).

Taken as a whole, these departures are the main cause of the degradation of the permanent employee turnover rate in 2019 (17% in 2019 compared to 16% in 2018 and 13% in 2017).

Nevertheless, Tarkett has invested and created a number of jobs at various sites in 2019. For example Tarkett invested in a new production wood line at its Mytishchi (Russia) plant and new rigid Luxury Vinyl Tile (LVT) lines at its Otradny (Russia) and Jaslo (Poland) plants, resulting in 81 new jobs. Due to expansion of Chagrin Falls plant (Ohio, US), 93 new jobs were created. Furthermore, Tarkett has invested in its commercial presence, for example, in Kazakhstan and Argentina.

3.9 Social and Environnemental Report

3.9.1 CSR indicators dashboard

Social indicators

GRI	Indicator	Variation 2019 vs. 2018	Variation 2019 vs. base year	2019	2018	2017
	Workforce					
102-7a	Total number of employees (as of 31/12)	-5.0%	-	12,592	13,255	12,819
102-8a	Total number of permanent contract female employees	-3.8%	-	3,385	3,520	3,221
102-8a	Total number of permanent contract male employees	-5.8%	-	8,338	8,855	8,576
102-8a	Share of permanent employees	=	-	93%	93%	92%
102-8a	Total number of fixed-term contract female employees	9.3%	-	235	215	385
102-8a	Total number of fixed-term contract male employees	-4.7%	-	634	665	637
102-8a	Share of fixed-term employees	=	-	7%	7%	8%
102-8b	Total number of permanent contract employees	-5.3%	-	11,723	12,375	11,797
102-8b	Total number of fixed-term contract employees	-1.3%	-	869	880	1,022
102-8d	Number of external workers (FTE)	-14.8%	-	488	572	381
102-8d	Share of external workers (% of total FTE)	-0.5%	-	3.8%	4.3%	3.0%
-	Total compensation and benefits (€m)	7.4%	-	718	669	672
	New Employee Hires and Employee Turnover					
401-1a	Number of employee hires	-8.8%	-	2,454	2,690	2,713
401-1a	Rate of employee hires	-1.5%	-	19%	21%	21%
-	Number of permanent contracts ended by employee (e.g. resignation, retirement)	-13.3%	-	1,136	1,311	1,073
-	Number of permanent contracts ended by employer (e.g. lay-off)	42.0%	-	886	624	474
-	Permanent employee turnover rate	1.0%	-	17%	16%	13%
401-1b	Total number of employee departures	1.3%	-	2,910	2,873	2,470
401-1b	Total employee turnover rate	0.7%	-	23%	22%	19%
	Diversity					
	Percentage of female administrators in Tarkett Supervisory Board	=	-	44%	44%	44%
405-1a	Percentage of administrators in Tarkett Supervisory Board below 30 years	=	-	0%	0%	0%
405-1a	Percentage of administrators in Tarkett Supervisory Board between 30 to 50 years	=	-	22%	22%	11%
405-1a	Percentage of administrators in Tarkett Supervisory Board above 50 years	=	-	78%	78%	89%
405-1b	Percentage of females in Executive Management Committee (EC)	-9.1%	-	18%	27%	30%
405-1b	Percentage of female top senior executives (EC to EC-1)	3.1%	-	30%	27%	24%
405-1b	Percentage of female senior executives (EC to EC-2)	-0.1%	-	24%	25%	24%
405-1b	Percentage of female managers	=	-	27%	27%	27%
405-1b	Percentage of female other employees	1.3%	-	29%	28%	28%
405-1b	Percentage of female employees	1.1%	-	29%	28%	28%
405-1b	Percentage of employees below 30 years	-1%	-	13%	14%	15%
405-1b	Percentage of employees between 30 to 49 years	1%	-	57%	56%	56%
405-1b	Percentage of employees above 50 years	=	-	30%	30%	29%
405-1b	Percentage of employees with disabilities	-0.3%	-	0.9%	1.2%	1.3%

GRI	Indicator	Variation 2019 vs. 2018	Variation 2019 vs. base year	2019	2018	2017
	Training and development					
-	Share of employees having received training [base year 2011]	-2.4%	21%	58%	60%	56%
-	Training hours (thousand hours) [base year 2013]	-4.8%	28%	256	268	345
412-2a	Total number of hours of employee training on Code of Ethics	30%	-	14,806	11,422	10,396
412-2b	% of employees who have received training on Code of Ethics in last 2 years	-	-	59%	-	-
404-1	Average number of training hours per employee	-3.5%	-	20	21	27
404-3	% of employees who had a PDR, Polyvalence Matrix or equivalent appraisal	1.7%	-	53%	52%	55%
-	% of permanent contract employees who had a PDR, Polyvalence Matrix or equivalent appraisal	2.4%	-	55%	53%	56%
-	% of open management positions filled with an internal candidate	12%	-	65%	53%	52%
203-2	Number of external people who received Tarkett Academy training	124%	-	8,229	3,669	2,723
	Proactive Internal Communication and Social Dialogue					
-	Progress on "Listen to employees and engage in social dialogue" in employee feedback survey [base year 2010]			-	54.0	-
-	Progress on "Communicate proactively towards all employees" in employee feedback survey [base year 2010]			-	66.0	-
	Occupational Safety & Health					
403-9a	Injury frequency rate – LTA only [FR0t] – employees	13%	-	1.64	1.46	1.55
403-9a	Injury frequency rate – LTA and lost time < 24 hours [FR1t] – employees	0%	-	2.19	2.18	2.07
403-9a	Lost day rate due to LTA – accident severity rate [TG0t] – employees	42%	-	0.077	0.055	0.073
403-10a	Occupational illnesses (OI) frequency rate – employees	113%	-	0.27	0.13	0.90
403-9a	Absentee rate % – employees	-0.1%	-	2.6%	2.7%	2.5%
403-9a	Number of fatal accidents	-	-	0	1	0
403-9b	Injury frequency rate – LTA only [FR0t] – external workers	5%	-	8.28	7.90	6.62
-	% of formal agreements covering health & safety topics	-	-	-	-	15%
-	Progress on "Ensure respect and integrity through adhesion to Tarkett values" in employee feedback survey [base year 2010]			-	68.0	-
	Tarkett Cares					
203-1	Number of community initiatives supported through time, flooring, other material or funding contributions	8%	-	182	168	141
203-1	Number of employees involved in community initiatives	9%	-	1,401	1,288	1,398
203-1	Number of days of donated time through volunteering (based on 7 hours per day)	-6%	-	921	978	700
203-1	Quantity of flooring products donated to community initiatives (m²)	13%	-	19,864	17,560	16,322
203-1	Total value of contributions to community initiatives (in k€)	-12%	-	710	808	508

Environmental indicators

GRI	Indicator	Variation 2019 vs. 2018	Variation 2019 vs. base year	2019	2018	2017
	Good materials					
416-1	Share of raw materials for which material assessment following Cradle to Cradle® principles has been performed (% of purchase volume) [base year 2011]	-0.3%	90%	98%	98%	96%
-	Share of materials at the start of supply chain which do not contribute to resource scarcity (% of purchase volume) [base year 2011]	-3.5%	-4.2%	67%	70%	71%
301-1	Share of renewable and recycled materials (% of raw material purchasing)	-8.4%	-	30%	38%	39%
301-2	Share recycled materials (% of raw material purchasing)	1.6%	-	12%	10%	12%
	Resource Stewardship					
303-5	Water consumption (liters/m²) [base year 2010]	-10%	-50%	2.6	2.9[1]	3.1[1]
303-5	Water consumption (million cubic meters)	-15.3%	-	0.73	0.86[1]	0.95[1]
-	Share of manufacturing sites that have implemented closed- loop water circuits (or do not use water in their process) [base year 2010]	-2.7%	5%	66%	68%	67%
302-3	Energy intensity (kWh/m²) [base year 2010]	0.9%	=	4.09	4.05[1]	3.92[1]
302-1a	Non-renewable fuel energy consumption (GWh)	-8.9%	-	514	565[1]	568[1]
302-1b	Renewable fuel energy consumption (GWh)	-0,70%	-	95	96[1]	92[1]
302-1c	Purchased electricity consumption (GWh)	-1.0%	-	527	532[1]	552[1]
302-1d	Generated electricity sold (GWh)	-	-	-	5[1]	0[1]
302-1e	Total energy consumption (GWh)	-4.4%	-	1,136	1,188[1]	1,213[1]
305-4a	GHG market-based emissions intensity (Scope 1 & Scope 2) ($kgCO_2e$/m²) [base year 2010]	-5.3%	-15.3%	0.87	0.92	0.92
305-1a	Gross direct (Scope 1) GHG emissions (tCO_2equivalent)	-10.1%	-	97,805	108,743	109,311
305-1c	Biogenic CO_2 emissions (tCO_2)	0.7%	-	32,982	32,739	32,211
305-2a	Gross location-based indirect (Scope 2) GHG emissions (tCO_2equivalent)	-5.9%	-	190,387	202,401	225,287
305-2b	Gross market- based indirect (Scope 2) GHG emissions (tCO_2equivalent)	-10.4%	-	144,873	161,761	174,357
	People-friendly Spaces					
416-1	Share of phthalate-free products (% of m² produced) [base year 2010]	9%	74%	74%	65%	57%
416-1	Share of low Volatile Organic Compound (VOC) emission products (% of m² produced) [base year 2010]	1%	77%	98%	97%	96%
	Recycling and Reuse					
-	Non-recycled waste intensity (g/m²) [base year 2015]	37 %	17 %	143	104[1]	80[1]
306-2a	Hazardous waste (thousand metric tons)	-43 %	-	4.2	7.4[1]	-
306-2b	Non-hazardous waste (thousand metric tons)	53 %	-	35.5	23.2[1]	-
306-2	Total waste to landfill (thousand metric tons) [base year 2015]	66 %	38 %	27.3	16.4[1]	12,9[1]
306-2	Share of total waste sent to landfill	10 %	-	28 %	17 %[1]	17 %[1]
306-2	Share of total waste sent to external recycling	-8 %	-	59 %	67 %[1]	66 %[1]
306-2	Share of total waste sent for energy recovery	2 %	-	9 %	7 %[1]	8 %[1]
306-2	Share of non-recycled waste sent to landfill [base year 2015]	15 %	15 %	69 %	54 %[1]	52 %[1]
301-3	ReStart® - Post-installation or post-consumer products collected (metric tons) [base year 2010]	=	-83%	3 300	3 300	4 100
	Other CSR Indicators					
-	Share of raw materials purchased with suppliers committing to UN Global Compact (% of purchase value) [base year 2011]	-6 %	27 %	69%	76 %	74 %
-	Share of targeted suppliers adhering to Supplier Code of conduct or equivalent (% in number of targeted suppliers)	-	-	81 %	-	-

1 Restated – see methodological note for details

3

Social indicators by region

GRI	Indicator	2019	Europe (1)	North América(2)	Rest of World(3)
	Workforce				
102-7a	Total number of employees (as of 31/12)	12,592	36.4%	31.3%	32.3%
102-8b	Total number of permanent contract employees	11,723	4,329	3,624	3,770
102-8b	Total number of fixed-term contract employees	869	255	319	295
	New Employee Hires and Employee Turnover				
401-1a	Number of employee hires	2,454	607	1,224	623
401-1a	Rate of employee hires	19%	13%	31%	15%
401-1b	Total number of employee departures	2,910	605	1,646	659
401-1b	Total employee turnover rate	23%	13%	42%	16%
	Occupational Safety & Health				
403-2a	Injury frequency rate – LTA and lost time < 24 hours [FR1t] – employees	2.19	3.40	2.14	1.03
403-2a	Lost day rate due to LTA – accident severity rate [TG0t] – employees	0.077	0.074	0.099	0.062
403-2a	Occupational illnesses (OI) frequency rate – employees	0.27	0.52	0.31	0.00
403-2a	Absentee rate (%) – employees	2.6%	3.4%	1.5%	2.6%
403-2b	Injury frequency rate – LTA only [FR0t] – external workers	8.28	9.47	12.88	0.00

(1) Europe: Corporate, EMEA & Tarkett Sports EMEA
(2) North America: Tarkett North America & Tarkett Sports North America
(3) Rest of World: Tarkett Eastern Europe, LATAM, APAC & Tarkett Sports Australia

3.9.2 CSR methodological note

Since becoming a listed company in 2013 Tarkett publishes, as required by French regulatory requirements, information on the social, environmental and societal aspects of its activities in its annual management report (Universal Registration Document). This information includes Tarkett's Corporate Social Responsibility (CSR) Key Performance Indicators (KPIs) taken from Tarkett's Sustainability Dashboard. The Dashboard is an essential tool for monitoring and guiding performance. Its principal objective is to provide the Group with relevant indicators to evaluate the deployment of its strategy and fulfil its regulatory obligations. Progress is measured against a base year set for certain key performance indicators.

In accordance with French regulatory requirements, the corporate environmental and social information has been verified by an independent third-party organization (the report on corporate, environmental and social information by one of the statutory auditors, appointed as an independent third-party organization).

Guiding frameworks

Tarkett's CSR reporting and sustainability dashboard have been developed based on the following frameworks:

- The Group's "Change to Win" strategy and its historical commitment to CSR, where each strategic initiative relies on one or more quantified indicators, certain of which are the subject of long-term objectives (2020 objectives set in 2011 and new 2025 / 2030 objectives set in 2019).
- The European Union Non-Financial Reporting Directive 2014/95/EC and the French regulations on non-financial statement, known as the extra-financial performance declaration: the social, environmental and societal information required by Article L.225-102-1 of the French Commercial Code is included in the form of indicators or quantified statistics in the dashboard (the qualitative information is presented in other sections of the management report).
- The UN Global Compact: in connection with the Group's voluntary commitment, the dashboard is a tool for managing performance in every dimension of the Global Compact.
- The Global Reporting Initiative (GRI) Standards 2016: this report discloses as far is currently possible the GRI Standards: Core option. A GRI content table (see section 3.9.3 GRI and DPEF concordance table) indicates where the relevant standard disclosures can be found in this report.
- The Greenhouse Gas Protocol: Greenhouse emissions are quantified and reported according to the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI) GHG Protocol.

The sustainability dashboard is built around three dimensions: social responsibility, environmental responsibility, and corporate governance.

Methodological procedures

Tarkett's CSR reporting procedures are documented in a comprehensive CSR Reporting Handbook which was established, in consultation with the different internal CSR topic owners, in 2017. These procedures, further aligned Tarkett's reporting with the 2016 GRI Standards: core option. The Handbook was presented to and approved by the Executive Management Committee and is reviewed and updated each year taking into account feedback and any changes in reporting requirements or objectives. The CSR Reporting Handbook sets out:

- the aims of Tarkett's CSR reporting and its 2020 objectives for certain indicators;
- the reporting principles, reporting scope, reporting tools, internal controls and consolidation rules;
- the reporting organization, responsibilities and planning; and the detailed definitions, specific guidelines and control points of all reported indicators.

The following is a summary from the CSR Reporting Handbook:

Reporting principles

Stakeholder Inclusiveness

Tarkett is committed to meeting the expectations of its stakeholders by investing in long-term relations. Tarkett engages with stakeholders through diverse means to ensure that its strategies and reporting account for their expectations.

Sustainability Context

Tarkett is determined to contribute, wherever its business activities allow, to addressing several of the most important and pressing challenges that face society in the 21st century (combating climate change, managing scarce natural resources sustainably and promoting people's well-being and the development of healthy living spaces)

Materiality

Tarkett conducted a stakeholder survey in 2016 to identify Tarkett material topics and ensure that its Sustainability policies are aligned with stakeholder expectations

Completeness

Tarkett's CSR report covers the same scope as the consolidated financial report. Topics covered in the report reflect the organization's significant economic, environmental and social impacts. Material CSR topics are not omitted. Furthermore, Tarkett strives to explore new and upcoming topics in appropriate detail.

Accuracy
Tarkett strives to ensure the accuracy of reported data, with clearly documented definitions and procedures in its CSR Reporting Handbook and with multiple controls.

Balance
Tarkett tracks performance in order to report on progress as well as challenges, thus reflecting in a transparent manner both positive and negative aspects of its CSR performance.

Clarity
CSR information is presented by Tarkett in a clear manner, with sufficient detail, that can be easily understood by stakeholders.

Comparability
Tarkett promotes consistent reporting through well documented procedures and presents indicators with comparisons to previous periods and base years.

Reliability
Reported data is documented and traced to source with internal controls and third-party external verification providing additional confidence in the veracity of published content.

Timeliness
Tarkett publishes CSR information annually with financial reports in March / April.

Reporting period

The annual reporting period is aligned with the financial year which is the calendar year from 1st January to 31st December. This report concerns the period 1st January 2019 to 31st December 2019.

Reporting frequency

CSR reporting for external publication needs is conducted annually. Intermediary reporting for internal purposes is conducted for certain topics (e.g. monthly reporting of WCM industrial KPI).

Scope of reporting

The scope of reporting is Group-wide, covering all activities over which the Group has operational control, as follows:

Social reporting cover :

- The workers (employees and external workers) at all entities in the consolidated financial scope, except for Tarkett Argentina (8 people) and Tarkett Sports Germany (8 people). These two newly created entities will be integrated into the CSR reporting in 2020. The joint venture Laminate Park at Eiweiler in Germany, which closed in 2019, was also excluded from the reporting. Other specific limitations for certain indicators are detailed under the paragraph "Specific limits to scope of reporting" in this methodological note.
- This scope includes all manufacturing plants, sales network and administrative offices for Tarkett payroll employees (except where specific limits to scope of reporting are given) and external workers.

Environmental reporting covers:

- The manufacturing activities at all plants in the consolidated financial scope, including, unless stated, plants acquired in 2018 (Lexmark in Dalton, US; Grassman in Sydney, Australia and Thermagreen in Toronto, Canada) and excluding the Joint Venture, Laminate Park plant at Eiweiler, Germany which closed in 2019. Other specific limitations for certain indicators are detailed under the paragraph "Specific limits to scope of reporting" in this methodological note.
- The flooring and sports surface finished goods produced at all plants in the consolidated financial scope.

Restatement of plant environmental indicators (water consumption, energy consumption, scope 1 & 2 GHG emissions, recycled and non-recycled waste):

- In accordance with the rules and guidance set out in Tarkett's CSR Reporting Handbook, management reviewed the impact of two significant changes in 2019 to the scope of the plant environmental reporting. In 2019 Lexmark (US), which was acquired in 2018, was integrated into the CSR reporting and Eiweiler (Germany), where production stopped in 2019, was excluded from CSR reporting. Given that these changes have a significant impact (>5%) on a number of plant environmental key performance indicators it was decided to restate historical values to limit the impact of these changes on the analysis of the results.
- Historical data has thus been restated to exclude Eiweiler and to include Lexmark (based on Lexmark's reported 2019 figures). This concerns all historical figures (2010 through to 2018 – indicated in the text with an asterisk "*") and related analysis for the following indicators – water consumption, renewable and non-renewable energy consumption, scope 1 and 2 greenhouse gas emissions, recycled and non-recycled waste. The following other environmental indicators have not been restated: Good materials (share of raw materials for which material assessment has been performed; share of materials at the start of supply chain which do not contribute to resource scarcity; share of renewable and recycled raw materials); People Friendly Spaces (share of phthalate-free products and share of low VOC emission products); ReStart® collection program; Share of production sites equipped with closed loop water circuits (or not using water in their process) and Share of production sites certified to ISO 14001.

Reporting organization
The reporting process of CSR / sustainability indicators is managed and consolidated since 2018 by the Financial department with the support from the different concerned functions (including R&D and Operations/WCM, HR, Legal,...), divisions and sites. Each CSR topic and its relevant indicators are owned by a member of the Tarkett Executive Management Committee (EMC). The clear ownership and responsibility ensure accurate, reliable and timely reporting of CSR data and indicators.

Reporting tools

HR CSR scorecard: data on workforce, headcount, diversity, etc. topics collected in a specific reporting Excel scorecard and consolidated by the Group.

Tarkett Cares scorecard: data compiled in a specific reporting Excel scorecard and consolidated by the Group.

Employee satisfaction: measured every two years through the internal employee satisfaction survey.

Compliance: data on compliance topics training (e.g. competition) collected in a specific reporting Excel scorecard and consolidated by the Group.

Academy: data on Tarkett Academy training collected in a specific reporting Excel scorecard and consolidated by the Group.

WCM environmental, safety and absence indicators: data reported in a dedicated scorecard for each manufacturing plant with data uploaded monthly to a Group data repository.

People Friendly Spaces: phthalate-free, low VOC emission and production volume data collected from plants in a specific reporting Excel scorecard and consolidated by the Group.

Good materials: indicators on resource scarcity and Cradle to Cradle assessment compiled from raw material purchase data and material classification and consolidated by Group in a specific reporting Excel scorecard.

ReStart®: data on post-installation, post-consumer and post-manufacturing waste collection and recycling collected in a specific reporting Excel scorecard and consolidated by the Group.

UN Global Compact supplier commitment: data compiled from raw material supplier purchase data.

Supplier commitment to Tarkett supplier Code of conduct: data compiled from purchasing databases.

Specific limits to scope of reporting

Safety: excluding FieldTurf North America & Sales Network, FieldTurf USA Sales Network, Beynon Sales Network and Tennis & Track (these entities represent approximately 6% of Tarkett's headcount).

Absence: excluding the following entities in the US, where hours lost for unplanned absence are not tracked according to Group rules: FieldTurf North America & Sales Network, FieldTurf USA Sales Network, Beynon Sales Network and Tennis & Track (these entities represent approximately 6% of Tarkett's headcount).

Raw material assessment & resource scarcity: All raw materials purchased for the production of finished and semi-finished flooring and sports surface products, excluding the three entities acquired in 2018 (Lexmark in Dalton, US; Thermagreen in Toronto, Canada and Grassman in Sydney, Australia) for which reporting is still being established; outsourced finished goods; process chemicals and packaging. Any post-installation or post-use materials collected and effectively recycled by FieldTurf or Beynon Sports Surfaces are not included. Raw materials purchased for production at the two North American plants which closed in 2019 (Waterloo and Truro in Canada), are included (since this activity is transferred), however materials purchased for production at the Laminate Park plant in Eiweiler, Germany is excluded.

ReStart®: Any post-installation or post-use materials collected and effectively recycled by FieldTurf or Beynon Sports Surfaces are not included.

Environmental manufacturing indicators: Water, energy, greenhouse gas emissions and waste indicators are reported for all industrial sites excluding the plants which closed during 2019 (Waterloo and Truro in Canada and Eiweiler in Germany). Furthermore, water consumption was not reported by the recently acquired Tarkett Sports industrial site in Toronto (Canada).

People Friendly Spaces indicators: Share of phthalate-free, share of low VOC emission and share of non-quantifiable VOC emission products exclude all semi-finished production volume, the production volume for automotive industry at Clervaux (Luxembourg) and other non-relevant production volumes (e.g. outdoor sports surfaces). Production volume at plants which closed in 2019 (Waterloo and Truro in Canada; Eiweiler in Germany) is excluded as is the volume associated to carpet production at Kalush in Ukraine where serial production ceased. The production volume for Lexmark in Dalton (US), which was acquired in 2018 and for which reporting is still being established, was also excluded.

Supplier commitment to UN Global Compact: All raw materials purchased for the production of finished and semi-finished flooring products, including packaging materials limited to those included in the Bill of Materials. We include main outsourced finished goods (LVT) and exclude: sports surface products, Lexmark purchases and inter-company spends of semi-finished goods.

Supplier commitment to Tarkett supplier Code of conduct: For all sites worldwide (sport surface included), we consider direct and indirect purchases (except energy) for the production of finished and semi-finished flooring products, including packaging materials limited to those included in the Bill of Materials. We include main outsourced finished goods (LVT), Group IT purchases and we exclude from inter-company spends of semi-finished goods.

CSR indicator definitions (extract from Tarkett CSR Reporting Handbook)

Social

Full time equivalent (FTE): used to measure the effective workforce during the reporting period as opposed to the headcount which is the number of employees present at the end of the reporting period. Reported for both Tarkett payroll employees and external workers.

Headcount: number of Tarkett payroll employees at the last day of the month of reporting period.

Tarkett payroll employees: All workers who are engaged by Tarkett and are on the Tarkett payroll, including interns / trainees and apprentices if on payroll. Excluding non-active staff (employees on leave greater than 6 months).

Permanent contract: Employee engaged by Tarkett for no specified duration (i.e. indefinite contract for an indeterminate period). Exception for China where employees on 2 or more years fixed-term contract are considered as permanent.

Fixed-term contract: Employee on Tarkett payroll engaged for a specified limited duration (i.e. employee temporary contract), including Tarkett Sports seasonal workers.

Geographical zones: EMEA comprises Tarkett EMEA, Tarkett Sports EMEA & corporate; North America comprises Tarkett North America & Tarkett Sports North America; Rest of World comprises Tarkett Eastern Europe, Asia Pacific, Latin America and Tarkett Sports Australia.

External workers: Any worker who does not have an employment contract with Tarkett / is not on Tarkett payroll (e.g. external workers on contract with a temporary staff employment or leasing agency hired to support regular operations).

Manager: A manager is an employee with at least one direct report at the date of reporting (e.g. 31.12), including blue collar workers (e.g. shift leaders, group leaders, extension supervisors and team managers are considered as managers).

Other employees: All employees other than managers at the date of reporting.

Disabled employees: Reported according to local labor laws where permitted.

Top senior executives (EC to EC-1): CEO, members of Executive Management Committee (EC) and the senior executives reporting to them (with or without direct report).

Senior executives (EC to EC-2): Top senior executives and the senior executives directly reporting to them (with or without direct report).

Employees hired: Number of employees (with permanent or fixed-term contracts) added to the payroll including employees hired on the final day of reporting period.

Rate of employee hires: employees hired / headcount

Total number of employee departures: Number of employees (with permanent or fixed-term contracts) removed from the payroll.

Total employee turnover rate: employee departures / headcount.

Permanent employee turnover rate: permanent contract employee departures / permanent employee headcount.

Share of employees having received training: An employee is considered as "having received training" if the cumulative number of training hours received over the full year exceeds 1 full day (8 hours).

Training hours: Training in Tarkett as considered as development activity, with specific support, and confirmation of attendance. For e-learning, the training hours reported correspond, where possible, to the real time spent by employees following online e-learning courses as recorded by the e-learning systems (for both "in progress" and "completed" courses). If real time is not available, the theoretical duration of the online training is taken into account.

PDD, Polyvalence Matrix or equivalent appraisal: The annual appraisal ("Performance and Development Dialogue" and "Polyvalence Matrix") is an annual exchange between the employee and his/her manager to discuss achievements, skills, opportunity for improvement and development program.

Open management positions filled with internal candidate: A management position is a position (manager) with at least one direct report. An internal candidate is a candidate already a Tarkett employee.

Number of external people who received Tarkett Academy training: Number of people (excluding employees and external workers) having completed a Tarkett Academy technical training session / program in the Tarkett Academy network.

Tarkett Academy network: The Tarkett Academy organizes and provides specific technical training programs (in flooring installation and maintenance) at dedicated training centers and at other locations.

Dedicated Tarkett Academy technical training center: A Tarkett facility that is dedicated to giving technical training (including training to external people).

Number of injuries - employees: Excluding accidents to visitors and commuting accidents which are tracked separately; where visitors may include Tarkett employees visiting other sites.

LTA: A Lost Time Accident (including fatality) where the individual is more seriously injured and as a result, they are unavailable to attend work for a period greater than 24 hours.

Injuries with lost time <24hours: A workplace injury which is sufficiently serious to mean that the injured person is unable to attend work for the remainder of the day, however are available to return to work the next day.

Injuries with first aid: A workplace minor injury where the injured party is able to return to work following a brief period of minor treatment from an occupational nurse or trained staff member.

Injury frequency rate - LTA only [FR0t]: # LTA x 1 000 000 / worked hours, where the number of LTA include fatal accidents.

Injury frequency rate - LTA and lost time <24 hours [FR1t]: # LTA + # Injuries with lost time <24 hours x 1 000 000 / worked hours, where the number of LTA include fatal accidents.

Lost day rate due to LTA - accident severity rate [TG0t]: # of working days lost for LTA x 1000 / worked hours.

Occupational illnesses: An occupational illness (or disease) is defined as, "any abnormal condition or disorder, other than one resulting from an occupational injury, caused by exposure to factors associated with employment."

Occupational illnesses frequency rate: # Occupational illnesses / worked hours x 1 000 000.

Hours lost for absence: Worked hours lost for unplanned absence (i.e. illness, worked-related accidents, strikes or other unexcused absence) of all employees during the reporting period up to 30 days. Excluding "planned sick leave" absence (e.g. in North America where certain categories of workers, such as office workers, have pre-determined quota of "paid sick days" that they can take without justification and where actual sick days are not tracked). Where an employee returns to work, but only part-time (e.g. therapeutic phased return to work), after an absence, then the employee is no longer considered absent.

Absentee rate %: # hours lost for absence / # total scheduled hours.

Progress on "Ensure respect and integrity through adhesion to Tarkett values": Average score to 2 questions in the biennial (every two years) employee feedback survey: "Tarkett has clearly communicated its standards of business conduct and operates in an ethical manner" and "Senior leader's actions and behaviors are consistent with Tarkett's values, including standards of business conduct and ethics".

Progress on "Listen to employees": Score to the following question in the biennial employee feedback survey: "Sufficient effort is made to get the opinions and thinking of people who work in Tarkett". This replaces the previous indicator based on the average of 2 questions.

Progress on "Communicate proactively towards all employees": Average score to 2 questions in the biennial employee feedback survey: "My manager does a good job of keeping me informed about matters that affect me" and "I am kept informed about matters that affect me". In previous editions this was the average of 3 questions.

Total compensation and benefits: Total of short-term employee benefits (as per Group Accounting Manual): wages, salaries and social security contributions; paid annual leave and paid sick leave; profit-sharing and bonuses payable within twelve months of the end of the period; non-monetary benefits, such as medical care, housing, cars and free or subsidized goods or services.

Tarkett Cares

Community initiatives: The Tarkett Cares program promotes the participation of Tarkett employees and Tarkett entities in local community initiatives which help the community for better living and contributes to local community's needs. As per Tarkett Cares guidelines the initiative should be connected to Tarkett's values, core business or sustainability commitment and carried out with an officially recognized non-profit organization (including public services such as schools).

Employees involved: The total number of employees who have volunteered 1 or more hours to community initiatives.

Hours volunteered: The total number of hours volunteered during working hours. As per Tarkett Cares rules, each employee can volunteer (share time and talent) between 1 hour and 2 days per year during working hours. Hours volunteered outside of working hours (e.g. evenings, weekends, holidays) are not included.

Flooring products donated: Total square meters of flooring products donated to community initiatives.

Total value of contributions to community initiatives: Value of flooring products donated based on standard factory price (cost of production) + value of other in-kind contributions (cost of purchased materials) + cash donations + value of volunteered hours (calculated using total employee compensation and FTE).

Code of Ethics

% of employees who have received training on Code of Ethics in the last 2 years: share of employees (total headcount) who have completed the Tarkett online e-learning module on Tarkett's Code of Ethics, or who have received "in-person" / face to face training on Tarkett's Code of Ethics in the last 2 years.

Total number of hours of employee training on Code of Ethics: based on a standard duration for online e-learning or in-person training on Tarkett's Code of Ethics of 2 hours.

Environmental

Indicators on raw materials: purchases of raw materials only (i.e. materials included in the Bill of Materials) (excluding indirect purchases and finished products). Most raw material purchase data comes from Tarkett's global SAP data warehouse. The remaining (7%) is reported by plants.

Share of raw materials for which material assessment has been performed (% of purchase volume): Share of materials purchased (in metric tonnes), for which an impact study was carried out pursuant to Cradle-to-Cradle principles "Product Standard Material Health Methodology Nov. 2013" available at www.c2certified.com. Tarkett uses ABC-X classification, which evaluates risks related to the impact of chemical substances on the environment and human health. For raw materials in SAP the ratings A, B, C, [], X and [X] are considered as assessed at a SKU level. For other raw materials the ratings A, B, C, [], X, [X] and Grey are considered as assessed by raw materials family. For PVC materials, an evaluation has been performed among the supply chain to verify use of BAT (Best Available Techniques) technology on chloralkali process as well as additives involved. PVC has been rated according to specific EPEA criteria. For those PVC suppliers that have not yet provided information a precautionary approach is taken and pre-assessed [X] until information will be provided.

Share of materials at the start of supply chain which do not contribute to resource scarcity (% of purchase volume): Materials characterized based on resources used in their production process (fossil, limited minerals, abundant minerals, renewable, recycled). The 3 categories not contributing to resource scarcity are: mineral abundant, renewable and recycled.

Fossil origin: Every resource synthetized from fossil fuel, especially oil, but also sulphates. The category excludes fossil minerals like Calcium carbonate. Polyvinyl Chloride (PVC) is considered as 43% fossil (petrol) and 57% mineral abundant (sea salt).

Mineral origin: A chemical element or inorganic combination of chemical elements occurring naturally, extracted from the ground or water and used in economic activities. The category includes fossil-formed minerals like charcoal or limestone. Mineral abundant resource - that is not threatened by scarcity. It can have important reserve (sea salt – sodium chloride, limestone – calcium carbonate…), very good recycling process (like Aluminium) or be virtually inexhaustible (chlorine in sea water). Mineral limited resource - that is threatened by exhaustion in a short term (as defined by selected models) and that is to be substituted in priority.

Renewable origin: A resource of which reserves can be replenished in the same or less time than the one needed for its consumption.

Recycled origin: Materials that would otherwise have been sent for waste disposal, used in lieu of primary raw materials, including post-consumer and post-installation flooring waste collected by Tarkett (e.g. ReStart®) and effectively recycled and used in Tarkett products; post-manufacturing waste from Tarkett that is reprocessed into secondary raw material and recycled in Tarkett production; recycled (post-consumer and/or post-manufacturing) waste procured by Tarkett from other organizations for Tarkett production and recycled content of other procured raw materials.

Manufacturing environmental intensity indicators: Tarkett tracks and reports its environmental performance per square meter of floor covering and sports surface. These intensity ratios are calculated by dividing the (numerator) environmental manufacturing indicators (water, energy, greenhouse gas emissions and non-recycled waste) by the (denominator) volume of finished goods – floor covering and sports surfaces in square meters. The volume of semi-finished goods is not included.

Water consumption: All water consumed in the production / technical process, including for cooling as well as water not consumed in the production process, but consumed on site (e.g. in sanitary, in canteens). Water sources are groundwater, surface water and municipal water. Excluding rainwater consumption, which is not tracked. Reported groundwater consumption at Bačka Palanka corresponds to the water consumed as measured by on-site meters rather than water pumped from ground.

Share of manufacturing plants that have implemented closed-loop water circuits (or do not use water in their process): Closed-loop water circuit considered as when water is recycled and reused in a closed loop. The only make-up normally required is that needed to replace small water losses. Each plant calculates % of reused water using flow data and formula A / A+B+C where A = volume of water re-used or recycled; B = volume of water consumed and discharged directly and C = volume of water consumed to refill the loop. Plants considered as having closed-loop water circuit when results >= 98%.

Non-renewable fuel consumption: Includes the consumption of fuel oil, natural gas, liquefied petroleum gas, propane and/or butane, other petroleum gas (e.g. ethane).

Renewable fuel consumption: Includes the consumption of biomass, biofuel, geothermal, solar thermal and solar photovoltaic energy. Excluding the purchase of renewable electricity reported separately as part of purchased electricity.

Purchased electricity consumption: Renewable and non-renewable purchased electricity consumption.

- **Non-renewable electricity:** share of electricity purchased from a supplier using a non-renewable energy source to generate the electricity supplied during the reporting period. Including a small amount (<1%) of purchased heat from a district heating network.
- **Renewable electricity**: share of electricity purchased from a supplier using a renewable energy source to generate the electricity supplied during the reporting period.

Generated electricity sold: renewable electricity generated and sold to the grid (a negligible quantity in 2018 and so not reported in 2019).

Total energy consumption: renewable fuel + non-renewable fuel + purchased electricity consumption. Steam consumption is excluded (12,6 GWh in 2019 at one plant).

Greenhouse gas (GHG) emissions reporting: Since 2017 Tarkett aligned its inventory of GHG emissions with the GHG Protocol and GRI 2016 standards. As such it includes the CH_4 and N_20 biomass scope 1 emissions) as well as reporting separately the outside of scope biogenic CO_2 emissions. Furthermore, it reports both market-based and location-based scope 2 GHG emissions (which also include CH_4 and N_20 as well as CO_2 emissions).

Gross direct (scope 1) GHG emissions: Natural gas, fuel oil, LPG, propane, butane, other petroleum gas (e.g. ethane) and biomass consumption multiplied by their respective emission factors (for biomass consumption this relates only to scope 1 CH_4 and N_20 emissions, out of scope biogenic CO_2 emissions are reported separately).

Biogenic CO_2 emissions (out of scope): CO_2 emissions arising from the combustion of biomass or biofuel are reported outside of scope 1, scope 2 and scope 3 GHG emissions. These emissions are reported outside of the scope because the Scope 1 impact of these fuels has been determined to be a net '0' (since the fuel source itself absorbs an equivalent amount of CO_2 during the growth phase as the amount of CO_2 released through combustion).

Gross location-based indirect (scope 2) (GHG) emissions: Total electricity consumption multiplied by the location-based emission factors, where the location-based method reflects the average GHG emissions intensity of grids on which energy consumption occurs, using mostly grid-average emission factor data.

Gross market-based indirect (scope 2) (GHG) emissions: Electricity consumption multiplied by a market-based emission factor which corresponds to the characteristics of the electricity purchased. For purchased renewable electricity the factor is 0 $kgCO_2e/kWh$. In other cases, the supplier specific emission factor communicated by the electricity provider or in the absence of a specific supplier factor the emission factor based on the regional electricity generation mix or finally the default location-based emission factor.

Source of emission factors: Scope 1 and out of scope biogenic emission factors ($kgCO_2e$ per kWh) are taken from Defra's 2019 - UK Government GHG Conversion Factors for Company Reporting. Scope 2 location-based emission factors ($kgCO_2e$ per kWh) are taken from 3 sources: Defra 2019 for UK purchased electricity; US EPA: eGRID 2016 - Subregion Emissions – Greenhouse Gases for US regional purchased electricity and IEA "Emissions Factors (2019 edition considering 2017 results)" all other countries purchased electricity.

Phthalate-free products: Products "without added phthalates" mean that no phthalate plasticizers (DOP or DINP) are contained in virgin raw material (not greater than 0.1% in mass) in the product composition, but recycled material content could contain some residual phthalates.

Share of phthalate-free: Share of production volume (m²) of products potentially containing phthalates, i.e. all vinyl products (including LVT outsourced) and all other products containing PVC parts (e.g. certain carpets produced in North America).

VOC: volatile organic compounds.

Low VOC emission products: Products with TVOC emissions ≤ 100 µg/m³ according to ISO 16000-9 guidelines (emission chamber) and local test methods (wood floorings: excluding natural emissions coming from wood itself).

Non-quantifiable VOC emissions products: Products with TVOC, SVOC and formaldehyde emissions ≤ 10 µg/m³ according to ISO 16000-9 guidelines (emission chamber) and local test methods.

Share of low VOC emission: Share of production volume (m²) of indoor flooring and indoor sports surface products potentially releasing VOCs, i.e.: all products excluding outdoor grass and outdoor track surfaces.

Waste: All waste removed from the manufacturing plants, (e.g. industrial waste, office waste, waste from canteens,…) removed by a contracted service provider (this may exclude certain non-industrial waste removed by municipal authorities who do not provide any tracking information such as quantity and type of waste removed). Tarkett splits waste by hazardous and non-hazardous and by destination: landfill, incineration with energy recovery, incineration without energy recovery, other treatment and recycling. Non-hazardous waste-water is excluded.

Hazardous waste: Hazardous waste as defined by national legislation at the point of generation.

Non-hazardous waste: Waste not classified as hazardous as defined by national legislation at the point of generation.

Non-recycled waste: All waste excluding waste sent for external recycling or / and sent to other Tarkett plants for internal recycling.

Waste to landfill: All waste sent to landfill.

Waste sent for external recycling: Waste sent for external recycling. Also including carpet waste sent to cement industry as a source of calcium carbonate as well as a replacement to fossil fuel.

ReStart® post-installation or post-consumer products collected: Post-consumer waste includes flooring and sports surface products that have been used and are removed for disposal (e.g. old products retrieved from the floor during a renovation project, potentially with remaining concrete and/or glue). Post-installation flooring waste incurred during the installation of flooring and sports surface products (e.g. not used pieces of clean flooring, reclaimed from installers during installation). Collected through Tarkett organized collection of post-consumer or post-installation waste (i.e. through ReStart® program).

Other CSR indicators:

Supplier commitment to UN Global Compact: Share of direct purchases made with suppliers who have committed to UN Global Compact. Tarkett started in 2011 to integrate in all its supply agreement a clause requiring suppliers to "maintain a corporate policy that will respect the commitments of the United Nation Global Compact by applying in their company and to their own suppliers the ten principles of the Global Compact which the Supplier undertakes to abide by". Therefore, the suppliers who have signed a formal supply agreement, even if it does not mention UNGC directly but contains same similar clauses, or UN Global Compact clauses with Tarkett are accounted as committing to UN Global Compact principles.

Supplier commitment to Tarkett supplier Code of conduct: Following the launch of our Supplier Code of conduct in 2019, we monitor the share of targeted suppliers (in number, focused on suppliers based on product categories of highest risk and based on Tarkett spend) who have adhered to our Code of conduct or equivalent. Accepted equivalents include: SA8000 and ISO 14001 certification; BCorp certification and Cradle to Cradle certification of products with all pillars in at least silver level.

3.9.3 GRI and DPEF concordance table

Tarkett has developed a reporting system that follows and goes beyond the French extra-financial performance declaration (DPEF), based on challenging frameworks and guidelines published by international bodies such as the Global Reporting Initiative (GRI).

GRI Standard Disclosure / Description GRI Standard		Universal Registration Document Sections	Correspondence DPEF
102	**General Disclosures**		
	Organizational Profile		
102-1	Name of the organization	3.1	
102-2	Activities, brands, products, and services	1.4, 1.6, 3.1	
102-3	Location of headquarters	7.1.1	
102-4	Location of operations	1.5, 1.6, 3.1.2	
102-5	Ownership and legal form	7	
102-6	Markets served	1.5, 3.1	
102-7	Scale of the organization	1, 3.1	
102-8	Information on employees and other workers	3.9.1	Art. R225-105 II. A. 1° a)
102-9	Supply chain	3.7.1	Art. R225-105 II. A. 3° b)
102-10	Significant changes to the organization and its supply chain	1	
102-12	External initiatives	3.5	
102-13	Membership of associations	3.2.3, 3.5	
	Strategy		
102-14	Statement from senior decision-maker	3.1.1	
102-15	Key impacts, risks, and opportunities	3.3, 6.1	Art. R225-105 I. 1°
	Ethics and Integrity		
102-16	Values, principles, standards, and norms of behavior	3.2.4	
102-17	Mechanisms for advice and concerns about ethics	3.2.4	
	Governance		
102-18	Governance structure	2.1, 2.2, 3.2.1	
102-19	Delegating authority	2.1, 2.2, 3.2.1	
102-20	Executive-level responsibility for economic, environmental, and social topics	3.2.1	
102-21	Consulting stakeholders on economic, environmental, and social topics	3.5	
102-22	Composition of the highest governance body and its committees	2.1	
102-23	Chair of the highest governance body	2.1	
102-24	Nominating and selecting the highest governance body	2.2	
102-25	Conflicts of interest	2.1.2.1	
102-26	Role of highest governance body in setting purpose, values, and strategy	2.2	
102-27	Collective knowledge of highest governance body	2.1	
102-28	Evaluating the highest governance body's performance	2.2	
102-29	Identifying and managing economic, environmental, and social impacts	3.4, 6.1	
102-30	Effectiveness of risk management processes	3.4, 6.2	
102-31	Review of economic, environmental, and social topics	3.2.1	
102-32	Highest governance body's role in sustainability reporting	3.3., 3.6.	
102-35	Remuneration policies	2.3, 2.6	
102-36	Process for determining remuneration	2.2, 2.6	

GRI Standard Disclosure / Description GRI Standard		Universal Registration Document Sections	Correspondence DPEF
102-37	Stakeholders' involvement in remuneration	2.6	
	Stakeholder Engagement		Art. R225-105 II. A. 3° a)
102-40	List of stakeholder groups	3.5	
102-41	Collective bargaining agreements	3.8.5.3, 3.9.1	Art. L225-102-1 III.
102-42	Identifying and selecting stakeholders	3.5	
102-43	Approach to stakeholder engagement	3.5	
102-44	Key topics and concerns raised	3.5	
	Reporting Practice		
102-45	Entities included in the consolidated financial statements	3.9.2, 5	Art. L225-102-1 III.
102-46	Defining report content and topic boundaries	3.9.2	
102-47	List of material topics	3.3.4	
102-48	Restatements of information	3.9.1, 3.9.2	
102-49	Changes in reporting	3.2.2, 3.9.2	
102-50	Reporting period	3.9.2	
102-51	Date of most recent report	3.9.2	
102-52	Reporting cycle	3.9.2	
102-53	Contact point for questions regarding the report	3.9.2	
102-55	GRI content index	3.9.3	
102-56	External assurance	3.9.4	Art. L225-102-1 V.
103	**Management approach**	**3.1, 3.6, 3.7, 3.8, 3.9**	**Art. R225-105 I. 2° & 3°**
200	**Economic**		
201	Economic Performance		
201-1	Direct economic value generated and distributed	3.1, 4, 5	
201-2	Financial implications and other risks and opportunities due to climate change	3.3	Art. L225-102-1 III.
203	Indirect Economic Impacts		
203-1	Infrastructure investments and services supported	3.7.2	
203-2	Significant indirect economic impacts	3.7.2	Art. R225-105 II. A. 3° a)
205	Anti-Corruption		Art. L225-102-1 III. Art. R225-105 II. B. 1°
205-1	Operations assessed for risks related to corruption	3.2.4.2, 3.3	
205-2	Communication and training about anti-corruption policies and procedures	3.2.4.2	

GRI Standard Disclosure / Description GRI Standard		Universal Registration Document Sections	Correspondence DPEF
300	**Environmental**		**Art. L225-102-1 III. Art. R225-105 II. A. 2° a)**
301	Materials		Art. R225-105 II. A. 2° c) ii)
301-1	Materials used by weight or volume	3.6.2.1, 3.9.1	
301-2	Recycled input materials used	3.6.4.2, 3.9.1	
301-3	Reclaimed products and their packaging material	3.6.4.3, 3.9.1	
302	Energy		Art. R225-105 II. A. 2° c) ii)
302-1	Energy consumption within the organization	3.6.5.2, 3.9.1	
302-3	Energy intensity	3.6.5.2, 3.9.1	
302-4	Reduction of energy consumption	3.6.5.2	
302-5	Reductions in energy requirements of products and services	3.6.5.2	
303	Water and Effluents		
303-5	Water consumption	3.6.5.1, 3.9.1	Art. R225-105 II. A. 2° c) ii)
305	Emissions		Art. R225-105 II. A. 2° b) & d)
305-1	Direct (Scope 1) GHG emissions	3.6.6.1, 3.9.1	
305-2	Energy indirect (Scope 2) GHG emissions	3.6.6.1, 3.9.1	
305-3	Other indirect (Scope 3) GHG emissions	3.6.6.2, 3.9.1	
305-4	GHG emissions intensity	3.6.6.1, 3.9.1	
305-5	Reduction of GHG emissions	3.6.6	
306	Waste		Art. R225-105 II. A. 2° c) i)
306-2	Waste by type and disposal method	3.6.4.1, 3.9.1	
308	Supplier Environmental Assessment		Art. R225-105 II. A. 3° b)
308-1	New suppliers that were screened using environmental criteria	3.7.1.1	
308-2	Negative environmental impacts in the supply chain and actions taken	3.7.1.1	
400	**Social**		**Art. L225-102-1 III.**
401	Employment		
401-1	New employee hires and employee turnover	3.9.1	Art. R225-105 II. A. 1° a)
402	Labor / Management Relations		
402-1	Minimum notice periods regarding operational changes	3.8.5.4	
403	Occupational Health and Safety		Art. R225-105 II. A. 1° c)
403-1	Occupational health and safety management system	3.8.1	
403-2	Hazard identification, risk assessment, and incident investigation	3.3, 3.8.1	
403-3	Occupational health services	3.8.2	
403-5	Worker training on occupational health and safety	3.8.1, 3.8.4.2	
403-6	Promotion of worker health	3.8.2	
403-8	Workers covered by an occupational health and safety management system	3.8.1	
403-9	Work-related injuries	3.8.1, 3.9.1	Art. R225-105 II. A. 1° c)
403-10	Work-related ill health	3.8.2, 3.9.1	Art. R225-105 II. A. 1° c)
404	Training and Education		Art. R225-105 II. A. 1° e)
404-1	Average hours of training per year per employee	3.9.1	
404-2	Programs for upgrading employee skills and transition assistance programs	3.8.4.2	
404-3	Percentage of employees receiving regular performance and career development reviews	3.8.4.1, 3.9.1	

GRI Standard Disclosure / Description GRI Standard		Universal Registration Document Sections	Correspondence DPEF
405	Diversity and Equal Opportunity		Art. L225-102-1 III. Art. R225-105 II. A. 1° f)
405-1	Diversity of governance bodies and employees	3.8.3, 3.9.1	
407	Freedom of Association and Collective Bargaining		Art. R225-105 II. A. 1° d)
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	3.8.5.3	
412	Human Rights Assessment		Art. L225-102-1 III. Art. R225-105 II. B. 2°
412-2	Employee training on human rights policies or procedures	3.2.4, 3.9.1	
413	Local Communities		Art. R225-105 II. A. 3° a)
413-1	Operations with local community engagement, impact assessments, and development programs	3.7.2, 3.9.1	Art. L225-102-1 III.
414	Supplier Social Assessment		Art. R225-105 II. A. 3° b)
414-1	New suppliers that were screened using social criteria	3.7.1	
414-2	Negative social impacts in the supply chain and actions taken	3.7.1	
416	Customer Health and Safety		Art. R225-105 II. A. 3° c)
416-1	Assessment of the health and safety impacts of product and service categories	3.6.2, 3.6.3, 3.9.1	
417	Marketing and Labeling		
417-1	Requirements for product and service information and labeling	3.6.2.2	

3.9.4 Report of Independent Third-Party Organization

Report by one of the Statutory Auditors, appointed as independent third party, on the consolidated non-financial statement

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

To the shareholders,

In our capacity as Statutory Auditor of your company (hereinafter the "entity") appointed as independent third party, and accredited by the French Accreditation Committee (Comité Français d'Accréditation or COFRAC) under number 3-1049[1], we hereby report to you on the consolidated non-financial statement for the year ended 31 December 2019 (hereinafter the "Statement"), included in the Group Management Report pursuant to the requirements of articles L.225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (Code de commerce).

Responsibility of the entity

The Board of Directors' is responsible for preparing the Statement, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement (or which are available upon request at the entity's head office).

Independence and quality control

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

Responsibility of the Statutory Auditor appointed as independent third party

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the requirements of article R. 225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with article R.225-105 I, 3° and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on the entity's compliance with other applicable legal and regulatory requirements, in particular the French duty of care law and anti-corruption and tax avoidance legislation nor on the compliance of products and services with the applicable regulations.

Nature and scope of our work

The work described below was performed in accordance with the provisions of Article A.225-1 et seq. of the French Commercial Code, as well as with the professional guidance of the French Institute of Statutory Auditors (Compagnie nationale des commissaires aux comptes or CNCC) applicable to such engagements and with ISAE 3000 (international standard on assurance engagements other than audits or reviews of historical financial information):

- We obtained an understanding of all the consolidated entities' activities, and the description of the principal risks associated;
- We assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, where appropriate;
- We verified that the Statement includes each category of social and environmental information set out in article L.225-102-1 III as well as information regarding compliance with human rights and anti-corruption and tax avoidance legislation;
- We verified that the Statement provides the information required under article R. 225-105 II of the French Commercial Code, where relevant with respect to the principal risks and includes, where applicable, an explanation for the absence of the information required under article L.225-102-1 III, paragraph 2 of the French Commercial Code;
- We verified that the Statement presents the business model and a description of principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships, their products or services, as well as its their policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks;
- We referred to documentary sources and conducted interviews to:
  - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented, and
  - corroborate the qualitative information (measures and outcomes) that we considered to be the most important presented in Appendix ; concerning certain risks[2], our work was carried out on the consolidating entity, for the other risks, our work was carried out on the consolidating entity and on a selection of entities[3];
- We verified that the Statement covers the scope of consolidation, i.e. all the consolidated entities in accordance with article L. 233-16 of the French Commercial Code within the limitations set out in the Statement;

1 *Accreditation scope available at www.cofrac.fr*
2 *Social Duty of care ; Societal Duty of care ; Site damage and disruption ; Business ethics ; Fiscal ; IT & Cybersecurity ; Supplier dependency ; Flooring market changes.*
3 *Tarkett d.o.o. (Serbia) ; Tarkett SEE DOO (Serbia) ; Tarkett AB (Sweden) ; Tarkett Vinisin TOV (Ukraine).*

- We obtained an understanding of internal control and risk management procedures the entity has put in place and assessed the data collection process to ensure the completeness and fairness of the Information;
- For the key performance indicators and other quantitative outcomes that we considered to be the most important presented in Appendix, we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data;
  - tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities[1] and covers between 13% and 19% of the consolidated data selected for these tests;
- We assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We believe that the work carried out, based on our professional judgment, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work was carried out by a team of five people between July 2019 and February 2020 and took a total of ten weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted about twenty interviews with the people responsible for preparing the Statement.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the non-financial statement is not presented in accordance with the applicable regulatory requirements and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respects.

Paris-La Défense, February 13, 2020

KPMG S.A.

Renaud Laggiard, Partner

Fanny Houlliot, Partner Sustainability Services

1 Tarkett d.o.o. (Serbia) ; Tarkett SEE DOO (Serbia) ; Tarkett AB (Sweden) ; Tarkett Vinisin TOV (Ukraine).

Appendix

Qualitative information (actions and results) considered as most significant

- Measures taken for the safety of employees
- Actions against discrimination
- Internal talent and competency management process
- Measures taken in favor of the circular economy
- Environmental certifications and awards for production sites
- Products distributed with sustainable raw material supply chain
- Actions for the reduction of harmful chemicals in products
- Local actions to reduce energy consumption and associated CO_2 emissions
- Production site emergency response plans
- Promotion of good practices throughout the supply chain
- Actions in favor of product transparency
- Policies to ensure business ethics and integrity

Key indicators and other quantitative results considered as most significant

- Total headcount at period end and its distribution by gender, age and geographical localisation
- Number of employee hires
- Total number of employee departures
- Training hours
- Frequency rate of work accidents with lost time
- Accident severity rate
- Absentee rate
- Percentage of female top senior executives
- Energy consumption (electricity, natural gas, fuel, biomass)
- Water consumption
- Quantity of non-recycled waste
- Quantity of post-installation or post-consumer products collected
- Percentage of flooring products without phthalate
- Production volume
- Greenhouse Gases emissions due to the energy consumption
- Share of low Volatile Organic Compound (VOC) emission products
- Share of raw materials for which Cradle to Cradle material assessment has been performed
- Volume of raw materials of recycled origin
- Share of raw materials at the start of supply chain which do not contribute to resource scarcity
- Percentage of raw materials purchased from suppliers committing to United Nations Global Compact

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Appendix

List of *Cradle to Cradle*® (C2C) certifications

C2C Certifications

Product Categories	Product references	Certification Level
Carpet	Desso EcoBase® PA6 Solution Dyed Carpet Tiles Gold	Gold
	EcoBase® Carpet Tile Backing	Gold
	Desso® Axminster Gold	Gold
	EcoBase™ PA 6 Continuous Dyed Carpet Tiles	Silver
	EcoBase™ PA 6 Solution Dyed Carpet Tiles	Silver
	EcoBase™ PA 6.6 Continuous Dyed Carpet Tiles	Silver
	ethos® Modular Tile with Omnicoat Technology	Silver
	Continuous Dyed Broadloom	Bronze
	Desso® PA6 Continuous Dyed Carpet Tiles	Bronze
	Desso® PA6 Solution Dyed Carpet Tiles	Bronze
	PA6 Solution Dyed Carpet Tiles	Bronze
	Solution Dyed Broadloom	Bronze
Resilient flooring	iQOne	Gold
	iD Revolution	Gold
Linoléum	Linoleum Originale Collection	Gold
	LinoWall	Silver
	Tarkett Linoleum Flooring	Silver
Rubber	Johnsonite Rubber Wall Base (BaseWorks®)	Silver
	Johnsonite Rubber Tile and Sheet	Bronze
Artificial Turf	FieldTurf, EasyTurf et gammes de produits de la marque Desso	Bronze
Wood	Parquet	Silver

C2C Material Health Certificates

Product Categories	Product references	Certification Level
Anti-soil	Eco-Ensure	Platinum
Adhesives	Tandus Centiva B- 19 Adhesive	Platinum
	Tandus Centiva C- 56 Floor Primer	Platinum
	Tarkett 959 Vinyl Tile and Plank Adhesive	Platinum
	Tarkett 901 Resilient Flooring Spray Adhesive and Sports HS Spray Adhesive	Platinum
	Tarkett Resilient Flooring Adhesives	Platinum
	Tandus Centiva C-12e Pressure Sensitive Adhesive	Silver
	Tandus Centiva C-14e Pressure Sensitive Adhesive	Silver
	Tandus Centiva C-TR Adhesive	Silver
	Tarkett C-EX Pressure Sensitive Adhesive	Silver
	Tarkett RollSmart Adhesive	Bronze
Resilient flooring	iQOne	Platinum
Rubber	BaseWorks® Thermoset Rubber Wall Base	Silver
	Tarkett Rubber Tile collection	Bronze

ICPE Production Sites in France (Classified Installations for Environmental Protection) – Sedan and Auchel sites

In France, ICPE refers to 'Installations Classées pour la Protection de l'Environnement' – Classified Installations for Environmental Protection.

The vinyl production facility in Sedan, France is ranked as an Authorization-level Classified Installation by a Prefectural Decree of July 2008 in particular for sections with regard to the processing and storage of plastic materials. Hence the site is subject to "Authorization" for sections:

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

The Sedan site has entrusted its regulatory surveillance to a specialized firm which enables it to identify evolutions in ICPE regulations. In particular, the site communicated all elements to the authorities concerning the new 3000 and 4000 ICPE sections. The site is organized in case of a major fire or pollution disaster thanks to an Internal Operation Plan (POI) and an internal team of firemen capable of intervening 24 hours a day and 7 days a week.

The site organization complies with the highest standards. Hence, the site is certified for the following standards: ISO 9001 (Quality), ISO 14001 (Environment), ISO 50001 (Energy) and OHSAS 18001 (Health & Safety), and has maintained the bronze WCM level in July 2019.

Thanks to a proactive policy, the site has considerably reduced its environmental impact. Since 2011, industrial VOC (Volatile Organic Compounds) emissions and water consumption have been divided by 3, and non-recyclable waste divided by 5.

To achieve this, the site uses a structured method for analyzing and reducing environmental impacts.

Finally, to protect the environment from accidental pollution, the site has set up oil separators on storm water discharges and a system that continually analyzes the pollution level on industrial water outputs.

Artificial turf production facility in Auchel: The authorization request to operate the Auchel site (France) was validated by the Préfecture (territorial authorities) on 17/03/2017. The Auchel site factory installations are subject to the registration scheme. The nomenclature version considered to carry out this classification is version 27.01 (October 2015). Accordingly, the site is now subject to registration for sections 2661.1.b and 2661.2.a – Transformation of polymers. The following sections were moreover classified as being subject to declaration (the regulatory level below Registration):

- 2662.3 – Storage of polymers;
- 2663.2.b – Storage of tires and products of which a minimum of 50% of the total unit weight is composed of polymers;
- 4719.2 – Acetylene storage;

List and justification of non-material CSR topics

The CSR topics listed in the below table are not highly material for Tarkett and were therefore not developed in the CSR report.

CSR Topic	Justification of low materiality for Tarkett
Biodiversity	Tarkett does not operate in areas of high biodiversity value such as natural protected areas, and does not develop new activities in pristine areas. As such, our activities do not have a direct impact on sensitive biodiversity features. We can however have an indirect impact on biodiversity, e.g. through natural resources consumption, air emissions or waste generation – topics which are duly addressed in the CSR report.
Air emissions (other than greenhouse gases)	Our main focus in terms of air emissions is on greenhouse gases (GHG) due to their global impact on climate change. Some actions implemented to reduce GHG emissions (such as improvement of energy efficiency, development of renewable energies, etc.) in turn reduce emissions of other air pollutants such as nitrogen oxides (NO_x), sulphur oxides (SO_x) or particulate matters (PM). Most of our direct emission sources (e.g. boilers) at our manufacturing sites use natural gas as fuel, thus leading to minimal SO_x and PM emissions. We monitor our air emissions as per regulatory requirements to confirm compliance with applicable emissions standards for other pollutants such as NO_x.
Wastewater discharges	Our main focus is to reduce water consumption, by implementing closed-loop water systems or manufacturing processes which do not consume any water (topic addressed in the CSR report). This in turn minimizes the volume of wastewater discharges at our manufacturing sites. In terms of pollutants, we monitor our wastewater discharges as per regulatory requirements to confirm compliance with applicable standards.
Noise and other nuisances	At our manufacturing sites, we measure boundary noise as per regulatory requirements to confirm compliance with applicable standards and to ensure that we minimize the nuisances for our neighbors. Complaints regarding noise or other nuisances (e.g. odors, lighting, smoke), which very rarely occur, are discussed with the complainant, investigated and subject to appropriate corrective actions as relevant.
Food wastage	Food waste is limited to restaurant services and is managed by external suppliers with their own action plan.
Environmental incidents	Our activities are not likely to generate catastrophic environmental incidents such as a significant oil or chemical spill. We however have emergency response plans in place at our manufacturing sites, which include environmental emergencies. We systematically report and investigate environmental incidents.
Child labor	Tarkett does not operate in countries with a high risk of child labor. Our internal policies and our Code of Ethics completely prohibit child labor.
Rights of indigenous people	Tarkett activities do not involve direct impact or relationship with indigenous people (such as resettlement, land acquisition, etc.).
Combat against food insecurity, respect of animal welfare, responsible, fair and sustainable food supply	These topics are not applicable to Tarkett activities (topics included in the French regulations on non-financial statement – DPEF further to the publication in October 2018 of law n° 2018-938 on balanced trade relations in the agricultural and food sectors and on healthy and sustainable food supply accessible to all).

4 ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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4.1 Key figures

The following information concerning the Group's financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements as of and for the year ended December 31, 2019 and the notes thereto, free English language translations of which are included in Sections 5.1 and 5.2.

The Consolidated Financial Statements were prepared in accordance with IFRS as adopted by the European Union for the fiscal years in question. The Consolidated Financial Statements as of and for the year ended December 31, 2019 have been audited by the Company's Statutory Auditors. The related report of the Company's statutory auditors is included in Section 5.9 "Statutory Auditors' Report on the Consolidated Financial Statements".

The Group is a global leader in flooring and sports surfaces offering the most extensive geographical base and one of the most comprehensive product lines in the industry. The Group's business is organized into four segments: three geographical segments for flooring (EMEA, North America and CIS, APAC and Latin America) and one global segment for sports surfaces.

Key figures

(in millions of euros)	December 31, 2019	December 31, 2018
Consolidated results of operations		
Net revenue	2,991.9	2,836.1
Organic growth (1)	0.7%	2.1%
Adjusted EBITDA before IFRS 16 (1)	**249.5**	248.7
% of net revenue	*8.3%*	*8.8%*
Adjusted EBITDA (1)	**280.0**	248.7
% of net revenue	*9.4%*	*8.8%*
Adjusted EBIT before IFRS 16 (1)	**120.6**	131.3
% of net revenue	*4.0%*	*4.6%*
Adjusted EBIT (1)	**121.8**	131.3
% of net revenue	*4.1%*	*4.6%*
Result from operating activities (EBIT)	96.6	106.6
% of net revenue	*3.2%*	*3.8%*
Net result for the period - Group Share	39.6	49.3
Dividends per share (in euros) (3)	-	**0.60**
Consolidated financial position		
Shareholders' Equity	834.2	807.0
Net debt before IFRS 16 (2)	547.5	753.6
Net debt (2)	636.8	753.6
Total Balance Sheet	**2,433.8**	**2,390.4**
Consolidated cash flows		
Cash generated from operations	448.6	206.2
Investments	(124.6)	(128.2)
Free cash flow (1)	231.4	36.0
Market capitalization	**943.9**	**1,116.4**
Headcount at December 31 (4)	**12,638**	**13,024**

(1) See Section 4.7.
(2) See Section 4.3.3 and Note 7 in Section 5.2.
(3) Will be subject to the approval of the General Shareholders' Meeting on April 30, 2020.
(4) Excluding Laminate Park employees

The tables below show the breakdown of the Group's principal performance indicators by segment. Changes in these indicators as compared with the previous year are discussed in Section 4.1.2:

2019 *(in millions of euros)*	Flooring			Sports Surfaces	Central	Group
	EMEA	North America	CIS, APAC and Latin America			
Net revenue	**910.4**	**825.9**	**587.4**	**668.1**	**-**	**2,991.9**
Gross profit	**240.6**	**187.9**	**114.1**	**127.5**	**0.1**	**670.2**
% of net revenue	*26.4%*	*22.7%*	*19.4%*	*19.1%*		*22.4%*
Adjusted EBITDA	**105.3**	**59.9**	**85.9**	**75.2**	**(46.1)**	**280.0**
% of net revenue	*11.6%*	*7.3%*	*14.6%*	*11.2%*		*9.4%*
Adjustments	**(7.2)**	**(12.3)**	**(0.2)**	**(0.1)**	**(5.6)**	**(25.3)**
EBITDA	**98.1**	**47.6**	**85.8**	**75.1**	**(51.7)**	**254.7**
% of net revenue	*10.8%*	*5.8%*	*14.6%*	*11.2%*		*8.5%*
Result from operating activities (EBIT)	**52.5**	**(28.3)**	**37.7**	**51.1**	**(16.3)**	**96.6**
% of net revenue	*5.8%*	*(3.4)%*	*6.4%*	*7.6%*		*3.2%*
Capital expenditures	**48.9**	**29.4**	**19.9**	**14.6**	**11.2**	**124.1**

2018 *(in millions of euros)*	Flooring			Sports Surfaces	Central	Group
	EMEA	North America	CIS, APAC and Latin America			
Net revenue	**908.4**	**783.6**	**580.5**	**563.6**	**-**	**2,836.1**
Gross profit	**244.0**	**191.1**	**111.5**	**105,6**	**0.2**	**652.4**
% of net revenue	*26.9%*	*24.4%*	*19.2%*	*18.7%*		*23.0%*
Adjusted EBITDA	**97.3**	**70.2**	**74.1**	**52.8**	**(45.7)**	**248.7**
% of net revenue	*10.7%*	*9.0%*	*12.8%*	*9.4%*		*8.8%*
Adjustments	(5.8)	(4.0)	(1.7)	(1.5)	(7.6)	(20.6)
EBITDA	**91.5**	**66.1**	**72.4**	**51.4**	**(53.4)**	**228.1**
% of net revenue	*10.1%*	*8.4%*	*12.5%*	*9.1%*		*8.0%*
Result from operating activities (EBIT)	**48.9**	**14.9**	**26.6**	**31.0**	**(14.8)**	**106.6**
% of net revenue	*5.4%*	*1.9%*	*4.6%*	*5.5%*		*3.8%*
Capital expenditures	**40.1**	**41.7**	**22.2**	**12.9**	**10.4**	**127.3**

4.1.1 Key indicators and segment information

4.1.1.1 Key figures

Revenue Recognition

Consolidated net revenues are equal to revenues, excluding taxes on sales, of the Group's products and services, as well as transportation costs and customs duties that are invoiced to customers, net of rebates, discounts, returns and intragroup sales. They depend primarily on the growth factors described in Section 1.5.

The countries and regions where the Group operates have different demand trends, primarily as a result of local economic conditions, which affect the renovation and construction markets. The choice of flooring solutions in each market is influenced by local lifestyles, end-user tastes, climate and the condition of existing flooring, among other factors.

The Group estimates that the large majority of its revenues for the financial years under review were generated by renovation projects. The construction of new housing and commercial buildings represented a small percentage of revenues during this period.

The Group's organic revenue growth (see Section 4.7) (i.e. the positive and negative variation of sales due to changes in sales volumes and prices, excluding the effects of changes in scope of consolidation and exchange rates) depends mainly on the following factors, the details of which per segment are described in Section 1.5:

- Competitive advantage;
- The growth potential and structure of each of the Group's markets;
- The Group's product-promotion strategy;
- The economic climate.

Cost of sales

The Group's cost of sales is composed primarily of variable costs, due to the large effect of the cost of raw materials, and, to a lesser extent, transportation and logistics costs. The primary components of cost of sales include the following:

- raw materials used in the Group's manufacturing processes. The Group primarily uses PVC and plasticizers, the cost of which is related in part to the price of crude oil. Wood is another raw material that the Group uses. In 2019, the Group's raw materials costs consisted mostly of PVC and plasticizers (approximately 29%), wood (approximately 8%), fiberglass (approximately 3%) and packaging (approximately 5%). For developments about recent trends in the prices of raw materials used by the Group, see Section 1.6.2.1, "Raw Materials and Suppliers";
- Labor costs, consisting principally of salaries and benefits of production personnel. These costs vary depending on the number of employees and average level of salaries and benefits. In order to control labor costs, the Group uses temporary workers in certain factories to handle the seasonality of some of its activities. Labor costs were stable;
- Transportation and logistics costs, which depend on fuel prices and the Group's operational efficiency (including, for example, its ability to ship products in fully loaded trucks, the location of production sites and the distance from the points of delivery to final customers);
- Other costs, including energy costs such as electricity and gas, maintenance costs associated with the Group's various factories and depreciation and amortization of production and logistics assets.

Purchases of raw materials and similar products, labor costs and transportation and logistics costs represented 53%, 16% and 10%, respectively, of the Group's 2019 cost of sales.

As described in Section 1.6.2.2, over the past several years the Group has implemented a WCM (World Class Manufacturing) program.

The Group believes that this program has enabled it to realize cumulative savings of €407 million over the 2011-2019 period (more than 2% of cost of sales).

Selling, General and Administrative Expenses

Selling expenses include compensation of the Group's sales force, advertising and marketing costs and the cost of providing samples to customers and decision-makers such as architects and installation companies. The level of selling expenses is tied in part to the number of product or collection launches, which require specific sales efforts.

General and administrative expenses include administrative personnel costs at the central and division levels, which are managed through a decentralized model. Expenses relating to the management of information systems as well as amortization and depreciation of related investments are also included in administrative expenses.

Research and development

Innovation is critical to the Group's success, ensuring product quality, compliance with regulatory standards and reduced environmental impact. The Group seeks to maintain the highest level of excellence while controlling Research and Development costs, which are small as compared with other operational expenses. These costs include compensation of Research and Development personnel as well as amortization and depreciation of patent-related expenses. Research and development costs represented 1% of the Group's consolidated net revenue in 2019.

SG&A

SG&A includes sales and administrative expenses, as well as the research and development costs described above.

Adjusted EBITDA

To evaluate its business performance, the Group uses an indicator that it calls "adjusted EBITDA" (see Section 4.7), which is equal to operating income before depreciation, amortization and before certain revenues or expenses considered as unusual or non-recurring, such as:

- restructuring costs intended to grow the Group's future profits;
- gains or losses on significant asset sales;
- costs relating to corporate and legal restructuring, including legal fees and acquisition costs, and other post-acquisition adjustments;
- management fees invoiced by the shareholders of the Company; and
- expenses relating to share-based payments without any related cash payment.

Management believes that adjusted EBITDA is a useful indicator because it measures the performance of the Group's activities without taking into effect past expenditures (depreciation and amortization) or unusual costs that are not representative of trends in the Group's results of operations. EBITDA and adjusted EBITDA are not standardized accounting terms with generally accepted definitions. They should not be taken as a substitute for operating income, net income or cash flows, nor should they be treated as a measure of liquidity. Other issuers may calculate EBITDA and adjusted EBITDA differently.

Financial income and expense

Net financial costs include interest expense incurred on borrowings and their transactional costs, interest income on investments of cash balances, discounting charges relating to retirement commitments, and gains and losses on net monetary balance and financial and hedging instruments, to the extent recognized in the Group's income statement.

Total income tax

Income tax expense includes corporate income taxes payable by the Group's entities, as well as withholding taxes on dividends paid (in particular, dividends paid by the Group's Russian and Serbian entities), as well as changes in the deferred tax assets on the Group's balance sheet.

4.1.1.2 Segment information

The Group monitors and analyzes its performance by product type (flooring and sports surfaces) and by geographic region.

The Group's four segments are as follows:

- EMEA, a market that is described in Section 1.5.1.1;
- North America, a market that is described in Section 1.5.1.2;
- CIS, APAC, and Latin America, markets that are described in Sections 1.5.1.3 and 1.5.1.4;
- Sports Surfaces, described in Section 1.5.2

4.1.1.3 Foreign exchange differences

Exchange rate fluctuations have a direct impact on the Group's Consolidated Financial Statements, due to the conversion into euros of income statement and balance sheet items of the Group's foreign subsidiaries located outside the euro zone. The principal currencies for which the Group bears this risk are the U.S. dollar (44.2% of consolidated net revenues in 2019), the Swedish krona (7.0%), the pound sterling (2.5%), the Canadian dollar (1.7%), the Brazilian real (1.5%) and the Australian dollar (1.4%).

The Group seeks to develop production capacity in the geographic regions where it distributes its products, thereby creating a natural hedge for a significant portion (although not all) of its gross margin and operating income against exchange rate fluctuations. It enters into derivative contracts to manage the remaining exchange rate risk (especially the risk related to the lag between the time customers are invoiced and the time the Group is paid) with respect to certain currencies (see Note 7.6, "Financial Risks and Financial Instruments," in Section 5.2).

The functional currency of the Group's entities in Russia and the other CIS countries is the euro. Products are sold in rubles, but the Group's policy is to reflect exchange rate fluctuations between the ruble and the euro in its product prices. Only the impact of the lag between the exchange rate fluctuation and the price increase is treated as an exchange rate effect in the analysis below. Although a significant portion of the Group's Russian operating expenses are in euros (since PVC and plasticizers are for the most part imported from the European Union), labor, logistics and transportation costs, as well as other production costs such as energy and maintenance, are almost entirely in rubles.

4.1.1.4 Seasonality

The Group's activities are to some extent seasonal, with an increase in sales generally occurring in the second and third quarters of the year, whereas its working capital requirements are generally higher in the first two quarters of the year. Sales of sports surfaces are particularly influenced by seasonality, as installation work is mainly done between May and October, with a peak in activity during the summer. Moreover, in certain geographic regions, winter climate conditions can affect work sites and, therefore, flooring installation. In the educational sector, demand is generally higher during school vacation.

In 2019, 57% of the Group's consolidated net revenues were generated in the second and third quarters, as compared with 43% in the first and fourth quarters.

4.1.1.5 Acquisitions

The Group has completed 27 acquisitions since 2007 in connection with its growth strategy. Most of the companies the Group acquired were of moderate-size or mid-size and had product lines or activities in markets that complement those of the Group. For more information, see Section 4.2.1 "Principal investments in 2019 and 2018".

In 2019, the Group concentrated on reducing its indebtedness, and therefore paused its external growth strategy.

However, Tarkett acquired Denus in Germany, which was renamed Tarkett Sports Germany following the acquisition and which is intended to increase Tarkett Sports's commercial presence in the EMEA zone.

4.1.1.6 Presentation of Accounting and Financial Information

The following table reconciles the Group's adjusted EBITDA to operating income for the 2018 and 2019 fiscal years.

Adjusted EBITDA *(in millions of euros)*	**Fiscal year ended December 31**		
	2019	**2018**	**Change**
Result from operating activities (EBIT)	**96.6**	**106.6**	**-9.4%**
Depreciation and amortization	158.2	121.5	
EBITDA	**254.7**	**228.1**	**+ 11.7%**
Adjustments			
Restructuring costs [1]	19.7	10.5	
Costs related to acquisitions and business combinations	(0.1)	5.1	
Costs related to share-based payments	4.1	4.1	
Other	1.5	0.9	
Adjusted EBITDA	**280.0**	**248.7**	**+ 12.6%**

(1) In 2019 restructuring costs are related to the optimization of production as well as savings initiatives with respect to general costs

The adjustments used in determining adjusted EBITDA for each fiscal year are described in the comparative analyses of the Group's results of operations presented below.

Estimates and assumptions used in preparing financial statements

The preparation of the Group's Consolidated Financial Statements in accordance with IFRS requires it to make a number of estimates and assumptions that have an effect on the amounts of its assets and liabilities, as well as on its income and expenses. Management continually revisits these estimates and assumptions based on its experience and other reasonable factors used in its evaluation. Actual results may differ significantly from these estimates.

These estimates and assumptions relate primarily to the following:

- impairment of goodwill;
- provisions for retirement and other employee benefit obligations;
- other provisions for litigation, warranties and potential liabilities;
- deferred tax assets (tax loss carryforwards, in particular);
- the fair value of consideration paid, acquisitions of minority interests, and acquired assets and liabilities; and
- accounting treatment of Financial Instruments.

The management estimates used in connection with the preparation of the Group's financial statements, particularly those relating to the application of accounting techniques and the inclusion of uncertainties, are described in more detail in Note 1.2, "Significant Accounting Principles" to the Group's consolidated financial statements included in Section 5.2.

Goodwill

Goodwill represents the difference between the cost of a business combination and the Group's share of the fair value of the identifiable assets acquired and liabilities assumed on the date control is transferred, corresponding, for example, to the value that the Group assigns to expected synergies and profits. Therefore, evaluation of goodwill may rely on assumptions relating to future cash flows (see Notes 5.1 and 5.2 to the Group's Consolidated Financial Statements included in Section 5.2).

Goodwill is allocated to cash-generating units ("CGUs"), whose accounting value is tested for impairment annually or whenever there is any indication of an impairment loss. Impairment tests seek to determine whether the net recoverable value of an asset or CGU is less than its net book value. If the net recoverable value is lower than the net book value, an impairment charge is recorded in the income statement in the amount of the difference, allocated first to reduce goodwill of such CGU.

The recoverable value of an asset or a CGU is equal to the higher of the market value minus cost to sell, or the value in use. Value in use is determined by discounting estimated future cash flows for each CGU using certain assumptions and estimates of management. Market value is the price that could be obtained under normal competitive conditions from an informed buyer minus the cost to sell.

The calculations used to determine value in use are subject to management's judgment. Cash flows used to calculate value in use are derived from the Group's budgets and business plans, which are in turn based on assumptions relating to revenues, adjusted EBITDA, working capital requirements and investments. If other assumptions or projections were to be used, impairment testing would produce different values in use.

Management conducts impairment testing using its best estimate of the future activity of the CGU in question over the next three years, discounted to present value. After-tax discount rates vary depending on the risk premium used for each geographic market, which were 7.6% for EMEA and North America, 8.2% for APAC, 9.9% for Latin America and 10.0% for the CIS. The primary assumptions for sales growth through 2022 range from 2% (for certain CGUs in Europe) to 7% (essentially in emerging markets). The value in use calculation also includes the CGU's end value, which projects standard cash flows to infinity with an annual growth rate of between 2% and 4%, depending on the geographic market.

For more information, see Note 5.3 "Impairment of assets" to the Group's Consolidated Financial Statements, included in Section 5.2.

Provisions for retirement and similar obligations

In accordance with the laws and practices of each country where the Group operates, it maintains retirement, health and disability plans and retirement packages for eligible employees and former employees, as well as for their beneficiaries who meet required conditions. As of December 31, 2019 the Group had such retirement commitments in the United States, Canada, the United Kingdom and Germany, as well as in France, Italy, Sweden, Serbia and Russia.

In accordance with IAS 19R, these commitments are valued or updated every six months by independent actuaries. Accounting for actuarial values is based on predicted changes in salaries, medical costs, long-term interest rates, average seniority and life expectancy. An expected rate of return on funds invested is calculated for each plan in accordance with its composition and the projected return of comparable markets. Actuarial values and rates of return are sensitive to changes in predictions and estimates, which are based on assumptions. As of December 31, 2019, the Group had €229.7 million in liabilities relating to employee benefit commitments, of which €92.9 million are covered by funds invested pursuant to the Group' various plans, and the remaining €136.7 million relate to unfunded or partially funded plans for which provisions have been recorded. The most significant of these liabilities are in the United States, Canada, the United Kingdom and Germany; the entities in these countries maintain sufficient externally-managed investments to cover more than 50% of their liabilities.

For more information on provisions for retirement and similar obligations, see Note 4.1 "Retirement benefits" to the Group's Consolidated Financial Statements included in Section 5.2.

Provisions for Litigation, Product Warranties and Restructuring Costs

In accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), provisions for litigation, warranties and other potential liabilities are recorded when, at the close of the fiscal year, there exists a legal or implicit obligation resulting from a past event that is more likely than not to result in a cash outflow to a third party, and whose amount can be reliably estimated. The amount recorded as a provision is management's best estimate of the expenditure required to settle the current obligation as of the closing date. Where the time value of money has a significant effect, future outflows are discounted to present value. These provisions relate to environmental, legal, tax and other risks.

The probability of an outflow is calculated based on management's analysis and assumptions and estimates that depend, in turn, on the nature of the risk. For example, in determining the amount of provisions for litigation, the Group's management must evaluate the probability of an unfavorable decision, as well as the amount of potential damages. These items are by their nature uncertain. On the other hand, a warranty provision is recorded at the time a given product is sold, with the amount based on historical data on warranty payments. An additional provision is recorded when an event occurs that may give rise to warranty claims for greater amounts than the hypothetical provision. A restructuring provision is recorded when management approves a detailed restructuring plan and the restructuring is announced publicly or implemented. The provision may prove higher or lower than the amount actually incurred. Provisions may also be reversed, if necessary.

As of December 31, 2019, the Group had €54.4 million in provisions for warranties, restructurings, claims and litigation. For more information on estimation of and accounting for provisions or their impact on the Group's results of operations, see Note 6.1 to the Group's Consolidated Financial Statements, included in Section 5.2.

Deferred tax assets

In accordance with IAS 12 (Income Taxes), the Group recognizes deferred tax assets and liabilities on its balance sheet. A deferred tax asset must be recognized for all temporary differences deductible in the future, unused tax loss carryforwards or income tax credits if it is probable that the Group will have future taxable profits that will allow these future tax savings to be utilized.

A deferred tax asset is recognized when it is probable that the Group will use it in the future. Management must use its judgment in determining the amount of the net tax asset to recognize. Projected net taxable profits are estimated on the basis of Management's budget and assumptions, as well as models relating to market conditions. These assumptions and models may have a significant impact on the amounts of deferred tax assets recognized on the Group's balance sheet.

The Group had €33.9 million in deferred tax assets relating to tax loss carryforwards and unused tax credits, of which €12.3 million related to Luxembourg, €13.3 million related to the Group's North American (United States) tax consolidation group, and €5.0 million related to France.

For more information, see Note 8.2 to the Group's Consolidated Financial Statements, included in Section 5.2.

4.1.2 Comparison of results of operations for the years ended December 31, 2019 and December 31, 2018

The analysis below discusses the Group's results of operations for the fiscal year ended December 31, 2019.

4.1.2.1 Overview

The key figures of the consolidated financial statement are presented in Section 4.1.1.

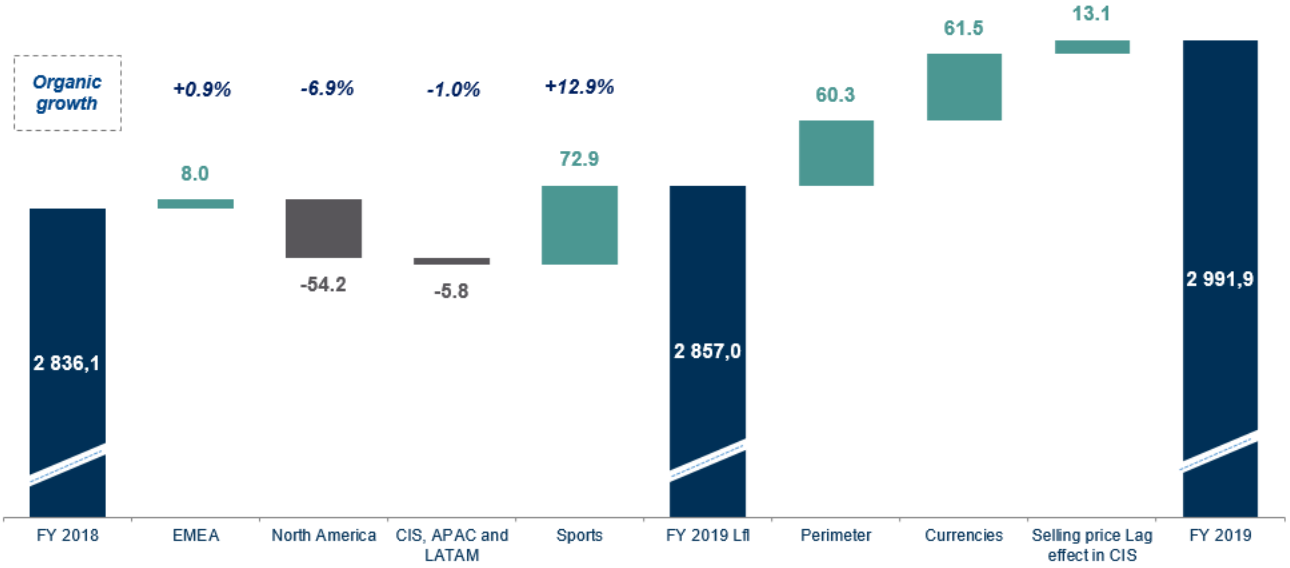
4.1.2.2 Net revenue

In 2019, the **Group's net revenue was €2,991.9 million,** as compared with €2,836.1 million in 2018, an increase of +5.5%.

The Group recorded **organic growth of 0.7%**, excluding the €60 million contribution of acquisitions and the €75 million of fluctuations in exchange rates, of which €13 million resulted from the lag between changes in exchange rates and the corresponding price increases in Russia. The weakness in sales volumes in North America was offset by strong growth in the Sport Surfaces segment.

The €60 million consolidation effect mainly reflects the acquisitions of Lexmark, a manufacturer of carpeting, principally for the hotel industry in North America (which had revenue of USD 120 million in 2018 and was consolidated in the fourth quarter of 2018), and of Grassman, an Australian leader in the manufacture of synthetic turf (which had €10 million in revenue in 2018, and was consolidated beginning in February of 2018).

The chart below presents the key factors explaining the evolution of net revenue between 2018 and 2019:



EMEA

Sales in the EMEA remained stable in 2019 as compared with 2018, reflecting moderate organic growth of 0.9% and unfavorable movements in exchange rates, primarily due to the decline in the Swedish and Norwegian croners. Having recorded organic growth of +1.5% in the first nine months of the year, sales decreased by 1% in the fourth quarter at constant scope and exchange rates, due to the closure of the stratified flooring production activity. The slowdown in renovation projects and new construction in Germany and the persistent uncertainty related to Brexit in the United Kingdom have continued to depress business volumes. Following strong growth in the first nine months of the year, sales in the Nordic region stabilized in the fourth quarter. The trend was positive in France, which recorded an increase in revenue in the second half. The price increases remained in place throughout the region.

North America

Sales in the North America segment increased by 5.4% in 2019 as compared with 2018, with the contribution of Lexmark and favorable exchange rates having fully offset the 6.9% decrease in sales (at constant scope and exchange rates). Sales decreased by 3.0% at constant scope and exchange rates during the first nine months, due primarily to the weakness in the commercial carpet market and lower levels of residential activity. The increased production of commercial carpet after the Group's ERP deployment in October was much longer than expected, resulting in an 18.9% decrease in sales in the fourth quarter, at constant scope and exchange rate. However, this decrease was partially offset by the growth in resilient flooring for the commercial market. Lexmark did not perform as expected in 2019, and a new head was appointed in January 2020.

CIS, APAC and Latin America

Sales in the CIS, APAC, and Latin America segment increased by 1.2% in 2019, thanks to strong business in Latin America, and improvement in trends in the CIS countries during the second half, and favorable movements in exchange rates. Sales decreased by only 1.0% over the full year (as compared with a decrease of 3.1% for H1 2019), as they stabilized in the third quarter and then began to grow again in the fourth quarter, increasing 1.3%. After stabilizing in the third quarter, business improved in the CIS countries in the fourth quarter. Latin America remained strong in the fourth quarter, and sales increased strongly in 2019 at constant scope and exchange rates. The APAC region saw decreased sales in the fourth quarter, at constant scope and exchange rates, and for the full year, despite growth in China.

Sports Surfaces

Sales in the Sports Surfaces segment increased by 18.5% in 2019, reflecting strong organic growth (12.9%), a positive exchange rate effect due to the dollar's appreciation against the euro (4.8%), and a slight scope of consolidation effect (0.8%). For the third consecutive year, organic growth was greater than 10% in 2019, thanks to strong markets and gains in market share. Tarkett is now the leader in EMEA in artificial turf for sports use, in addition to being the leader in that activity in North America. Sales increased 18.5% in the fourth quarter, at constant scope and exchange rates. The artificual turf business remained strong in the fourth quarter, while athletic tracks grew well thanks for better weather conditions than in the fourth quarter of 2018, making it possible to install tracks until late in the season.

4.1.2.3 Gross profit

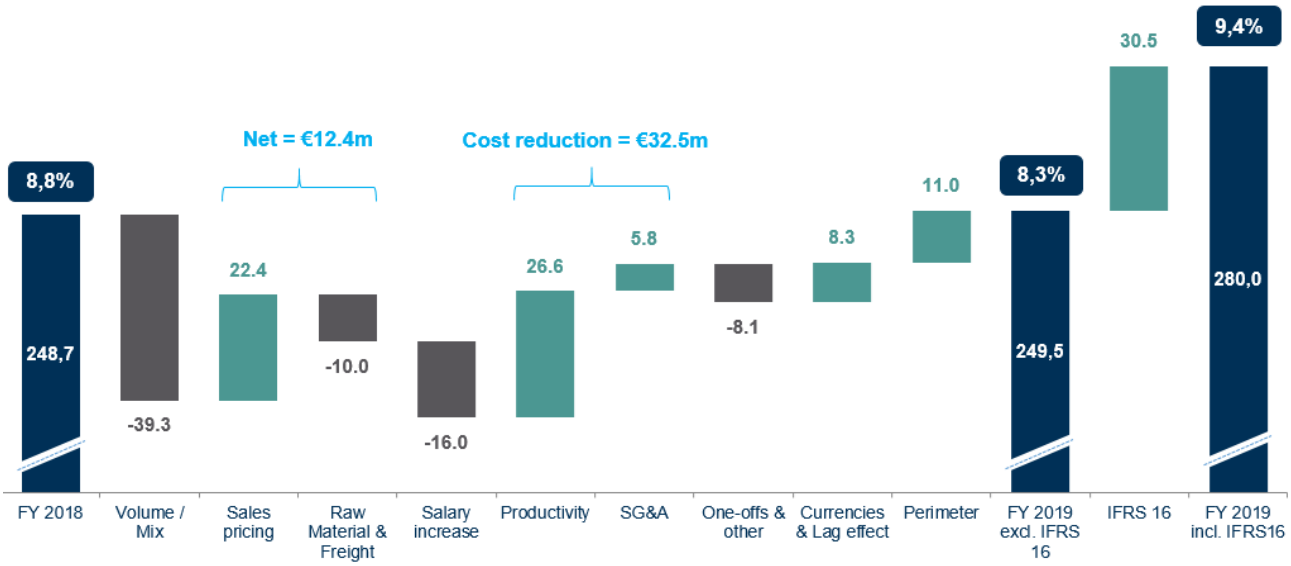
The Group's gross profit increased from €652.4 million in 2018 to €670.2 million in 2019, an increase of €17.8 million. It represented 22.4% of revenue in 2019, a 0.6 point decrease as compared with 2018. This decrease was due primarily to:

- an unfavorable volume/mix effect. Volumes were strongly impacted by weak performance in North America, while the increase in the relative weight of the Sports Surfaces segment within the Group penalizes the mix, as this segment contributes less in terms of gross profit than the others;
- the unfavorable change during the first half in the cost of raw materials and transport in all segments; and
- increases in restructuring costs in connection with the reorganization of the industrial footprint as part of the "Change to Win" strategic plan, partially offset by:
- increases in sales prices in late 2018 and early 2019 in Europe and North America, which covered the increase in the cost of raw materials as well as a portion of the increase in salaries;
- the continued effort to increase productivity through the WCM program, which generated net production cost savings.

4.1.2.4 Adjusted EBITDA

Adjusted EBITDA was €280.0 million in 2019. It includes the application of IFRS 16 for €30.5 million, for adjusted EBITDA excluding IFRS16 of €249.5 million, an increase of €0.8 million as compared with 2018 (€248.7 million). The ratio of adjusted EBITDA to revenue was 9.4% following application of IFRS 16, or 8.3% excluding IFRS. It was 8.8% in 2018.

The main factors explaining the change in the Group's adjusted EBITDA are the same factors described with respect to gross profit and operating income. These factors are shown in the graph below.



The main factors in the per-segment changes in adjusted EBITDA margin are as follows:

- **EMEA**: Adjusted EBITDA margin before IFRS 16 was 10.4% in 2019, as compared with 10.7% in 2018. Adjusted EBITDA margin improved in the second half, primarily due to sustained productivity gains. Price increases fully offset the inflation of purchasing costs and a large percentage of salaries;
- **North America**: Adjusted EBITDA margin before IFRS 16 was 6.2%, as compared with 9.0% in 2018. This decrease of 280 basis points was due primarily to performance in the second half, which was affected by the fall in sales during the fourth quarter. This decrease is largely explained by commercial carpet production problems following the ERP deployment. The lower-than-expected performance by Lexmark, an unfavorable product mix, and actions to reduce inventory also penalized profiltability. Worldwide, North America was responsible for most of the Group's volume/mix effect in 2019. The restructuring of the industrial footprint was finalized in the third quarter of 2019, and measures to reduce sales and administrative costs were implemented;
- **CIS, APAC, and Latin America**: Adjusted EBITDA before IFRS 16 was 13.6% in this segment in 2019, as compared with 12.8% in 2018. The increase is due primarily to an improvement in performance in the second half, due to high productivity gains, lower inflation, and good price management. Purchasing costs were less inflationary at the end of the year, while the "lag effect" (the net impact of movements in exchange rates and sale prices) was €4.9 million in the second half of 2019. As a result, in the second half of 2019 Tarkett recorded a solid 15.2% adjusted EBITDA margin before IFRS 16, as compared with 13.5% in the second half of 2018;
- **Sports Surfaces**: The Sports Surfaces segment had strongly increased profitability in 2019, with adjusted EBITDA margin before IFRS 16 of 10.6%. This was due principally to performance in the second half, when the margin increased by 220 basis points over the period to 13.4%, including litigation settlement (for a positive effect of €5.4 million). Excluding the effect of these settlements, adjusted EBITDA margin for the second half would have increased by 130 basis points as compared with the second half of 2018, to 12.1%, due to the contribution of additional sales and good project execution;
- **Centralized costs, which are not allocated by segment**, totaled €47.5 million in 2019, a moderate increase (4.0%) as compared with 2018, reflecting the usual salary increases and investments in digital marketing.

4.1.2.5 Result from operating activities (EBIT)

The Group's 2019 result from operating activities totaled €96.6 million, or 3.2% of revenue. Result from operating activities decreased by 9.4% in 2019 as compared with 2018. In addition to the items described in the change in gross profit, the decrease in result from operating activities is explained by the following:

- Lexmark's consolidation effect for the first nine months of 2019 (it was acquired in September 2018);
- The reinforcement and restructuring of the Group's sales forces in certain regions;
- The positive effect of dispute resolution in the Sports segment;

4.1.2.6 Financial income and expense

The Group's financial result was €(38.8) million in 2019, as compared with €(30.1) million in 2018, primarily due to the application of IFRS 16 (for a decrease of €4.2 million in 2019).

4.1.2.7 Income tax expense

Income tax expense for 2019 was €(14.2) million, a 23.2% decrease as compared with an expense of €(18.5) million in 2018.

4.1.2.8 Net profit

The Group's net profit was €39.6 million in 2019, as compared with €50.1 million in 2018.

Net profit attributable to non-controlling interests was €0 million in 2019, following the buyback of 30% the non-controlling interests in Tarkett Aspen in November 2019, as compared with €0.8 million in 2018.

As a result, net profit attributable to owners of the Company was €39.6 million in 2019 and €49.3 million in 2018.

4.2 Investments

4.2.1 Principal investments in 2019 and 2018

Cash used in investing activities was €(123.4) million in 2019 and €(358.6) million in 2018.

Investment in property, plant and equipement and intangible property decreased slightly in 2019 (4.2% of revenue in 2019 as compared with 4.5% in 2018). Investments in property, plant and equipment include acquiring and constucting new factories as well as purchasing new equipment following the acquisition or creation of new entities. They also include 'ongoing investments," which consist of all investments in property, plant and equipment other than those relating to new factories and acquisitions. They do not include the increase in assets relating to the application of IFRS 16.

To illustrate the Group's commitment to its long-term growth strategy and the continual optimization of its activities, investment expense is expected to amount to between 3% and 5% of revenues in the next two to three years.

The table below shows the Group's main investments in 2019 and 2018.

(in millions of euros)	For the year ended December 31	
	2019	**2018**
Acquisition of subsidiaries net of cash acquired	(2.5)	(231.9)
Acquisitions of intangible assets and property, plant and equipment	(124.6)	(128.2)
Proceeds of disposals and dividends received	3.7	1.5
Effect of changes in the scope of consolidation	0.0	0.0
Net cash from (used in) investment activities	**(123.4)**	**(358.6)**

4.2.1.1 Principal investments in 2019

In addition to the acquisitions of subsidiaries described in Section 4.1.1.5 "Acquisitions" the principal investments carried out in 2019 include:

- **EMEA**: strengthening capacity to produce LVT (Luxury Vinyl Tiles) in Luxembourg, ongoing construction of a new factory in Turkey;
- **North America**: continued actions to improve productivity and deployment of the Group's ERP;
- **CIS**: reinforcement of capacity for wood products in Russia;
- **Group**: continued deployment of the Group's ERP and IT investments.

4.2.1.2 Principal investments in 2018

In addition to the acquisitions of Lexmark by the North America segment and of Grassman by the Sport Surfaces segment, the principal investments carried out in 2018 include:

- **EMEA**: investment in a new line of lamination to improve productivity and strengthen capacity to produce LVT (Luxury Vinyl Tiles) in Luxembourg;
- **North America**: continued actions to improve productivity and strengthen capacity to produce LVT (Luxury Vinyl Tiles) products;
- **CIS**: reinforcement of capacity for wood products in Russia;
- **Group**: continued deployment of the Group's ERP and IT investments.

4.2.2 Principal Investments Underway

Principal investments underway in 2019 included continuing projects from the previous year, in particular projects aimed at strengthening production of luxury vinyl tiles (LVT) , while at the same time improving the efficiency and ecological footprint of their manufacture.

In Europe, since 2018 an investment of more than €20 million over three years has been allocated to the European production sites, in particular in Luxembourg, Poland, and Turkey.

4.2.3 Principal Future Investments

The Group continually seeks new investment opportunities, rigorously analyzing the potential for a attractive return on its investment. With respect to investments, the Group's main objectives are to continually improve competitiveness, reinforce operational excellence, and acquire and modernize equipment in order to support the Group's expected growth. The Group is planning an internal investment strategy to achieve those goals.

The Group's planned external growth strategy is based on three main objectives: geographical development, the expansion of its product lines, and industry consolidation. For more information, see Section 1.3 "Strategy".

4.3 Liquidity and Capital Resources

For a description of the Company's share capital and financial structure, see Notes 7.3 "Net Debt", 7.4.2 "Other Financial Liabilities" and 9.1 "Share Capital" to the Group's Consolidated Financial Statements included in Section 5.2.

4.3.1 Overview

The Group's objective is for ongoing investments to total approximately 3% of net consolidated revenue in 2020. "Ongoing investments" consist of all investments in property, plant and equipment and intangible assets other than those relating to new factories and acquisitions.

Investments in the Group's growth (primarily factory construction and acquisitions) are financed through debt and the Group's own financial resources, in line with its policy of maintaining a sound financial structure.

As of December 31, 2019, the Group's net debt before application of IFRS 16 was €547.5 million, a decrease of €206.1 million from net debt of €753.6 million as of December 31, 2018. The ratio of net debt to adjusted EBITDA is of 2.2x (as compared with 2.8x as of December 31, 2018).

As of December 31, 2019 and December 31, 2018, cash and cash equivalents totaled €137.7 million and €95.7 million, respectively. In addition, the total amount available under the Group's credit facilities as of December 31, 2019 was €728.3 million.

In 2019, the Group decided to distribute a dividend of €38.1 million to its shareholders based on 2018 net profit.

4.3.2 Cash flows

(in millions of euros)	December 31, 2019	December 31, 2018
Cash flows from operating activities		
Net profit before tax	53.8	68.6
Adjustments for:		
Impairment, depreciation and amortization	158.1	121.5
(Gain) loss on sale of fixed assets	(2.7)	(0.5)
Net finance costs	38.8	30.1
Change in provisions and other non-cash items	6.2	(9.1)
Share of profit of equity accounted investees (net of tax)	4.0	7.9
Operating cash flow before working capital changes	**258.2**	**218.5**
Changes in working capital	190.4	(12.3)
Cash generated from operations	**448.6**	**206.2**
Other operating items (tax and financial items)	**(64.3)**	**(43.3)**
Net cash from (used in) operating activities	**384.3**	**163.0**
Net cash from (used in) investment activities	**(123.4)**	**(358.6)**
Net cash from (used in) financing activities	**(219.5)**	**177.0**
Net increase (decrease) in cash and cash equivalents	**41.4**	**(18.6)**
Cash and cash equivalents, beginning of period	95.7	114.7
Effect of exchange rate fluctuations on cash held	0.6	(0.4)
Cash and cash equivalents, end of period	**137.7**	**95.7**

4.3.2.1 Cash flows from operating activities

Net cash from operating activities before changes in working capital was €258.2 million in 2019, an increase of €39.7 million as compared with 2018. This change is primarily explained by amortization of rights of use following the entry into force of IFRS 16 in 2019.

Changes in the Company's working capital requirements had a positive effect of €190.4 million on cash flow from operating activities in 2019, as compared with a negative effect of €(12.3) million in 2018. This €202.7 million change was due primarily to the implementation of non-recourse factoring and securitization programs with specialized credit institutions (for €126.3 million as of year end) and the reduction of inventories for €(46.2) million.

4.3.2.2 Cash flows from (used in) investment activities

Cash used in investment activities decreased from €(358.6) million in 2018 to €(123.4) million in 2019, primarily due to the acquisition of Lexmark Carpet Mills in 2018.

4.3.2.3 Cash from (used in) financing activities

Net cash relating to financing activities were negative, going from €177.0 million in 2018 to €(219.5) million in 2019, primarily due to significant repayments of loans and other borrowings.

4.3.3 Financial debt

4.3.3.1 Summary of net financial debt

As of December 31, 2019, the Group's net financial debt before application of IFRS 16 was €547.5 million. The Group's gross debt on the same date totaled €685.2 million. Net financial debt decreased in 2019, as cash flow from operating and financial activities were positive.

4.3.3.2 Cash and cash equivalents

As of December 31, 2019 and December 31, 2018, cash and cash equivalents totaled €137.7 million and €95.7 million, respectively. As of December 31, 2019, available cash was located primarily in the Group's holding company (€58.8 million) and in Serbia (€22.9 million). As of December 31, 2018, available cash was located primarily in Serbia (€21.4 million), in the United States (€17.9 million), and in Russia (€11.5 million).

4.3.3.3 Gross financial debt

As of December 31, 2019, the Group's gross financial debt was composed principally of two German private placements (known as "Schuldscheins"), with a total balance of €612.1 million at year-end, and a revolving syndicated credit facility of which €53.4 million had been drawn down. The table below presents the Group's gross financial debt as of the dates indicated.

(in millions of euros)	December 31, 2019		December 31, 2018	
	Long-term	**Short-term**	**Long-term**	**Short-term**
Bank loans	57.2	3.6	240.9	0.7
Private placements	612.1	-	595.5	-
Other loans	1.8	-	0.2	0.9
Bank overdrafts	-	7.2	-	7.8
Lease agreements [1]	2.5	0.8	2.5	0.8
Interest bearing loans and borrowings [1]	**673.6**	**11.6**	**839.1**	**10.2**
Total interest bearing loans and borrowings [1]	**685.2**		**849.3**	
Leases [2]	66.6	22.7	-	-
Total interest bearing loans and borrowings [2]	**774.5**		**849.3**	

[1] *Leases recorded in accordance with former IAS 17 - finance leases.*

[2] *Leases recorded in accordance with IFRS 16 (excluding leases previously recorded in accordance with IAS 17).*

As of December 31, 2019, the Group's principal sources of debt were the following:

- **Revolving syndicated credit facility (RCF)**: the RCF is a €700 million floating rate multi-currency Revolving Credit Facility entered into on May 24, 2019, for a period of five years with options to extend for one or two additional years. It refinanced the previous facility, which was to expire in June 2020. Under this loan, the Group is required to comply with the financial covenants described in Section 4.3.4 "Revolving Syndicated Multi-Currency Credit Facility".
- **Schuldscheins**: These are three private placements entered into in June 2016, April 2017, and June 2019. The issuance in June 2019 was in order to refinance the floating rate tranches of the 2016 issuance at a lower cost and to extend the average maturity of the financings. These private placements, the purpose of which is to obtain additional liquidity and to diversify the Group's sources of financing, are described in Section 4.3.5 "German law private placements (Schuldscheins)".
- **Factoring agreement**: On June 18, 2019, Tarkett implemented a non-recourse factoring line of credit for certain European and Australian subsidiaries and a non-recourse securitization line of credit for certain U.S. subsidiaries. Both were entered into for deconsolidation purposes. As a result, the prior French, German, and Spanish-law assigment of receivables line of credit was terminated.

The following table provides a summary of the maturities and interest rates applicable to the Group's debt as of December 31, 2019.

December 31, 2019 *(in millions of euros)*	**Currency of draw-down**	**Interest rate**	**TOTAL**	**12 months or less until 12/31/20**	**2 years until 12/31/21**	**3 to 5 years until 12/31/24**	**More than 5 years**
Bank loans							
European Revolving Credit Facilities	USD	2.49%	53.4	-	-	53.4	-
Other bank loans	RMB	5.22%-5.70%	7.4	3.6	1.6	2.2	-
Subtotal bank loans			**60.8**	**3.6**	**1.6**	**55.6**	**-**
Private placements (Europe)	EUR	1.15% - 1.722%	544.0	-	56.5	391.5	96.0
Private placements (Europe)	USD	3.48%-3.57%	68.1	-	-	68.1	-
Financing backed by business receivables			-	-	-	-	-
Other loans	EUR	0.25% - 4.05%	1.8	-	0.9	0.9	-
Bank overdrafts			7.2	7.2	-	-	-
Leases [1]			3.3	0.8	0.8	1.6	0.1
Interest bearing loans and borrowings [1]			**685.2**	**11.6**	**59.8**	**517.7**	**96.1**
Leases [2]			89.3	22.7	26.7	28.8	11.1
Interest bearing loans and borrowings [2]			**774.5**	**34.3**	**86.5**	**546.5**	**107.2**

(1) Leases recorded in accordance with former IAS 17 - finance leases.
(2) Leases recorded in accordance with IFRS 16 (excluding leases previously recorded in accordance with IAS 17).

4.3.4 Revolving Syndicated Multi-Currency Credit Facility

The Group's principal reserve source of financing is the RCF, which is available for a term of five years as from May 24, 2019, with two extension options for one year each. This credit facility may be used jointly by Tarkett and its U.S. holding company, Tarkett Finance Inc. As of December 31, 2019, it had been drawn down in the amount of €53.4 million, as compared with €235.8 million as of December 31, 2018 for the previous RCF, which it refinanced. It is composed of one €700 million floating-rate line of credit, which can be used in multiple currencies through drawdowns of two weeks to six months, and a "swingline" sub-line of credit for €60 million, which may be drawn down for periods of one to five days. The amount that may be drawn down in U.S. dollars is limited to the equivalent of €350 million.

Interest Rates under the RCF

The effective interest rate for each drawdown under the RCF is composed of a base rate plus an applicable margin. The base rate is Euribor for drawdowns in euros and Libor for drawdowns in US dollars. The applicable margin is determined based on the Group's leverage ratio (as defined below) at the end of the most recent half-year period. The relationship between the leverage ratio and the applicable margin is summarized in the table below.

Leverage Ratio	Applicable Margin
≤ 1.00x	0.35%
1.00x ≤ 1.50x	0.40%
1.50x ≤ 2.00x	0.50%
2.00x ≤ 2.50x	0.60%
2.50x ≤ 3.00x	0.70%
3.00x < 3.50x	0.95%
3.50x < 4.00x	1.20%

The last tranche, from 3.50 to 4.00, applies only under certain conditions, described below.

Financial Covenants

The principal legal and financial commitments under the 2019 Schuldschein are the same as those under the June 2019 revolving credit facility. However, the 2016 and 2017 credit agreements include a second contractual financial commitment, commonly known as net interest cover, with which the Group was in compliance as of the end of 2019.

Restrictive covenants

The Revolving Credit Facilty includes only one financial covenant, the Leverage ratio.

Leverage ratio

This covenant limits the Group's indebtedness and leverage. Under this covenant, known as the "leverage ratio", the Group's net debt as of the end of each half-year must be less than three and a half times its adjusted EBITDA (as defined in the loan agreement) as of June 30 of each year, and three times its adjusted EBITDA as of December 31 of each year, with EBITDA calculated over the 12 months preceding the end of the half year in question. In the event of an acquisition for more than €50 million, these new limits are increased by 0.5x of EBITDA for a period of 18 months. As of December 31, 2019 and December 31, 2018, the Group was in compliance with this ratio, having an average leverage ratio of 2.2x and 2.8x of adjusted EBITDA for the period, respectively (pro forma for the 2018 Lexmark acquisition).

Change of Control Provisions

The RCF syndicated credit facility contains a change of control clause in the event that the Deconinck family ceases to control the Company. For this purpose, the Deconinck family is defined as "Ms. Catherine la Bonnardière (born Deconinck), Mr. Bernard-André Deconinck, Mr. Didier Deconinck, Mr. Eric Deconinck and their children and spouses, acting individually or collectively and directly or indirectly through a company held exclusively by them." The clause permits renegotiation of the terms of the credit facility, and if the Group were to fail to reach an agreement with its banks in such case, each lender would have the right to demand immediate repayment of its portion of the loan. The word "control" as used in this clause is defined by the French Commercial Code and includes actions "in concert", as defined in such Code.

4.3.5 German law private placements (Schuldscheins)

On June 18, 2019, Tarkett issued debt in a new German law private placement (known as a "Schuldschein") in the following tranches:

- €23.0 million at fixed rate for five, six, and seven years;
- €121.0 million at floating rate for five, six, and seven years;
- USD 26.5 million at floating rate for five years.

The purpose of this issuance was the early refinancing of the floating rate tranches of the Schuldschein dated June 21, 2016, which now includes only the following tranches:

- €56.5 million at fixed rate for five years;
- €91.0 million at fixed rate for seven years.

On April 19, 2017, Tarkett had also entered into another Schuldschein issuance in the following tranches:

- €72.0 million at fixed rate for five years;
- €30.0 million at floating rate for five years;
- USD 50.0 million at floating rate for five years;
- €118.0 million at fixed rate for seven years;
- €32.5 million at floating rate for seven years.

The principal legal and financial commitments under the 2019 Schuldschein are the same as those under the June 2019 revolving credit facility, but the Leverage ratio is test as at December 31st only.

The 2016 and 2017 Schuldschein agreements include the same Leverage ratio, though without the significant acquisition step-up, as well as a second financial covenant, commonly known as net interest cover, with which the Group was in compliance as of the end of 2019.

4.3.6 Shareholders' Equity

The Group's shareholders' equity was €834.2 million as of December 31, 2019 and €807.0 million as of December 31, 2018. Changes in shareholders' equity in 2019 resulted primarily from changes in the Group's net profit, as described in Section 4.1.2.8 "Net profit".

4.3.7 Off-balance sheet commitments

Lease commitments

Off-balance sheet lease commitments are described in Section 5.2 "Notes to the Consolidated Financial Statements".

Guarantees and Off-Balance Sheet Commitments

The following table presents guarantees given by the Company as of December 31, 2019 (including those relating to debt already included on the balance sheet), as well as guarantees received from customers:

Group Off-Balance Sheet Commitments *(in millions of euros)*	**December 31, 2019**	**December 31, 2018**
Federal Insurance Company	(79.4)	(48.7)
Ester Finance Titrisation	(26.1)	-
Swedish retirement insurance company (Pri-Pensionsgaranti)	(19.3)	(19.0)
Other	(18.7)	(16.9)
Tarkett parent company guarantees	**(143.5)**	**(84.6)**
Other commitments given to subsidiaries	(14.8)	(10.1)
Commitments given	**(158.3)**	**(94.7)**
Corporate or personal guarantees from clients or other debtors	8.0	7.9
Commitments received	**8.0**	**7.9**

The principal commitments include the following:

- a counter guarantee provided to Federal Insurance Company ("FIC") pursuant to a general indemnity agreement for a maximum amount of USD 75.0 million to permit FIC to issue bonds on behalf of FieldTurf Tarkett Inc. As of the end of the fiscal year, the amount outstanding subject to this guarantee was the dollar equivalent of €79.4 million, including numerous expired guarantees in the process of discharge;
- a Joint and Several Guarantee for a maximum amount of USD 75.0 million for the benefit of Ester Finance Titrisation, relating to the collections on its behalf in connection with the securitization line of credit set up with the subsidiary Tarkett USA Inc.;
- a guarantee given to the retirement insurance company Pri-Pensions to insure Tarkett AB's employee benefit commitments in the amount of SEK 201.8 million;
- a guarantee covering 50% of a credit line for a maximum amount of €10 million granted to the Group's Laminate Park GmbH & Co KG joint venture, which had been used in the amount of €2.2 million as of December 31, 2019;
- a guarantee for raw materials provided to a supplier of the Group's subsidiary Morton Extrusionstechnik (MET) raw materials deliveries of up to €7.0 million, of which €4.7 million was used as of December 31, 2019;
- guarantees provided by Tarkett S.A. to the banks of certain subsidiaries, including Tarkett Limited (United

Kingdom), Tarkett BV (Netherlands), Tarkett Asia-Pacific Management Co Ltd (Shanghai), and Tarkett Industrial Co Ltd (Beijing) in order to enable them to obtain short-term financing or letters of credit for a total amount used of €11.7 million, as of year-end 2019;

Other

One of the Group's subsidiaries is a co-defendant in a group of cases in the United States relating to injuries allegedly caused by asbestos. In addition to provisions recorded, the Group maintains three funds (for a total amount of USD 18.9 million as of December 31, 2019) as well as insurance policies in respect of this litigation and the possibility of additional cases being brought. For more information, see Section 4.5 "Legal and Administrative Proceedings".

4.4 Material contracts

See Section 4.3.4 "Revolving Syndicated Multi-Currency Credit Facility".

4.5 Legal and administrative proceedings

The Group may be involved in legal, administrative or regulatory proceedings in the ordinary course of its business. The Group sets aside a provision for the cases that it considers likely to result in financial loss for Tarkett or one of its subsidiaries.

The aggregate amount of provisions relating to legal proceedings was €17 million as of December 31, 2019.

As of the date of this Universal Registration Document, apart from the matters described below, the Group is not aware of any governmental, legal or arbitration proceedings (including any threatened or suspended proceedings) that could have or have had in the past 12 months a material effect on the Group's financial condition or the profitability of Tarkett or the Group.

Germany

Appraisal Procedure Relating to Valuation of Tarkett Holding GmbH Shares

In August 2006, a former minority shareholder of Tarkett AG (now known as Tarkett Holding GmbH) initiated an appraisal procedure relating to the valuation of Tarkett Holding GmbH shares before the Court of Frankenthal in Germany. The purpose of the procedure is to determine whether the share price paid by Tarkett S.A. to former minority shareholders of Tarkett AG in connection with the privatization of Tarkett AG in 2005 was appropriate. Fifty-five shareholders are currently party to the procedure. According to the initial opinion of a court-appointed expert in October 2011, the share price paid was insufficient. After objections by the parties, the expert submitted a supplemental report in August 2012, in which the value of the shares was determined to be higher than the value initially presented in the October 2011 report. Following further objections, the court ruled on July 1, 2013 that the share price paid by Tarkett should have been €1.62 higher than the share price of €19.50 that was actually paid. As the procedure covers 1,150,000 shares, the potential impact of this decision is approximately €1.9 million, excluding interest. Tarkett appealed from this decision, which was rendered on October 2, 2017. On appeal, the court found that the price per share that Tarkett had paid to the minority shareholders was adequate and that, as a result, Tarkett did not owe any additional compensation. A minority shareholder appealed from this decision. On June 17, 2019, the court ruled against the former minority shareholders, without providing a reason. As result, there is no way to appeal from the decision of the regional superior court of Zweibrücken, which confirmed that the price of €19.50 per share was reasonable. Therefore, this matter may be considered closed.

France

Action filed by a group of installers

In November 2018, a group of installers filed a claim for damages in the Commercial Court of Paris relating to the potential harm caused by the anticompetitive practice sanctioned by the French Competition Authority's decision No. 17-D-20 of October 18, 2017. To date, the investigative phase of this case is still in an early stage, with respect to both the merits of the claim and the formal evidence produced, procedure is still on-going.

United States

Asbestos Litigation

Domco Products Texas Inc. ("Domco"), a subsidiary that Tarkett acquired in 1991 (then known as Azrock Industries Inc. ("Azrock")), is subject to several lawsuits related to its production of asphalt and vinyl floor tiles containing asbestos between 1932 and 1982. As of December 31, 2019, there were 652 pending lawsuits filed against Domco in multiple U.S. jurisdictions. Of the 652 lawsuits pending, 38 are cases involving both an identification of Azrock products and a diagnosis of mesothelioma. Of all of the claims filed against Domco over the last 16 years, three reached the verdict stage - two of which were granted in favor of Domco, and one of which was granted to a plaintiff in the State of Washington, requiring Domco to pay an amount of USD 1,071,705 (USD 371,705 after offsets).

As of December 31, 2019, Domco had succeeded in obtaining dismissal of 1,414 cases since 2015, and had entered into approximately 40 settlements per year since 2015, for an aggregate amount of approximately USD 15.5 million (or an average of USD 3.1 million per year). Domco maintains cost-sharing policies with its insurance companies to cover the liabilities associated with these claims. Domco also covers a portion of these various expenses itself. For further information on the Group's management of these cases, see Section 4.3.7, "Off-Balance Sheet Commitments".

Action filed by two New Jersey customers relating to Duraspine fiber.

In December 2016, two customers filed lawsuits against FieldTurf in federal court in New Jersey concerning the quality of their sports fields made with Duraspine fiber. They sought to certify the class of all FieldTurf customers who had purchased Duraspine fields.

These lawsuits alleged that FieldTurf misled customers about the durability of their Duraspine fields, breached their warranties, and violated various consumer protection laws.

Since then, 15 other customers have asserted similar claims. The claims of all of these customers, in addition to the claim of another customer filed earlier in California, have been consolidated in the federal court in New Jersey before the same judge.

The case is still in its preliminary stages.

In addition to the consolidated class action, there are, to the Company's knowledge, four other cases that were brought by individual customers in state courts in Texas. Two of the cases were supposed to have been scheduled for trial during the second half of 2018, one is in the process of being settled, and one went to trial in July-August 2017. In the latter case, the jury awarded USD 151,000 in damages to the plaintiff for breach of warranty. In the case tried in 2018, the jury ordered FieldTurf to pay USD 171,000 in damages. The two remaining cases were settled.

4.6 Future prospects

For purposes of preparing its internal budgets and planning its operations and investments, the Group makes estimations regarding outlook and sets certain objectives relating to its results of operations. These estimations and the Group's goals, summarized below, are based on information, assumptions and estimates that the Group's management considers to be reasonable as of the filing date of this Universal Registration Document. These estimations and objectives are not projections or profit forecasts, but result from the Group's strategic orientation and action plan.

4.6.1 Evolution of recent results

For a detailed analysis of the Group's results of operations in 2018 and 2019, see Section 4.1.2, "Comparison of results of operations for the years ended December 31, 2019 and December 31, 2018".

4.6.2 Medium-term outlook

4.6.2.1 Macro-Economic Climate

The Group expects its growth to depend to a certain extent on increases in gross domestic product ("GDP") in the main geographic regions in which it operates.

The Group uses the most recently released GDP growth forecasts by the International Monetary Fund (the "IMF") as a reference, *id est* January 2020. In the light of the events which occured in February and March in the wake of the Covid-19 virus outbreak, it is likely that these forecasts may be revised upon their next release by the IMF.

For the main geographic markets in which the Group does business, the January 2020 publication shows:

- in the United States, less sustained growth in 2020 (+2.0%) than in 2019 (+2.3%);
- in the euro zone, slightly higher growth in 2020 (1.3%) as compared with 2019 (+1.2%);
- in Russia and Brazil, higher growth rates in 2020 for Russia (+1.9% in 2020 as compared with +1.1% in 2019) and for Brazil (+2.2% in 2020 as compared with +1.2% in 2019).

GDP growth forecasts [(1)]	**2019**	**2020**	**2021**
United States	2.3%	2.0%	1.7%
Euro Zone	1.2%	1.3%	1.4%
Germany	0.5%	1.1%	1.4%
France	1.3%	1.3%	1.3%
UK	1.3%	1.4%	1.5%
Sweden	2.2%	1.5%	NC
Russia	1.1%	1.9%	2.0%
Brazil	1.2%	2.2%	2.3%
China	6.1%	6.0%	5.8%
World	2.9%	3.3%	3.4%

(1) Source: IMF - World Economic Outlook - January 2020, except Sweden, for which the forecasts are from July 2019 and are not available for 2021.

4.6.2.2 Outlook for the Group

Thanks to the quality of the Group's products, its broad geographic footprint and its exposure to diversified markets, the Group believes that it is well positioned to continue to grow over the coming years.

In June 2019, the Group presented its new strategic plan "Change to Win". The plan covers the period 2019-2022 and gives the Group a clear roadmap for implementing its vision and achieving its goals.

The strategic plan rests on four cornerstones, which are described in detail in Section 1.3:

1. **Sustainable growth,** led by a stronger focus on **selecting promising commercial market segments**, develop a worldwide offer in Hospitality , and continuing to expand the Sports Surfaces business. The Group also plans to invest in digital distribution channels in order to capture future growth;
2. **An even more customer-centered approach** and a simpler, more agile, more reactive organizational structure;
3. **Ambitious deployment of efforts towards a circular economy**, including specific efforts to develop recycling solutions for our customers;
4. **A rigorous cost-reduction program,** seeking to achieve **€120 million in savings** between 2019 and 2022, and **a selective capital allocation policy** aligned with our strategic sustainable development initiatives.

Based on this new plan, Tarkett has announced new medium-term financial objectives, the achievement of which will depend on the succesful execution of the plan;

- **Pursuit of organic growth:** in each of the principal regions (North America, Europe, and CIS), the Group's objective is **organic growth greater than Gross Domestic Product (GDP)** on average over the 2019-2022 period.
- **Improved profitability**: the objective is to achieve **adjusted EBITDA** after application of IFRS 16 **of greater than 12%** in 2022.
- **Managing leverage,** as mesured by the ratio of net debt to adjusted EBITDA: **leverage of between 1.6x and 2.6x of adjusted EBITDA** after application of IFRS 16 at the end of each year throughout the plan.

Tarkett began deploying the new plan in 2019 and made good progress in terms of both cost and debt reduction. In addition, adjusted EBITDA margins improved over all segments except for North America in the second half of 2019.

The Group encountered a number of difficulties in its flooring business in North America, as a result of which it deployed a specific action plan there in the second half of 2019. The priority for Tarkett's senior management in early 2020 is to restart growth and return the segment to profitability. The actions begun in late 2019 are expected to lead to organic growth in North America in 2020, despite a first quarter that is expected to be difficult.

In the short term, the Group believes that growth prospects on the flooring market in Europe and in the CIS countries will remain moderate for 2020. The sports surfaces market is expected to remain strong, and the Group anticipates sustained demand and continued growth in the Sports segment in 2020.

Tarkett also expects inflation in energy costs and the cost of certain raw materials in 2020, and will continue to manage its sales prices to offset that inflation.

In 2020, the Group will continue to deploy the strategic initiatives defined in the Change to Win plan, in order to grow sales and increase profitability in the medium term. Tarkett will also continue its efforts to optimise its working capital requirement and its investment expense, with the goal of strengthening its financial flexibility.

Tarkett has been monitoring the situation closely since the outbreak of the COVID-19 crisis. China, where the COVID-19 crisis started, is a niche market for the Group and represents less than 1% of Group's net sales. Besides the Group has a limited exposure to China for its industrial production and supply chain. Tarkett has, however, been working to mitigate the impact on the supply chain since the outbreak of this crisis. Given the pandemic evolution and the uncertain economic situation with the virus rapidly spreading across the world, Tarkett is taking all required actions to protect its cash-flows and to adapt the Group to this new environment. Tarkett is going to strictly control its costs, working capital and capital spending during that period. At the dare of this Document, Tarkett is, however, not in a position to assess what could be the impacts on construction and renovation projects or on the global economic situation.

4.7 Non-IFRS financial indicators

The Tarkett Group uses the following non-IFRS financial indicators:

- organic growth;
- adjusted EBITDA;
- operating cash flow;
- free cash flow (annual results only).

These indicators are calculated as follows:

4.7.1 Organic growth

- This indicator measures the evolution of net revenue as compared with the same period in the previous year, excluding foreign exchange effects and changes in the scope of consolidation;
- The foreign exchange effect is obtained by applying the previous year's exchange rates to the current year's sales and calculating the difference from the current year's sales. It also includes the effect of price adjustments in the CIS countries that are intended to offset local currency fluctuations against the euro;
- The consolidation effect consists of:
  - the current year's sales by entities that were not consolidated during the same period of the previous year, until the anniversary of their consolidation,
  - the reduction in sales relating to activities that have been sold, which are not consolidated in the current year but were included in sales for the same period during the previous year, until the anniversary of their disposal.
- The evolution of net sales for the year is broken down as follows:

(in millions of euros)	2019	2018	Change *(as a %)*	Of which exchange rate effect	Of which consolidation effect	Of which organic growth
Group Total	**2,991.9**	**2,836.1**	**5.5%**	**2.6%**	**2.1%**	**0.7%**

4.7.2 Adjusted EBITDA

Operating income before depreciation, amortization and the following adjustments:

- restructuring costs to improve the future profitability of the Group,
- gains or losses on disposals of significant assets,
- provisions and reversals of provisions for impairment,
- costs related to business combinations and legal reorganizations,
- expenses relating to share-based payments,
- other one-off expenses considered non-recurring by their nature.

The adjustments made in going from operating income (EBIT) to Adjusted EBITDA, and the distribution of adjustments by type, are as follows:

(in millions of euros)		Adjustments [1] (B)					
	2019 (A)	Restruc-turing	Gains/losses on asset sales/ impairment	Acquisitions and business combinations	Share-based payments	Other	2019 adjusted (A+B)
Net revenue	**2,991.9**	**(0.0)**	**-**	**-**	**-**	**-**	**2,991.9**
Cost of sales	(2,321.7)	12.7	(0.5)	(0.2)	0.0	2.6	(2,307.1)
Gross profit	**670.2**	**12.7**	**(0.5)**	**(0.2)**	**0.0**	**2.6**	**684.8**
Selling and distribution expenses	(360.9)	1.5	0.1	-	0.0	(0.1)	(359.5)
Research and development	(32.8)	0.5	-	-	0.0	-	(32.3)
General and administrative expenses	(184.0)	1.6	0.4	0.1	4.1	1.2	(176.7)
Other operating income and expense	4.1	3.5	(2.2)	-	-	-	5.5
Result from operating activities (EBIT)	**96.6**	**19.7**	**(2.2)**	**(0.1)**	**4.1**	**3.6**	**121.8**
Depreciation and amortization	158.2	-	0.0	-	-	-	158.2
EBITDA	**254.7**	**19.7**	**(2.2)**	**(0.1)**	**4.1**	**3.6**	**280.0**

(1) Adjustments are reported as follows:
- cancellation of an expense is presented with a positive sign;
- cancellation of income is presented with a negative sign

In 2019, the application of IFRS 16 increased EBITDA by €30.5 million. As a reminder, IFRS 16 did not apply in 2018.

4.7.3 Free cash flow

Free cash flow is presented only in the Company annual results of operations.

Free cash flow is calculated based on the items presented in the consolidated cash flow statement, and consists of the following items:

- operating cash flow before working capital changes
- changes in working capital
- net interest received (paid),
- net income taxes collected (paid),
- miscellaneous operating items received (paid),
- proceeds (losses) from sale of property, plant and equipment, and
- repayment of lease liabilities.

> *Free cash flow* is broken down as follows:

(in millions of euros)	2019	2018
Operating cash flow before working capital changes (A)	258.2	218.1
Repayment of lease liabilities (B)	(31.9)	(0.4)
Total (A+B)	**226.3**	**218.1**
Changes in working capital requirement	190.4	(12.3)
Net interest paid	(22.7)	(17.2)
Net income taxes paid	(30.5)	(25.3)
Miscellaneous operating items	(11.2)	(0.7)
Acquisitions of intangible assets and property, plant and equipment	(124.6)	(128.2)
Proceeds from sale of property, plant and equipment	3.7	1.5
Free cash flow	**231.4**	**36.0**

5 FINANCIAL STATEMENTS

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5.1 Consolidated Financial Statements as of December 31, 2019

(in millions of euros)	Note	2019	2018
Net Revenue	**(3)**	**2,991.9**	**2,836.1**
Cost of sales		(2,321.7)	(2,183.7)
Gross profit	**(3)**	**670.2**	**652.4**
Other operating income	(3)	23.8	13.2
Selling and distribution expenses		(360.9)	(330.1)
Research and development		(32.8)	(36.0)
General and administrative expenses		(184.0)	(180.0)
Other operating expenses	(3)	(19.7)	(12.9)
Result from operating activities	**(3)**	**96.6**	**106.6**
Financial income		1.3	1.0
Financial expenses		(40.1)	(31.1)
Financial income and expenses	**(7)**	**(38.8)**	**(30.1)**
Share of profit of equity accounted investees (net of income tax)		(4.0)	(7.9)
Profit before income tax		**53.8**	**68.6**
Total income tax	(8)	(14.2)	(18.5)
Profit from continuing operations		**39.6**	**50.1**
Net profit for the period		**39.6**	**50.1**
Attributable to:			
Owners of Tarkett		39.6	49.3
Non-controlling interests	(2)	(0.0)	0.8
Net profit for the period		**39.6**	**50.1**
Earnings per share:			
Basic earnings per share *(in euros)*	(9)	0.62	0.78
Diluted earnings per share *(in euros)*	(9)	0.61	0.77

Consolidated statement of comprehensive income

(in millions of euros)	Note	2019	2018
Net profit for the period		**39.6**	**50.1**
Other comprehensive income (OCI)			
Foreign currency translation differences for foreign operations		13.0	12.0
Changes in fair value of cash flow hedge instruments	(7)	(2.7)	0.6
Income tax		0.7	(0.1)
First application of IFRS 9		-	(0.3)
OCI to be reclassified to profit and loss in subsequent periods		**11.0**	**12.2**
Defined benefit plan actuarial gain (losses)	(4)	(10.6)	2.3
Income tax		2.9	0.7
OCI not to be reclassified to profit and loss in subsequent periods		**(7.7)**	**3.0**
Other comprehensive income, net of tax		**3.3**	**15.2**
Total comprehensive income for the period		**42.9**	**65.3**
Attributable to:			
Owners of Tarkett		42.9	65.1
Non-controlling interests		(0.0)	0.2
Total comprehensive income for the period		**42.9**	**65.3**

Consolidated statement of financial position

Assets

(in millions of euros)	Note	Dec. 31, 2019	Dec. 31, 2018
Goodwill	(5)	650.6	662.0
Intangible assets	(5)	155.6	133.3
Property, plant and equipment [1]	(5)	607.3	514.8
Other financial assets	(7)	21.7	24.1
Deferred tax assets	(8)	91.1	76.6
Other intangible assets		-	-
Total non-current assets		**1,526.3**	**1,410.8**
Inventories	(3)	417.5	449.3
Trade receivables	(3)	258.5	350.5
Other receivables	(3)	93.8	84.1
Cash and cash equivalents	(7)	137.7	95.7
Total current assets		**907.5**	**979.6**
Total assets		**2,433.8**	**2,390.4**

Equity and liabilities

(in millions of euros)	Note	Dec. 31, 2019	Dec. 31, 2018
Share capital	(9)	327.8	318.6
Share premium and reserves		167.4	145.8
Retained earnings		299.5	290.9
Net profit for the period attributable to equity holders of the parents		39.6	49.3
Equity attributable to equity holders of the parent		**834.2**	**804.6**
Non-controlling interests		(0.0)	2.4
Total equity		**834.2**	**807.0**
Other non-current liabilities		5.5	-
Financial liabilities [2]	(7)	740.2	839.1
Other financial liabilities	(7)	0.3	4.1
Deferred tax liabilities	(8)	26.4	35.7
Employee benefits	(4)	136.7	129.8
Provisions and other non-current liabilities	(6)	40.5	46.4
Total non-current liabilities		**949.7**	**1,055.1**
Trade payables	(3)	324.0	283.6
Other operating liabilities	(3)	234.2	193.1
Financial liabilities and bank overdrafts [3]	(7)	34.2	10.2
Other financial liabilities	(7)	9.5	10.0
Provisions and other current liabilities	(6)	48.0	31.4
Total current liabilities		**649.8**	**528.3**
Total equity and liabilities		**2,433.8**	**2,390.4**

(1) Including €89.6 millions in right of use following the application of IFRS 16 as of December 31, 2019.
(2) Including €66.7 millions in lease liability following the application of IFRS 16 as of December 31, 2019.
(3) Including €22.6 millions of lease liability following the application of IFRS 16 as of December 31, 2019.

Consolidated statement of cash flows

(in millions of euros)	Note	2019	2018
Cash flows from operating activities			
Profit for the period before income tax		53.8	68.6
Adjustments for:			
Depreciation, amortization and impairment [1]		158.1	121.5
(Gain) loss on sale of fixed assets	(3)	(2.7)	(0.5)
Net finance costs [2]	(7)	38.8	30.1
Change in provisions and other non-cash items		6.2	(9.1)
Share of profit of equity accounted investees (net of tax)		4.0	7.9
Operating cash flow before working capital changes		**258.2**	**218.5**
(Increase) / Decrease in trade receivables		85.0	16.9
(Increase) / Decrease in other receivables		0.6	(1.4)
(Increase) / Decrease in inventories		33.1	(13.1)
Increase / (Decrease) in trade payables		38.9	(15.6)
Increase / (Decrease) in other payables		32.8	0.9
Changes in working capital		**190.4**	**(12.3)**
Net interest paid		(22.7)	(17.2)
Net income taxes paid		(30.5)	(25.3)
Other operating items		(11.2)	(0.7)
Net cash flows from operating activities		**384.3**	**163.0**
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired	(2)	(2.5)	(231.9)
Acquisitions of intangible assets and property, plant and equipment	(2)	(124.6)	(128.2)
Proceeds from sale of property, plant and equipment	(5)	3.7	1.5
Effect of changes in the scope of consolidation		0.0	-
Net cash flows from investing activities		**(123.4)**	**(358.6)**
Cash flows from financing activities			
Acquisition of NCI without a change in control	(2)	(5.5)	-
Proceeds from loans and borrowings		483.0	230.4
Repayment of loans and borrowings		(653.6)	(9.8)
Repayment of lease liabilities [3]		(31.9)	(0.4)
Acquisitions/disposals of treasury shares		(4.1)	(5.3)
Dividends	(9)	(7.4)	(37.9)
Net cash flows from financing activities		**(219.5)**	**177.0**
Net increase / (decrease) in cash and cash equivalents		**41.4**	**(18.6)**
Cash and cash equivalents, beginning of period		95.7	114.7
Effect of exchange rate fluctuations on cash held		0.6	(0.4)
Cash and cash equivalents, end of period	**(7)**	**137.7**	**95.7**

(1) Including €29.3 million in depreciation of right-of-use assets (IFRS 16), as of December 31, 2019.
(2) Including €4.2 million in financial expenses on lease liabilities (IFRS 16), as of December 31, 2019.
(3) In 2019, concerned leases within the scope of IFRS 16, and in 2018, concerned financial leases within the scope of IAS 17.

Consolidated statement of changes in equity

(in millions of euros)	Share Capital	Share premium and reserves	Translation reserves	Reserves	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
As of January 1, 2018	**318.6**	**145.8**	**(55.4)**	**369.4**	**778.4**	**2.2**	**780.6**
Net profit for the period	-	-	-	49.3	49.3	0.8	50.1
Other comprehensive income, net of tax	-	-	12.6	3.5	16.1	(0.6)	15.5
First application for IFRS 9	-	-	-	(0.3)	(0.3)	-	(0.3)
Total comprehensive income for the period	**-**	**-**	**12.6**	**52.5**	**65.1**	**0.2**	**65.3**
Dividends	-	-	-	(37.9)	(37.9)	-	(37.9)
Own shares (acquired) / sold	-	-	-	(5.3)	(5.3)	-	(5.3)
Share-based payments	-	-	-	3.9	3.9	-	3.9
Acquisition of NCI without a change in control	-	-	-	-	-	-	-
First application of IFRS 9	-	-	-	0.3	0.3	-	0.3
Other	-	-	-	0.1	0.1	-	0.1
Total transactions with shareholders	**-**	**-**	**-**	**(38.9)**	**(38.9)**	**-**	**(38.9)**
As of December 31, 2018	**318.6**	**145.8**	**(42.8)**	**383.0**	**804.6**	**2.4**	**807.0**
First application of IFRIC 23 [1]	-	-	-	(4.3)	(4.3)	-	(4.3)
As of January 1, 2019	**318.6**	**145.8**	**(42.8)**	**378.7**	**800.3**	**2.4**	**802.7**
Capital increase [2]	9.1	-	-	-	9.1	-	9.1
Share premium [2]	-	21.5	-	-	21.5	-	21.5
Net profit for the period	-	-	-	39.6	39.6	(0.0)	39.6
Other comprehensive income, net of tax	-	-	13.0	(9.7)	3.3	-	3.3
Total comprehensive income for the period	**-**	**-**	**13.0**	**29.9**	**42.9**	**(0.0)**	**42.9**
Dividends [2]	-	-	-	(38.1)	(38.1)	-	(38.1)
Own shares (acquired) / sold	-	-	-	(0.4)	(0.4)	-	(0.4)
Share-based payments	-	-	-	0.1	0.1	-	0.1
Acquisition of NCI without a change in control	-	-	-	(3.2)	(3.2)	(2.3)	(5.5)
Other	-	-	-	1.9	1.9	(0.1)	1.8
Total transactions with shareholders	-	-	-	(39.7)	(39.7)	(2.4)	(42.1)
As of December 31, 2019	**327.8**	**167.4**	**(29.8)**	**368.9**	**834.2**	**(0.0)**	**834.2**

(1) cf. Note 1.2.
(2) cf. Note 9

5.2 Notes to the consolidated financial statements

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Note 1 > Basis of preparation

1.1 General information

Tarkett's Consolidated Financial Statements as of and for the year ended December 31, 2019 comprise the Company and its subsidiaries (hereafter the "Group") as well as its interests in associates and joint ventures.

The Group is a leading global flooring company, providing a large range of flooring and sports surface solutions to business and residential end-users.

The Group completed its initial public offering on November 21, 2013, and is listed on Compartment B (Compartment A until January 31, 2020 and Compartment B since February 1, 2020) of Euronext Paris, ISIN code: FR0004188670 - Ticker Symbol: TKTT.

The Group's registered office is located at 1 Terrasse Bellini - Tour Initiale - 92919 Paris La Défense, France.

The Group's Consolidated Financial Statements as of and for the year ended December 31, 2019 were finalized by the Management Board on February 11, 2020 and reviewed by the Supervisory Board on February 13, 2020. They will be submitted for shareholder approval on April 30, 2020.

1.2 Significant accounting principles

1.2.1 Statement of compliance and applicable standard

The Group's Consolidated Financial Statements as of and for the year ended December 31, 2019 have been prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union as of such date, which are available at https://ec.europa.eu/info/index_en. These standards have been applied consistently for the fiscal years presented.

a) Amendments, new standards, or revisions to existing standards and interpretations applied during the period

The following new published standards have been applied to the period by the Group:

> **IFRS 16: Leases**

Presentation and general principles

On January 13, 2016, the IASB published IFRS 16, "Leases," which replaces IAS 17 and the related interpretations: IFRIC 4 ("Determining whether an Arrangement Contains a Lease"), SIC 15 ("Operating Leases - Incentives"), and SIC 27 ("Evaluating the Substance of Transactions in the Legal Form of a Lease").

The new standard, adopted by the European Union on October 31, 2017 and applicable as of January 1, 2019, eliminates the distinction between between opeating leases and finance leases for leases with terms of longer than one year. It requires leases to be recorded on the lessee's balance sheet as follows:

- with an asset representing the leased asset's right of use;
- with a liability for the obligation to make rental payments; and
- with amortization of the right of use and interest expense recorded for the interest on the lease liability.

Application by the Group

The Group considers an arrangement to be a lease within the meaning of IFRS 16 if it gives the lessee the right to control the use of an identified asset.

At Tarkett, the greatest number of lease agreements concern cars and forklifts; however, measured by value, lease agreements primarily concern real property (offices, plants, and warehouses).

The Group has deployed a dedicated information system to generate the accounting entries relating to this standard, which makes it possible to do the following:

- identify lease agreements, within the meaning of IFRS 16;
- update information in real time;
- generate accounting entries;
- manage forecast data; and
- analyze financial impacts.

Method of transition

The Group uses the "simplified retrospective" method, in which a liability is recorded on the transition date equal to the present value of the remaining payments, accompanied by a right-of use adjusted for any prepaid or accrued lease payments. The application of IFRS 16 had no impact on shareholders' equity.

In addition, this transition method does not allow for the restatement of comparative information provided for the 2018 fiscal year in the 2019 consolidated financial statements.

It provides for various simplification and exemption measures both during the transitional period and on an ongoing basis.

The Group has decided to use the general exemptions:

- leases with an initial term of less than 12 months;
- leases concerning low value assets (those whose value, when new, was less than €5,000 or $5,000).

For the transition, the Group opted:

- to use the remaining term of the lease to determine the discount rate as of the transition date; and
- to exclude initial direct costs from the valuation of the right of use as of the date of first application.

Discount rate

Among the key assumptions, the Group decided to use a different discount rate for each contract, determined based on its characteristics, term, country risk, and credit risk of the lessee entity, as well as the terms of the Group's outside financing.

Thus, the discount rate is determined for each asset on the basis of the incremental borrowing rate on the effective date of the contract and corresponds to the interest rate that each of the Group's entities would incur to borrow the amount necessary to acquire a similar asset, for a duration and in an economic environment similar to that of the lease.

For existing contracts on the transition date, in order to calculate the right of use and the lease liability, the Group applies a discount rate for each contract as of January 1, 2019 (the date on which the standard entered into force).

The Group's weighted average interest rate applied to lease liabilities as of January 1, 2019 is 4.14%.

Term of lease

The initial term of the lease corresponds to the period during which it cannot be terminated, plus, where applicable, renewal or termination options that the Group is reasonably certain it will exercise.

For certain types of leased assets (primarily vehicles), the Group believes that there is no option to extend that it is reasonably certain to exercise; as a result, the term runs until the first date on which it is possible to terminate the lease.

The enforceable period of a lease is the period during which the lease cannot be cancelled. The initial term used for each contract corresponds to the length of the enforceable period, to which is added any option to extend or to terminate early within the control of the Tarkett Group company and that it would be reasonably certain to exercise.

In assessing whether it is reasonably certain to exercise or not to exercise an option to extend or to terminate early, each Group entity considers all of the relevant facts and circumstances that would influence it to exercise or not exercise the option.

A Group entity may revise the length of a lease during its term, where an option to extend or to terminate had not initially been deemed exercised for purposes of determining the initial term of the lease, or where a significant event such as a loss or significant change in the environment occurs and requires the entity to consider the option.

With respect to the depreciation of non-removable leasehold improvements, the Tarkett Group decided to use the shorter of the following periods:

- the useful life of the leasehold improvement, as defined in IAS 16, "Property, Plant and Equipment"; and
- the lease term of the related leased asset, in light of the legal limit for the use of the asset imposed by the lease agreement.

Improvements associated with leased real property are recorded outside the scope of application of IFRS 16.

As of year-end 2019, the Group is not affected by the IFRIC's November 2019 update clarifing the relationship between the enforceable period of the lease agreement and the leased asset's non-removable improvements.

Types of lease agreements

- **Goods and real property**

For leases of land and buildings within the scope of IFRS 16, the lease term and discount rate are determined as described above.

Leases of land and buildings do not include clauses guaranteeing the value of the leased assets.

When a building is leased and local law requires the lessee to lease the land on which the building sits in the form of a long-term lease, the Tarkett Group uses an economic approach, limiting the lease term for the land to the lease term for the related building.

With respect to so-called "3-6-9" leases, the Tarkett Group, in accordance with the French Accounting Standards Authority (Autorité des Normes Comptables - ANC) assumes that:

- the non-termination period of the commercial lease is three years;
- the maximum term of the commercial lease is nine years, with any extension of the lease following the nine years constituting a new lease agreement; and
- in light of the termination options that only the lessee holds following the triennial periods;

the Group uses a nine-year term for this type of contract. None of the Group's commercial leases currently in effect includes an exception extending the nine-year maximum term.

The Tarkett Group's principal commercial lease is the lease of premises for the Group's registered office.

- **Equipment and machinery**

The Group's leases of equipment and machines within the scope of IFRS 16 primarily include company cars and forklifts used in the Group's plants. All company cars with lease terms of greater than 12 months are treated in accordance with IFRS 16.

The lease term and discount rate used in calculating the lease liability are determined in the manner described above. Equipment and machinery leases do not include clauses guaranteeing the value of the leased asset.

- **Non-capitalized lease agreements**
  - Short-term leases

Short-term leases have terms of one year or less. The Group's short-term leases consist primarily of short-term car leases.

  - Low value leases

Low value leases are those for which the value of the asset, if new, would be less than or equal to €5,000 or $5,000. The Group's low value leases consist primarily of leases of small machines and office equipment.

Impact of applying the standard on the principal financial aggregates

Right of use recorded in assets

As of the transition date, rights of use were valued on the basis of lease liability as of January 1, 2019.

In the absense of significant initial direct costs, the right of use corresponds to the present value of rental payments. The right is amortized and is impaired if there are indications of a potential loss of value.

The Tarkett Group includes all significant initial direct costs in valuing the right of use. These costs consist of the incremental costs that, first, would not have been incurred if the lease agreement had not been entered into, and second, were directly attributable to the negotiation and entry into the lease agreement. Generally speaking, these costs include the cost of negotiating and finalizing the lease, attorney fees, commissions, any eviction indemnity paid to the previous tenant, etc. These initial direct costs exclude general expenses as well as any costs for construction, improvements, or installation.

See Note 5.2, Intangible assets and property, plant and equipment.

Lease liabilities

As of January 1, 2019, lease liabilities totalled €104.0 million (including €3.3 million aleady recognized in respect of finance leases), as compared with lease commitments of €114.2 million as of December 31, 2018.

A reconciliation between off-balance sheet commitments and the opening date is presented in Note 5.4, Lease commitments.

The lease liability recorded coresponds to the present value of the remaining rent payments due to the lessor.

These liabilities are included in the Group's financial liabilities. However, lease liabilities and the cancellation of lease expenses are excluded for purposes of calculating the ratio of net indebtedness to adjusted EBITDA used in financial covenants (see Note 7.3.3, Financial ratio covenants).

Income statement and statement of cash flows

In addition to the balance sheet, the income statement and statement of cash flows are affected. Thus:

- operating lease expenses, previously recorded on a straight-line basis in EBITDA, will be replaced with an amortization expense for rights of use and an interest charge in financial income
- rights of use are amortized on a straight-line basis over the term of the lease;
- cash flows from operating leases (excluding variable rent based on the use or performance of the underlying asset) will be replaced with cash flows from the repayment of liabilities and interest.

Deferred tax

The Group takes the position that because the asset and liability resulting from the application of IFRS 16 arise out of the same contract, they must be treated together in calculating deferred tax. As of the initial date on which the asset and the liability were recorded, there is no temporary difference, as the two have the same value.

> **IFRIC 23: Uncertainty over income tax treatments**

On June 7, 2017, the IASB published IFRIC 23, Uncertainty over income tax treatments. This interpretation, adopted by the European Union on October 23, 2018, applies as from January 1, 2019. IFRIC 23 clarifies the application of IAS 12, Income taxes, with respect to recording and valuation where uncertainty exists as to income tax treatment.

The interpretation provides clarification regarding:

- the unit of tax treatment, which is the level at which the tax risk to which the rules on accounting for and valuing assets and liabilities apply are assessed: either collectively (at the level of the taxable entity, jurisdiction, or group), or individually at the level of each risk;
- the risk of detection, which must be fully included when accounting for and valuing tax risk. It must be assumed that the tax authorities will perform an audit and that they will have access to all information in order to identify the error or misinterpretation of the tax standard;
- the accounting principle regarding estimation of the probability (in the sense of "more likely than not") that the tax authorities will accept the uncertain tax treatment. Thus, and to the extent that it is more than 50% likely that the tax authorities will not accept the tax treatment applied, the uncertain tax treatment must be reflected in the financial statements in tax due and/or in deferred tax; and
- the principle regarding valuation of a provision based on an estimation of the amount that the entity expects to pay or to recover from the tax authorities. Either of two valuation methods may be used, on a case-by-case basis: the more probable amount, or the weighted average of the various possible scenarios.

The Group has chosen to apply the partially retrospective transition method, which means accounting for the cumulative impact in equity at the start of the fiscal year, as of January 1, 2019, and permits not restating the comparable period.

In view of IFRIC 23, and more specifically after applying a 100% risk of detection, the Group now believes that their are uncertainties as to the tax treatment of certain specific intragroup flows. As a result, equity was decreased by €4.3 million as of January 1, 2019, balanced by recording taxes on the balance sheet.

> **Amendments**

As of January 1, 2019, the Group has applied the following additional amendments:

- amendment to IFRS 9, Prepayment Features with Negative Compensation;
- amendment to IAS 19: Plan Amendment, Curtailment, or Settlement;
- amendment to IAS 28: Long Term Interests in Associates and Joint Ventures;
- amendment to IFRS 3: Definition of a Business regarding the multi-step acquisition of business previously considered a joint venture;
- amendment to IAS 12: tax consequences of the distribution of dividends within the meaning of IFRS 9; and
- amendment to IAS 23: Borrowing Costs.

These amendments, applicable as of January 1, 2019, have no significant impact as of December 31, 2019.

b) Early adoption of new standards or interpretations during the period

- Amendment to IFRS 9, IAS 39, and IFRS 7 published by the IASB in September 2019.

The Group has chosen early application, beginning in 2019, of the amendment to IFRS 9, IAS 39, and IFRS 7 published by the IASB in September 2019 in connection with the interest rate benchmark reform.

The amendment allows the Group not to account for uncertainties as to future benchmark interest rates when valuing the effectiveness of its hedge transactions or in assessing whether the hedged risk is highly probably, thus enabling the Group to securitize existing or future hedge relationships until the uncertainties are resolved.

Interest rate derivatives documented as part of a hedge are presented in Note 7.6. The Group is in the process of analyzing the impacts of the future modification of benchmark indices.

c) New standards and interpretations not adopted

The following published standards have not been applied by the Group:

> **IFRS 17: Insurance Contracts**

On May 18, 2017, the IASB published IFRS 17, Insurance Contracts, on accounting for and valuing insurance contracts, which will replace IFRS 4. As it has not yet been adopted by the European Union, and given the IASB's decision to postpone by one year, the first application will be on January 1, 2022.

1.2.2 Accounting estimates and judgments

The preparation of the Group's Consolidated Financial Statements requires it to make a number of estimates and assumptions that have an effect on the amounts recorded on its balance sheet and income statement.

These judgments and estimates relate principally to:

	Note
Measurement of the fair value of the consideration transferred, NCI and assets acquired and liabilities assumed	2
Impairment testing of assets	5.3
Accounting treatment of Financial Instruments	7.6
Provisions for employee benefits	4.1
Valuation of deferred tax assets	8.2
Determination of other provisions (warranties and disputes)	6

Management reviews these estimates and assumptions on an ongoing basis, by reference to past experience and information deemed significant given the current environment. Actual results may differ significantly from these estimates.

The Group's Consolidated Financial Statements have been prepared on the basis of historical cost with the exception of the following assets and liabilities, which have been measured at fair value: derivatives, investments held for trading, available-for-sale financial assets, pension plan assets and other assets when required. The carrying amount of assets and liabilities subject to fair value hedging has been adjusted in line with the changes in fair value attributable to the hedged risks.

1.3 Significant developments

On February 19, 2019, Tarkett and Sonae Arauco announced their intention to cease operating their joint venture, LaminatePark GmbH & Co. KG.

In addition, on April 17, 2019, Tarkett announced changes in its manufacturing footprint in North America. These changes are part of the Group's strategy to optimize its operations and to better position itself to respond to the needs of the North American market.

During the 2019 fiscal year, that strategy led to the transfer of manufacturing activities to production sites in the United States and to asset sales. These movements resulted in closing the plant in Waterloo, Ontario (Canada), which manufactured flooring accessories, and the plant in Truro in Nova Scotia (Canada), which produced commercial carpet rolls.

Note 2 > Changes in the scope of consolidation

2.1 Consolidation methods

2.1.1 Full consolidation

A subsidiary is an entity controlled by the Groupe. The Group controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Losses applicable to non-controlling interests in a subsidiary are allocated to the non-controlling interests, even if doing so causes the non-controlling interests to have a deficit balance.

2.1.2 Equity method accounting for joint ventures and associates

A joint venture, for purposes of IFRS 11, is an arrangement in which the Group has joint control, whereby the Group has right to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The Group's interests in equity-accounted joint ventures comprise principally the joint venture Laminate Park GmbH & Co.

They are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the Consolidated Financial Statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

The accounting policies described hereafter have been applied to all the periods presented in the Consolidated Financial Statements and have been uniformly applied by all Group entities acquired prior to December 31, 2019 (see Note 2.4 "Changes in Scope of Consolidation").

2.2 Business combinations

Business combinations are accounted for using the acquisition method on the acquisition date - i.e. when control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. However, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

Acquisition of Non-Controlling Interests (NCI) without a change in control

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

- at fair value; or
- at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognized in profit or loss.

Share put options granted by the Group

The Group may write a put option or enter into a forward purchase agreement with the non-controlling shareholders in an existing subsidiary on their equity interests in that subsidiary. The Group consolidates the entity as though the non-controlling interests had already been acquired. This position leads to recognizing a liability for the present value of the price payable in the event that the non-controlling interests exercise their option.

As of December 31, 2019, all buyback options have been exercised.

2.3 Foreign currency translation

The functional currency of Tarkett and its subsidiaries located in the euro zone is the euro. Group entities operate on an autonomous basis and therefore the functional currency of entities operating outside the euro zone is generally their local currency.

The functional currency of entities in the Commonwealth of Independent States ("CIS") is the euro. After analyzing the primary and secondary indicators set forth in IAS 21.9, the Group has confirmed this choice for the 2019 financial statements.

The Group presents its financial statements in euros.

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Group entities at the foreign exchange rate as of the date of the transaction. Foreign exchange rate differences arising on these transactions are recognized either in the operating profit for operational transactions or in the financial result for financing transactions.

Some items are covered by hedging transactions; the accounting treatment for those transactions is described in Note 7.6.

Non-monetary items are translated using the historical exchange rates, while monetary items are translated using the foreign exchange rates ruling at the balance sheet date.

Financial statements of foreign operations

On the balance sheet date, assets and liabilities of foreign operations are translated at the closing rate, and income and expenses are translated at the average exchange rate for the period.

Foreign currency differences are recognized in other comprehensive income (OCI), and presented in the translation reserve in equity.

Net investments in foreign operations

When long-term loan in foreign currency is granted to a subsidiary, it may be deemed a net investment in a foreign company. Foreign exchange gains and losses relating to these long-term loans are then recognized in translation reserves in other comprehensive income.

2.4 Changes in the scope of consolidation

The Tarkett Group's scope of consolidation is as follows (see Note 13, which contains a list of consolidated companies):

Number of companies	December 31, 2018	Mergers	Acquisitions and creations	Liquidations	December 31, 2019
Fully consolidated companies	78	(3)	2	(2)	75
Equity-accounted consolidated companies	2	-	1	-	3
Total	**80**	**(3)**	**3**	**(1)**	**78**

2.4.1 Transactions completed in 2019

The year's main transactions are as follows:

a) Acquisitions and creations

In June 2019, in Germany, Fieldturf Tarkett acquired the shares of Denus. The name of this entity is now Tarkett Sports GmbH.

Through its subsidiary Tarkett GDL, the Tarkett Group also acquired 40% of the shares of FED Inc. in July 2019, a U.S. company consolidated through the equity method.

In July 2019, Tarkett Argentina was formed in Argentina.

b) Mergers

In January 2019, Tandus Centiva Inc. and Tandus Centiva US LLC were merged into Tarkett USA Inc.

In December 2019, The Tennis & Track Company was merged into L.E.R. Inc.

c) Liquidations

Vinisin Kft and Desso Ltd were liquidated respectively in August 2019 and December 2019.

d) Other transactions

In May 2019, in the United Stated, through its subsidiray FieldTurf USA, Inc., Tarkett acquired the assets of Beyond The Turf.

In November 2019, the Group purchased the 30% of the shares held by Tarkett Aspen's minority shareholders. This transaction did not result in a change in the company's method of consolidation.

2.4.2 Transactions completed in 2018

a) Acquisitions

In late 2017, FieldTurf Tarkett SAS acquired 30% of the shares of AllSports Constructions & Maintenance, a Scottish company, which was consolidated through the equity method in 2018.

On January 31, 2018, through its subsidiary FieldTurf Tarkett SAS, Tarkett acquired the assets of Grass Manufacturers Pty Limited (Grassman), a leading Australian artificial turf manufacturer.

As of July 1, 2018, through its subsidiary FieldTurf Tarkett USA Holding Inc., the Tarkett Group acquired The Tennis and Track Company, a U.S. company.

In September 2018, Tarkett USA Inc. acquired Lexmark Carpet Mills, which manufactures high quality carpeting, principally for the hotel industry in North America.

In November 2018, through FieldTurf Inc., Tarkett acquired certain assets of Thermagreen, a company specialized in the manufacture and sale of polyethylene foam products.

b) Mergers

In 2018, in the Netherlands, Fieldturf Benelux BV was merged into Tarkett Sports BV, and in Belgium, Tarkett Belux was merged into Desso NV.

2.5 Joint ventures

The Group holds interests in the following companies:

- AllSports Constructions & Maintenance, a company established in Scotland.
- FED Inc., a U.S. company.
- Laminate Park GmbH & Co KG, jointly held with the Sonae Arauco Group.

Note 3 > Operating Data

3.1 Components of the income statement

3.1.1 Net revenue

As from January 1, 2018, IFRS 15, "Revenue from Contracts with Customers," replaces IAS 18, "Revenue," and IAS 11, "Construction Contracts," and their related interpretations.

The standard includes new rules for recording revenue and segmenting contracts into performance obligations.

In accordance with the standard, revenue from the sale of goods is recognized in profit or loss when the control inherent to service obligations has been transferred to the buyer, payment is likely, the associated costs and potential return of the merchandise can be reliably assessed, the Group is no longer involved in managing the merchandise, and the revenue from the merchandise can be reliably assessed. Revenue is recognized net of returns, rebates, commercial discounts and bulk discounts.

The Group recognizes revenue using the five-step model set forth in the standard as a function of its two business sectors: flooring and sports surfaces.

Flooring:

The contracts that the Group enters into relate to the supply of identifiable and distinct products constituting the principal performance obligation. No significant long-term contracts were identified. The Group acts in its own name and not as an intermediary. The general terms and conditions of sale provide for payment in under one year, and the Group does not offer variable financing that would necessitate segmented recording pursuant to IFRS 15. Tarkett does not sell extended warranties on its products; therefore, its warranty is not considered as a separate service and is recorded in accordance with IAS 37, "Provisions, contingent liabilities and contingent assets."

For this business sector, in general, revenue is recorded at the time of delivery of the performance obligation. Taking into consideration the nature of the products and the general terms and conditions of sale, sales are usually recorded on the date on which the products leave the Group's warehouses, or upon delivery if Tarkett is responsible for transport.

Sports Surfaces:

The sports surfaces activity is composed of sales of products directly to distributors and the sale of installation contracts (including provision of the sports surfaces). The direct sale of products to distributors follows the same Group rules for recording revenue as those described for the flooring activity. With respect to installation contracts, the Group does not perform installations without also providing the sports surfaces; it therefore considers the supply of the products and the installation to be part of the same performance obligation. The general terms and conditions of sale do not offer variable financing or specific components of financing. Tarkett does not sell extended warranties on its installations; therefore, its warranty is not considered a separate service and is recorded in accordance with IAS 37, "Provisions, contingent liabilities and contingent assets."

In this business segment, revenue from services rendered or from construction contracts is recognized in profit or loss in proportion to the stage of completion of the transaction at the balance sheet date. Revenue is recorded as the performance obligation are completed. The stage of completion is assessed by reference to surveys of work performed. The use of the percentage-of-completion method requires satisfaction of one of the three prior conditions provided for in IFRS 15 paragraph 35.

Pursuant to that paragraph of the standard, the Group recognizes revenue over time to the exent that it complies with two of the three following conditions referred to in the standard:

- the asset created by the Tarkett Group's performance does not have an alternative use to that provided for in the contract; and
- the Group has an enforceable right to payment for performance completed to date.

Net sales comprise revenue from the sale of goods and services net of price reductions and taxes, and after elimination of intragroup sales.

3.1.2 Operating result

a) Grants

Grants relating to assets are deducted from the carrying amount of the property, plant and equipment. The grants are thus recognized as income over the lives of the assets by way of a reduced depreciation charge.

Grants are recognized when there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Other grants are recognized as income on a systematic basis over the periods necessary to match them with the related costs which they are intended to compensate.

b) Expenses

Cost of sales

Cost of sales comprises the cost of manufactured products, the acquisition cost of purchased goods which have been sold, and the supply chain, logistic and freight costs.

Selling and distribution expenses

Selling and distribution expenses comprise the expenses of the marketing department and the sales force, as well as advertising expenses, distribution expenses, sales commissions and bad debts.

Research and development

Research and development costs are recognized as expenses when incurred, unless the criteria are met for them to be capitalized, as per Note 5.2.1.

General and administrative expenses

General and administrative expenses comprise the remuneration and overhead expenses associated with management and administrative personnel with the exception of amounts charged to other cost centers.

c) Other operating income and expenses

This category includes all operating income and expenses that cannot be directly attributed to business functions, including operating expense related to retirement commitments and costs with respect to certain disputes.

3.1.3 Adjusted EBITDA

Adjusted EBITDA is a key indicator permitting the Group to measure its operating and recurring performance.

It is calculated by taking operating income before depreciation and amortization and removing the following revenues and expenses:

- restructuring costs to improve the future profitability of the Group;
- gains or losses on disposals of significant assets;
- impairment and reversal of impairment based on Group impairment testing only;
- costs related to business combinations and legal reorganizations, including legal fees, transactions costs, advisory fees and other adjustments;
- expenses related to share-based payments due to their non-cash nature; and
- other one-off expenses considered exceptional by their nature.

(in millions of euros)

	2019	Re-structuring	Gains/Losses on asset sales/ impairment	Business Combinations	Share-based payments	Other	2019 adjusted
Net revenue	**2,991.9**	**(0.0)**	**-**	**-**	**-**	**-**	**2,991.9**
Cost of sales	(2,321.7)	12.7	(0.5)	(0.2)	0.0	2.6	(2,307.1)
Gross profit	**670.2**	**12.7**	**(0.5)**	**(0.2)**	**0.0**	**2.6**	**684.8**
Selling and distribution expenses	(360.9)	1.5	0.1	-	0.0	(0.1)	(359.5)
Research and development	(32.8)	0.5	-	-	0.0	-	(32.3)
General and administrative expenses	(184.0)	1.6	0.4	0.1	4.1	1.2	(176.7)
Other operating income and expenses	4.1	3.5	(2.2)	-	-	-	5.5
Result from operating activities (EBIT)	**96.6**	**19.7**	**(2.2)**	**(0.1)**	**4.1**	**3.6**	**121.8**
Depreciation and amortization	158.2	-	0.0	-	-	-	158.2
EBITDA	**254.7**	**19.7**	**(2.2)**	**(0.1)**	**4.1**	**3.6**	**280.0**

In 2019, the application of IFRS 16 increased EBITDA by €30.5 million. As a reminder, the standard was not applied in 2018.

(in millions of euros)					Of which adjustment		
	2018	**Re-structuring**	**Gains/Losses on asset sales/ impairment**	**Business Combinations**	**Share-based payments**	**Other**	**2018 Adjusted**
Net revenue	**2,836.1**	**-**	**-**	**-**	**-**	**-**	**2,836.1**
Cost of sales	(2,183.7)	7.6	2.8	2.4	-	-	(2,171.0)
Gross profit	**652.4**	**7.6**	**2.8**	**2.4**	**-**	**-**	**665.2**
Selling and distribution expenses	(330.1)	1.0	-	-	0.1	(0.2)	(329.3)
Research and development	(36.0)	0.4	-	-	-	-	(35.6)
General and administrative expenses	(180.0)	1.9	0.6	2.4	4.0	1.1	(170.0)
Other operating income and expenses	0.3	0.3	-	0.3	-	-	1.0
Result from operating activities (EBIT)	**106.6**	**11.2**	**3.3**	**5.1**	**4.1**	**0.9**	**131.3**
Depreciation and amortization	121.5	(0.7)	(3.3)	-	-	-	117.5
EBITDA	**228.1**	**10.5**	**-**	**5.1**	**4.1**	**0.9**	**248.7**

3.2 Segment information

In accordance with IFRS 8, "Operating Segments," the Group's activities have been segmented based on the organization of its internal management structure and of its products.

As in 2018, the Group is organized in four segments:

- Europe, Middle East and Africa ("**EMEA**");
- North America;
- Commonwealth of Independent States ("**CIS**"), Asia Pacific ("**APAC**") and Latin America; and
- Sports surfaces.

Certain expenses are not allocated, including the expenses of headquarters and of the R&D Group.

Reminder on the organization of the CIS and Asia Pacific (APAC)/Latin America divisions

Reporting reviewed by the chief operating decision maker is organized by division, of which there are currently six: EMEA, North America, CIS, APAC, Latin America, and Sports Sufaces.

The CIS and APAC/Latin America Divisions have been combined to form the "CIS, APAC and Latin America" segment, for the following reasons:

- The markets of the divisions had similar economic characteristics (similar growth trends in the relevant markets).
- The products sold, manufacturing methods, types of clients, and distribution modes of the zones are similar.

In addition, the relatively small contribution of revenue and operating income from Asia-Pacific/Latin America (less than 10% of the Group's net revenue and adiusted EBITDA) highlighted that there was no need to present the division in a separate segment.

By operating segment

2019			Flooring			
(in millions of euros)	**EMEA**	**North America**	**CIS, APAC and Latin America**	**Sports Surfaces**	**Central**	**Group**
Net revenue	**910.4**	**825.9**	**587.4**	**668.1**	**-**	**2,991.9**
Gross profit	**240.6**	**187.9**	**114.1**	**127.5**	**0.1**	**670.2**
% of net revenue	26.4%	22.7%	19.4%	19.1%		22.4%
Adjusted EBITDA	**105.3**	**59.9**	**85.9**	**75.2**	**(46.1)**	**280.0**
% of net revenue	11.6%	7.3%	14.6%	11.2%		9.4%
Of which adjustments	**(7.2)**	**(12.3)**	**(0.2)**	**(0.1)**	**(5.6)**	**(25.3)**
EBITDA	**98.1**	**47.6**	**85.8**	**75.1**	**(51.7)**	**254.7**
% of net revenue	10.8%	5.8%	14.6%	11.2%		8.5%
Result from operating activities (EBIT)	**52.5**	**(28.3)**	**37.7**	**51.1**	**(16.3)**	**96.6**
% of net revenue	5.8%	-3.4%	6.4%	7.6%		3.2%
Ongoing capital expenditures	**48.9**	**29.4**	**19.9**	**14.6**	**11.2**	**124.1**

2018			Flooring			
(in millions of euros)	**EMEA**	**North America**	**CEI, APAC et Amérique latine**	**Sports Surfaces**	**Central**	**Group**
Net revenue	**908.4**	**783.6**	**580.5**	**563.6**	-	**2,836.1**
Gross profit	**244.0**	**191.1**	**111.5**	**105.6**	**0.2**	**652.4**
% of net revenue	*26.9%*	*24.4%*	*19.2%*	*18.7%*		*23.0%*
Adjusted EBITDA	**97.3**	**70.2**	**74.1**	**52.8**	**(45.7)**	**248.7**
% of net revenue	*10.7%*	*9.0%*	*12.8%*	*9.4%*		*8.8%*
Of which adjustments	**(5.8)**	**(4.0)**	**(1.7)**	**(1.5)**	**(7.6)**	**(20.6)**
EBITDA	**91.5**	**66.1**	**72.4**	**51.4**	**(53.4)**	**228.1**
% of net revenue	*10.1%*	*8.4%*	*12.5%*	*9.1%*		*8.0%*
Result from operating activities (EBIT)	**48.9**	**14.9**	**26.6**	**31.0**	**(14.8)**	**106.6**
% of net revenue	*5.4%*	*1.9%*	*4.6%*	*5.5%*		*3.8%*
Ongoing capital expenditures	**40.1**	**41.7**	**22.2**	**12.9**	**10.4**	**127.3**

Information on activity in France and in other significant countries

The Group's activity in France represented less than 10% of revenue in 2019 and in 2018.

Non-current assets in France, excluding the non-affected goodwill arising out of the merger between Tarkett and Sommer in the early 2000's, also represent less than 10% of the Group's total non-current assets in 2019 and in 2018.

Tarkett considers the threshold of 25% of revenues to be significant. Only the United States is above that threshold, with 43% of the Group's consolidated revenue in 2019 (41% in 2018).

The United States represents 50% of the Group's total non-current assets as of December 31, 2019 (50% as of December 31, 2018).

No single customer represents more than 10% of the Group's revenues. In 2019, the largest customer represented 3% of consolidated revenues (3% in 2018).

3.3 Other operating income and expenses

(in millions of euros)	2019	2018
Gains on disposal of fixed assets	2.7	0.5
Other operating income	21.1	12.7
Other operating income	**23.8**	**13.2**
Losses on disposal of fixed assets	-	-
Other operating expenses	(19.7)	(12.9)
Other operating expenses	**(19.7)**	**(12.9)**
Total other operating income and expenses	**4.1**	**0.3**

3.4 Breakdown of working capital requirement

3.4.1 Inventories

Inventories are stated on a FIFO (first in, first out) basis, at the lower of manufacturing/acquisition costs and net realizable value. Manufacturing costs of self-produced inventories comprise all costs that are directly attributable and a systematic allocation of production overhead and depreciation of production facilities based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(in millions of euros)	December 31, 2019	December 31, 2018
Raw materials and supplies	138.9	148.0
Work in progress	85.3	75.5
Finished goods	241.4	264.0
Samples	1.6	2.4
Displays	-	(2.3)
Consumables and spare parts	21.6	22.8
Total gross Value	**488.8**	**510.4**
Provision for inventory depreciation	(71.3)	(61.1)
Total net inventory	**417.5**	**449.3**

Detail of the provision for inventory depreciation

(in millions of euros)	December 31, 2018	Allowance	Decrease	Foreign exchange gain & loss	Other	December 31, 2019
Raw materials and supplies	(10.4)	(5.0)	3.3	(0.1)	2.0	(10.4)
Work in progress	(7.8)	(4.3)	5.6	(0.0)	(6.6)	(12.9)
Finished goods	(36.1)	(14.9)	11.7	(0.4)	(1.0)	(40.8)
Samples	(0.3)	(0.2)	0.1	(0.0)	-	(0.5)
Consumables and spare parts	(6.5)	(0.6)	0.5	0.0	-	(6.6)
Total provision for inventory depreciation	**(61.1)**	**(25.0)**	**21.1**	**(0.5)**	**(5.6)**	**(71.3)**

The rate of inventory provisions is applied in a similar way for the different periods.

Cost of raw materials was €1,223 million in 2019, as compared with €1,179 million in 2018.

3.4.2 Trade receivables

Trade receivables are stated at their invoiced value converted at the closing rate, less any allowance for doubtful accounts.

The Group conducts a review of each of its customer receivables individually, taking into account the probability of default by the counterparty as well as the extent to which the receivables were hedged, and uses the simplified method provided for by IFRS 9 to provision the expected losses over the remaining maturity of the receivables.

Factoring of trade receivables

Certain of the Tarkett Group's subsidiaries have transferred trade receivables to specialised credit institutions without recourse, transferring nearly all of the risks and benefits attached to the transferred receivables.

Receivables transferred and having payment dates later than December 31, 2019, totaled €138.7 million and are no longer recorded on the Group's balance sheet.

Provision for doubtful receivables

Where trade receivables are not covered by credit insurance, provisions to cover the risk of failing to collect trade receivables either in full or in part are recorded using the expected loss method (see Note 7.1).

Doubtful receivables are identified and provisioned as follows:

- a statistical provision, based on the age of the outstanding receivables, is defined as follows:

Receivables, trade overdue	**Impairment** *(as a percentage of the gross amount)*
From 61 to 180 days	25%
From 181 to 270 days	50%
From 271 to 360 days	75%
More than 360 days	100%

- An additional provision on a case-by-case basis based on an application of professional judgment.

(in millions of euros)	**December 31, 2019**	**December 31, 2018**
Related party receivables	11.9	8.1
Trade receivables	264.8	360.1
Total gross value	**276.7**	**368.2**
Provisions for doubtful receivables	(18.1)	(17.7)
Total net receivables	**258.5**	**350.5**

The variation of the provision for doubtful receivables amounts to €(0.4) million and is mainly explained as follows:

- €(3.9) million of allowance;
- €3.4 million of reversals;
- €0.1 million of foreign exchange impact.

Detail of unimpaired overdue receivables

(in millions of euros)	**December 31, 2019**	**December 31, 2018**
Receivables, trade overdue 0-180 days	39.2	54.0
Receivables, trade overdue 181-270 days	1.1	1.0
Receivables, trade overdue 271-360 days	0.6	0.2
Receivables, trade overdue > 360 days	1.4	0.8
Receivables, bankruptcy procedure/legal cases	1.0	1.4
Total unimpaired overdue Receivables	**43.3**	**57.4**

3.4.3 Other receivables

(in millions of euros)	December 31, 2019	December 31, 2018
Other receivables non-current	**-**	**-**
Prepaid expenses current	15.2	19.6
Income tax receivable current	27.1	24.6
VAT and other taxes	16.3	16.9
Other accounts receivable and other assets current	35.1	23.0
Other receivables current	**93.8**	**84.1**

3.4.4 Trade payables

Payables due more than a year in the future are discounted to net present value. Payables due more than a year in the future, including €5.5 million in deferred income are discounted to net present value.

(in millions of euros)	December 31, 2019	December 31, 2018
Trade payables	324.0	281.5
Trade notes payable	-	2.1
Trade payables	**324.0**	**283.6**

3.4.5 Other liabilities

(in millions of euros)	December 31, 2019	December 31, 2018
Liabilities related to employees	110.9	96.4
Current tax	22.4	13.3
VAT and other taxes	20.6	15.7
Sales rebates	41.4	39.9
Other liabilities	39.0	27.8
Other current liabilities	**234.2**	**193.1**

3.5 Free cash flow

Free cash flow is defined as the liquidity generated by operating activities after deducting investments other than acquisitions of subsidiaries and other changes in the scope of consolidation.

Free cash flow is calculated based on the items presented in the consolidated cash flow statement, and consists of the following items:

- Operating cash flow before working capital changes;
- Changes in working capital requirement
- net interest paid;
- net income taxes paid;
- miscellaneous operational items paid;
- acquisitions of intangible assets and property, plant and equipment;
- proceeds from sales of property, plant and equipment;
- repayment of lease liabilities.

Following the entry into force of IFRS 16, the change in lease liabilities presented in the line item "repayment of lease liabilities" of the statement of cash flows is henceforth included in the definition of free cash flow.

Free cash-flow

(in millions of euros)	2019	2018
Operating cash flow before working capital changes (A)	258.2	218.5
Repayment of lease liabilities (B) (1)	(31.9)	(0.4)
Total (A+B)	**226.3**	**218.1**
Changes in working capital requirement	190.4	(12.3)
Net interest paid	(22.7)	(17.2)
Net income taxes paid	(30.5)	(25.3)
Miscellaneous operating items paid	(11.2)	(0.7)
Acquisitions of intangible assets and property, plant and equipment	(124.6)	(128.2)
Proceeds from sale of property, plant and equipment	3.7	1.5
Free cash flow	**231.4**	**36.0**

(1) In 2019, payments on lease liabilities recorded in accordance with IFRS 16 and in 2018, payment of finance leases in accordance with former IAS 17.

In 2019, the changes in working capital requirement benefited from the factoring and securitization lines (for a total amount of €126.3 million as of December) and the reduction in inventories (-€46.2 million).

Note 4 > Employee benefits

4.1 Retirement benefits

Within the Tarkett Group, various systems for providing for retirement benefits depending on the legal, economic and tax environment of each country exist. In accordance with the laws and uses applied in each country, the Group participates in pension, welfare, health and retirement benefit plans whose benefits are dependent on various factors such as length of service, salary and the contributions paid to institutions.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

These contributions, based on services rendered by employees, are recognized as an expense in profit or loss as incurred.

Defined benefit plans

Defined benefit plans are post-employment benefit plans under which the Group assumes the obligation of providing employees with future benefits and thus also assumes the related actuarial and investment risks. The defined benefit liability is calculated using the projected unit credit method and is discounted to its present value from which the amount of past service cost for the period may also be deduced.

The detailed actuarial calculation requires the use of actuarial hypotheses for demographic variables (mortality, employee turnover) and economic variables (future increases in salaries and medical costs, discount rate).

When defined benefit plans are totally or partially funded by contributions paid to a separate fund or insurance company, those entities' assets are measured at their fair value.

Their amount is then deducted from the obligation to define net liability disclosed in the Group's balance sheet.

The Group's obligation in respect of such arrangements is calculated by independent actuaries, in accordance with IAS 19, "Employee Benefits".

Description of plans

As of December 31, 2019, the Group's largest retirement plans were in the United States, Germany, Sweden, Canada, the United Kingdom, and Russia. Those six countries represent close to 93.2% of total benefit obligations under the defined benefits plans.

In the United States and the United Kingdom, the Group's retirement plans have been closed to new participants and to the accrual of rights for several years. Most of the Group's plans in Canada are now closed. These plans are prefinanced in accordance with local legislation. Additionally, the Group operates medical and life-insurance benefit plans for certain employees in the United States. These plans are not covered by financing assets and are now closed.

In Sweden, defined benefit retirement plans are mandatory for employees born prior to 1979 under the applicable collective bargaining agreement. Employees born after that date participate in the mandatory defined contribution plan. In Germany, the Group offers a pension plan, service awards and early retirement.

The Group also offers lump-sum retirement payments as provided for by applicable legislation or collective bargaining agreements in certain countries, including Russia, France and Italy.

The weighted average duration of the defined benefit obligation is 13 years.

Special Events

In 2019, a "Wind-up" campaign was launched for two Canadian plans. The goal is to offer plan beneficiaries a choice between exiting with a lump sum payment or exiting with a mix of lump-sum and annuity payments. The campaign will be completed in 2020. The final accounting impact will be known and recorded during 2020.

No other special events occurred in 2019.

Assumptions

Accounting for actuarial values relies on long-term interest rates, predicted future increases in salaries and inflation rates. The main assumptions are presented below:

	December 31, 2019		December 31, 2018	
	Pensions	**Other benefit obligations**	**Pensions**	**Other benefit obligations**
Discount rate	2.17%		3.10%	
Including:				
United States	3.20%	3.00%	4.25%	4.25%
Germany	-0,30% / 0% / 0,75%		1.50%	
Sweden	1.75%		2.50%	
United Kingdom	2.00%		2.75%	
Canada	2.55% / 2.90%		3.75%/4.00%	
Russia	6.50% / 7.50%		9.00%	
Salary increases	2.33%		2.60%	
Inflation	2.20%		2.16%	

Discount rates are determined by reference to the yield on high-quality bonds. They are calculated on the basis of external indices commonly used as references:

- United States: iBoxx $ 15+ year AA;
- Euro zone: iBoxx € Corporate AA 10+;
- Sweden: bonds of Swedish companies;
- United Kingdom: iBoxx £ 15+ year AA;
- Canada: Canadian AA "Mercer Yield Curve Canada" bonds;
- Russia: Russian government bonds.

	December 31, 2019			December 31, 2018		
Amounts recognized in the statement of financial position *(in millions of euros)*	**Pensions**	**Other benefit obligations**	**TOTAL**	**Pensions**	**Other benefit obligations**	**TOTAL**
Defined Benefit Obligations	227.9	1.8	229.7	220.6	1.8	222.4
Fair value on plan assets	(92.9)	-	(92.9)	(92.6)	-	(92.6)
Net liability booked in the statement of financial position	**135.0**	**1.8**	**136.7**	**128.0**	**1.8**	**129.8**

Pension obligations

	December 31, 2019			December 31, 2018		
Pension obligations *(in millions of euros)*	**Defined benefit obligations**	**Fair value of plan assets**	**Net liabilities recorded in the balance sheet**	**Defined benefit obligations**	**Fair value of plan assets**	**Net liabilities recorded in the balance sheet**
As of January 1	**220.6**	**(92.6)**	**128.0**	**232.1**	**(98.7)**	**133.4**
Current service cost	3.6	-	3.6	3.8	-	3.8
Past service cost	-	-	-	(1.1)	-	(1.1)
(Gain)/loss on new retirement plans	3.2	-	3.2	(0.4)	-	(0.4)
Financial cost (effect of discount)	6.7	(3.2)	3.5	6.8	(3.2)	3.6
Update to other post-employment commitments	-	-	-	-	-	-
Administrative expenses and taxes (expenses paid)	(0.1)	1.8	1.7	(0.2)	1.7	1.5
Expense (income) for the period	**13.4**	**(1.4)**	**12.0**	**8.9**	**(1.4)**	**7.5**
Benefit payments from employer	**(4.9)**	**-**	**(4.9)**	**(5.2)**	**-**	**(5.2)**
Benefit payments from plan	**(5.7)**	**5.7**	**-**	**(10.9)**	**10.9**	**-**
Plan participants' contributions	**0.2**	**(0.2)**	**-**	**0.2**	**(0.2)**	**-**
Employer contributions	**-**	**(4.3)**	**(4.3)**	**-**	**(5.1)**	**(5.1)**
Changes in demographic assumptions	(1.2)	-	(1.2)	(1.1)	-	(1.1)
Changes in financial assumptions	24.7	-	24.7	(5.5)	-	(5.5)
Effect of experience adjustments	(2.8)	-	(2.8)	(0.2)	-	(0.2)
(Return) on plan assets (excluding interest income)	-	(10.1)	(10.1)	-	4.4	4.4
Total pension cost/(income) recognized in the OCI	**20.7**	**(10.1)**	**10.6**	**(6.8)**	**4.4**	**(2.4)**
Transfer (1)	(18.9)	12.3	(6.5)	-	-	-
Changes in scope	**-**	**-**	**-**	**-**	**-**	**-**
Foreign exchange differences	**2.4**	**(2.4)**	**0.0**	**2.3**	**(2.5)**	**(0.2)**
As of December 31	**227.9**	**(92.9)**	**135.0**	**220.6**	**(92.6)**	**128.0**

(1) Following the announcement of the closure of the Truro plant in Canada, pension commitments for the site were reclassified as provision for restructuring. See Note 6.1 - Provisions

Other benetif obligations

	31 décembre 2019			31 décembre 2018		
Other benefit obligations *(in millions of euros)*	**Defined benefit obligations**	**Fair value of plan assets**	**Net liabilities recorded on in the balance sheet**	**Defined benefit obligations**	**Fair value of plan assets**	**Net liabilities recorded on in the balance sheet**
As of January 1	**1.8**	**-**	**1.8**	**2.0**	**-**	**2.0**
Current service cost	-	-	-	-	-	-
Past service cost	-	-	-	-	-	-
(Gain)/loss on new retirement plans	-	-	-	-	-	-
Financial cost (effect of discount)	0.1	-	0.1	0.1	-	0.1
Update to other post- employment commitments	-	-	-	-	-	-
Administrative expenses and taxes (expenses paid)	-	-	-	-	-	-
Expense (income) for the period	**0.1**	**-**	**0.1**	**0.1**	**-**	**0.1**
Benefit payments from plan	**-**	**-**	**-**	**-**	**-**	**-**
Benefit payments from employer	**(0.2)**	**-**	**(0.2)**	**(0.3)**	**-**	**(0.3)**
Plan participants' contributions	**-**	**-**	**-**	**-**	**-**	**-**
Employer contributions	**-**	**-**	**-**	**-**	**-**	**-**
Changes in demographic assumptions	(0.0)	-	(0.0)	-	-	-
Changes in financial assumptions	0.1	-	0.1	(0.1)	-	(0.1)
Effect of experience adjustments	(0.1)	-	(0.1)	-	-	-
(Return) on plan assets (excluding interest income)	-	-	-	-	-	-
Total pension cost/(income) recognized in the OCI	**0.0**	**-**	**0.0**	**(0.1)**	**-**	**(0.1)**
Changes in scope	**-**	**-**	**-**	**-**	**-**	**-**
Foreign exchange differences	**0.0**	**-**	**0.0**	**0.1**	**-**	**0.1**
As of December 31	**1.8**	**-**	**1.8**	**1.8**	**-**	**1.8**

Allocation of plan assets by type of investment

	December 31, 2019	December 31, 2018
Shares	34.7%	36.7%
Bonds	47.0%	39.2%
Insurance contracts	12.1%	14.0%
Cash & cash equivalent (liquidity)	3.8%	7.1%
Real Estate	2.4%	3.0%

Sensitivity to discount rate assumptions

(in millions of euros)	December 31, 2019	December 31, 2018
Increase of 50 points		
Increase (Decrease) in defined benefit obligations	(15.0)	(13.5)
Decrease of 50 points		
Increase (Decrease) in defined benefit obligations	16.4	14.9

Sensitivity to inflation rate assumptions

(in millions of euros)	December 31, 2019	December 31, 2018
Increase of 50 points		
Increase (Decrease) in defined benefit obligations	6.0	4.8
Decrease of 50 points		
Increase (Decrease) in defined benefit obligations	(5.2)	(4.4)

Benefits to be paid in the next five years

Benefits to be paid in the next five years under retirement and similar plans are estimated as follows:

	December 31, 2019	December 31, 2018
2019	-	11.8
2020	11.9	11.0
2021	12.1	11.2
2022	11.7	11.1
2023	11.2	11.4
2024	11.1	-
TOTAL	**58.0**	**56.5**

4.2 Personnel costs and compensation of senior management

(in millions of euros)	December 31, 2019	December 31, 2018
Wages and salaries	(718.1)	(668.6)
Pension costs	(6.8)	(2.3)
Total Personnel costs	**(724.9)**	**(670.9)**
Employees (average number)	12,950	12,907

Key management personnel compensation

The key management personnel includes the members of the Executive Management Committee and the members of the Supervisory Board.

Key management personnel received the following compensation:

(in millions of euros)	December 31, 2019	December 31, 2018
Short-term employee benefits	6.0	6.2
Retirement benefits	-	0.1
Other long-term benefits	-	-
Lump-sum retirement payments	0.8	0.9
Share-based payments	0.9	3.2
Total	**7.7**	**10.4**

Compensation of the Group's key management personnel includes salaries, attendance fees and non-cash benefits.

4.3 Share based payment transactions

The Group regularly implements share grant plans. The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the shares awarded. At the end of each fiscal year, the amount recognized as an expense is adjusted such that amount ultimately recognized is based on the number of shares awarded that meet the related service and non-market performance conditions at the vesting date.

For the three plans in effect, ordinary shares will be granted to the beneficiaries at the end of a two-year vesting period. The grant will be subject to satisfying an economic performance condition (based on the Group's 3-year plan) and the beneficiaries' continuous employment through the end of the vesting period. The 2018 and 2019 LTIP plans are also conditional on a market performance condition.

In 2019, the 2016 LTIP plan resulted in a payment of 116,944 shares.

	LTIP 2017	LTIP 2018	LTIP 2019
Grant date	September 25, 2017	July 25, 2018	June 24, 2019
End of the vesting period	June 30, 2020	June 30, 2021	June 30, 2022
Number of shares	228,765	271,417	324,270
Estimated value as of the plan's start date *(in euros)*	37.00	19.85	19.74
Estimate of number of shares to be delivered as of December 31, 2019	114,383	135,709	324,270
Form of settlement	Distribution of shares		
2019 expenses (in millions of euros)	(1.3)	(1.0)	(1.3)
2018 expenses (in millions of euros)	(2.0)	(1.2)	-
2017 expenses (in millions of euros)	(1.4)	-	-

Note 5 > Intangible assets and property, plant and equipment

5.1 Goodwill

For the measurement of goodwill at initial recognition, Tarkett applies IFRS 3 Revised (see 2.2), except for acquisitions accounted for before December 31, 2009, for which IFRS 3 (2004) was applied.

Negative goodwill (badwill) is recognized directly in profit or loss.

Goodwill is allocated to cash-generating units and is not amortized, but instead is tested at least annually for impairment on the basis described in Note 5.3, or following any event that could lead to a loss of value.

Subsequently, goodwill is measured at cost less accumulated impairment losses.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

Changes in goodwill

(in millions of euros)	December 31, 2019	December 31, 2018
Opening carrying amount	662.0	510.5
Goodwill on acquisitions during the period	1.7	132.4
Adjustment to initial purchase price allocation	(21.8)	-
Foreign exchange gain & loss	8.7	19.1
Closing carrying amount	**650.6**	**662.0**

The change is explained primarily by the acquisition over the period of the assets of Beyond The Turf, the foreign exchange impact relating to the evolution in the exchange rate between the euro and the U.S. dollar, and the update of goodwill from Lexmark.

On October 1, 2018, the Group finalized the acquisition of Lexmark Carpet Mills, in the United States, which manufactures high quality carpeting, principally for the hotel industry in North America.

In 2018, Lexmark's revenues totaled €101 million, and its operating income was €16 million (non audited data). Consolidated revenue for the fourthquarter in 2018 was €24 million, and result from operating activities was €1 million.

Consideration for the acquisition totaled €222.6 million and includes the repayment of Lexmark's debt, for a value of €104.4 million.

As of December 31, 2019, goodwill from Lexmark totaled €112.9 million and was broken down as follows:

Changes in goodwill from Lexmark

(in millions of euros)	December 31, 2018	Variance	Foreign exchange impact	December 31, 2019
Consideration paid (+)	222.6	0.3	4.3	227.2
Fair Value of assets acquired (-)	94.4	18.2	1.8	114.3
Total Goodwill recognized	**128.2**	**(17.8)**	**2.5**	**112.9**

The amount of goodwill recorded as of December 31, 2019 is final.

This goodwill is explained primarily by the following:

- Specific technology and know-how;
- Market share acquired in the hospitality and commercial carpet segments in the United States; and
- Sales and supply chain synergies leveraging both companies' broad products portfolios.

In addition, on January 31, 2018, through its subsidiary FieldTurf Tarkett SAS, Tarkett acquired the assets of Grass Manufacturers Pty Limited (Grassman), a leading Australian artificial turf manufacturer. The Grassman acquisition expands FieldTurf's presence on the Australian market, in particular in hockey, tennis, and landscaping, complementing its football and rugby business. This acquisition will also provide a strong platform for serving field builders and installers throughout Australia.

As of December 31, 2019, goodwill from Grassman totaled €3.9 million and was broken down as follows:

Changes in goodwill from Grassman

(in millions of euros)	December 31, 2018	Variance	Foreign exchange impact	December 31, 2019
Consideration paid (+)	9.3	-	0.1	9.4
Fair Value of assets acquired (-)	1.5	3.9	-	5.5
Total Goodwill recognized	**7.8**	**(3.9)**	**0.1**	**3.9**

The amount of goodwill recorded as of December 31, 2019 is final.

5.1.1 Allocation of goodwill between the various CGUs

As of December 31, within the EMEA segment, following cessation of the laminates business performed essentially by the joint venture LaminatePark GmbH & Co. KG., the Laminate CGU was combined with Wood CGU.

In addition, in North America, following a reorganization at the end of the year, the combining of the sales forces and all support functions for the Commercial (other than carpet) CGU and Tandus & Centiva, they were combined into a new Commercial and Hospitality CGU.

Impairment tests were performed on each CGU individually before the combinations.

Allocation of goodwill between the various CGUs is as follows:

(in millions of euros)	December 31, 2019		December 31, 2018	
	Gross value	Net value	**Gross value**	Net value
Resilient and miscellaneous	70.4	69.8	70.4	69.8
Carpet	33.5	33.5	33.5	33.5
Wood [(1)]	-	-	-	-
Laminate [(1)]	n/a	n/a	-	-
EMEA	**103.9**	**103.3**	**103.9**	**103.3**
Commercial (excluding carpet) [(2)]	n/a	n/a	*72.8*	*55.8*
Tandus & Centiva [(2)]	n/a	n/a	*312.9*	*312.9*
Commercial and hospitality [(2)]	375.0	358.0	-	-
Residential	-	-	-	-
North America	**375.0**	**358.0**	**385.7**	**368.7**
CIS	96.5	95.5	96.5	95.5
APAC	(0.0)	(0.0)	(0.0)	(0.0)
Latin America	0.1	0.1	0.1	0.1
CIS, APAC and Latin America	**96.6**	**95.6**	**96.6**	**95.6**
Athletic tracks	40.0	34.4	39.1	33.4
Synthetic grass & other	59.9	59.3	61.4	61.0
Sports Surfaces	**99.9**	**93.7**	**100.5**	**94.4**
Total goodwill	**675.4**	**650.6**	**686.7**	**662.0**

(1) CGU "Laminate" combined with CGU "Wood" in 2019.
(2) CGUs "Commercial (excluding carpet)" and "Tandus & Centiva" merged in CGU "Commercial and hospitality" in 2019.

5.2 Intangible assets and property, plant and equipment

5.2.1 Intangible assets

Research and development

In accordance with IAS 38, expenditures on research and development are expensed as incurred except when the criteria for capitalization are met.

Patents

Patents obtained by the Group are stated at cost less accumulated amortization and impairment losses.

Capitalized costs for internally generated patents principally relate to the costs of legal counsel. Patents capitalized are amortized on a straight-line basis over the shorter of the length of the patent or estimated length of use.

Software licenses

Software is stated at cost less accumulated amortization and impairment losses.

Amortization

Amortization of intangible assets is recorded on a straight-line basis from the date of their availability:

- patents and trademarks: the shorter of the length of the patent or its length of use;
- development costs: 3 - $6^{2/3}$ years;
- computer software: 3-5 years.

5.2.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Acquisition cost

Acquisition cost includes purchase cost or production cost plus the other costs incurred for bringing the items to their operating location and condition. The cost of a self-constructed asset includes the costs of raw materials and direct labor, the initially estimated cost of any obligation for dismantling, removing and restoring the site on which the asset is located, and an appropriate allocation for directly attributable production overhead.

When an item of property, plant and equipment includes material components with different useful lives, each major component is accounted for separately.

Subsequent costs

Replacements and improvements are capitalized and recorded as a separate asset if it is probable that the Group will derive economic advantages from the item, while general repairs, day to day servicing and maintenance are charged to expenses as incurred.

Depreciation

Depending on the economic use of the asset, straight-line depreciation is recorded over the following periods:

- Buildings: 20-30 years;
- Equipment and machinery: $6^{2/3}$ - 10 years;
- Printing cylinders: 2 years;
- Other equipment and furnishings: 3-5 years.

IFRS 16: Leases

The rights of use resulting from leases are recognized as items of property, plant and equipment and broken down by category at an amount equal to the present value of the rental payments, adjusted, where applicable, for any prepayments.

As a reminder, all of the accounting principles and methods used by the Group are presented in Note 1.2.

The allocation of net values of intangible assets and property, plant and equipment is as follows:

(in millions of euros)	December 31, 2019	December 31, 2018
Research and development	4.1	5.1
Patents	9.6	11.2
Trademarks	27.7	29.1
Software licenses	22.8	24.9
Other intangible assets	69.1	51.6
Advance payments and fixed assets in progress	22.2	11.4
Intangible Assets	**155.6**	**133.3**
Goods and real property	269.4	197.0
of which right to use goods and real property	*73.7*	-
Technical equipment and machinery	235.8	230.7
of which right to use technical equipment and machinery	*15.9*	-
Leased equipment	-	2.9
Advance payments and fixed assets in progress	102.1	84.2
Property, plant and equipment	**607.3**	**514.8**

The variations in gross value, depreciation and amortization break down as follows:

Acquisition costs *(in millions of euros)*	**December 31, 2018**	**Impact of IFRS 16 as of Jan 1, 2019**	**Acquisition**	**Disposal**	**Change in scope**	**Transfer**	**Foreign Exchange differences**	**December 31, 2019**
Research and development	16.3	-	0.7	-	-	0.0	0.7	17.7
Patents	141.0	-	0.7	(0.1)	(0.0)	(1.4)	2.7	142.8
Trademarks	55.2	-	0.0	-	-	1.6	0.8	57.6
Software licenses	146.0	-	7.1	(10.2)	-	6.5	0.7	150.1
Other intangible assets	68.2	-	0.4	(0.0)	-	14.7	1.4	84.6
Advance payments and fixed assets in progress	11.4	-	15.1	-	0.0	(4.5)	0.3	22.3
Intangible assets	**438.1**	**-**	**23.9**	**(10.3)**	**-**	**17.0**	**6.6**	**475.1**
Goods and real property	529.5	84.5	17.6	(3.9)	-	9.3	3.6	640.7
of which right to use goods and real property	*0.5*	*84.5*	*8.8*	*(0.7)*	-	*(0.0)*	*1.1*	*94.2*
Technical equipment and machinery	1,404.1	16.1	32.7	(26.9)	-	11.1	8.4	1,445.5
of which right to use technical equipment and machinery	*7.7*	*16.1*	*6.2*	*(1.3)*	-	(0.0)	*0.1*	*28.9*
Advance payments and fixed assets in progress	84.2	-	65.5	(0.2)	-	(47.7)	0.3	102.1
Property, plant and equipment	**2,017.8**	**100.7**	**115.9**	**(31.0)**	**-**	**(27.3)**	**12.3**	**2,188.3**

Cumulative depreciation, amortization, and impairment *(in millions of euros)*	**December 31, 2018**	**Impact of IFRS 16 as of Jan 1, 2019**	**Allowance**	**Disposal/ reversal**	**Change in scope**	**Transfer**	**Foreign exchange differences**	**December 31, 2019**
Research and development	(11.2)	-	(2.0)	-	-	-	(0.4)	(13.6)
Patents	(129.7)	-	(0.9)	0.1	-	-	(2.6)	(133.1)
Trademarks	(26.1)	-	(3.5)	-	-	-	(0.5)	(29.9)
Software licenses	(121.1)	-	(15.1)	10.1	-	(0.2)	(0.8)	(127.2)
Other intangible assets	(16.7)	-	(10.9)	0.0	-	12.4	(0.4)	(15.6)
Intangible assets	**(304.8)**	**-**	**(32.4)**	**10.2**	**-**	**12.1**	**(4.6)**	**(319.5)**
Goods and real property	(332.3)	-	(40.7)	3.2	-	0.1	(1.7)	(371.3)
of which right to use goods and real property	*(0.3)*	-	*(20.3)*	*0.2*	-	-	*0.0*	*(20.5)*
Technical equipment and machinery	(1,170.5)	-	(85.6)	26.5	-	26.3	(6.3)	(1,209.7)
of which right to use technical equipment and machinery	*(5.2)*	-	*(8.9)*	*1.2*	-	*0.1*	*(0.2)*	*(13.0)*
Property, plant and equipment	**(1,502.8)**	**-**	**(126.3)**	**29.6**	**-**	**26.4**	**(8.0)**	**(1,581.0)**

5.3 Impairment

5.3.1 Non-financial assets

Annual impairment testing

Goodwill and other intangible assets with indefinite useful lives are systematically tested for impairment once a year.

The carrying amounts of the Group's assets, other than financial and deferred tax assets and liabilities, are reviewed to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of assets is the greater of their fair value less costs of disposal and value in use.

Value in use is calculated by discounting estimated future cash flows for each cash-generating unit, excluding borrowing costs and tax.

Impact of IFRS 16 on annual impairment testing:

The Group uses the transition simplification measure:

- rights of use are included in the basis of tested assets;
- the book value of the lease liability is deducted from that basis of assets;
- rental payments are taken into account in future cash flows.

Cash generating units

In carrying out impairment testing, assets are tested at the level of cash-generating units ("CGU") that reflect the segment organization of the Group and its products. For this purpose, goodwill was allocated over the cash-generating units.

Impairment process

The Group analyzes future cash flows over a period of three years based on the most recent forecasts, corresponding to the best estimate of a full business cycle. The forecasts have been established taking into account variations affecting selling prices, volumes and raw material costs. Beyond three years, the Group determines a standard year calculated by extending the third year on the assumption of a stable revenue and margin, a need for working capital and investments determined on normative renewal based on historical observations. This standard year is then projected to infinity according to the Gordon Shapiro method.

Future cash flows are discounted to present value at a weighted average cost of capital (WACC) discount rate that reflects current market assessments of the time value of money and the risks specific to each financing means.

The discount rate is an after-tax rate applied to after-tax cash flows. The following assumptions were used for 2019:

	Discount rate after tax	Perpetual growth rate
EMEA	7.59%	2.0%
North America	7.59%	2.0%
CIS	10.04%	4.0%
APAC	8.20%	4.0%
Latin America	9.90%	4.0%
Sports Surfaces	7.59%	2.0%

Operating assumptions

For each CGU, operational assumptions that were considered key by the Group are as follows:

- evolution of the markets in which these CGU are involved on the basis of internal estimates, supported if possible by external forecasts on the concerned segments or products;
- evolution of the Group in its various markets;
- general hypothesis of stability of inflation balance (purchase prices stable, or if changes are considered, full offset by changes in selling prices to balance the impact on value);
- continual implementation of productivity plans for factories working on these CGU to Improve profitability; and
- EBITDA, resulting from the combination of factors listed above.

Sensitivity analysis

The sensitivity analysis was carried out on three assumptions:

- the discount rate (WACC);
- the perpetual growth rate; and
- EBITDA.

Changes of 50 basis points in the discount rate and growth rate are reasonably possible variations for the Group. Tarkett operates in a large number of countries, with a balance between three main areas (EMEA; North America; and CIS, APAC and Latin America). The Group believes that economic developments in these geographic areas can offset each other, as has been demonstrated in the past.

In 2019, the combination of an increase in the discount rate of 50 basis points and a decrease in the growth rate of 50 basis points would not result in additional impairment.

Furthermore, a decrease of 100 basis points in EBITDA margin, a key hypothesis for the Group, would not result in accounting for an impairment.

Impairment losses

An impairment loss is recognized whenever the carrying amount of a cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then, to reduce the carrying amount of the other assets in the unit.

An impairment loss recorded in respect of goodwill cannot be reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

5.3.2 Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

For financial assets held for sale, a significant or prolonged decline in fair value as compared with cost is results in recognition of impairment on the income statement.

Impairment loss on an available-for-sale financial asset is measured as the difference between its carrying amount and its fair value, less any impairment loss previously recognized in profit or loss.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Impairment

In 2019 no loss of value was recorded. In 2018, a loss of value of €2.8 million was recorded and is broken down as follows:

(in millions of euros)	December 31, 2019	December 31, 2018
North America	-	(2.8)
TOTAL	**-**	**(2.8)**

5.4 Lease commitments

As of December 31, 2019, lease commitments concern contracts that were not restated following the application of IFRS 16, namely, primarily:

- contracts considered to be of low value pursuant to paragraph 5 of IFRS 16;
- service agreements that do not meet the definition of a lease within the meaning of IFRS 16.

Minimum lease payments under operating leases are recorded as expenses on a straight-line basis over the term of the lease.

Future minimum rental commitments under operating leases with initial or remaining non-cancellable terms in excess of one year, are summarized below:

(in millions of euros)	December 31, 2019	December 31, 2018
Less than 1 year	2.3	28.1
1 to 5 years	3.0	69.9
More than 5 years	0.0	16.2
Total future minimum lease payments	**5.3**	**114.2**

Reconciliation of off balance sheet commitments and the lease liabilities as of January 1, 2019

As of December 31, 2018, the Group's operating lease commitments are mainly commitments for buildings, vehicles, computer hardware and software, and offices. Such commitments totaled €114.2 million as of December 31, 2018.

The difference between this amount and liabilities on lease agreements pursuant to IFRS 16 is due to the following:

- lease liabilities do not include contracts signed prior to December 2018 but taking effect after January 1, contrary to off balance sheet commitments;
- lease liabilities do not include contracts with initial terms of one year or less, pursuant to the exceptions provided for in paragraph 5(a) of IFRS 16, contrary to off balance sheet commitments;
- lease liabilities do not include contracts in which the underlying asset is considered to be of low value, pursuant to the exceptions provided for in paragraph 5(b) of IFRS 16, contrary to off balance sheet commitments;
- estimation of the terms of certain leases pursuant to IFRS 16 may differ from those of off balance sheet commitments: these are contracts for which the Group is reasonably certain to exercise an option to renew or to terminate early, as the case may be;
- the effect of discounting liabilities on leases to present value does not apply to off balance sheet commitments.

Reconciliation of off-balance sheet commitments and lease liability as of January 1, 2019

(in millions of euros)	**January 1, 2019**
Off balance sheet commitments in respect of operating leases as of December 31, 2018	114.2
Leases signed as of December 31, 2018 and entering into effect as of January 1, 2019	4.0
Service agreements (and service portion of lease agreements)	(2.0)
Exemption for short-term leases *(12 months or less)*	(0.7)
Exemption for leases of low value *(less than or equal to €5,000 or $5,000)*	(1.0)
Effects of renewal and early termination options used	0.0
Other	0.2
Gross lease liabilities as of January 1, 2019	**114.7**
Discount effect	(14.0)
Lease liabilities as of January 1, 2019	**100,7**

5.5 Impact of exemptions to IFRS 16

The Group applies the exemptions provided for under IFRS 16, Leases, keeping rental operating charges where the lease term as of the effective date is less than or equal to 12 months and rental charges where the value of the underlying asset is less than €5,000 or $5,000.

Such rental charges totaled €2.9 million and €0.8 million, respectively, as of December 31, 2019.

(in millions of euros)	**< or equal to 5 K€ / 5K$**	**> or equal to 12 months**	**Total**
Cost of sales	(0.3)	(2.6)	(2.9)
Selling and distribution expenses	(0.1)	(0.1)	(0.3)
Research and development	-	(0.0)	(0.0)
General and administrative expenses	(0.4)	(0.1)	(0.5)
Other operating expenses	-	-	-
Impact on result from operating activities	**(0.8)**	**(2.9)**	**(3.7)**

Note 6 > Provisions

6.1 Provisions

Provisions come primarily from environmental risks, legal and tax risks, litigation and other risks.

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Provisions are reversed when they are no longer required.

A provision for warranties is recognized when the underlying products are sold. The provision is based on historical warranty data. In the event of risks relating to specific products, an additional provision may be recorded.

A provision for restructuring is recorded when the Group has approved a detailed and formal restructuring plan, and the restructuring has been either implemented or publicly announced. Future operating losses are not provisioned.

Change in provisions

(in millions of euros)	December 31, 2018	Allowance	Decrease	Change in scope	Transfer	Foreign exchange gain & loss	December 31, 2019
Product warranty provision	3.1	0.8	(0.1)	(0.0)	-	0.0	3.8
Restructuring provisions	-	-	-	-	-	(0.0)	-
Claims & litigation provisions	2.3	2.2	(1.6)	-	-	(0.0)	2.9
Other provisions	7.6	2.1	(3.3)	-	(3.0)	-	3.4
Provision for additional tax assessments	0.1	-	(0.0)	-	-	0.0	0.1
Financial provisions [1]	33.3	2.4	(6.0)	-	-	0.6	30.3
Total Provisions – long-term	**46.4**	**7.5**	**(11.1)**	**(0.0)**	**(3.0)**	**0.7**	**40.5**
Product warranty provision	18.9	5.3	(8.5)	(0.0)	(2.0)	0.3	14.1
Restructuring provisions	1.3	5.3	(0.7)	0.0	13.6	0.0	19.5
Claims & litigation provisions	11.0	5.7	(4.7)	-	2.0	0.1	14.1
Other provisions	0.2	0.1	(0.1)	-	-	0.0	0.2
Total Provisions – short-term	**31.4**	**16.5**	**(13.9)**	**0.0**	**13.6**	**0.4**	**48.0**
Total Provisions	**77.8**	**23.9**	**(25.1)**	**0.0**	**10.6**	**1.1**	**88.4**

(in millions of euros)	December 31, 2017	Allowance	Decrease	Change in scope	Transfer	Foreign exchange gain & loss	December 31, 2018
Product warranty provision	3.7	0.5	(1.1)	-	-	-	3.1
Restructuring provisions	-	-	-	-	-	-	-
Claims & litigation provisions	2.9	0.1	(0.5)	-	-	(0.2)	2.3
Other provisions	5.2	-	(0.6)	-	3.0	-	7.6
Provision for additional tax assessments	1.2	-	(1.1)	-	-	-	0.1
Financial provisions[1]	36.7	-	(5.0)	-	-	1.6	33.3
Total Provisions – long- term	**49.7**	**0.6**	**(8.3)**	**-**	**3.0**	**1.4**	**46.4**
Product warranty provision	19.1	6.1	(5.9)	-	(1.0)	0.6	18.9
Restructuring provisions	2.0	-	(0.7)	-	-	-	1.3
Claims & litigation provisions	8.1	5.5	(3.5)	(0.2)	1.0	0.1	11.0
Other provisions	0.2	-	-	-	-	-	0.2
Total Provisions – short- term	**29.4**	**11.6**	**(10.1)**	**(0.2)**	**-**	**0.7**	**31.4**
Total Provisions	**79.1**	**12.2**	**(18.4)**	**(0.2)**	**3.0**	**2.1**	**77.8**

[1] *Variations in provisions for financial liabilities relate to the provision for asbestos litigation recorded by Domco Products Texas Inc.*

6.2 Potential liabilities

Asbestos

In the United States, the Group has been a defendant in lawsuits by third parties relating to personal injury from asbestos. Expected costs of the current or future cases are covered by Group's insurances, sellers' guarantees granted by third-parties and by provisions that management, based on the advice and information provided by its legal counsel, considers to be sufficient.

Note 7 > Financing and Financial Instruments

7.1 Significant accounting principles

Other financial assets

Financial assets are initially recognized at their fair value plus any applicable transaction costs except for financial assets at fair value through profit or loss for which transactions costs are recognized in profit or loss as incurred.

Under IFRS 9, all financial assets for which the cash flows do not represent solely payment of principal and interest (SPPI) must be recorded at fair value through profit and loss. However, IFRS 9 introduces an option that may be irrevocably elected at the time of initial recognition, investment by investment, permitting equity investments to be recorded at fair value through other comprehensive income, without later being moved to profit and loss, even in the event of a disposal. Only the dividends are recognized in profit or loss.

Financial assets for which the cash flows do represent solely payment of principal and interest (SPPI) are recognized at amortized cost using the effective interest rate method.

For non-current assets valued at amortized cost, impairment is assessed individually, taking into account the risk profile of the counterparty and the warranties obtained. At the time of the initial recording of such non-current financial assets, impairment is systematically recorded in the amount of the credit losses expected to result from events that may occur in the next twelve months. In the event of a significant deterioration in the counterparty's credit quality, the initial impairment is supplemented to cover all of the expected losses over the remaining maturity of the receivable.

For commercial receivables, the Group conducts a review of each of its customer receivables individually, taking into account the probability of default by the counterparty as well as the extent to which the receivables were hedged, and uses the simplified method provided for by IFRS 9 to provision the expected losses over the remaining maturity of the receivables.

Non-derivative financial liabilities

Financial liabilities comprise financial debt and trade and other operating payables. They are accounted for at amortized cost using the effective interest rate method.

Derivative instruments

Derivatives are recognized in the balance sheet at their fair value (whether positive or negative) with changes in fair value immediately recognized in profit or loss.

However, derivative instruments that are part of a hedging relationship are classified either as fair value hedges (FVH) (when their purpose is to hedge an existing asset or liability's exposure to the risk of changes in its fair value) or cash flow hedges (CFH) (when their purpose is to hedge the exposure to changes in the cash flows associated with highly probable future transactions).

Derivative instruments that are part of a hedge are documented on the basis of intrinsic value for exchange rate and interest rate options, and on the basis of the spot price component for forward contracts.

Changes in fair value relating to the effective portion of derivative exchange rate and interest rates instruments qualified as fair value hedges (FVH) are recognized within income. The value of the hedged items is adjusted to their fair value and the changes in fair value attributable to the hedged risk(s) are also recognized in profit and loss.

Changes in fair value relating to the effective portion of derivative exchange rate and interest rates instruments qualified as cash flow hedges (CFH) are recognized within other comprehensive income, and the result of such hedges is recorded in profit and loss, symmetrically to the risk being hedged.

The time value of exchange rate and interest rate options is recorded as a cost of hedging. Changes in time value recorded over the life of the option are recorded as a counterpart to other comprehensive income. The initial option premium is either (i) moved into profit or loss when the hedged transaction impacts profit or loss, where the hedged item is related to a transaction (commercial foreign exchange hedges); or (ii) amortized in profit or loss over the duration of the hedge, where the hedged item is related to a period of time (interest rate hedges).

Changes in value of the swap point for forward contracts classified as hedges are recorded in profit and loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, term deposits, monetary UCITs, and other monetary investments with initial maturities not exceeding three months and subject to an insignificant risk of changes in value.

7.2 Financial income and expenses

Financial expense includes, in particular, interest payable on borrowings accounted for at amortized cost using the effective interest method, and the effects of the related hedges.

Other financial income and expense includes the income and expenses associated with loans and receivables accounted for at amortized cost, the gains recognized in respect of investment of cash and cash equivalents, financial charges relating to the discounting of post-employment expenses, exchange rate gains and losses, impairment losses relating to financial assets, and dividends, which are recorded in net income when the right to payment vests.

(in millions of euros)	**December 31, 2019**	**December 31, 2018**
Interest income on loan assets & cash equivalents	1.1	0.7
Other financial income	0.2	0.3
Total financial income	**1.3**	**1.0**
Interest on financial liabilities	(18.8)	(15.2)
Financial expense relating to leases	(4.2)	(0.2)
Commission expenses on financial liabilities	(4.8)	(3.5)
Cost of loans and debt renegotiation	(1.1)	(1.0)
Interest on provisions for pensions	(5.3)	(5.1)
Foreign exchange gains or losses	0.5	(4.8)
Impairment of financial assets	(0.1)	-
Changes in value of interest rate hedge instruments	(5.8)	(1.2)
Other financial expenses	(0.7)	(0.1)
Total financial expenses	**(40.1)**	**(31.1)**
Financial income and expenses	**(38.8)**	**(30.1)**

7.3 Net debt – interest-bearing loans and borrowings

7.3.1 Net Debt

Net debt is defined as the sum of interest bearing loans and borrowings minus cash and cash equivalents. Interest-bearing loans and borrowings refer to any obligation for the repayment of funds received or raised that are subject to repayment terms and interest charges. They also include liabilities on finance leases.

(in millions of euros)	December 31, 2019		December 31, 2018	
	Long-term	**Short-term**	**Long-term**	**Short-term**
Bank loans	57.2	3.6	240.9	0.7
Private placements	612.1	-	595.5	-
Other loans	1.8	-	0.2	0.9
Bank overdrafts	-	7.2	-	7.8
Leases [1]	2.5	0.8	2.5	0.8
Interest bearing loans and borrowings	**673.6**	**11.6**	**839.1**	**10.2**
Total interest bearing loans and borrowings	**685.2**		**849.3**	
Cash and cash equivalents	(137.7)		(95.7)	
Net debt before application of IFRS 16 [1]	**547.5**		**753.6**	
Leases [2]	66.6	22.7	-	-
Net debt [2]	**636.8**		**753.6**	

(1) Leases recorded in accordance with former IAS 17 – finance leases
(2) Leases recorded in accordance with IFRS 16 (excluding leases previously recorded in accordance with IAS 17).

The change in net debt during the fiscal year relates primarily to cash flows from operating activities, to reduced working capital requirement, and to the non-recourse assignment of certain trade receivables in certain subsidiaries.

In June 2019, Tarkett entered into a non-recourse factoring line of credit for certain European and Australian subsidiaries and a non-recourse securitization line of credit for certain U.S. subsidiaries. As a result, the prior €50.0 million French, German, and Spanish-law assigment of receivables with recourse, which was not used, has been terminated.

As of December 31, 2019, Tarkett is using its factoring and securitization lines of credit in the amounts of €101.2 million and $28.2 million.

All of the interest-bearing loans and borrowings are unsecured and include mainly:

- A "Schuldschein" of €144.0 million and $26.5 million entered into in June 2019 and maturing in June 2026 for €51.0 million, in June 2025 for €45.0 million, and in June 2024 for the remainder;
- A "Schuldschein" of €252.5 million and $50.0 million entered into in April 2017 and maturing in April 2024 for €150.5 million and in April 2022 for the remainder;
- A "Schuldschein" of €147.5 million entered into in June 2016 and maturing in June 2023 for €91.0 million and in June 2021 for €56.5 million, and for which the previous variable rate tranches were repayed using the Schuldschein of June 2019;
- A multi-currency revolving syndicated loan with a capacity of €700.0 million subscribed in May 2019 for a term of five years with two options to extend for an additional year, and which was used in the amount of €53.4 million as of December 31, 2019.

7.3.2 Details of loans and borrowings

December 31, 2019 *(in millions of euros)*	Currency of draw-down	Interest rate	TOTAL	12 months or less until 31/12/2020	2 years until 31/12/2021	3 to 5 ans until 31/12/2024	More than 5 years
Bank loans							
European revolving credit facilities	USD	2.49%	53.4	-	-	53.4	-
Other bank loans	RMB	5,22%-5,70%	7.4	3.6	1.6	2.2	-
Subtotal Bank loans			**60.8**	**3.6**	**1.6**	**55.6**	**-**
Private placements Europe	EUR	1.15%-1.722%	544.0	-	56.5	391.5	96.0
Private placements Europe	USD	3,48%-3,57%	68.1	-	-	68.1	-
Financing backed by business receivables			-	-	-	-	-
Other loans	EUR	0,25% - 4,05%	1.8	-	0.9	0.9	-
Bank overdrafts			7.2	7.2	-	-	-
Leases [1]			3.3	0.8	0.8	1.6	0.1
Interest bearing loans and borrowings [1]			**685.2**	**11.6**	**59.8**	**517.7**	**96.1**
Leases [2]			89.3	22.7	26.7	28.8	11.1
Interest bearing loans and borrowings [2]			**774.5**	**34.3**	**86.5**	**546.5**	**107.2**

(1) Leases recorded in accordance with former IAS 17 – finance leases
(2) Leases recorded in accordance with IFRS 16 (excluding leases previously recorded in accordance with IAS 17).

December 31, 2018 *(in millions of euros)*	Currency of draw-down	Interest rate	TOTAL	12 months or less until 31/12/2019	2 years until 31/12/2020	3 to 5 ans until 31/12/2023	More than 5 years
Bank loans							
European revolving credit facilities	USD	3.27%-3.55%	235.8	-	235.8	-	-
Other bank loans	RMB	5.22%	5.8	0.7	1.5	3.6	-
Subtotal bank loans			**241.6**	**0.7**	**237.3**	**3.6**	**-**
Private placements Europe	EUR	1.15%-1.722%	502.5	-	-	352.0	150.5
Private placements Europe	USD	4.07%-4.54%	93.0	-	-	93.0	-
Financing backed by business receivables	EUR	3,85%-5,75%	0.9	0.9	-	-	-
Other loans	EUR	0.25%	0.2	-	0.1	0.1	-
Bank overdrafts			7.8	7.8	-	-	-
Leases [1]			3.3	0.8	0.8	1.6	0.1
Interest bearing loans and borrowings [1]			**849.3**	**10.2**	**238.2**	**450.3**	**150.6**
Leases [2]			-	-	-	-	-
Interest bearing loans and borrowings [2]			**849.3**	**10.2**	**238.2**	**450.3**	**150.6**

(1) Leases recorded under the former IAS 17 – Leases
(2) Leases recorded under IFRS 16 (excluding leases previously recorded under IAS 17).

7.3.3 Financial ratio covenants

The facilities mentioned above contain covenants binding on the borrower, including financial ratio covenants: the ratio of net debt to adjusted EBITDA may not exceed 3.0 as of December 31, of each year and 3.5 as of June 30 of each year, with additional leeway of 0.5 in the event of a significant acquisition.

The Group is in compliance with all of its banking commitments as of December 31, 2019, as well as with the financial ratio covenants "Net debt / Adjusted EBITDA", as detailed below:

Net debt / Adjusted EBITDA *(in millions of euros)*	December 31, 2019	December 31, 2018
Net debt [1]	547.5	753.6
Adjusted EBITDA [2]	249.5	267.4
Ratio [3]	**2.2**	**2.8**

(1) Net debt excluding lease liabilities resulting from the application of IFRS 16, but including €3.3 million relating to finances leases (€3.3 million as of December 31, 2018)

(2) Adjusted EBITDA used to exclude the impact of the application of IFRS 16 as of December 31, 2019, in accordance with the calculation methodsprovided for in the underlying financing contract.

(3) Must be less than 3.0 as of December 31 and less than 3.5 as of June 30.

As of December 31, 2018, the ratio of adjusted EBIT to net interest was a contractual covenant. This ratio is no longer one of the covenants required by the new documentation for the syndicated loan and for the June 2019 Schuldschein.

7.3.4 Cash and cash equivalents

(in millions of euros)	December 31, 2019	December 31, 2018
Current cash	93.1	31.4
Remunerated cash balances	37.1	56.4
Short term treasury notes and Money Market funds	7.4	7.9
Cash and cash equivalents	**137.7**	**95.7**

7.3.5 Changes in financial liabilities

The following table reconciles changes in financial liabilities shown on the balance sheet and the cash flow statement:

(In millions of euros)	December 31, 2018	Cash-flows	Reclassification	Non-cash change			December 31,2019
				Acquisition	Foreign exchange differences	Fair value change	
Long-term financial liabilities	839.6	(175.4)	(49.5)	116.4	9.6	-	740.6
Short-term financial liabilities	10.1	(23.3)	49.5	-	(2.3)	-	34.2
Long-term financial assets [1]	(33.7)	3.1	7.5	-	(0.4)	-	(23.6)
Short-term financial assets	(1.2)	(2.1)	-	-	-	-	(3.3)
Other		(4.8)					
Total changes in financing activities [2]		**(202.5)**					
Cash-flows from financing activities [2]		**(202.5)**					

(1) Excluding shares accounted for by the equity method.

(2) Excluding dividends, acquisition of treasury shares and acquisition of non-controlling interests.

(3) of-which €100.7 million for IFRS 16 as of January 1, 2019 and €15.7 million related to new leases in 2019

7.4 Other financial assets and liabilities

7.4.1 Other financial assets

(in millions of euros)	December 31, 2019	December 31, 2018
Long-term investments	0.0	-
Financial investments and receivables – long- term (1)	21.7	24.1
Other financial assets	**21.7**	**24.1**

(1) Financial investments and receivables – long- term include shares of companies accounted for by the equity method.

The variations in gross value, depreciation and amortization break down as follows:

Acquisition costs *(in millions of euros)*	December 31, 2018	Increases	Decreases	Transfer	Foreign exchange differences	Dec 31, 2019
Long-term investments	-	-	-	-	-	-
Financial investments and receivables – long-term	26.6	12.1	(7.4)	(7.5)	0.4	24.2
Other financial assets	**26.6**	**12.1**	**(7.4)**	**(7.5)**	**0.4**	**24.2**

Accumulated depreciation and amortization *(in millions of euros)*	December 31, 2018	Allowance	Disposal	Decrease	Impairment losses	Transfer	Foreign exchange differences	December 31, 2019
Security deposit – long-term	-	-	-	-	-	-	-	-
Long-term financial assets and receivables	(2.5)	(0.1)	-	-	-	-	0.1	(2.5)
Other financial assets	**(2.5)**	**(0.1)**	**-**	**-**	**-**	**-**	**0.1**	**(2.5)**

7.4.2 Other financial liabilities

(in millions of euros)	December 31, 2019	December 31, 2018
Fair value of derivatives non-current	-	-
Other financial liabilities	0.3	4.1
Other financial liabilities	**0.3**	**4.1**
Accrued interest expenses current	1.3	2.1
Fair value of derivatives non- current	3.6	2.0
Other financial liabilities current	4.5	5.9
Other financial liabilities	**9.5**	**10.0**

7.5 Fair value of financial assets and liabilities

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible.

Fair values are categorized into three levels based on the inputs used in the valuation techniques, as follows:

- level 1: quoted prices (unadjusted) on active markets for identical assets or liabilities;
- level 2: prices determined using valuation techniques based on observable market data;
- level 3: inputs relating to the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of interest rate swaps and of interest rate and foreign currency options is the estimated amount that the Group would expect to receive or have to pay in order to cancel each derivative instrument at the balance sheet date, taking into account the current level of interest rates and the credit risk associated with these instruments' counterparties.

The derivative Financial Instruments (swaps, caps, floors, etc.) entered into by the Group are traded on over-the-counter markets on which there are no quoted prices. They are therefore measured using the valuation models commonly employed by operators in the market (Level 2).

Derivative instruments are entered into exclusively with first class banks or other financial institutions, and with the sole purpose of providing security for the Group's current operations and for the financing thereof.

In the case of receivables and payables with maturities of less than a year and certain floating rate receivables and payables, historical cost is considered as a reasonable approximation of their fair value.

December 31, 2019	Fair Value Category	Assets at amortized cost	Liabilities at amortized cost	Fair value through profit and loss	Fair value of interest rate hedge instruments	Carrying amount	Fair value
(in millions of euros)							
Financial assets, non-current	Level 2	0.1	-	21.6	-	21.7	21.7
Other current financial assets	Level 2	-	-	-	3.4	3.4	3.4
Trade receivables	Level 2	258.5	-	-	-	258.5	258.5
Cash and cash equivalents	Level 2	-	-	137.7	-	137.7	137.7
Interest-bearing loans and borrowings	Level 2	-	774.5	-	-	774.5	774.5
Other non-current financial liabilities	Level 2	-	0.3	-	-	0.3	0.3
Other current financial liabilities	Level 2	-	5.8	-	3.7	9.5	9.5
Trade payables	Level 2	-	324.0	-	-	324.0	324.0

December 31, 2018	Fair Value Category	Assets at amortized cost	Liabilities at amortized cost	Fair value through profit and loss	Fair value of interest rate hedge instruments	Carrying amount	Fair value
(in millions of euros)							
Financial assets, non-current	Level 2	7.6	-	16.5	-	24.1	24.1
Other current financial assets	Level 2	-	-	-	3.1	3.1	3.1
Trade receivables	Level 2	350.5	-	-	-	350.5	350.5
Cash and cash equivalents	Level 2	-	-	95.7	-	95.7	95.7
Interest-bearing loans and borrowings	Level 2	-	849.3	-	-	849.3	849.3
Other non-current financial liabilities	Level 2	-	4.1	-	-	4.1	4.1
Other current financial liabilities	Level 2	-	8.0	-	2.0	10.0	10.0
Trade payables	Level 2	-	283.6	-	-	283.6	283.6

7.6 Financial risks and Financial Instruments

7.6.1 Financial risk management

The Group's financial risk (market risk, credit risk and liquidity risk) management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended December 31, 2018.

7.6.2 Derivative instruments

The Group uses derivative Financial Instruments to hedge some of its exposure to foreign currency risk and interest rate risk associated with its purchases and sales denominated in foreign currencies and with its financing and investment transactions.

The portfolio of derivative instruments is broken down as follows:

The derivatives employed include interest rate options, other forward contracts and foreign currency options.

In accordance with its policy in respect of Financial Instruments, the Group neither uses nor issues derivative Financial Instruments for trading purposes.

7.6.3 Financial market risks

Exposure to interest rate, currency, liquidity and credit risks arises in the normal course of Tarkett's activities. Derivative financial instruments are used to reduce the exposure to fluctuations in both foreign exchange and interest rates. Liquidity and credit risk are managed following specific procedures approved by the Group's management bodies.

December 31, 2019 *(in million of euros)*	**Accounting classification**	**Maturity**	**Fair value**	**Counterpart in OCI** [1]
Currency swaps	FVH	< Mar 2020	1.9	-
Exchange rate derivative instruments			**1.9**	**-**
Forward exchange contracts	CFH	< May 2021	(1.0)	(0.9)
Options	CFH	< Dec 2020	(0.2)	(0.5)
Exchange rate derivatives related to commercial transactions			**(1.2)**	**(1.4)**
Caps	CFH	< April 2024	(0.9)	(1.0)
Interest rate derivatives			**(0.9)**	**(1.0)**
Total			**(0.2)**	**(2.4)**

[1] *Corresponds to the balance of the counterpart in OCI as of December 31, 2019.*

December 31, 2018 *(in million of euros)*	**Accounting classification**	**Maturity**	**Fair value**	**Counterpart in OCI** [1]
Currency swaps	FVH	< June 2019	0.4	-
Exchange rate derivative instruments			**0.4**	**-**
Forward exchange contracts	CFH	< Mar 2020	0.2	0.2
Options	CFH	< Jan 2020	0.8	0.5
Exchange rate derivatives related to commercial transactions			**1.0**	**0.7**
Caps	CFH	< April 2024	(0.3)	(0.5)
Interest rate derivatives			**(0.3)**	**(0.5)**
Total			**1.1**	**0.2**

[1] *Corresponds to the balance of the counterpart in OCI as of December 31, 2018.*

The nominal amounts of derivative instruments hedging the main exposures are broken as follows:

(in millions of euros)	December 31, 2019					December 31, 2018				
Currency of exposure	**USD**	**PLN**	**GBP**	**CAD**	**NOK**	**USD**	**PLN**	**GBP**	**CAD**	**NOK**
Exchange rate derivative instruments	275.3	2.3	0.1	41.6	-	102.5	33.6	4.5	30.1	-
Exchange rate derivatives related to commercial transactions	-	-	46.6	-	15.3	-	-	35.3	-	10.3
Nominals hedging the main currencies *(in euros)*	**275.3**	**2.3**	**46.7**	**41.6**	**15.3**	**102.5**	**33.6**	**39.8**	**30.1**	**10.3**

a) Interest rate risk

The Group manages its exposure to interest rate risk centrally. The Group's general debt strategy is to give preference to floating interest rate debt over fixed interest rate debt, but also to use interest rate derivatives to protect a part of the floating rate debt over a period of three to five years against a rate increase that could result in extensive damage. The hedging tools used are mainly cap or tunnel type derivatives. The cost of the cap may be offset in part or in full by a tunnel.

Following is the interest rate structure of the Group's net debt before and after application of interest rate hedges.

(in millions of euros)	Fixed rate	Floating rate	December 31, 2019
Interest-bearing loans and borrowings	367.9	406.6	774.5
Cash and cash equivalents	(8.0)	(129.7)	(137.7)
Net debt before hedging	**359.9**	**276.9**	**636.8**
Effect of hedging	112.0	(112.0)	-
Net debt after hedging	**471.9**	**164.9**	**636.8**

(in millions of euros)	Fixed rate	Floating rate	December 31, 2018
Interest-bearing loans and borrowings	343.3	506.0	849.3
Cash and cash equivalents	(7.9)	(87.8)	(95.7)
Net debt before hedging	**335.4**	**418.2**	**753.6**
Effect of hedging	111.2	(111.2)	-
Net debt after hedging	**446.6**	**307.0**	**753.6**

Sensitivity analysis

Sensitivity to interest-rate fluctuations is calculated on the basis of interest-bearing non-derivatives and derivative Financial Instruments, as well as interest-bearing loans granted to joint ventures or third parties. The analysis is based on the market index in effect at the balance sheet date and on assumptions of constant debt and constant debt management policy over one year.

(in millions of euros)	December 31,2019	December 31, 2018
Increase of 100 basis points		
Increase (Decrease) in financial expense	2.4	3.2
Increase of 100 basis points [(1)]		
Increase (Decrease) in financial expense	(1.5)	(3.0)

(1) With a floor of 0%

b) Exchange rate risk

Transaction risk

Exchange rate fluctuations have a direct impact on the Group's Consolidated Financial Statements, derived from transactions regarding the Group entities that incur revenues and expenses in currencies other than their functional currency.

Exchange rate derivatives related to commercial transactions

The Group has attempted to develop its production capacities in the same geographic and monetary areas where it distributes its products. Moreover, through the choice of the invoicing currency for certain intra-group transactions, the Group aims to offset revenues with costs in the same currency. In certain unstable currency countries, the Group may also offset the local currencies fluctuations with price indexations. Therefore the remaining exposure on cross-border transactions is moderate. The currencies to which the Group is most exposed are the British pound, the Norwegian crown, the U.S. dollar, the Polish zloty, the Australian dollar, the Canadian dollar, the Russian ruble and the euro as a foreign currency for certain subsidiaries.

The Group has attempted to reduce the impact of short-term fluctuations of currencies on its revenue through centralized management of exchange risks and the use of derivatives. Nevertheless, in the long-term, significant and long lasting variations in exchange rates could affect the Group's competitive position in foreign markets, as well as its results of operations.

The Group's policy is to hedge certain significant residual exposure, decided upon periodically by the finance department based on monitoring Value at Risk. This exposure includes exposure recorded on the balance sheet, namely all recognized trade receivables, trade payables and borrowings denominated in a foreign currency, and unrecorded exposure, which consists of forecast sales and purchases over a six-month period.

Exchange rate derivative instruments relating to financing

The Group may be exposed to transactional exchange-rate risk on certain intragroup loans and borrowings resulting from the financing of its foreign subsidiaries. The Group minimizes this risk either (i) by borrowing in the same currency or (ii) by entering into currency swaps or forwards reflecting the maturity of the hedged item.

7.6.4 Liquidity risks

a) Future cash flows on Financial Instruments

The following figures show the estimated future cash flows on interest-bearing loans and borrowings recorded as liabilities on the balance sheet.

The estimate of future cash flows on interest is based on the debt amortization table and on the assumption of a crystallization of the interest rates outstanding as of the closing date, unless a better estimate is available.

Financial liabilities	**December 31, 2019**		**Less than 12 months**		**1 to 2 years**		**3 to 5 years**		**More than 5 years**	
(in millions of euros)	Carrying amount	Total future cash flows	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Interest-bearing loans										
Bank loans	60.8	74.6	3.6	3.3	1.6	3.2	55.6	7.3	-	-
Private placements	612.1	652.2	-	10.8	56.5	10.4	459.6	17.4	96.0	1.5
Other loans	1.8	1.9	-	0.1	0.9	-	0.9	-	-	-
Bank overdrafts	7.2	7.2	7.2	-	-	-	-	-	-	-
Finance leases	3.3	3.3	0.8	-	0.8	-	1.6	-	0.1	-
Leases	89.3	103.1	22.7	4.1	26.7	3.0	28.8	4.5	11.1	2.2
Total	**774.5**	**842.3**	**34.3**	**18.3**	**86.5**	**16.6**	**546.5**	**29.2**	**107.2**	**3.7**
Other financial liabilities										
Trade payables	324.0	324.0	324.0	-	-	-	-	-	-	-
Other non-current financial liabilities	0.3	0.3	-	-	0.3	-	-	-	-	-
Other current financial liabilities	9.5	9.5	9.5	-	-	-	-	-	-	-
Total	**333.8**	**333.8**	**333.5**	**-**	**0.3**	**-**	**-**	**-**	**-**	**-**
Total financial liabilities	**1,108.3**	**1,176.1**	**367.8**	**18.3**	**86.8**	**16.6**	**546.5**	**29.2**	**107.2**	**3.7**

Financial liabilities	December 31, 2018		Less than 12 months		1 to 2 years		3 to 5 years		More than 5 years	
(in millions of euros)	Carrying amount	Total future cash flows	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Interest-bearing loans										
Bank loans	241.6	257.0	0.7	10.2	237.3	5.0	3.6	0.2	-	-
Private placements	595.5	638.4	-	11.5	-	11.6	445.0	19.0	150.5	0.8
Other loans	1.1	1.4	0.9	0.1	0.1	0.1	0.1	0.1	-	-
Bank overdrafts	7.8	7.9	7.8	0.1	-	-	-	-	-	-
Finance leases	3.3	3.3	0.8	-	0.8	-	1.6	-	0.1	-
Total	**849.3**	**908.0**	**10.2**	**21.9**	**238.2**	**16.7**	**450.3**	**19.3**	**150.6**	**0.8**
Other financial liabilities										
Trade payables	283.6	283.6	283.6	-	-	-	-	-	-	-
Other non-current financial liabilities	4.1	4.1	-	-	4.1	-	-	-	-	-
Other current financial liabilities	10.0	10.0	10.0	-	-	-	-	-	-	-
Total	**297.7**	**297.7**	**293.6**	**-**	**4.1**	**-**	**-**	**-**	**-**	**-**
Total financial liabilities	**1,147.0**	**1,205.7**	**303.8**	**21.9**	**242.3**	**16.7**	**450.3**	**19.3**	**150.6**	**0.8**

b) Liquidity position

The Group's debt capacity is €1,502.8 million, including €89.3 million related to the leasing debt (IFRS 16), of which €774.5 million has been used (see Note 7.3.1). Including cash and cash equivalents, the liquidity position of the Group amounts to €866.0 million.

(in millions of euros)	December 31, 2019	December 31, 2018
Amount available on credit facilities	728.3	533.5
Cash and cash equivalents	137.7	95.7
Total	**866.0**	**629.2**

7.6.5 Credit risk

Credit risk represents the risk of financial loss for the Group in the event that a counterparty to a financial instrument defaults in paying its contractual obligations.

The financial assets potentially bearing this risk are mainly:

- cash deposits;
- derivative instruments;
- trade receivables;
- loans granted.

The maximum potential credit risk on the financial assets is equal to their net accounting value less the indemnification receivable from credit insurance.

a) Customer credit risk

The Group believes that its exposure to counterparty risk is limited, because of its large number of customers, its dispersion in many geographical areas, and its follow-up policy. The Group has established a credit policy which includes, among other things, a credit limit for each customer, collections processes, and a computer-aided credit scoring and customer payment behavior follow-up.

The total of receivables overdue over 60 days amounts to approximately 11% of total accounts receivable as of December 31, 2019 (9.0% of total accounts receivable as of December 31, 2018).

The Group believes that there is no need to assume that there is risk on outstanding receivables less than 60 days overdue.

With respect to outstanding receivables that are more than 60 days overdue, the Group believes that risks are limited given existing procedures for customer risk management (as detailed above).

b) Credit risk management on equities and derivatives

The counterparties to the Group's financial derivatives are leading banks, all of which have business relationships with the Group for debt or cash management. The Group's policy with regard to investments and cash deposits is to only invest in liquid securities and only with the leading credit institutions in the countries where the investments are made.

The Group is not exposed to a material risk due to any significant concentration, and does not anticipate any counterparty default.

The effect of Credit and Debit Valuation Adjustments (CVA/DVA) on the measurement of the fair value of the derivative Financial Instruments was not material as at the closing date and was therefore not booked.

7.7 Guarantees

Tarkett:

- has granted a General Indemnity Agreement of a maximum amount up to USD 75.0 million in favor of Federal Insurance Company in consideration of an agreement to execute security bonds in favor of FieldTurf Inc. As of the closing date, outstanding security bonds, either active or in the process of restitution, total USD 89.2 million;
- has signed a Joint and Several Guarantee for a maximum amount of USD 75.0 million for the benefit of Ester Finance Titrisation, relating to the collections on its behalf in connection with the securitization line of credit set up with the subsidiary Tarkett USA Inc.;
- has granted a guarantee given to the Swedish retirement insurance company Pri-Pensionsgaranti to insure Tarkett AB's employee benefit commitments in the amount of SEK 201.8 million;
- has granted a guarantee covering 50% of two lines of credit for a maximum amount of €10.0 million, each granted to its joint venture Laminate Park GmbH & Co KG, of which €2.2 million has been used as of the balance sheet date;
- has granted a guarantee to a raw materials supplier of its subsidiary Morton Extrusion Technik (M.E.T GmbH) to secure its payables up to €7.0 million, of which €4.7 million has been used as of the balance sheet date;
- has granted its guarantee as parent company to the lenders of Tarkett Limited (UK), Tarkett BV (Netherlands), Tarkett Asia Pacific (Shanghai) Management Co Ltd (China) and Tarkett Industrial (Beijing) Co Ltd., and Tarkett Spa (Italy) to obtain overdraft facilities or letters of credit for a maximum amount equal to €35.1 million, of which €11.7 million has been used as of the balance sheet date.

Furthermore, in the ordinary course of business, Tarkett and several of the Group's subsidiaries have given payment guarantees to various suppliers, customers, government offices, lessors, and cash pooling or trade finance operators, either directly or through bank guarantees, for an amount of €14.8 million as of the closing date.

Note 8 > Income tax

8.1 Income tax expense

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items in equity or in other comprehensive income, in which case it is recognized in those items.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable with respect to previous years. Income tax expense/income are defined in Note 8.2, Deferred Taxes.

Income tax is calculated based on the rules applicable in each country where the Group operates.

The "Cotisation sur la Valeur Ajoutée des Entreprises (C.V.A.E.)" tax contribution due in France on the basis of the value added as determined based on the statutory accounts of French entities the statutory accounts meets the definition of income tax under IAS 12, "Income Taxes," and is classified on the current income tax line. Similar treatment has been adopted for similar other tax (State Tax and BEAT Tax in the USA in particular) based on a net of products and costs, even though that amount may differ from accounting net income.

Income tax (current and deferred) is detailed as follows:

(in millions of euros)	**2019**	**2018**
Current tax	(33.7)	(18.6)
Deferred tax	19.4	0.1
Total income tax	**(14.2)**	**(18.5)**

Theoretical income taxes determined using the French corporate income tax rate of 34.43% for 2019 and 2018 can be reconciled as follows to the actual income tax charge:

(in millions of euros)	2019	2018
Pre-tax profit from continuing operations (a)	53.8	68.6
Profit from equity-accounted subsidiaries (b) [1]	3.5	(7.9)
Pre-tax profit from fully consolidated activities (a- b)	50.3	76.5
Income tax at nominal French income tax rate	(17.3)	(26.3)
Effect of:		
Taxation of foreign companies at different rates	6.2	8.8
Exchange rate effects on non-monetary assets	3.6	(3.5)
Valuation of deferred tax assets	3.1	(1.3)
Permanent differences	(1.8)	3.6
Taxes on dividends (Withholding at the source, 3% contribution)	(3.4)	(0.1)
Other items	(4.5)	0.3
Income tax expenses	**(14.2)**	**(18.5)**
Effective rate	**28.3%**	**24.2%**

(1) In 2019, the result of companies consolidated with equity method was restated by €7.5 million for an expense carried by a fully integrated company relating to the closure of Laminate Park, which is consolidated with equity method.

Taxation of foreign companies at different rates:
The main contributing countries are Russia, with a local income tax rate of 20%, Sweden, with a local tax rate of 21.40%, and Luxembourg, with a local income tax rate of 28.09%.

Exchange rate effects on non-monetary assets
The deferred tax income of €3.6 million is due to the effect of changes in the exchange rate on non-monetary assets and liabilities of entities whose functional currency is different from the local currency. Recognition of this income is required by IFRS, even if the revalued tax basis does not generate any tax obligation in the future.

Changes in unrecognized deferred tax assets
The Group has activated a net amount of €3.1 million in respect of the future taxable results of certain subsidiaries.

Other items
In 2019, an additional tax for €3.1million related to the BEAT tax in the United States.

8.2 Deferred tax

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

The following temporary differences are not provided for:

- goodwill not deducted for tax purposes;
- the initial recognition of assets or liabilities, other than in the context of transactions involving business combinations, that affect neither accounting nor taxable profit;
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

A deferred income tax asset is recognized only to the extent that it is probable that there will be future taxable profits over the next five years against which this asset can be utilized.

In accordance with IAS 12, where an entity's tax return is prepared in a currency other than its functional currency, changes in the exchange rate between the two currencies generate temporary differences with respect to the valuation of non-monetary assets and liabilities. As a result, deferred tax is recognized in profit or loss.

Deferred taxation is shown on the balance sheet separately from current tax assets and liabilities and is categorized in non-current items.

(in millions of euros)	2019	2018
Valuation of deferred tax assets	33.9	25.3
DTA for pensions and healthcare benefits	45.3	39.5
Other items temporarily non deductible	56.5	39.1
Provision for other deferred tax liabilities	(2.1)	(1.6)
Internal profit eliminations	3.3	2.5
Netted against deferred tax assets	(45.8)	(28.2)
Deferred tax assets	**91.1**	**76.6**
Fixed assets revaluation	46.6	39.8
Other deferred tax liabilities	25.6	24.1
Netted against deferred tax assets	(45.8)	(28.2)
Deferred tax liabilities	**26.4**	**35.7**

The Group had €33.9 million in deferred tax assets related to tax loss carryforwards and unused tax credits, of which €12.3 million related to Luxembourg, €13.3 million related to the Group's North American (United States) tax consolidation group, and €5.0 million related to France.

The €33.9 million can be broken down as follows: €23.5 million of net deferred tax assets for tax loss carryforwards, and €10.4 million of net unused tax credits.

As of December 31, 2019, unrecognized deferred tax assets related to loss carryforwards and unused tax credits amount to €170.8 million.

Note 9 > Equity and liabilities

9.1 Share capital

Share capital comprises the par value of the ordinary shares minus incremental costs directly attributable to the issue of ordinary shares and share options, net of any tax effects. When share capital recognized as equity is repurchased, the amount of consideration paid, which includes directly attributable costs, is net of any tax effects, and is recognized as a deduction from equity classified as own shares. When own shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

	December 31, 2019	December 31, 2018
Share capital *(in euros)*	327,751,405	318,613,480
Number of shares	65,550,281	63,722,696
Par value *(in euros)*	5.0	5.0

9.2 Earnings per share and dividends

Weighted average number of shares outstanding (basic earnings)

(in thousands of shares)	December 31, 2019	December 31, 2018
Average number of shares outstanding (basic earnings)	64,636	63,723
Average number of treasury shares held by Tarkett during the year	(356)	(434)
Weighted average number of shares outstanding (basic earnings)	**64,280**	**63,289**

Basic earnings per share

Basic earnings per share as of December 31, 2019 are calculated on the basis of the Group's share of net profit and on the weighted average number of shares outstanding during the period (and after deduction of the weighted average number of treasury shares).

(in thousands of shares)	December 31, 2019	December 31, 2018
Profit for the period attributable to Tarkett shareholders *(in millions of euros)*	39.6	49.3
Weighted average number of shares outstanding (basic earnings)	64,280	63,289
Basic earnings per share (in euros)	**0.62**	**0.78**

Weighted average number of shares outstanding (diluted)

(in thousands of shares)	December 31, 2019	December 31, 2018
Number of shares outstanding at year-end	64,280	63,289
Impact of share- based payment plans (1)	345	370
Weighted average number of shares outstanding during the period (diluted)	**64,625**	**63,659**

(1) Free share grant plans provide only for the grant of existing shares and not for issuance of new shares

Diluted earnings per share

Diluted earnings per share as of December 31, 2019 are calculated on the basis of the Group's share of net profit and on the weighted average number of shares outstanding during the period and the weighted average number of potential shares outstanding (and after deduction of the weighted average number of treasury shares).

(in thousands of shares)	December 31, 2019	December 31, 2018
Profit for the period attributable to Tarkett shareholders *(in millions of euros)*	39.6	49.3
Weighted average number of shares outstanding (diluted)	64,625	63,659
Diluted earnings per share (in euros)	**0.61**	**0.77**

Dividends

On April 26, 2019, the General Shareholders' Meeting decided to pay a dividend of €0.60 per share and offered the option to receive payment of the dividend in newly issued shares.

As a result, on July 4, 2019, Tarkett paid €7.4 million and carried out a capital increase of €30.6 million.

In 2018, the Group had paid a dividend of €0.60 per share for a total amount of €37.9 million.

Note 10 > Related parties

In accordance with IAS 24, "Related Party Disclosures," the Group has identified the following related parties:

- The joint ventures;
- The Group's principal shareholder, Société Investissement Deconinck ("**SID**");
- The members of Tarkett's Management Board and Supervisory Board.

Transactions entered into during the period with the Group's joint ventures and principal shareholders are detailed below.

10.1 Joint ventures

All transactions between fully consolidated entities are eliminated in consolidation.

Transactions with related entities and jointly held entities are entered into on arm's length terms.

The Group has three joint ventures, including Laminate Park GmbH & Co KG in Germany, jointly controlled with the Sonae group.

The Group's transactions with its joint venture may be summarized as follows:

(in millions of euros)	December 31, 2019	December 31, 2018
Joint ventures		
Sale of goods to Tarkett	16.2	24.1
Purchase of services from Tarkett	(0.4)	(1.0)
Loans from Tarkett	-	7.5

10.2 Principal shareholders

Société Investissement Deconinck holds 50.68% of Tarkett's share capital and as such controls and coordinates the Group's activities. In addition, The family Group Deconinck, made of SID and members of Deconinck family members', hold jointly 51,26 % of the share capital.

As of December 31, 2019, SID had invoiced a total of €300,000 in fees under the Assistance Agreement (€300,000 as of December 31, 2018).

As of December 31, 2019, Tarkett had invoiced a total of €55,000 to SID under the Service Agreement (€55,000 as at December 31, 2018).

10.3 Members of the Management Board and Supervisory Board

None.

Note 11 > Subsequent events

None.

Note 12 > Statutory auditor fees

Amount *(excluding taxes) (in thousands of euros)*	KPMG S.A. Auditor	KPMG S.A. Network	MAZARS Auditor	MAZARS Network
Statutory audit, certification, audit of the individual company and Consolidated Financial Statements				
Tarkett	291	-	240	-
Controlled entities	123	1,154	55	640
Subtotal (A)	**414**	**1,154**	**295**	**640**
Services other than certification of the financial statements required by laws and regulations				
Tarkett	-	-	-	-
Controlled entities	3	1	2	-
Subtotal (B)	**3**	**1**	**2**	**-**
Services other than certification of the financial statements at the entity's request				
Tarkett	74	-	-	-
Controlled entities	-	-	-	-
Subtotal (C)	**74**	**-**	**-**	**-**
Services other than certification of the financial statements [1]				
Subtotal D = B + C	**77**	**1**	**2**	**-**
Subtotal E = A + D	**491**	**1,155**	**297**	**640**
Total	**1,646**		**937**	

(1) Nature of services other than certification of the financial statements provided by the statutory auditors to the consolidating entity and its controlled subsidiaries: review of CSR information by an independent third-party, a compliance assignment

Note 13 > Principal consolidated entities

Companies	Country	Consolidation method	Pourcentage of interest as of December 31, 2019	Pourcentage of interest as of December 31, 2018
G: Full consolidation				
E: Equity method				
NC: Not consolidated				
EMEA				
Tarkett AB	Sweden	G	100%	100%
Tarkett AS	Norway	G	100%	100%
Tarkett OY	Finland	G	100%	100%
Tarkett NV	Belgium	G	100%	100%
Tarkett A/S	Denmark	G	100%	100%
Tarkett Polska Sp.z.o.o.	Poland	G	100%	100%
Tarkett Aspen Zemin AS (1)	Turkey	G	100%	70%
Laminate Park GmbH & Co KG	Germany	E	50%	50%
Tarkett Holding GmbH	Germany	G	100%	100%
M.E.T GmbH	Germany	G	100%	100%
Tarkett Sports GmbH (1)	Germany	G	100%	N/A
Tarkett SA	France	Parent Company	100%	100%
Tarkett Services	France	G	100%	100%
Tarkett France	France	G	100%	100%
Tarkett Bois SAS	France	G	100%	100%
Fieldturf Tarkett SAS	France	G	100%	100%
Tarkett GDL SA	Luxembourg	G	100%	100%
Tarkett Capital SA	Luxembourg	G	100%	100%
Somalré	Luxembourg	G	100%	100%
Tarkett SpA	Italy	G	100%	100%
Tarkett - Produtos Internacionias, SA	Portugal	G	100%	100%
Tarkett Monoprosopi Ltd.	Greece	G	100%	100%
Tarkett Floors S.A. Spain	Spain	G	100%	100%
Fieldturf Poligras SA	Spain	G	100%	100%
Tarkett BV	Netherlands	G	100%	100%
Tarkett Sports BV	Netherlands	G	100%	100%
Desso Sports System BV	Netherlands	G	100%	100%
Desso Refinity BV	Netherlands	G	100%	100%
Desso Holding BV	Netherlands	G	100%	100%
Tarkett Ltd.	Great Britain	G	100%	100%
Desso Ltd. (1)	Great Britain	G	0%	100%
Allsports construction and maintenance Ltd.	Great Britain	E	30%	30%
F.E.D. Inc. (1)	United States of America	E	40%	N/A
Desso Czech Republic	Czech Republic	G	100%	100%
Tarkett Schweiz	Switzerland	G	100%	100%
Desso Ambiente Textil Handelsgesellschaft m.b.h	Austria	G	100%	100%
North America				
Tarkett INC. (Delaware) (TKT)	United States of America	G	100%	100%
Tandus Centiva Inc. (1)	United States of America	G	0%	100%
Tandus Centiva US LLC (1)	United States of America	G	0%	100%
Domco Products Texas Inc (AZR)	United States of America	G	100%	100%
Tarkett Alabama Inc. (NAF)	United States of America	G	100%	100%
Tarkett Finance Inc.	United States of America	G	100%	100%
Tarkett USA Inc. (DUS)	United States of America	G	100%	100%

Companies	Country	Consolidation method	Pourcentage of interest as of December 31, 2019	Pourcentage of interest as of December 31, 2018
L.E.R. Inc.	United States of America	G	100%	100%
Easy Turf	United States of America	G	100%	100%
Beynon Sport Surfaces Inc	United States of America	G	100%	100%
Fieldturf Tarkett USA Holding	United States of America	G	100%	100%
Fieldturf USA Inc.	United States of America	G	100%	100%
Diamond W	United States of America	G	100%	100%
Desso (U.S.A.) Inc	United States of America	G	100%	100%
Lexmark Carpet Mills	United States of America	G	100%	100%
Tarkett Inc.	United States of America	G	100%	100%
Tandus Centiva Limited	Canada	G	100%	100%
Fieldturf Inc	Canada	G	100%	100%
Johnsonite Canada Inc.	Canada	G	100%	100%
The Tennis and Track Company (1)	United States of America	G	0%	100%
CEI, APAC and Latin America				
Tarkett Australia Pty.Ltd.	Australia	G	100%	100%
Tarkett Brasil Revestimentos LTDA	Brazil	G	100%	100%
Tarkett Flooring Mexico	Mexico	G	100%	100%
Tarkett Asia Pacific (Shanghai) Management Co Ltd.	China	G	100%	100%
Tarkett Hong Kong Ltd.	Hong Kong	G	100%	100%
Tarkett Industrial (Beijing) Co, Ltd	China	G	100%	100%
Tandus Flooring (Suzhou) Co. Ltd	China	G	100%	100%
AO Tarkett	Russia	G	100%	100%
AO Tarkett Rus	Russia	G	100%	100%
Tarkett Sommer OOO	Russia	G	100%	100%
Tarkett d.o.o.	Serbia	G	100%	100%
Tarkett SEE	Serbia	G	100%	100%
Galerija Podova	Serbia	G	100%	100%
Tarkett UA	Ukraine	G	100%	100%
Vinisin	Ukraine	G	100%	100%
Tarkett Kazakhstan	Kazakhstan	G	100%	100%
Vinisin Kft (1)	Hungary	G	0%	100%
Tarkett Bel	Belarus	G	100%	100%
Tarkett Flooring Singapore	Singapore	G	100%	100%
Tarkett Flooring India Private	India	G	100%	100%
Fieldturf Australia (Grassman)	Australia	G	100%	100%

(1) cf. Note 2.4.

The percentages of equity and voting rights held for each entity of the Group are identical.

5.3 Company financial statements as of December 31, 2019

Income statement

(in thousands of euros)			Fiscal year ended 12/31/2019	12/31/2018
	France	Exports	Total	Total
Sales of merchandise			-	-
Produced goods sold			-	-
Produced services sold	7,291	45,174	52,465	53,590
Net revenue			**52,465**	**53,590**
Inventory			-	-
Capitalized production			-	-
Operating subsidies received			-	-
Reversal of depreciation and provisions, transfer of expenses			9,331	20,158
Other income			12	578
Total operating income			**61,808**	**74,326**
Purchases of merchandise for resale (including customs duties paid)			4	-
Change in inventories (merchandise)			-	-
Purchases of raw materials and other supplies			-	-
Changes in inventory of raw materials and other supplies			-	-
Other purchases and external expenses			29,077	33,970
Taxes and similar payments			1,219	1,516
Salaries and wages			13,228	13,090
Social security contributions			7,643	4,560
Allocations to depreciation on fixed assets			9,652	8,213
Allocations to provisions on fixed assets			-	-
Allocations to provisions on current assets			-	-
Allocations to provisions for risks and expenses			5,131	5,588
Other expenses			3,085	6,853
Total operating expenses			**69,038**	**73,790**
Result from operating activities			**(7,230)**	**536**
Allocated gain or transferred loss			-	-
Loss borne or gain transferred			-	-
Financial income from equity investments			74,111	34,553
Income from other securities			1,130	422
Other interest and similar income			-	1
Reversal of provisions and transfer of expenses			-	-
Foreign exchange gains			-	-
Net income from disposals of marketable securities			-	-
Total financial income			**75,241**	**34,976**
Financial allocations to depreciation and provisions			33	-
Interest and similar expense			22,495	16,393
Foreign exchange losses			54	1,201
Net expense on disposals of marketable securities			-	1,108
Total financial expense			**22,582**	**18,702**
Financial income and expense			**52,659**	**16,274**
Current result before income tax			**45,429**	**16,810**

Income statement (continued)

(in thousands of euros)	Fiscal year ended 12/31/2019	12/31/2018
	Total	Total
Exceptional operating income	-	-
Exceptional income on capital transactions	-	-
Reversal of provisions and transfer of expenses	621	1,089
Income from disposals of assets	-	-
Other exceptional income	-	-
Total exceptional income	**621**	**1,089**
Exceptional operating expense	-	-
Exceptional expense on capital transactions	-	-
Exceptional allocations to depreciation and provisions	600	16
Other exceptional expense	33	151
Total exceptional expense	**633**	**167**
Exceptional result	**(13)**	**922**
Employee profit-sharing	-	-
Income tax	1,033	326
Total income	**137,670**	**110,391**
Total expense	**91,220**	**92,985**
Net profit	**46,450**	**17,406**
Of which Equipment leasing	-	-
Of which Property leasing	-	-

Balance sheet assets

(in thousands of euros)	Fiscal year ended 12/31/2019			12/31/2018
	Gross	Provisional depreciation	Net	Net
Start-up costs			-	-
Research and development			-	-
Concessions, patents and similar rights	53,202	39,192	14,010	13,513
Goodwill	3,940		3,940	3,940
Other intangible assets			-	-
Intangible assets	4,418		4,418	3,325
Advances and deposits on intangible assets			-	-
Land			-	-
Buildings	106	106	-	-
Technical facilities, equipment and machinery			-	-
Other tangible assets	9,347	8,009	1,338	1,909
Property, plant and equipment	38		38	-
Advances and deposits			-	-
Investments accounted for by the equity method			-	-
Other equity investments	1,386,457	24,989	1,361,468	1,361,468
Receivables relating to equity investments			-	-
Other intangible assets			-	-
Loans	298,372		298,372	446,547
Other financial assets	1,747	26	1,721	865
Total (I)	**1,757,628**	**72,322**	**1,685,305**	**1,831,567**
Raw materials, supplies			-	
Work-in progress, goods			-	
Work-in-progress, services			-	
Intermediate and finished products			-	
Merchandise			-	
Advances and deposits on orders	9		9	14
Trade receivables	17,423		17,423	20,193
Other receivables				-
- *Trade payable accounts with a receivable balance*	*373*		*373*	*222*
- *Personnel*	*2*		*2*	*1*
- *Social welfare agencies*	-		-	-
- *Government, income taxes*	*2,834*		*2,834*	*3,660*
- *Government, revenue taxes*	*562*		*562*	*2,353*
- *Other*	*248,213*		*248,213*	*311,739*
Share capital subscribed and called but not paid			-	-
Marketable securities	5,878		5,878	6,053
Available funds	58,801		58,801	2,672
Cash Instruments	4		4	3
Prepaid expenses current	4,619		4,619	1,764
Total (II)	**338,718**	**-**	**338,718**	**348,674**
Charges allocated among several fiscal years (III)			-	
Bond redemption premiums (IV)			-	
Unrealized foreign exchange losses (V)	5,014		5,014	4,384
Total assets (I to V)	**2,101,360**	**72,322**	**2,029,037**	**2,184,625**

Balance sheet liabilities

(in thousands of euros)	Fiscal year ended 12/31/2019	12/31/2018
Share capital, company or individual (of which paid up: 327,751)	327,751	318,613
Share, merger, and contribution premiums	135,493	113,982
Revaluation differences	-	-
Legal reserve	31,861	31,861
Statutory or contractual reserves	-	-
Regulated reserves	-	-
Other reserves	-	-
Retained earnings	709,305	729,997
Results of the fiscal year	46,450	17,406
Investment grants	-	-
Regulated provisions	878	899
Total (I)	**1,251,738**	**1,212,758**
Proceeds from issuance of equity securities	-	-
Conditional advances	-	-
Total (II)	**-**	**-**
Provisions for risks	-	1,879
Provisions for charges	9,236	11,550
Total (III)	**9,236**	**13,429**
Convertible bonds	-	-
Other bonds	-	-
Borrowings and debts from credit institutions		
- *Borrowings*	613,946	840,431
- *Bank overdrafts*	-	-
Other borrowings and financial debt		
- *Other*	-	-
- *Shareholders* [1]	-	-
Advances and deposits received on orders in progress	-	-
Trade payables	9,663	11,118
Tax and social security liabilities		
- *Personnel*	3,017	1,357
- *Social welfare agencies*	2,349	1,554
- *Government, income taxes*	-	-
- *Government, revenue taxes*	30	82
- *Government, guaranteed bonds*	-	-
- *Other taxes and related*	374	457
Payables on fixed assets	623	1,046
Other payables	761	97,775
Cash Instruments	-	-
Prepaid income	163	293
Total (IV)	**762,963**	**954,113**
Unrealized foreign exchange gains (V)	5,100	4,325
Total liabilities (I to V)	**2,029,037**	**2,184,625**

(1) Reclassification of the Group's current accounts from the "Other debts" item to the "Miscellaneous borrowings and financial debts-partners" item. The amount of the Group's current accounts in 2018, classified as "Other debts", amounted to € 97,802 thousand.

5.4 Notes to the consolidated financial statements

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Note 1 > Accounting principles

1.1 Accounting principles

The annual financial statements were prepared in accordance with Regulations 2014-3, 2015-06, and 2016-07 of the Autorité des Normes Comptables (French accounting standards authority) with respect to the Plan Général Comptable (General Accounting Code) and Regulation 2016-7, approved by ministerial decree dated December 28, 2016, as well as the later notices and recommendations of the Autorité des Normes Comptables.

The main methods used are detailed below.

The annual financial statements incorporate the provisions of 2015-05 of the Autorité des Normes Comptables (ANC) with respect to forward contracts and hedging transactions, application of which is mandatory beginning with fiscal year 2017. This regulation, the objective of which is to specify the procedures for accounting for forward contracts and hedging transactions, has no significant impact on the Company's annual financial statements.

General accounting conventions were applied in compliance with the principle of prudence and in accordance with the following assumptions, the purpose of which is to provide a fair view of the company:

- continuity of operations;
- consistency of accounting principles from one fiscal year to the next;
- independence of fiscal years;
- relative importance;
- non-compensation;
- accurate information;

and in accordance with the general rules concerning preparation and presentation of annual accounts.

Depending on the situation, the primary methods used to value recorded items are historical cost, contribution value, or revalued value.

1.2 Intangible assets and property, plant and equipment

1.2.1 Intangible assets

Intangible assets primarily comprise licenses, software and capitalization of external costs for implementing software within the Group's subsidiaries, grouped together under the item "concessions and patents".

Software and software licenses are depreciated on a straight-line basis over a period of 1 to 5 years.

1.2.2 Property, plant and equipment

Property, plant and equipment primarily comprises office equipment, computer equipment, fixtures and facilities.

The gross value of these items corresponds to their acquisition cost: purchase price and accessory costs required to make them usable.

Depreciation is calculated on a straight-line basis over the expected useful life of the items:

- Office and IT equipment and furniture: 3 years;
- Fixtures and facilities: 3 years.

If the value in use is lower than the net book value, impairment is recorded for the difference.

1.3 Financial assets and marketable securities

Financial assets primarily comprise equity securities and guarantees paid.

Gross value consists of acquisition cost, excluding fees.

If the value in use is lower than the net book value, a provision for impairment is recorded for the difference.

Value in use is determined on the basis of a multicriteria approach, including the percentage of shareholders' equity represented by such securities, changes in the subsidiary's profitability, and others approaches, including the multiples method and expert valuations.

1.4 Financial liabilities

Receivables and liabilities are valued at their nominal value.

If their asset value is less than their net book value, receivables are impaired by provision for the difference, to take into account likely difficulties in recovery.

1.5 Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rate as of the date of the transaction.

Assets and liabilities denominated in foreign currency as of the balance sheet date are converted into euros using the exchange rate on such date. Exchange differences resulting form the conversion are recorded in conversion rate adjustments. Unrealized exchange losses that are not offset and not covered by hedging instruments are the subject of provisions for risk.

1.6 Provisions

1.6.1 Provisions for pensions and similar obligations

The company applies the option provided for by Recommendation No. 2013-02 of November 7, 2013, relating to the rules on the valuation and recording of retirement commitments and similar benefits, to record all retirement commitments and similar benefits on the balance sheet.

Tarkett SA's commitments include the following:

- long-term benefits, post-employment, granted to employees (retirement indemnification payment, medical costs, etc.); and
- long-term benefits, during employment, granted to employees.

The calculation involves taking economic assumptions into account, such as the inflation rate and the discount rate, as well as assumptions about the Company's personnel, such as average raises, turnover rate, and life expectancy.

Provisions have been calculated by an outside actuary on the basis of data as of December 31, 2018, in accordance with the main assumptions described below:

- inflation rate: 2.00%
- discount rate: 0.30%
- salary indexation rate: 2.00%
- retirement age: 65

The liability relating to the company's net employee benefits commitment is recorded in provisions for risks and expenses on the balance sheet.

The current value of commitments to employees is calculated on the balance sheet date each year, and the employee data are reviewed at least every three years.

1.6.2 Other provisions for risks and expenses

Provisions are recorded at the end of the fiscal year to cover risks and expenses relating to the following:

- unrealized exchange rate losses, after taking into account any offsetting exchange rate hedges;
- any obligations of the company to a third party where it is probable or certain that an outflow of economic benefits to the third party will be required to settle the obligation, without at least equivalent consideration expected from the third party, and where the amount can reasonably be assessed.

1.7 Provision for long-term employee incentive plans (LTIP)

The Tarkett Group, of which Tarkett SA is the holding company, regularly implements share grant plans.

For the three plans in effect, ordinary shares will be granted to the beneficiaries at the end of a two-year vesting period. The grant will be subject to satisfying an economic performance condition (based on the Group's 3-year plan) and the beneficiaries' continuous employment through the end of the vesting period. Grants will be carried out through share distributions.

In accordance with CNC (the French accounting regulation agency) Notice No. 2008-17 dated November 6, 2008 on the accounting treatment of free share grant plans for employees, a provision of €8,503,000 was recorded as of December 31, 2019 (€11,550,000 as of December 31, 2018) to cover Tarkett SA's obligation to deliver shares to the beneficiaries at the time of the definitive share grant.

The provision relating to shares not distributed at the balance sheet date is valued at the average of the purchase price and the closing price. Of note in 2019 are the vesting of the 2016 LTIP and the creation, on June 24, 2019, of a new LTIP with 364,245 shares.

	LTIP 2017	LTIP 2018	LTIP 2019
Grant date	September 25, 2017	July 25, 2018	June 24, 2019
End of the vesting period	June 30, 2020	June 30, 2021	June 30, 2022
Number of remaining shares	228,765	271,417	364,245
Share price used	23.24	13.11	14.06
Provision recorded as of December 31, 2019	(2,774)	(1,631)	(4,098)
Form of settlement		Distribution of shares	
Income and expenses 2019	279	3,206	(4,098)
Income and expenses 2018	6,276	(4,837)	
Expenses 2017	(9,330)		

1.8 Significant developments

1.8.1 Capital increases and capital decreases

Tarkett SA carried out a capital increase by issuance of 1,827,585 new ordinary shares with a par value of €5 per share. The share capital increased by €9,137,925, to €327,751,405.

1.8.2 Liquidity agreement 2019

On September 17, 2019, Tarkett signed a liquidity agreement with Exane. With the shares having been admitted to trading on Euronext Paris, Tarkett wishes to perform buy and sell transactions to promote the liquidity of its shares, stabilize its share price, or to prevent unusual movements in its share price that are not aligned with market trends. To that effect, Tarkett is authorized, in accordance with applicable laws and regulations, to buy and sell its shares under its share buyback plan authorized by its general shareholders' meeting. The agreement was entered into for an initial term beginning on September 23, 2019 and ending on December 31, 2019. It is then renewed automatically for successive terms of 12 months. The position in Tarkett's accounts as of year-end 2019 is €870,476 for 63,500 shares.

1.9 Subsequent events

None.

1.8.3 Interest-bearing loans and borrowings

All of the interest-bearing loans and borrowings are unsecured, except for the assignment of receivables line of credit, and include mainly:

- A "Schuldschein" of €147.5 million entered into in June 2016 and maturing in June 2023 for €91.0 million and in June 2021 for €56.5 million, and for which the previous variable rate tranches were repayed using the Schuldschein of June 2019;
- A "Schuldschein" of €252.5 million and $50.0 million entered into on April 13, 2017 and maturing in June 2024 for €150.4 million and in 2022 for the remainder.
- A "Schuldschein" of €144.0 million and $26.5 million entered into in June 2019 and maturing in June 2026 for €51.0 million, in June 2025 for €45.0 million, and in 2024 for the remainder;
- A multi-currency revolving syndicated loan with a capacity of €700.0 million subscribed in May 2019 for a term of five years with two options to extend for an additional year, and which was used in the amount of €53.4 million as of December 31, 2019.

Note 2 > Financial statements

2.1 Statement of fixed assets

(in thousands of euros)	Gross value of fixed assets at the beginning of the year	Increases	
		Revaluations during the fiscal year	Acquisitions, creations, inter-item transfers
Start-up costs, research and development	-		
Intangible assets	47,765		9,377
Intangible assets	3,325		4,112
Land	-		
Construction on own land	-		
Construction on third-party land	-		
General facilities, fixtures, constructions	106		
Technical facilities, equipment and machinery	-		
Other facilities, fixtures, improvements	-		
Transportation equipment	-		
Office equipment, IT equipment, furniture	9,146		201
Recoverable packaging and other	-		
Property, plant and equipment	-		38
Advances and deposits	-		
Total	**60,342**		**13,728**
Investments accounted for by the equity method	-		
Other equity investments	1,386,457		-
Other intangible assets	-		870
Loans and other financial assets	447,411		
Total	**1,833,868**		**870**
Total general	**1,894,210**		**14,598**

(in thousands of euros)	Decreases		Gross value of fixed assets at the end of the year	Legal revaluation of original value at the end of the fiscal year
	By inter-item transfer	By disposal or discontinuation		
Start-up costs, research and development			-	
Intangible assets			57,142	
Intangible assets	3,019		4,418	
Property, plant and equipment	**3,019**		**61,560**	
Land			-	
Construction on own land			-	
Construction on third-party land			-	
General facilities, fixtures, constructions			106	
Technical facilities, equipment and machinery			-	
Other facilities, fixtures, improvements			-	
Transportation equipment			-	
Office equipment, IT equipment, furniture			9,347	
Recoverable packaging and other			-	
Property, plant and equipment			38	
Advances and deposits			-	
Total	**3,019**		**71,051**	
Investments accounted for by the equity method			-	
Other equity investments			1,386,457	
Other intangible assets			870	
Loans and other financial assets	148,162		299,249	
Total	**148,162**	**-**	**1,686,576**	
Total general	**151,181**	**-**	**1,757,627**	

2.2 Statement of depreciation

(in thousands of euros)	Positions and movements during the year			
	Beginning of the fiscal year	**Allocations during the fiscal year**	**Reversals during the fiscal year**	**End of fiscal year**
Total intangible assets	**30,312**	**8,880**	**-**	**39,192**
Land				-
Construction on own land				-
Construction on third-party land				-
General facilities, fixtures, constructions	106	-		106
Technical facilities, equipment and machinery				-
General facilities, other fixtures				-
Transportation equipment				-
Office equipment, IT equipment, furniture	7,237	772		8,009
Recoverable packaging and other				-
Total property, plant and equipment	**7,343**	**772**		**8,115**
Total general	**37,655**	**9,652**		**47,307**

(in thousands of euros)		Allocations		Reversals	
	Time differential	**Accelerated**	**Exceptional**	**Accelerated**	**Exceptional**
Total intangible assets		**11**		**(92)**	
Land					
Construction on own land					
Construction on third-party land					
General facilities, fixtures, constructions					
Technical facilities, equipment and machinery					
General facilities, other fixtures					
Transportation equipment					
Office equipment, IT equipment, furniture		589		(529)	
Recoverable packaging and other					
Total property, plant and equipment		**589**		**(529)**	
Total general		**600**		**(621)**	

2.3 Statement of provisions

Provisions *(in thousands of euros)*	Beginning of the fiscal year	Increases/ allocations	Decreases/ reversals	End of fiscal year
For reconstruction of deposits	-			-
For investments	-			-
For price increases	-			-
Special depreciation	899	600	621	878
Exceptional 30% increases	-			-
For setting up abroad prior to Jan. 1, 1992	-			-
For setting up abroad prior to Jan. 1, 1992	-			-
For start-up loans	-			-
Other regulated provisions	-			-
Total regulated provisions	**899**	**600**	**621**	**878**
For litigation	-			-
For customer warranties	-			-
For losses on futures contracts	-			-
For fines and penalties	-			-
For foreign exchange losses	-			-
For pensions and obligations	460	203	-	663
For taxes	-			-
For replacement of fixed assets	-			-
For major repairs	-			-
For paid vacation expenses	-			-
Other provisions	12,968	4,935	9,331	8,572
Total provisions for risks and expenses	**13,428**	**5,138**	**9,331**	**9,235**
On intangible assets	-			-
On tangible assets	-			-
On shares accounted for by the equity method	-			-
On equity securities	24,989			24,989
On other financial assets	-			-
On inventories and work in progress	-			-
On customer accounts	-			-
Other impairment	-	26		26
Total Impairment	**24,989**	**26**	**-**	**25,015**
Total general	**39,317**	**5,764**	**9,952**	**35,128**
Additions and reversals:				
- operating activities		5,138	9,331	
- financial		26		
- exceptional		600	621	

The change in "Other Provisions" was essentially due to LTIP transactions in 2019, namely the vesting of the 2016 plan, as well as the setting up of a new 2019 plan.

2.4 Statement of maturities of receivables and debts

Statement of receivables *(in thousands of euros)*	Gross amount	Up to one year	More than one year
Receivables relating to equity investments	-		
Loans	298,372		298,372
Other financial assets	1,747		1,747
Doubtful or disputed customers	-		
Advances and deposits on orders	9	9	
Other trade receivables	17,423	17,423	
Receivables on securities lent	-		
Trade payable accounts with a receivable balance	373	373	
Personnel and related receivables	2	2	
Social Security and other social welfare agencies	-		
State and other public authorities	-		
- Income tax	2,834	1,548	1,286
- VAT	562	562	
- other taxes, duties, and related payments	-		
- other	-		
Group and shareholders	248,213	248,213	
Other debtors	-		
Prepaid expenses current	4,619	4,619	
Total general	**574,154**	**272,749**	**301,405**

Statement of receivables *(in thousands of euros)*	Gross amount	Up to one year	More than one year and up to five	More than 5 years
Convertible bonds	-			
Other bonds	-			
Borrowings and debts from credit institutions:	-			
- Up to one year	28,719	28,719		
- More than one year	585,227		534,227	51,000
Other borrowings and financial debt	-			
Trade payables	9,663	8,746	917	
Personnel and related receivables	3,017	3,017		
Social Security and other social welfare agencies	2,349	2,349		
State and other public authorities:	-			
- Income tax	-			
- VAT	30	30		
- guaranteed bonds	-			
- other taxes and duties	374	374		
Payables on fixed assets	623	623		
Group and shareholders	132,037	132,037		
Other liabilities	761			
Debt representing borrowed securities	-			
Prepaid income	163	130	33	
Total general	**762,963**	**176,025**	**535,177**	**51,000**

2.5 Table of supplier & customer payment terms

In accordance with the French law of August 4, 2008 on the modernization of the economy and the resulting Articles L441-6-1 and D441-4 of the French Commercial Code, the breakdown of Tarkett SA's receivables and liabilities with respect to customers and suppliers as of the balance sheet date is as follows:

Trade receivables

31/12/2019	Article D.441: invoices issued and due but not paid as of the balance sheet date				
	1 to 30 d	31 to 60 d	61 to 90 d	91 d and more	Total (1 day and +)
(A) Category of late payment					
No. of invoices					107
Amount inc. tax (€K)	169	6	678	5,088	5,941
As a percentage of total revenue during the fiscal year (inc. tax)	0.31%	0.01%	1.26%	9.44%	53,923
(B) Invoices excluded from (A) relating to disputed receivables					
No. of invoices excluded					
Amount inf €K of invoices excluded (inc. tax)					
(C) Payment reference period used (contractual or legal period - Art. L441-6 or Art. L443-1 of the French Commercial Code)					
Payment reference period used to calculate payment delays	**30 Days, date of invoice**				

Trade payables

31/12/2019	Article D.441: invoices received and due but not paid as of the balance sheet date				
	1 to 30 d	31 to 60 d	61 to 90 d	91 d and +	Total (1 day and +)
(A) Category of late payment					
No. of invoices					130
Amount inc. tax (€K)	359	540	184	132	1,215
As a percentage of total revenue during the fiscal year (inc. tax)	1.06%	1.60%	0.55%	0.39%	33,722
(B) Invoices excluded from (A) relating to disputed liabilities					
No. of invoices excluded					
Amount inf €K of invoices excluded (inc. tax)					
(C) Payment reference period used (contractual or legal period - Art. L441-6 or Art. L443-1 of the French Commercial Code)					
Payment reference period used to calculate payment delays	**60 Days, date of invoice**				

2.6 Goodwill

Description *(in thousands of euros)*	**Purchased**	**Revalued**	**Received in contribution**	**Amount**
Merger loss - Partholdi			3,940	3,940

2.7 Proceeds and credit notes to be received

Amount of proceeds and credit notes to be received included in the following balance sheet items *(in thousands of euros)*	**Amount inc. tax**
Financial assets	
- Receivables relating to equity investments	-
- Other financial assets	-
Receivables	
- Customer receivables	31
- Other receivables (including assets to receive)	344
Marketable securities	-
Available funds	-
Total	**375**

2.8 Expenses to be paid and credit notes to be issued

Amount of proceeds and credit notes to be received included in the following balance sheet items *(in thousands of euros)*	**Amount inc. tax**
Convertible bonds	-
Other bonds	-
Borrowings and debts from credit institutions	3,938
Other borrowings and financial debt	-
Trade payables	5,454
Tax and social security liabilities	4,451
Payables on fixed assets	623
Other liabilities (including credit notes to be issued)	-
Total	**14,466**

2.9 Income and expenses recorded in advance

(in thousands of euros)	**Expenses**	**Income**
Operating Expenses/Income	1,628	163
Financial Expenses/Income	2,991	-
Exceptional Expenses/Income	-	-
Total	**4,619**	**163**

2.10 Breakdown of net revenues

Tarkett SA, the Group's parent company, coordinates projects in the Group's general interest in the areas of strategy, financial control of the subsidiaries, external growth, marketing, development, human resources, and communication. Tarkett SA's revenues mainly comprise re-invoicing of general expenses and IT costs.

Breakdown by type of activity *(in thousands of euros)*	**Amount**
Sales of merchandise	-
Sales of finished goods	-
Services	52,465
Total	**52,465**

Breakdown by geographic market *(in thousands of euros)*	**Amount**
France	7,291
Abroad	45,174
Total	**52,465**

2.11 Financial commitments

2.11.1 Discounted bills pending maturity

None.

2.11.2 Guarantees

Beneficiary	**Commitments given**	**Maximum commitments**	**Purpose**	**For**
	Amount	**Amount**		
HSBC Bank plc	GBP 0	GBP 1,000	Credit line	Tarkett Ltd
Petrofina	EUR 4,710	EUR 7,000	B&S Orders	Morton Extrusion Technik
Bank of America N.A.	INR 0	INR 20,000	Credit lines	Tarkett Flooring India Private Ltd
Banco Bilbao Vizcaya Argenteria	EUR 0	EUR 2,000	Credit lines	Poligras
Commerzbank	EUR 2,594	EUR 5,000	Credit line	Desso Holding
Banque Générale du Lux	EUR 2,247	EUR 10,000	Credit lines	Laminate Park GmbH
HSBC Bank Australia Ltd	AUD 0	AUD 845	Credit line	Tarkett and FieldTurf Australia
Cassa Depositi e Prestiti	EUR 0	EUR 4,075	Credit line	Tarkett SpA
Bank of America - Merrill Lynch	USD 0	USD 50	Credit line	Tarkett Flooring Mexico
HSBC Bank (China) Company Ltd	RMB 57,824	RMB 83,600	Credit lines	Tarkett Industrial (Beijing) Co., Ltd
HSBC Bank (China) Company Ltd	RMB 0	RMB 44,000	Credit lines	Tarkett Asia Pacific (Shanghai) Management Co. Ltd

2.11.3 Other commitments given

Beneficiary	Commitments given	Maximum commitments	Purpose	For
	Amount	Amount		
Federal Insurance Company	USD 89,185	USD 75,000	Completion guarantees	FieldTurf Inc.
Crédit Agricole CIB	EUR 1,042	EUR 5,000	Completion guarantees	Fieldturf Tarkett SAS
Indian Harbor Insurance Cie	USD 805	USD 805	Reinsurance	Somalré
Pri-Pensionsgaranti	SEK 201,752	SEK 201,752	Retirement benefits	Tarkett AB

2.11.4 Derivative exchange rate Financial Instruments

Counterparty *(in thousands)*	Amount	Type	Expiration Date
Bank	GBP -98	Currency swaps	Jan-20
Bank	AUD -9,248	Currency swaps	Jan-20
Bank	USD 300,247	Currency swaps	March-20
Bank	PLN 9,800	Currency swaps	Jan-20
Bank	SEK -208,000	Currency swaps	Jan-20
Bank	CHF -1,235	Currency swaps	March-20
Bank	CAD -63,700	Currency swaps	Jan-20
Bank	CNY 13,000	Currency swaps	March-20

These Financial Instruments were entered into for hedging purposes.

2.11.5 Exchange rate derivative financial instruments

Counterparty *(in thousands)*	Amount	Type	Expiration Date
Bank	EUR 67,500	Guar. int. rate. opt.	April-24
Bank	USD 50,000	Guar. int. rate. opt.	May-20

2.12 Breakdown of income tax

(in thousands of euros)	Profit before income tax	Taxes
Current result	45,429	-
Exceptional result (and employee participation)	633	-
Accounting result	46,450	1,033

Breakdown of income tax

Type of income tax *(in thousands of euros)*	2019 Tax	2018 Tax
3% contribution on dividends	-	-
Tax consolidation income	-	-
Tax charge on tax consolidation	1,102	(144)
Tax credits	-	-
Provision for tax audit	-	-
Other	(69)	(182)
Total	**1,033**	**(326)**

2.13 Tax consolidation

Tarkett opted for the tax consolidation regime as from January 1, 2009 for calculation of the corporate income tax as well as for the additional contribution on this tax.

In 2009, Tarkett put in place a tax consolidation group with its French subsidiaries: FieldTurf Tarkett S.A.S. and Tarkett France S.A.S. In 2012, Tarkett Bois S.A.S. entered the tax consolidation group. In 2015, Desso S.A.S. also entered the tax consolidation group; it merged with Tarkett France S.A.S on July 1, 2017.

Under the principle of neutrality, income tax expense is borne by each of the consolidated companies as it would be in the absence of a tax consolidation option.

Any tax savings resulting from the consolidation are recorded on Tarkett's accounts.

2.14 Deferred and unrealized tax position

(in thousands of euros)	12/31/2019		12/31/2018	
	Basis	Corresponding tax	Basis	Corresponding tax
Time lag between tax regime and accounting treatment	**26,792**	**8,573**	**30,560**	**9,779**
Deficit in own funds	13,270	4,246	14,639	4,685
Deficit related to tax consolidation	(50,710)	(16,227)	(48,471)	(15,511)
Total deficit that may be carried over for tax purposes	**(37,440)**	**(11,981)**	**(33,832)**	**(10,826)**

2.15 Compensation of senior executives

(in thousands of euros)	Amount
Compensation allocated to members:	-
- of management bodies	2,433
- of supervisory bodies	491

2.16 Average headcount

(in number)	Salaried employees	Personnel made available to the company
Executives	123	-
Supervisors and technicians	6	-
Employees	7	-
Workers	-	-
Total	**136**	**-**

2.17 Related parties

Transactions carried out by the company with related parties are entered into under ordinary market conditions.

Société Investissement Deconinck holds 50.68% of Tarkett's share capital and as such controls and coordinates the Group's activities. In addition, the Deconinck Family Group, composed of SID and members of the Deconinck Family, jointly holds 51.26% of the capital of the Company.

As of December 31, 2019, SID had invoiced a total of €300 thousand in fees under the Assistance Agreement.

As of December 31, 2019, Tarkett had invoiced a total of €55 thousand to SID for services.

2.18 Identity of parent companies consolidating the Company's accounts

Tarkett S.A. is over 50.68 % owned by Société Investissement Deconinck (SID) and is fully consolidated in SID's accounts.

2.19 Shareholders' Equity

Breakdown of equity *(in thousands of euros)*	**Amount at start of fiscal year**	**Results of the fiscal year**	**Capital transactions**	**Allocation of result**	**Dividends**	**Amount at end of fiscal year**
Share capital, company or individual	318,613		9,138			327,751
Share, merger, and contribution premiums	113,982		21,511			135,493
Revaluation surplus	-					-
Legal reserve	31,861					31,861
Statutory or contractual reserves	-					-
Regulated reserves	-					-
Other reserves	-					-
Retained earnings	729,997			17,406	(38,098)	709,305
Results of the fiscal year	**17,406**	**46,450**		**(17,406)**		**46,450**
Total net position	**1,211,859**	**46,450**	**30,649**	**-**	**(38,098)**	**1,250,860**
Investment grants	-					-
Regulated provisions	899	(21)				878
Shareholders' Equity	**1,212,758**	**46 429**	**30,649**	**-**	**(38,098)**	**1,251,738**

2.20 Composition of share capital

As of December 31, 2019, the share capital comprises 65,550,281 shares with a value of €5 per share, for a total of €327,751 thousand.

	Number	Par value *(in euros)*
Shares comprising the share capital at the beginning of the fiscal year	63,722,696	5.00
Shares issued during the fiscal year	1,827,585	5.00
Shares redeemed during the fiscal year	-	-
Shares comprising the share capital at the end of the fiscal year	65,550,281	5.00

As of December 31, 2019, Tarkett held 421,831 of its own shares, for a total of €6,745 thousand, including 63,500 shares for a value of €870 thousand in connection with its 2019 liquidity agreement.

As of December 31, 2018, Tarkett held 228,870 of its own shares, for a total of €6,052 thousand.

2.21 Table of subsidiaries and equity investments

Table of subsidiaries and equity investments *(in thousands of euros)*	Share capital	Reserves and retained earnings	Result the most recently ended fiscal year	Percentage of share capital held	Gross value of shares held	Net value of shares held	Loans and advances granted by the Company	Guarantees given by the Company	Revenue, excl. tax, for the most recently ended fiscal year	Dividends received by the Company during the year
A - Detailed information on subsidiaries and equity investments										
- **Subsidiaries (more than 50% of share capital held)**										
Tarkett GDL	385,009	149,673	29,126	100	538,050	538,050	165,290		245,026	0
FieldTurf Tarkett	24,639	(1,541)	(352)	100	49,629	24,640	0		88,856	
Tarkett Inc.	73,376	(36,451)	11,258	100	7,592	7,592			79,684	
Tarkett Finance Inc.	511,717	(176,377)	6,021	100	404,502	404,502	318,097		0	
Tarkett DOO	64,264	10,797	23,430	100	252,605	252,605	0		105,438	24,700
Tarkett Services	50	0	0	100	50	50			0	
- **Equity investments (10 to 50% of share capital held)**										
AO Tarkett	15,254	57,095	27,113	50	134,030	134,030	4,000		216,530	19,007
B - Overall information concerning other subsidiaries and equity investments										
None.										

5.5 Results over the course of the last five years

Company results over the last five years (and other relevant information)

Nature of information *(in euros)*	Fiscal year ended 12.31.2019	Fiscal year ended 12.31.2018	Fiscal year ended 12.31.2017	Fiscal year ended 12.31.2016	Fiscal year ended 12.31.2015
Capital at end of fiscal year:					
Share capital	327,751	318,613	318,613	318,613	318,613
Number of existing ordinary shares	65,550	63,723	63,723	63,723	63,723
Number of existing shares with preferred dividend rights (non-voting)	-	-	-	-	-
Maximum number of future shares to be created					
- by conversion of bonds	-	-	-	-	-
- by exercise of subscription rights	-	-	-	-	-
Operations and results of the fiscal year:					
Revenue, excl. tax	52,465	53,590	51,569	40,351	33,433
Result before taxes, employee participation and allocation to depreciation and provisions	50,884	10,302	55,379	26,619	88,598
Income tax	1,033	(326)	6,193	(1,824)	2,333
Allocations to depreciation and provisions	(5,464)	7,430	(9,651)	(15,026)	(36,771)
Result after taxes, employee participation and allocation to depreciation and provisions	46,450	17,406	51,921	9,769	54,160
Result distributed	**38,098**	**37,915**	**38,034**	**33,076**	**24,155**
Earnings per share:					
Result after taxes and employee participation but before allocation to depreciation and provisions	0.79	0.16	0.97	0.39	1.43
Result after taxes, employee participation and allocation to depreciation and provisions	0.71	0.27	0.81	0.15	0.85
Dividend allocated to each share, net, excl. tax credit	0.00	0.60	0.60	0.60	0.52
Workforce					
Average workforce employed during the year	136	101	76	52	46
Amount of payroll for the year	13,228	13,090	10,200	10,389	8,896
Amount paid in employee benefits for the year (social security, service projects)	7,643	4,560	4,310	4,099	3,991

(1) Subject to the approval of the Shareholder's Meeting of April 30, 2020.

5.6 Table of subsidiaries and equity investments

5.6.1 Principal subsidiaries

The Group consists of Tarkett and its subsidiaries (See Section 1.7, "Simplified Organizational Chart").

Tarkett is the Group's parent company and the head of the French tax consolidation group that has been in place since January 1, 2009.

The Company's principal direct and indirect subsidiaries as of December 31, 2019 are described below. None of these subsidiaries is a listed company.

Tarkett GDL S.A. is a Luxembourg limited liability corporation (société anonyme) with share capital of €274,123,080, the registered office of which is located at 2, Op der Sang, L-9779, Lentzweiler, Luxembourg. It is registered with the Trade and Companies Register of Luxembourg under number B 92165. Tarkett holds all of the share capital and voting rights of Tarkett GDL S.A., the principal activity of which is the manufacture of resilient flooring, primarily for the residential market. Tarkett GDL S.A. is the head of the Group of subsidiaries making up the EMEA segment, and also houses the Group's research and development activities.

Tarkett USA Inc. is a company incorporated under American law with a capital of 10 US dollars whose head office is located at 30000 Aurora Road, Solon Ohio 44139, in the United States. The company took over the activity of Tandus Centiva Inc., i.e. the creation, manufacture and sale of carpet and the sale of LVT manufactured by another subsidiary of the Group, mainly in the United States.

AO Tarkett is a Russian a company with share capital of RUB 376,000,000, the registered office of which is located at 1, Promishlenaya zona, City of Otradny, Samara Oblast 446300, Russia. It is registered under number 1026303207226. The Company directly and indirectly holds all of the share capital and voting rights of AO Tarkett, the principal activity of which is the manufacture of vinyl flooring, primarily for residential customers in the CIS region.

AO Tarkett Rus is a Russian a company with share capital of RUB 10,000, the registered office of which is located at Prospekt Andropova, d. 18 korp. 7, 115432, Moscow, Russia. It is registered under number 1027739892730. Tarkett indirectly holds all of the share capital and voting rights of AO Tarkett RUS, the principal activity of which is the distribution of flooring (primarily vinyl, wood and laminate) throughout Russia.

Tarkett AB is a Swedish limited liability company with share capital of SEK 43,000,000, the registered office of which is located at 10 Blekingelän 372 81 Ronneby, Sweden. It is registered with the Ronneby Trade Register under number 556003-9967. The Company indirectly holds all of the share capital and voting rights of Tarkett AB, the principal activity of which is the production of commercial resilient flooring and wood floors. This company also carries out the distribution in Sweden of flooring products manufactured at the EMEA segment's other sites.

Tarkett France is a French simplified stock company with sole shareholder (société par actions simplifiée à associé unique) with share capital of €10,156,006, the registered office of which is located at 1 Terrasse Bellini - Tour Initiale - 92919 Paris-La Défense, France. It is registered with the Nanterre Trade and Companies Register under number 410 081 640. Tarkett indirectly holds all of the share capital and voting rights of Tarkett France, the principal activity of which is the manufacture and marketing of vinyl flooring for the commercial market and the marketing of flooring products manufactured by other EMEA segment sites in France.

FieldTurf Tarkett is a French simplified stock company with sole shareholder (société par actions simplifiée à associé unique) with share capital of €24,639,050, the registered office of which is located at 1 Terrasse Bellini - Tour Initiale - 92919 Paris-La Défense, France. It is registered with the Nanterre Trade and Companies Register under number 452 835 242. The Company indirectly holds all of the share capital and voting rights of FieldTurf Tarkett, the principal activity of which is the manufacture, marketing and installation of sports surfaces.

See Note 13 in Section 5.2 "Notes to the Consolidated Financial Statements" for a list of the consolidated companies. A breakdown of the Group's 2019 consolidated net revenues by geographic zone is set forth in Section 4.1.2 "Comparison of Results of Operations for the Years Ended December 31, 2019 and December 31, 2018".

5.6.2 Recent acquisitions and disposals

Acquisitions

The Group's 2019 acquisitions are described in Section 4.1.1.5 "Acquisitions".

Simplification Transactions

The simplification transactions carried out by the Group are described in Section 5.2, Note 2.4.1 "Transactions Completed in 2019".

5.7 Dividend distribution policy

The following table presents total dividends and net dividends per share distributed by the Company during the last three fiscal years.

	Year distributed		
	2019 [2]	**2018**	**2017**
Total dividends *(in millions of euros)* [1]	38.1	37.9	38.0
Net dividend per share *(in euros)*	0.60	0.60	0.60

(1) The amounts presented in the table represent total dividends after deduction of the dividend on treasury shares held by the Company.
(2) On April 26, 2019, the General Shareholders' Meeting decided to pay a dividend of €0.60 per share and offered the option to receive payment of the dividend in newly issued shares. As a result, on July 4, 2019, Tarkett paid €7.4 million and carried out a capital increase with insuance prenium of €30.6 million.

In accordance with French law and the Company's Bylaws, the General Shareholders' Meeting may decide to distribute a dividend upon a proposal of the Management Board and in view of the Supervisory Board's report.

The Company's dividend distribution policy reflects the Company's results of operations and financial condition, the realization of its objectives and the dividend distribution policies of its principal subsidiaries. Assuming no major acquisitions, the Company's goal is to distribute annual dividends representing approximately 40% of the Group's consolidated net profit attributable to owners of the Company. The Company can give no assurance, however, that this objective will be met. Future dividends will depend on the general condition of the Group's business and other factors deemed relevant by the Management Board.

Given the unprecedented health and economic situation related to the COVID-19 pandemic, the Management Board will submit to the approval of the Shareholders' Meeting to exceptionally modify the dividend distribution policy and not to pay a dividend in 2020 in respect of 2019 fiscal year.

5.8 Statutory auditor fees

See Note 12 in Section 5.2 “Notes to the Consolidated Financial Statements”.

5.9 Statutory Auditors' Report on the Consolidated Financial Statements

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditor. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the year ended 31 December 2019

To the Shareholders' Meeting of Tarkett,

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of Tarkett for the year ended 31 December 2019.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2019 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit, Risks and Compliance Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1st January 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics *(code de déontologie)* for statutory auditors.

Emphasis of matter

Without qualifying our conclusion, we draw your attention on the note "1.2.1. Statement of compliance and applicable standard" to the consolidated financial statements which sets out the impacts of the first application of IFRS 16 "Lease" and IFRIC 23 "Uncertainty over Income Tax Treatments" as at 1st January 201.9

Justification Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Long term assets valuation

Key audit matter

Goodwill, intangible assets and property, plant and equipment have net book values at 31 December 2019 of 650,6M€, 155,6M€ and 607,3M€, respectively, and represent a significant amount of the consolidated balance sheet. These assets are accounted in accordance with the principles described in notes "2.2 - Business Combinations", "5.1 – Goodwill" and "5.2 - Tangible and intangible assets" to the consolidated financial statements.

These assets may present a risk of impairment caused by internal or external factors, such as the deterioration of the Group's performance, changes in the competitive environment, unfavorable market conditions and changes in legislation or regulations. These changes can have an impact on the Group's cash flow forecasts and consequently on the determination of the recoverable amounts of these assets.

Management performs impairment tests if there is an impairment trigger event and at least once a year for goodwill and other non-amortizable intangible assets or for other non-financial assets as described in Note 5.3.1 - Non-Financial Assets. Assets are tested at the level of the cash-generating units ("CGUs") defined by the Group. An impairment loss is recognized if the net booked value of an asset or cash-generating unit is higher than its recoverable value. The recoverable value is the higher amount between the fair value less the transfer costs and the value in use. Value in use is determined according to the discounted future cash flow projections method (excluding interest on borrowings and taxes) for each cash generating unit.

The assessment of the recoverable value of these assets is a key audit matter, given the significant potential of impairment and the high degree of estimation and judgment required by management for this assessment. The judgments include, in particular, assumptions regarding the future evolution of selling prices, volumes and costs of raw materials, renewal investments and changes in working capital requirements related to the operation of these assets, and the determination of infinite growth rates and discount rates applied to the appropriate future cash flows.

Audit approach

We reviewed the impairment testing process implemented by Group management, in order to identify trigger events and conduct to impairment testing, on the base of cash-flow forecasts from the budget and business plan established by the Board of Management and presented to the Supervisory Board, and assessed the permanence of the method used.

We also assessed appropriateness and relevance of Group management's approach to determine the cash-generating units and units mergers for long-term assets' testing.

We adapted our audit approach when impairment triggers events occur on such cash-generating units. Concerning value in use, we assessed the reasonableness of key management assumptions with respect to earnings forecasts (with comparison to both budget and historical performance), of growth and discount rates.

With the help of our valuation experts, we reviewed Group management's key assumptions related to the discount and growth rates, comparing them with external market data and other comparable sectors' companies.

For a selection of CGUs, we assessed the reasonableness of future cash flow projections, including the infinity normative terminal cash flow amount, with respect to past achievements, our knowledge of business activity supported by interviews with Group or division managers and, according to their availability, external data of other comparable sectors' companies.We analyzed the sensitivity of the impairment test to assess the materiality of the potential impacts on the recoverable value of the assets bearing the highest risk

Litigations and provisions

Key audit matter

The Group is exposed to a variety of legal and tax risks, as well as cases of litigation, including asbestos claims in the United States.

As indicated in note "6.1 – Provisions" to the consolidated financial statements, these risks and litigations are covered by provisions established in accordance with the applicable accounting standard (IAS 37 "Provisions") and amount to 88,4M€ at 31 December 2019 including essentially asbestos litigations.

Significant contingent liabilities for these risks and litigations, the amount and timing of which can not be reliably estimated, are described in note "6.2 - Contingent liabilities" to the consolidated financial statements.

The identification of risks and litigations, the valuation of provisions for such risks and litigations constitute a key audit matter given the amounts involved and the high degree estimate and judgment required from management.

Audit approach

In order to obtain an understanding of litigations, contingent liabilities and related valuations, we reviewed the process of identification, qualification and valuation implemented by Group management for such provisions through various interviews with Group's legal and finance departments, divisions and main subsidiaries.

We conducted a critical review of the internal analysis notes for the likelihood and potential impact of each risk, examining the available procedural elements (letters, claims, judgments, notifications, etc.).

We obtained direct confirmations from the main lawyers involved to confirm our understanding of risks and litigations and assessed the relevance of the amount of provisions accrued.

Based on historical data used by the Group to estimate its provisions for asbestos claims:

- We assessed the permanence of methods used, the relevance and reliability of underlying data and calculations applied;
- We compared amounts paid to previously recognized provisions to assess the quality of the management estimates.

We exercised our professional judgment to assess, in particular, wether the positions held by Management are in the acceptable range ok risk assessment and the validity of the evolution over time of such positions.

Specific verifications

As required by French laws and regulations, we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of Boards of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated declaration of extra-financial performance, required under Article L. 225-102-1 of the French Commercial Code (Code de commerce), is included in the management report [or in the information relating to the group provided in the management report], being specified that, in accordance with the provisions of Article L. 823-10 of this Code, we have not verified the fair presentation and the consistency with the consolidated financial statements of the information provided in this declaration and this information must be reported by an independent third party.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were respectively renewed for KPMG and appointed for Mazars, as statutory auditors of Tarkett by the combined annual general meeting held on 13 May 2014 to approuve accounts for the year ended 31 December 2013.

As at 31 December 2019, KPMG and Mazars were in the 6th year of uninterrupted engagement since securities of the Company were admitted to trading on a regulated market.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit, Risks and Compliance Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Report on the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit, Risks and Compliance Committee

We submit a report to the Audit, Risks and Compliance Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit, Risks and Compliance Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this audit report.

We also provide the Audit, Risks and Compliance Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics *(code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Audit, Risks and Compliance Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense, on February 13, 2020

The statutory auditors

French original signed by :

KPMG Audit	Mazars	
Renaud Laggiard	Anne-Laure Rousselou	Eric Schwaller
Partner	Partner	Partner

5.10 Statutory auditors' report on the financial statements

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the year ended 31 December 2019

To Shareholders' Meeting of Tarkett S.A.,

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying financial statements of Tarkett S.A. for the year ended 31 December 2019.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2019 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit, Risks and Compliance Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1st January 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) N°537/2014 or in the French Code of ethics (Code de déontologie) for statutory auditors.

Justification of assessments - Key audit matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Equity securities valuation

Key audit matter

Equity securities as at 31 December 2019 amount to 1 361,5M€ and represent one of the most significant items of the balance sheet. They are recognized at the purchase price excluding costs and depreciated when the value in use is less than the gross value.

As indicated in note "1.3 - Financial fixed assets and marketable securities" to the financial statements, the value in use is assessed by taking into account items such as share in equity these securities represent, changes in the profitability of the subsidiary and other approaches, in particular the multiples or experts methods.

We considered the equity securities valuation to be a key audit matter, given the amounts involved and assumptions on which the estimates are based.

Audit approach

Our work consisted mainly in verifying Management's data and assumptions to determine the equity or value in use of the equity securities:

- For valuations based on historical items, verify that the equity value is consistent with the statutory accounts of the entities,
- For valuations based on multiples method :
  - Corroborate the consistency of the aggregates used with the entities' accounts;
  - Assess Management's assumptions, in particular concerning the multiple used and its consistency with recent transactions in the company's business sector.
- Assess the permanence of the methods used.
- Test the arithmetical accuracy of the value in use calculations.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French laws and regulations.

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the Shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents with respect to the financial position and the financial statements provided to the Shareholders of Tarkett S.A..

We attest the fair presentation and the consistency with the financial statements of the information relating to payment terms, required under Article D.441-4 of the French Commercial Code (Code de commerce).

We attest that the consolidated declaration of extra-financial performance, required under Article L.225-102-1 of the French Commercial Code (Code de commerce), is included in the management report, being specified that, in accordance with the provisions of Article L. 823-10 of this Code, we have not verified the fair presentation and the consistency with the consolidated financial statements of the information provided in this declaration and this information must be reported by an independent third party.

Report on corporate governance

We attest the existence in the report of the Supervisory Board on corporate governance of the information required by the Articles L.225-37-3 and L.225-37-4 of the French Commercial Code (Code de commerce).

Concerning the information given in accordance with the requirements of Article L.225-37-3 of the French Commercial Code (Code de commerce) relating to remunerations and benefits received by the members of the Executive Board and of the Supervisory Board and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlled companies included in the consolidation perimeter. Based on these procedures, we attest the accuracy and fair presentation of this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on other legal and regulatory requirements

Appointment of the statutory auditors

We were respectively renewed for KPMG and appointed for Mazars, as statutory auditors of Tarkett by the combined annual general meeting held on 13 May 2014 to approuve accounts for the year ended 31 December 2013.

As at 31 December 2019, KPMG and Mazars were in the 6th year of uninterrupted engagement since securities of the Company were admitted to trading on a regulated market.

Responsibilities of Management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit, Risks and Compliance Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory auditors' responsibilities for the audit of the financial statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit, Risks and Compliance Committee

We submit a report to the Audit, Risks and Compliance which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit, Risks and Compliance Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit, Risks and Compliance Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics (Code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit, Risks and Compliance Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense, February 13, 2020

The statutory auditors

French original signed by :

KPMG Audit	Mazars	
Renaud Laggiard	Eric Schwaller	Anne-Laure Rousselou
Partner	Partner	*Partner*

6 RISK FACTORS AND INTERNAL CONTROL

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6.1 Risk factors

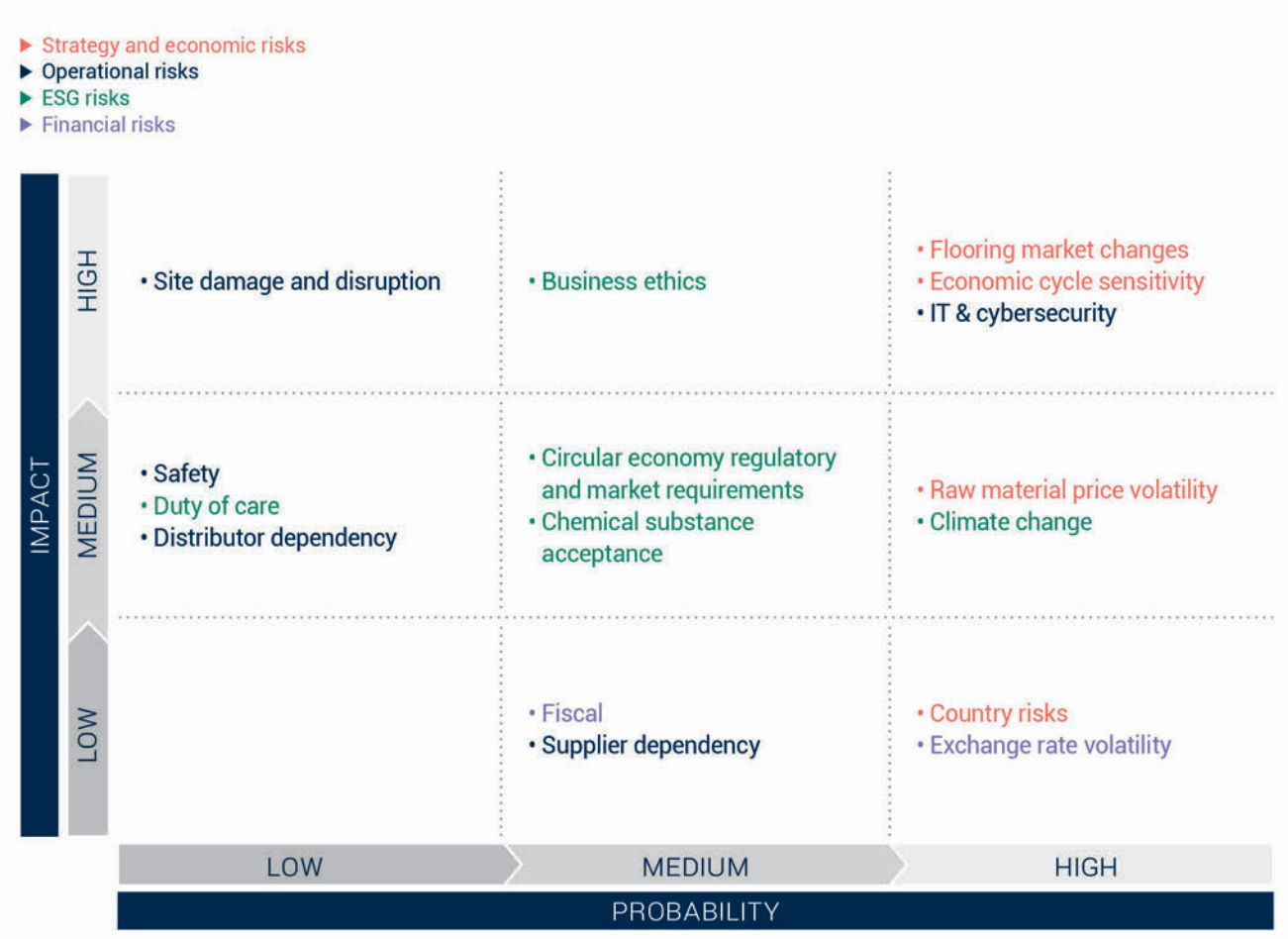
In accordance with the provisions set out in Article 16 of Regulation (EU) 2017/1129 on the prospectus and in line with the European Securities and Markets Authority (ESMA) March 2019 report "Guidelines on risk factors under the Prospectus Regulation", Tarkett has identified and describes in this chapter the most material risk factors in a limited number of risk categories reflecting the nature of the risks, considering for each risk factor, the probability of occurrence, the expected magnitude of the negative impact and the action of risk management policies.

These are the main risks which Tarkett has identified and considers to be the most material as, should they materialize despite risk management and mitigation, they could have a significant adverse effect on the Group, its activities and its financial position, results and prospects, subsequently impacting share value.

However, other risks may exist or may come to exist that could have a similar adverse impact but are not known by Tarkett at the date of this document, or that are considered at this time unlikely to have a significant adverse impact on the Group, its business, its financial situation its earnings and/or its outlook were they to materialize.

The risk matrix below provides an overview of the risk factors and their level of negative impact and probability of occurrence, having taken into account risk management and mitigation measures.

Risk factors matrix



Tarkett risk factors

Risk category	Risk factors	Further detail in section :
Risks related to strategy and the economy	Flooring market changes	1.5, 3.5 & 6.1.1
	Economic cycle sensitivity	1.1, 1.3, 1.4, 1.5, 1.6 & 6.1.1
	Raw material price volatility	1.6, 3.6 & 6.1.1
	Country risks	6.1.1
Operational risks	IT & cybersecurity	6.1.2
	Site damage and disruption	6.1.2
	Safety	3.8 & 6.1.2
	Distributor dependency	6.1.2
	Supplier dependency	1.6, 3.6 & 6.1.2
Environmental, Social and Governance (ESG) related risks	Business ethics	3.2 & 6.1.3
	Climate change	3.6 & 6.1.3
	Circular economy regulatory and market requirements	3.6 & 6.1.3
	Chemical substance acceptance	3.6 & 6.1.3
	Duty of Care	3.4 & 6.1.3
Financial risks	Exchange rate volatility	7.6 & 6.1.4
	Fiscal	6.1.4

The risk factors in each category are listed in order of importance, with the most material first, based on our current assessment of their potential impact and the probability that the risk will materialize. Reference is also given to specific chapters or sections of this document where the risks and mitigation measures are discussed in more detail.

In the following pages each risk factor is described, illustrating the specificity to Tarkett with the potential net negative impact as well as the principal measures to mitigate the risk.

6.1.1 Risks related to strategy and the economy

Flooring market changes

Risk factor description	Potential impact after risk mitigation
The flooring industry is highly competitive. The Group faces significant competition from a dozen international competitors of significant size, numerous local manufacturers and independent distributors. The emergence of a stronger competitor in certain regions or of increased competitor production capacity for a product segment resulting in overcapacity (e.g. LVT segment) present material risks. Significant and rapid changes to distribution channels also present an important risk to Tarkett, such as route to market with the increasing DIY share versus wholesalers and retailers.	> Arrival of new competitors, new products or new technologies developed by competitors could affect the Group's competitive position leading to a material adverse effects on Group's sales, margins, financial results and business prospects. > Increased production capacity due to competitor growth and development could bring prices down, decreasing margins and profits. > Rapid market evolution tending towards other routes to market where Tarkett is not sufficiently present could result in missed sales and loss of market share.

Examples of risk management and mitigation

> Constant and regular dialogue with market actors (architects, real estate developers, public sector prescribers, distributors, DIY chains -see also Section 3.5 "Stakeholder dialogue").

> Research and development program to maintain competitive edge.

> Marketing organization focused on anticipating new expectations from customers, innovation and market trends, major technological or commercial channels changes.

> Increased investment in new products or the development of the Group's distribution network, marketing and sales activities.

Economic cycle sensitivity

Risk factor description	Potential impact after risk mitigation
The flooring industry depends heavily on the commercial and residential renovation market (around 80% of the business), and, to a lesser extent, on the new construction market (around 20%) of the business. These markets can be affected by the cyclical nature of the general economy. The renovation business tends to be influenced by changes in consumer confidence and disposable income, commercial and office occupancy rates, interest rates and the availability of credit. Furthermore, a significant portion of the Group's business consists of sales to public sector end-users, in particular, educational and health care institutions and sports facilities. Public spending levels significantly affect the Group's activities in these sectors. Concerning the risk linked to the Covid-19 virus outbreak in 2020, it is difficult to measure the impact at the date of this Document, but the Group could be exposed in several ways (in particular: drop in turnover achieved in China which represents less than 1% of total Group's sales, supply issues on part of the LVT tiles, potential decline in the construction and renovation market ...)	> Global and regional economic cycles may have a negative impact on demand for flooring and sports surfaces and therefore on the Group's business, financial condition, financial results and future outlooks. > In a context of important budgetary constraints, certain spending may not be considered as a priority, for example, construction and renovation of sports infrastructure were affected by the contraction of governmental budgets in Europe over the last few years. Moreover, public institutions may decide to postpone certain renovation projects in order to concentrate on other budgetary priorities. A decrease in public spending could have a negative effect on demand for the Group's products and thus have a material adverse effect on its business, financial condition, financial results and future outlooks. > With regard to the risk linked to the Covid-19 virus, the Group recorded a decrease in its sales achieved in China in the first quarter of 2020, which has, however, a limited impact on the Group's performance. Tarkett is closely monitoring the development of this pandemic in order to take all appropriate action to mitigate potential adverse effects it may generate.

Examples of risk management and mitigation

> The Group monitors closely the performance of its Divisions and business units, in particular through quarterly business reviews in which activity, action plans, results to date and forecasts are reviewed. This allows it to rapidly strengthen action plans in geographies that may be challenged by the macro-economic environment.

> The Group's policy towards reducing these risks is also to diversify (for more information see sections 1.1, 1.3, 1.4, 1.5 & 1.6) and thus achieve a balance between the various markets in which it operates. Thus, the Group carries out its activity in:

- several geographical areas;
- several product categories;
- several markets: the commercial market and the residential market; and mainly the renovation sector, which is less sensitive to economic cycles than the sector of new builds.

Raw material price volatility

Risk factor description	Potential impact after risk mitigation
The Group's manufacturing processes use large quantities of raw materials, which are a significant expense. In 2019, the cost of these raw materials represented 53% of the Group's cost of sales. 47% of the cost of these raw materials is indirectly tied to oil prices and is affected by the volatility of these prices, in particular polyvinyl chloride ("PVC") and plasticizers. The Group is exposed to fluctuations in the prices of these raw materials essential to its business, such as various polymers and wood.	> A future increase in raw material prices could have a material adverse effect on the Group's business, financial condition and financial results if it is unable to quickly and completely pass these additional costs on to customers, in particular as a result of the magnitude of the cost increase, delays resulting from order books, competitive pressures or market conditions.

Examples of risk management and mitigation

In order to manage these risks as well as possible, the Group implements various actions:

> Notably in the area of sales price management:
  - the proactive management of selling prices;
  - the development of privileged, lasting relationships with its supplier base;
  - the search for production processes enabling it to become more flexible and reduce its dependence on certain types of commodity suppliers;

> And also in terms of purchasing policy:
  - the transfer of the impact of increases in raw material costs through the prices of its products in a timely manner;
  - the increased use of secondary - recycled - raw materials (for more details see section 3.6 "Designing for Life and Closing the Loop: creating a healthy circular economy");
  - the search for new suppliers or altern

Country risks

Risk factor description	Potential impact after risk mitigation
Tarkett is exposed to geopolitical risks due to its international manufacturing and sales activities. Tarkett has manufacturing operations in emerging markets such as China, Brazil and Russia as well as throughout Europe and in North America. The Group's commercial and financial results may be directly or indirectly affected by any unfavorable change in the economic, political or regulatory environment in the countries where it manufactures or sells its products. Thus, the direct and indirect consequences of civil conflicts, terrorist activity, political instability or instability in the economic and regulatory framework in countries where the Group does business could have a material adverse effect on the level of investment in renovation and new construction in such countries and, as a result, on the Group's business, financial condition, financial results and future outlook. For example, in 2019, increasing trade wars (notably US vs China) or the continued uncertainty of the UK departure from the European Union (Brexit) have impacted Tarkett's business environment	> These geopolitical risks could lead, for example, to delays or losses in the delivery of the Group's products or the supply of raw materials, to a significant decrease in sales, or to an increase in security costs, insurance premiums or other costs necessary to ensure continuity of operations. > A deterioration in the economic, political or regulatory environment of countries such Russia, Ukraine and Turkey, which represent around 12% of the Group's consolidated net revenue in 2019, would potentially result in a material adverse effect on the Group's revenues, financial results and future outlooks..

Examples of risk management and mitigation

> Firstly, Tarkett's sales and EBITDA are more balanced compared to ten years ago across regions and markets, reducing Tarkett's exposure to geopolitical instability. This is mainly due to Tarkett's acquisitions in US and Europe.

> Secondly, the Group endeavors to anticipate and prepare for the materialization of geopolitical risks, including through:

- a monthly review of actual and forecast sales, raw material prices and industrial costs in each region to monitor risks and adapt or implement if necessary contingency planning;
- an analysis of crisis scenarios and preparing appropriate plans;
- accelerating the localization of key raw materials to avoid potential import restrictions or bans

6.1.2 Operational risks

IT & cybersecurity

Risk factor description	Potential impact after risk mitigation
The Group uses both directly and indirectly, through service providers, complex information systems for various business activities, including the management of production, sales, logistics, accounting and reporting, which are essential for conducting its commercial and industrial activities. As such, the increasing threats to cybersecurity (ransomware, malware, cloud data vulnerability, phishing, supply chain attacks, disinformation, etc.), notably directed to businesses, pose a significant risk to Tarkett's business operations.	> An undetected cyberattack, disrupting IT resources and or leaking data, could lead to material adverse effects, including delays to operations, supply and delivery with subsequent implications in terms of costs of repair and restoration of systems and lost revenue.

Examples of risk management and mitigation

> Recognizing that a failure of any one system could have a material adverse effect on its business, financial position, results, or future prospects, the Group continues to strengthen the security of its information systems around five main axes:

- awareness and training of employees in cybersecurity best practices;
- restrictions and access controls to the Group's computer resources;
- regular updates of computer components;
- deployment of proven threat detection and remediation solutions; and
- implementation of disaster recovery processes.

> Given the increasing risk to cybersecurity, the Group took out since 2017 a specific insurance policy covering cybersecurity and digital data protection (currently providing a coverage of €15 million) (more information in Section 6.5).

Site damage and disruption

Risk factor description	Potential impact after risk mitigation
Tarkett production facilities present fire risk due to the flammability of certain raw materials that are used (e.g. polymers and wood). Certain sites are also vulnerable to major disruption caused by natural disasters such as flooding.	> A major fire at one of our production sites may result in temporary or medium-term disruption to production, extensive damage to the facility and possible pollution of the local environment. In such an event these and other impacts would represent significant adverse consequences for the Group's business, financial condition and financial results. > The mitigation actions reduce the probability of a fire occurring, however it would only take, for example, one major fire to have a serious impact on the Group's financial results. > A natural disaster such as flooding in proximity to one of our plants could result in material damage to infrastructure, equipment, raw materials and finished goods with subsequent disruption to production. Such damage and disruption would represent a significant impact to the Group's financial results and short-term outlook.

Examples of risk management and mitigation

> With regard to preventing and managing fire risks, the Group has a process, entitled: “Fire Risk Assessment Plan”:
  - each plant carries out an assessment of its protection against the material fire risks identified within the Group and following a methodology that pools the expertise of the Group's internal technicians and those of its insurer FM Global, well-known for its expertise in engineering and fire prevention;
  - following this evaluation, a corrective action plan is implemented to mitigate the critical importance of the risks;
  - the assessments are updated regularly by each plant;
  - residual risks are assessed by the Group's insurer during the annual audits carried out on the sites.
> The Group has also prepared contingency plans to adapt to the temporary unavailability of some of its production sites that could potentially be flooded.

Safety

Risk factor description	Potential impact after risk mitigation
With 33 manufacturing plants, Tarkett is exposed to the daily risk of an incident implicating worker safety. Over the years Tarkett has worked constantly to improve practices to limit the frequency and the severity of accidents. However, in 2019 36 accidents with lost time greater than 24 hours still occurred.	> Besides the potential tragic human impact of injury or death, an accident at one of our sites could lead to fines or other civil, administrative or criminal sanctions, with a temporary interruption to production, potential withdrawal of permits and licenses necessary to continue doing business. These incidences could adversely affect operations and financial results.

Examples of risk management and mitigation

> Tarkett considers safety as its number one commitment, constantly working to ensure that all employees, contractors and visitors are committed to safe work practices and procedure, every day and everywhere. Tarkett renewed this commitment in 2018 with a safety pledge and the establishment of an annual safety day to raise awareness on safety culture and safety practices.
> In particular, Safety is one of the pillars of the WCM (World Class Manufacturing) continuous improvement program. Under that program, manufacturing sites are provided with methods, tools and training to improve safety in the production environment. Sites are regularly audited by the Group WCM team.
> For more details see Section 3.8.1 "Our employees' safety is our number one commitment".

Distributor dependency

Risk factor description	Potential impact after risk mitigation
Depending on the region, Tarkett delivers products to market through different channels. In certain markets Tarkett's main channel is through large flooring distributors. None of them represents more than 5% of total Group sales. However, they are more prevalent in some markets due to historical reasons or geographical constraints (Russia for instance).	> If one of these distributors stop selling Tarkett products, for whatever reason, it would have a material adverse effect on the Group's revenues and financial results.

Examples of risk management and mitigation

> Tarkett seeks to distribute its products through a wide variety of channels, thus limiting dependence on one specific channel and on a limited number of distributors.

> In those markets where Tarkett does have higher distributor dependency, a strong dialogue and customer relations is maintained as well as continual market surveillance to adapt our product offering to end-user needs and desires, to help safeguard continued sales.

Supplier dependency

Risk factor description	Potential impact after risk mitigation
The Group relies on a limited number of suppliers for certain essential raw materials, such as PVC. This is particularly the case for the manufacturing of resilient flooring, for which the Group uses primarily raw materials derived from oil, such as PVC and plasticizers, which represent 53% of raw materials and for which the suppliers are large chemical companies, which are limited in number. They are produced by companies such as BASF, Vinnolit, Vestolit, or Total. Further consolidation in the sector could amplify the situation. In addition, several equipment manufacturers are specialized in machines or spare parts for flooring production and may be difficult to substitute. The Group buys part of the LVT tiles which it sells in North America and Europe from Chinese suppliers. This represents less than 5% of Group's sales, but may be subject to the implementation of additional customs duties, as in North America in 2018 and 2019, or may be affected by the crisis triggered by the Covid-19 virus in 2020.	> An adverse change in the Group's relationship with one of its suppliers, non-compliance with undertakings under the contracts, the insolvency of a supplier or any increased concentration of suppliers could have a material adverse effect on the Group's business, financial condition, financial results and future outlooks. > Continued consolidation in the chemical products sector can reduce Tarkett's capacity for negotiations. > Dependency on PVC and plasticizers suppliers may lead to a risk of shortage in the supply of raw materials in case of unavailability of a supplier (e.g. “Force majeure” event) or an increase in raw material prices. > With respect to the machinery and equipment necessary for the Group's business, if one of the Group's supplier breaches or terminates a supply contract, the Group might be unable to rapidly find a substitute supplier under satisfactory terms, which could have an adverse effect on the Group's operations, business, financial condition, financial results or future prospects

Examples of risk management and mitigation

> Over the last years, Tarkett has significantly improved its flexibility with suppliers and developed alternative sources to reduce its dependency on large players. In some countries in particular (Russia, China, Brazil), Tarkett has identified new local raw materials suppliers.

> Tarkett is progressively increasing the use of secondary raw materials (recycled materials) in place of virgin raw materials, which also means diversifying its sourcing and reducing its supplier dependency. In 2019 Tarkett made transitioning to a circular economy a key element of the ‘Change to Win' strategic plan. For more details see Section 3.6 "Designing for Life and Closing the Loop: creating a healthy circular economy".

6.1.3 ESG risks

The most material environmental, social and governance (ESG) risks, also known as non-financial risks, are described below. More detail on the policies, programs and initiatives to manage and mitigate these risks are developed in chapter 3 "Social and Environmental Responsibility".

Business ethics

Risk factor description	Potential impact after risk mitigation
Improper or illegal behavior performed by either Tarkett's employees, Tarkett's directors and/ or external third party in the name or on behalf of Tarkett present a legal as well as a reputational risk. Given the Group's geographic coverage (with a presence in countries where there is a greater risk of corruption[1] such as Brazil, Mexico, Russia, Kazakhstan, Ukraine, Serbia, Lebanon and China) Tarkett is conscious of corruption risks. These risks are all the more relevant given Tarkett's flooring and sports surfaces business which involves numerous dealings with various parties (architects, agents, building and installation contractors)and which also contracts directly with the public sector (e.g. artificial turfs for local sports equipment, flooring for public buildings such as schools and hospitals). With sales in over 100 countries and purchasing and production in 17 countries, Tarkett is exposed to various anti-competition risks, such as non-compliance with antitrust and competition laws. [1] *Countries with 40 or less out of 100 in Transparency International Corruption Perceptions Index 2018*	> Any breaches and non-compliance with competition laws, regulations or any other applicable antitrust rules and practices, may lead to investigations and potential litigation, creating material adverse effects on Group's business, financial results, financial condition and prospects. > Any suspected or confirmed cases of corruption, non-compliant behavior with applicable laws and regulations or more generally, any unethical acts allegedly committed by employees and/or business partners of the Group, would expose it to potential legal action and sanctions undermining the Group's reputation, financial results and business prospects and could lead to a loss of investor and customer confidence. > The Group may also be subject to various legal and administrative procedures described in Section 4.5 "Legal and Administrative Procedures" that could have a material adverse effect on the Group's financial position.

Examples of risk management and mitigation

In order to control the risks of non-compliance, the Group has set up appropriate prevention programs, including:

> Compliance with competition and antitrust laws – for more detail see Section 3.2.4.1 "Ensuring Business ethics and integrity"

> Prevention and fight against corruption and influence peddling – for more detail see Section 3.2.4.2 "Preventing corruption"

Climate change

Risk factor description	Potential impact after risk mitigation
Tarkett is exposed to both physical and transitional (regulation, legal, market…) risks from climate change: Firstly, climate change is resulting in increased frequency of severe weather events. Such events pose a risk of property damage or business interruption to Tarkett manufacturing sites with associated costs and potential lost revenue. Secondly, the heightened awareness of the climate crisis, driven by civil society movements is increasing the expectancy for government and business action on climate change. Inaction or insufficient action, especially compared to competitors, may result in reduced market share. Thirdly, other consequences of climate mitigation efforts include increased risk of carbon taxes, not only for scope 1 and 2 emissions (at Tarkett sites) but also for scope 3 emissions (from supply chain and/or from use and post-use). Lastly, flooring and sports surfaces are currently manufactured from mainly fossil fuel-based raw materials (plastics). The growing global response to the climate crisis is leading to increased market pressure to divest from fossil fuels with the risk that companies predominately involved in fossil-fuel extraction and use becoming less attractive to investors depending on their degree of use of fossil fuels.	> Severe weather events, such as flooding, water shortages and storms, creating damage to industrial infrastructure and potential disruption to manufacturing output either at Tarkett sites or key supplier sites, with subsequent loss of sales and penalties for non-respect of commercial agreements. > Reduced sales due to insufficient action on climate change. > Increased costs (e.g. raw materials, fossil-fuel energy…) due to carbon taxes with the risk to reduce margins and or sales. > Reduced investor interest in Tarkett due to use of fossil-fuel based raw materials and subsequent impact on share price.

Examples of risk management and mitigation

> Tarkett has mapped and assessed the risk to its production sites of severe weather events.

> Tarkett launched in 2019 its “Change to Win” strategic plan, which builds on its past action, notably in shifting to a circular economy and reducing greenhouse gas emissions. Moving to a circular economy model will see increased use of recycled materials, reducing Tarkett's dependence on fossil-based raw materials. For more details see Section 3.6 "Designing for Life and Closing the Loop: creating a healthy circular economy".

> Tarkett has been working for many years to conserve natural resources by designing for life, prioritizing healthy materials that can be recycled and that are sourced from abundant sources (for example calcium carbonate), rapidly renewable (such as cork or faster-growing wood species e.g. pine and spruce) and recycled (including waste from other industries), so that the materials used for our products do not contribute to resource scarcity. This has a result to reduce the share of fossil-based raw materials.

> For more details see Section 3.6.2.1 "Selecting good materials to preserve natural resources".

Circular economy regulatory and market requirements

Risk factor description	Potential impact after risk mitigation
There is growing political and regulatory pressure to move to a circular economy (e.g. number one priority of the new European Union Commission's European Green Deal, building on previous Commission's European Union Circular Economy package) with increasing requirements (e.g. extended producer responsibility) and expectation for recycling and the use of recycled materials. Furthermore, it is now widely acknowledged that transitioning to a circular economy is a key solution to combating climate change and to preserving natural resources. In this context, inaction or insufficient action to develop and adopt circular solutions pose both a risk and an opportunity (so risk of missed opportunity) for market access (e.g. eco-taxes, customer requirements for end-of-life waste management and recycled content) and for material sourcing (increased costs of virgin raw materials). Tarkett operates in the construction sector where waste management is problematic and the principles of the circular economy, particularly recycling, are still weakly deployed. The Group is therefore exposed to increased regulation in the sector, particularly in Europe (30% of activity) and in particular in the Nordic countries.	> Potential loss of customers and associated sales revenue, due to inadequate offer of recycling services and solutions. > Increasing virgin raw material costs compared to recycled secondary raw materials. > Implementation of or increase in eco-taxes for post-use collection and recovery.

Examples of risk management and mitigation

> Tarkett has made the circular economy a key part of its Change to Win strategic plan announced in 2019, building on its past action in this domain. The Group believes in the importance of shifting to a circular economy through increased use of recycled materials and through the development of solutions and capacity to take-back and recycle post-installation and post-use flooring.

> For more details see Section 3.6 “Designing for Life and Closing the loop: creating a healthy circular economy”

Chemical substance acceptance

Risk factor description	Potential impact after risk mitigation
Evolving health and environmental regulations, standards and/or customer's expectations regarding the chemical composition and characteristics of flooring products (e.g. phthalate-free plasticizers, alternative to PVC, VOC emission levels) and sport surfaces (e.g. alternatives to rubber crumb infill) may lead to a major decrease in market size and/or profitability.	> Some of the Group's products contain chemical substances that produce emissions during at least part of the product's life cycle. Although these emissions are lower than applicable thresholds under current regulations, the Group could be found liable if it were proven that the emissions had harmful effects on human health at lower levels than those currently believed to be safe. This could have consequences that would have a material adverse effect on the Group's financial condition and results. > In the United States, the Group has been sued by third parties alleging past exposure to the asbestos contained in certain products manufactured at some of its sites until 1982. In the event that current or future lawsuits require the Group to pay amounts greater than those covered by the provisions it has recorded on its balance sheet, its insurance and the indemnification commitments provided by third parties, these proceedings could have a material adverse effect on the Group's financial condition and results (More details in Section 4.5 “Legal and administrative Proceedings”).

Examples of risk management and mitigation

> Since 2011, Tarkett has been a pioneer in developing flooring with low or ultra-low levels of Volatile Organic Compounds (VOC) emissions in nearly all of its product ranges. Tarkett offers products with total VOC emissions that are 10 to 100 times lower than the most stringent world standards. For more details see Section 3.6.3.1 "Contributing to healthy spaces and indoor air quality"

> Phthalates are mainly used in the plastics industry, in order to give the plastic a certain flexibility. Tarkett has been proactively seeking alternatives, in collaboration with its suppliers. The Group has considerably invested in research and development and consequently have been able to modify formulas and processes to manufacture vinyl flooring with phthalate-free plasticizer technology. For more details see Section 3.6.3.1 "Contributing to healthy spaces and indoor air quality"

Duty of care

Risk factor description	Potential impact after risk mitigation
Tarkett has a duty to identify, assess and mitigate risks related to human rights and fundamental liberties, health and safety and the protection of the environment. Inadequate action in these domains related to either Tarkett operations or to Tarkett's subcontractors, service providers' and / or suppliers' operations may lead to legal, financial and reputational prejudice. Furthermore, changes to environmental laws and regulations could lead to significant expense and/or investment to ensure continued compliance. Tarkett may be found responsible for past, present or future breaches of environmental laws and regulations, including for incidents occurring at sites prior to their acquisition by Tarkett. This would mean incurring potentially significant costs for fines, damages and remediation.	> A violation of associated environmental, health and safety rules at our production sites could lead to fines or other civil, administrative or criminal sanctions, including the withdrawal of permits and licenses necessary to continue doing business, which could adversely affect operations and financial results. > An incident (e.g. fire, chemical spill) at one of our plants may lead to environmental pollution requiring clean-up and remediation with associated costs which could adversely affect the Group's financial results. > Changes to product regulations and standards and/or to their interpretation could lead to significant expense and/or investment, or could lead the Group to use more expensive substitutes, to change its formulas and therefore to reduce the profitability of its products, which could adversely affect the Group's business, financialresults and future outlooks. > Any shortcomings on human rights, health and safety and environmental protection due to Tarkett inaction or failure could potentially severely damage the Group's reputation which could in turn adversely affect sales, talent acquisition and retention and the Group's business prospects. > Any violation of human rights, health and safety rules as well as environment regulations committed by business partners of the Group, would expose it to potential legal action and sanctions undermining the Group's reputation and financial results.

Examples of risk management and mitigation

> The Group has been committed for many years, within its subsidiaries and in cooperation with its business partners, in identifying and preventing any damage its activities may cause to human rights and fundamental freedoms, health and safety of individuals and to the environment. As such, the Group has adhered to the United Nations Global Compact since 2010. In its annual Corporate Social Responsibility (CSR) Report, the Group details all the concrete actions it conducts in its subsidiaries and with its local partners. Section 3.4 related to the Duty of Care and sections 3.6 to 3.8 detail the action plans that have been put in place to mitigate the main risks resulting from Group's activities.

> To mitigate the environmental risk, Tarkett ensures that all its manufacturing facilities meet local environmental standards as a prerequisite of WCM Environmental Pillar. Furthermore, 85 % of its production sites are certified ISO 14001 (Environmental management system). All sites are audited annually by WCM audit team and in addition there is an audit program with the intervention of a third party (ERM) targeting key sites. All production plants have prepared an emergency response plan.

> Tarkett systematically carries out environmental, health and safety due diligence of companies and their industrial operations as part of its mergers and acquisitions procedures.

6.1.4 Financial risks

Exchange rate volatility

Risk factor description	Potential impact after risk mitigation
Due to our international manufacturing and sales activities, Tarkett is exposed to risks related to fluctuations in foreign currency exchange rates. The main exposure for Tarkett, with 45% of 2019 sales realized in North America and 10% in Russia, is with exchange rates fluctuations of the US dollar (USD) and the Russian ruble (RUB). Tarkett is also exposed to fluctuations of the British pound sterling (GBP), Norwegian krone (NOK), Australian dollar (AUD) and the Brazilian real (BRL). In certain markets significant expenses may be incurred not in the local currency used for sales due to imported raw materials or finished goods. Furthermore, the preparation of the Group's consolidated financial statements, denominated in euros, requires the conversion of foreign assets, liabilities, revenues and profit into euros at the applicable exchange rate. Subsequently, fluctuations in the euro's exchange rate against foreign currencies may affect these items in the consolidated financial statements.	> The effect of currencies on the Group's consolidated financial statements has resulted in the past, and could result in the future, in material changes in the Group's results, the value of the assets and liabilities on its balance sheet and its cash flows, from one period to another. > Moreover, to the extent that the Group may incur expenses that are not denominated in the same currency as that in which the corresponding sales are made, exchange-rate fluctuations could cause the Group's expenses to increase as a percentage of sales, thus affecting its profitability and cash flows. For example, in Russia and the other Commonwealth of Independent States (CIS) countries, although the Group locally manufactures almost all of the products it sells in the region, it imports from Western Europe some of the raw materials used in production. For these costs, where the suppliers invoice in euros or dollars, the Group is exposed to exchange rate risks. Overall approximately 50% of the costs of the CIS countries are denominated in euros or in dollars.

Examples of risk management and mitigation

> Tarkett firstly looks to limit exposure, where feasible, by balancing local costs with local revenues, notably by sourcing locally:
  - This is the case in Russia, where Tarkett's partnership with local plasticizer supplier – Sibur – is helping to mitigate exchange rate risks of the Russian ruble (RUB).
  - This approach is also effective in Sweden, where Tarkett's local costs, with two manufacturing plants, balance with local sales in Swedish krona (SEK)
  - It goes some way to mitigating risks in North America, where local costs in US dollars (USD) are close to local sales in the same currency.

> In countries where costs are less well-balanced, such as in the United Kingdom and in Norway, Tarkett uses derivative financial instruments to hedge some of its exposure to foreign currency exchange rate risk (for more details see note 7.6 of consolidated financial statements).

> In Russia, as well as sourcing locally, Tarkett privileges adjusting selling prices to pass on the main impact of exchange rate volatility of the Russian ruble (RUB). In this region, the Group's current policy is not to use financial hedging instruments, but rather to reflect exchange rate fluctuations between the ruble and the euro in its product prices. The effectiveness of this strategy depends on the Group's ability to maintain its pricing policy, which it may not be able to do systematically in the future. This could have a material adverse effect on the Group's financial results, financial condition and future outlooks.

Fiscal

Risk factor description	Potential impact after risk mitigation
As an international Group doing business in many countries, the Group is subject to multiple tax laws and various regulatory fiscal requirements, which affect its commercial and financial results. Risks include: > increase in existing taxes; > introduction of new taxes; > changes in tax regulations or their interpretation; > challenge of Group's interpretation of tax laws and regulations by tax authorities.	> Any violation of tax laws and regulations in the countries where the Group is located or does business could lead to tax reassessments or the payment of late fees, interest, fines and/or penalties. > The Group records deferred tax assets on its balance sheet to account for future tax savings resulting from differences between the tax values and accounting values of its assets and liabilities or tax loss carry forwards of Group entities. The effective use of these assets in future years depends on tax laws and regulations, the outcome of current or future audits and litigation and the expected future financial results of the entities in question. This could have a negative impact on the Group's effective tax rate, cash flows and financial results.

Examples of risk management and mitigation

> The Group Tax Department carries out permanent monitoring of the most significant regulatory developments. It ensures that the Group complies with applicable rules and laws in the main countries, particularly regarding transfer pricing, and checks overall compliance with the Group policy defined in accordance with OECD rules.

> The Group Tax Department and local professionals are committed to refraining from using aggressive tax strategies disconnected from operational reality or from employing artificial tax arrangements. Furthermore, Tarkett adopts responsible tax practices by not resorting to complex financial arrangements aiming at obtaining a tax benefit conflicting with the purpose or the aim of applicable tax law. (For more information see section 3.2.4 A Commitment to high ethical standards)

6.2 Risk management organization and governance

The Company's risk management and internal control systems, under the responsibility of the Executive Management Committee and managed by the Internal Control and Audit Department, use a variety of methods, procedures and actions in order to:

- identify, analyze and control risks that could have a material effect on the assets, results, operations or objectives of the business, whether they are operational, commercial, legal or financial in nature or whether they relate to compliance with laws and regulations;
- ensure operational efficiency and the efficient use of resources;
- ensure the reliability of financial information; and
- ensure that the controls put in place under the various compliance programs have been proven to be effective.

The Group undertakes to comply with all the laws and regulations of the countries in which it is located and operates. This undertaking is made by all Group employees through the Code of Ethics and various compliance procedures defined by the Group, the application of which is controlled by the Group Legal Department, local legal directions and the Group Internal Control and Audit Department.

The Executive Management Committee has overall responsibility for organizing and overseeing risk management, including risk mapping and assessment, risk mitigation as well as internal control and audit. Each member of the Executive Management Committee ensures the implementation of continual risk monitoring, controls and mitigation in their realm of responsibility. It delegates day to day organization and supervision of the risk management procedures to the Internal Control and Audit Department, part of the Group Finance Department.

The Internal Control and Audit Department runs the internal control and risk management system. It organizes and conducts the biennial update of the Group risk mapping and assessment. It maintains and ensures compliance with the internal control manual, Tarkett Risks, Audit and Controls Evaluation ("TRACE"), based on the principles of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Internal Control and Audit Department assisted by a network of internal auditors for certain Divisions, carries out audits to verify compliance, evaluates risks and recommend improvements relating to internal control.

The Internal Control and Audit Department functionally reports to the Audit, Risk and Compliance committee of the Supervisory Board which is responsible for monitoring the preparation and audit of accounting, financial and non-financial information, as well as for ensuring the efficiency of risk-monitoring and internal control procedures to facilitate the Supervisory Board's review and verification.

6.3 Risk mapping and assessment

Since 2010, the Group created a risk map that is updated every two years, or more frequently in the event of significant changes in the environment. The process for identifying risks uses a three-step method:

- the Internal Control and Audit Department, sometimes in collaboration with external experts, interviews members of the Executive Management Committee and key employees holding strategic positions at the Group and Division level in order to identify risks within their areas;
- the qualification and quantification of risks according to the following areas: precise definition, possible causes, impact assessments (financial, operational, strategic, legal, or reputational) and the degree of control by the Group;
- the review and validation of the risk mapping by the Executive Management Committee and presentation to the Audit, Risk and Compliance Committee.

In 2017 a specific risk map was prepared on the risk of corruption, an initial key step in the deployment of a global program for the prevention of corruption that meets the requirements of the French Act No. 2016-1691 of December 9, 2016 on the transparency, the fight against corruption and the modernization of economic life. This specific risk mapping on corruption is updated annually.

In 2018 another risk mapping was undertaken to meet the requirements of the French Act No.2017- 399 of March 27, 2017 on the duty of care of parent companies and on ordering companies.

In 2019 the biennial update involved the interview of 19 Group and Division managers and experts to individually re-assess each risk in the risk mapping and to consider any potential new risks.

Each risk was reviewed to assess:

- the extent to which they had materialized over the past two years;
- the state and effectiveness of controls and mitigation efforts and
- the level of the potential absolute and residual impacts.

The updated risk mapping was approved by the Executive Management Committee and presented to both the Audit, Risk and Compliance Committee and the Supervisory Board. This risk mapping was also completed with an evaluation of the probability of each risk materializing in the next five years to further qualify the materiality of the risks in accordance with the EU Prospectus Regulation (EU 2017/1129) and the European Securities and Market Authorities guidelines published in 2019.

Continual risk monitoring

Risk-awareness is updated on an ongoing basis through monitoring procedures relating to competition, technology and compliance, as well as from insight and feedback from functional departments (such as Legal, Finance, Insurance, World Class Manufacturing and HR).

Monthly activity reviews, ongoing market surveillance, internal control, audits and potential whistleblowing alerts enable the Group's operational entities and Internal Control and Audit Department to rapidly report information to Group management and facilitate the identification of new risk factors or changing levels of risk for existing risk factors. Appropriate actions are then taken to adapt and manage these risks.

6.4 Internal control and internal audit

6.4.1 Internal control

Control activities are defined in the TRACE manual. For each principal process this manual presents the major risks and objectives, as well as a description of the related controls, applicable to the whole Group. This mechanism constitutes a common reference applied by the local management, which are responsible for supplementing it locally with additional control activities for dealing with risks that are specific to them.

Self-evaluations

The Group's subsidiaries are subject to an annual internal control self-evaluation intended to assess their compliance with the internal control manual TRACE. The self-evaluation is approved by the management of the relevant subsidiaries pursuant to their responsibility for implementing internal control and the quality of their self-evaluation. This self-evaluation is carried out using a dedicated software (e-TRACE 2.0, developed by Devoteam). All Group subsidiaries are subject to the same scheme. The Group Internal Control and Audit Department analyzes and shares a summary of the results to the stakeholder. The results of the self-evaluation are the subject of a divisional level review with (i) the Chairman of the Management Board, (ii) the Group's Chief Financial Officer and the Group Internal Control and Audit Department and (iii) the President, the CFO and internal controller of the relevant Division. These results are then presented to the Audit, Risk and Compliance Committee. Action plans resulting from these reviews are implemented by local management under the responsibility of divisional or functional management.

Internal control tests

The self-evaluation approach described above is complemented by tests on the key TRACE reference controls performed by the divisional internal controllers.

Internal control performance indicators

The Group Internal Control and Audit Department has set up and regularly tracks a series of monthly internal control performance indicators, in particular, compliance rates on 82 key controls within the reference framework, the risks of poor task segregation in information systems and the progress of

action plans.

6.4.2 Internal audit

On the basis of an audit plan approved in advance by the Audit, Risk and Compliance Committee, the Group Internal Control and Audit Department, comprising five members, carried out 18 assignments in 2019. The audit plan consists of recurring assignments, with a strong financial focus, carried out in subsidiaries, as well as so-called "transversal" assignments, dealing with an operational process or a particular risk at the divisional level.

Each assignment is the subject of a report, which is communicated to the Audit, Risks and Compliance Committee, as well as to the management of the Group and of the Division concerned by the audit and of the audited subsidiary. This report includes in particular a rating and an action plan prepared by the management of the audited subsidiary to correct any weaknesses detected. These reports are also sent to the Group's Statutory Auditors. An action plan monitoring process ensures that the identified weaknesses are corrected, and relies on:

- a monthly report on the progress of the action plans by the subsidiaries and on the annual audit plan;
- follow-up monitoring by the Divisions' internal controllers within 12 months following the internal audit conducted by the Group Internal Control and Audit Department; and
- monitoring assignments carried out by the Group Internal Control and Audit Department, if necessary, on subjects that are critical for the Group.

In addition, 19 missions were carried out in a selection of entities to test the self-assessment based on the internal control questionnaire (based on TRACE manual) of the Group.

6.5 Insurance

The Group's policy with respect to insurance is coordinated by the Insurance and Loss Prevention Department, which is part of the Group Legal Department responsible for identifying the main insurable risks and quantifying their potential consequences, in order to:

- reduce some of the risks by recommending preventive measures in cooperation with other Group departments;
- transfer the risks to the insurance market, especially the exceptional risks, with a high magnitude potential but low frequency.

Each of the Group's subsidiaries is responsible for providing the Insurance and Loss Prevention Department with the necessary information to identify and quantify insured or insurable risks at Group level, and for implementing the appropriate methods to ensure business continuity if an event occurs. On these bases, the Insurance and Loss Prevention Department negotiates with the major insurance and reinsurance providers to put in place optimal insurance coverage responding the best to its risks' coverage needs.

The Group's local subsidiaries also implement local insurance policies to cover risks in response to a local insurance obligation, such as Motor Third Party liability insurance.

The implementation of insurance policies is based on the determination of the level of coverage necessary to cover the reasonably estimated occurrence of liability, damage or other risks. This appraisal takes into account the assessments made by insurers as risk underwriters. Uninsured risks are those for which there is no coverage available on the insurance market or for which the insurance offer is disproportionate to the potential interest of the insurance or for which the Group considers that the risk does not require insurance coverage.

The Group's insurance programs take the form of master policies supplemented if necessary, by local policies underwritten in certain countries where having no local insurance policy is not allowed. The master insurance policies apply to the Group's overall operations, in addition to the local policies ("difference in conditions / difference in limits (DIC/DIL)"), if the guarantee concerned is finally found to be insufficient or non-existent to cover the loss locally. Local insurance policies are also implemented to take into account local situations or legislative constraints in each country. The Group has also implemented a captive insurance company, in order to reduce the premiums paid to insurers and thus to reduce the global insurance costs.

The Group insurance policy conditions include exclusions, limits and excesses that might expose the Group to unfavorable consequences in the event of the occurrence of a significant claim or legal action brought against the Group. Moreover, it may be required to pay compensation that is not covered by its insurance policies or to incur significant expenses that may not be covered, or may be insufficiently covered, under its insurance policies. The main Group insurance policies, implemented with insurance companies of international reputation, are the following:

- general liability insurance, which includes operational liability coverage and product liability coverage. The maximum coverage amount is €60 million. Professional liability insurance is also included in this policy and is subject to a specific limit. General liability insurance covers all damages caused to third parties, such as bodily injury, property damage and consequential and non-consequential financial losses;
- property damage and business interruption insurance (maximum combined coverage of €420 million). All facilities of the Group are covered by this policy to the extent that the values of local sites exceed the policy excesses;
- directors' and officers' liability insurance;
- environmental impairment liability insurance;
- transport insurance;
- product Liability coverage for the Aviation Risks, and
- cybersecurity and digital data protection.

7 INFORMATION ABOUT THE COMPANY, ITS SHAREHOLDER STRUCTURE AND ITS SHARE CAPITAL

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7.1 Information about the Company

7.1.1 Company name, registration, legal form and company website

Tarkett is a public limited company with a Management Board and Supervisory Board that is subject to French law and entered in the Nanterre Register of Commerce and Companies under the number 352 849 327.

Tarkett's Legal Entity Identifier (LEI) is: 969500Q2MA9VBQ8BG884.

Registered office: 1 Terrasse Bellini - Tour Initiale - F-92919 Paris-La Défense, France.

Telephone: + 33 (0)1 41 20 40 40.

Website: https://www.tarkett.com/fr/home (The information given on the website does not form part of the prospectus.)

7.1.2 Date of incorporation and duration

The Company was registered on December 29, 1989 for a duration of ninety-nine years from its registration with the Register of Commerce and Companies, or until December 29, 2088, unless dissolved earlier or extended.

7.2 Information on the share capital

7.2.1 Share capital and changes over the last three financial years

7.2.1.1 Changes

The Shareholders' Meeting of April 26, 2019, in its third resolution, decided to afford each of the shareholders the possibility of opting for payment of the dividend to which they are entitled as shareholders in the form of new shares in the Company.

The Company's share capital was therefor increased by a nominal amount of 9 137 925 euros (nine million, one hundred and thirty seven thousand, nine hundred and twenty five euros) by creating 1 827 585 new shares in the Company that were fully paid up on issue, would enjoy dividend rights from January 1, 2019 and were entirely fungible with the other shares making up the Company's share capital.

7.2.1.2 Situation at December 31, 2019

Since this increase and at December 31, 2019, the share capital has amounted to three hundred and twenty seven million, seven hundred and fifty one thousand, four hundred and five (327 751 405) euros, divided into sixty five million, five hundred and fifty thousand, two hundred and eighty one (65 550 281) shares with a nominal value of five (5) euros, of the same category and fully paid up.

At December 31, 2019, the Company had not issued any non-equity securities or securities conferring entitlement to the share capital, with the exception of the free allocation of shares referred to in Section 2.5 “Performance shares (long-term incentive-plan (LTIP) shares)”.

At December 31, 2019, no delegation of powers or authorizations to issue any shares or other securities had been granted by the Shareholders' Meeting to the Management Board other than those set out in Section 7.2.4 “Financial authorizations”.

7.2.2 Treasury shares held by controlled companies, treasury shares held by the Company itself and purchase by the Company of its own shares

At December 31, 2019, the Company held:

- directly, 421 831 of its own shares, i.e. 0.64% of the Company's share capital, of which 63 500 under the liquidity contract (see Section 7.2.4 “Share buyback programme” for details of the different share buyback programmes);
- indirectly, through its wholly-owned subsidiary Tarkett GDL SA, 84 211 of its shares, i.e. 0.13% of the Company's share capital.

7.2.3 Share buyback programme

7.2.3.1 Information on transactions carried out in 2019 as part of the Company's share buyback programme (unrelated to the Company's liquidity contract)

Summary of the share buyback programme authorised by the Shareholders' Meeting on April 26, 2019

The Shareholders' Meeting of April 26, 2019, in its sixteenth resolution, authorized the Management Board, for a period of 18 months expiring on October 26, 2020, to purchase the Company's own shares, or have them repurchased, up to a maximum of 10% of the total number of shares making up the share capital, at a maximum price of fifty euros and up to a maximum overall limit of fifteen million euros.

It was also decided, in that same resolution, that the number of shares held directly or indirectly by the Company may not exceed 10% of the Company's share capital.

This authorization enables the Company to purchase its own shares for the following purposes:

- the free allocation of shares pursuant to Articles L.225-197-1 et seq. of the French Commercial Code; or,
- the free allocation of shares to Company's salaried staff and/or officers or to an affiliated company (and in particular the Company's direct and indirect subsidiaries) under any plan that is not subject to the provisions of Articles L.225-197-1 et seq. of the French Commercial Code, and in particular under Long-Term Incentive Plans ("LTIPs"); or,
- the cancellation of the shares bought back and not allocated; or,
- maintaining the liquidity of the secondary market in Tarkett shares or the liquidity of Tarkett shares traded through an investment services provider under a liquidity contract in accordance with the Code of Conduct established by the French Financial Markets Association (Association Française des Marchés Financiers - AMAFI) and approved by the French regulator, the French Financial Markets Authority (Autorité des marchés financiers - AMF).

Buy back of own shares in the 2019 financial year

In accordance with Article L.225-211 of the French Commercial Code, it is hereby specified that the Management Board carried out the following transactions for the share buyback programme referred to above:

- in July 2019: the allocation of 116,944 treasury shares to the 2016-2019 LTIP;
- end of August and September 2019: the buyback of 250 000 own shares specifically to cover the 2017-2020 LTIP.

As a result, on December 31, 2019 the Company held 358,331 treasury shares (i.e. 0.55% of its share capital), with a market value of €5,875,405.05 at December 31, 2019.

7.2.3.2 Summary of the share buy-back programme to be submitted for approval to the Shareholders' Meeting on 30 April 2020 (xxth resolution)

In accordance with Articles 241-1 et seq. of the French Financial Markets Authority's General Regulations, this description of the share buyback programme is intended to set out the terms and conditions of the Company's share buyback programme to be submitted for approval to the Shareholders' Meeting of April 30, 2020.

Breakdown by objective of the shares held by the Company

At December 31, 2019, the Company held directly 358,331 treasury shares (or 0.55% of its share capital), all of which were allocated to covering the LTIPs for 2017-2020, 2018-2021 and 2019-2022.

At December 31, 2019, 63,500 shares were placed in theliquidity account held by Exane BNP Paribas.

Purpose of the share buyback programme

The Company intends to buyback its own shares, or have them bought back, for the following purposes:

- the free allocation of shares pursuant to the provisions of Articles L.225-197-1 et seq. of the French Commercial Code;
- the free allocation of shares to Company's salaried staff and/or officers or to an affiliated company (and in particular the Company's direct and indirect subsidiaries) under any plan that is not subject to the provisions of Articles L.225-197-1 et seq. of the French Commercial Code, and in particular under Long-Term Incentive Plans ("LTIPs");
- cancellation of the shares bought back and not allocated;
- maintaining the liquidity of the secondary market in Tarkett shares or the liquidity of Tarkett shares traded through an investment services provider under a liquidity contract in accordance with the Code of Conduct approved by the French Financial Markets Authority.

Maximum percentage of la Company's share capital that may be acquired and the maximum number and characteristics of the shares that may be acquired for the purposes of the share buyback programme

The maximum percentage of the share capital for which the buyback is authorized for the purposes of the share buyback programme is 10% of the total shares making up the Company's share capital, namely a maximum number of 6,555,028 shares at April 30, 2020, the date of the Shareholders' Meeting, it being specified that if the shares are bought back in order to maintain liquidity under the terms and conditions laid down in the French Financial Markets Authority's General Regulations, the number of shares taken into account in calculating the 10% limit indicated above is the number of shares bought less the number of shares resold during the authorization period. Moreover, the number of shares that the Company holds may not exceed 10% of the shares making up the Company's share capital at any given time.

Characteristics and maximum purchase price of shares likely to be acquired under the share buyback programme

The shares that the Company would be authorized to acquire would be, exclusively, Company's ordinary shares listed for trading on Euronext Paris - Compartment A (ISIN Code FR0004188670).

The maximum purchase price for the purposes of the share buyback programme would be €30 per share. In the event of a change in the share par value, a capital increase by incorporation of reserves, a free allocation of shares, a stock split or a reverse stock split, a distribution of reserves or any other assets, a capital redemption, or any other transactions affecting the share capital, the maximum purchase price indicated above would be adjusted to take into account its impact on the share par value.

Maximum amount of funds available for the purposes of this programme

The total amount allocated to the share buyback programme may not exceed 50 million euros.

Buyback terms and conditions

Subject to the limits authorized under the prevailing statutory and regulatory provisions, shares may be bought, sold or transferred,at any time (other than during a takeover bid for the Company's shares) and by any means, on regulated markets or multilateral trading facilities, through systematic internalizers or over the counter, including through block trades (without limiting the portion of the buyback programme that may be carried out by this means), under a cash or stock-for-stock takeover bid, or through the use of options or other forward financial instruments traded on regulated markets, multilateral trading facilities, through systematic internalizers or over the counter, or by delivery of shares following the issuing of securities conferring entitlement to the Company's share capital through conversion, exchange, redemption, exercise of a warrant or in any other manner, either directly or indirectly through an investment services provider acting pursuant to the conditions of Article L.225-206 II of the French Commercial Code.

Duration of the programme

Authorization will be granted for a period of 18 months from April 30, 2020, i.e. until October 30, 2021.

This description will be submitted to the French Financial Markets Authority. It will be made available free of charge at the Company's registered office and on its website (www.trgett.com).

7.2.3.3 Liquidity contract

On September 17, 2019, the Company concluded a liquidity contract, complying with the Code of Conduct established by the AMAFI and approved by the AMF, with Exane BNP Paribas (an investment services provider). It was entered into for an initial period commencing on September 23, 2019 and continuing until December 31, 2019, tacitly renewable, from January 1, 2020, for a period of twelve months.

For the purposes of the liquidity contract granted by the Company to Exane BNP Paribas, the following assets were held in the liquidity account on the renewal date of December 31, 2019:

- €1,129,524;
- 63,500 shares.

On the effective date of the liquidity contract, the assets given in the liquidity contract were €2,000,000.

In 2019, 782,662 securities were traded under this liquidity contract for a total amount of €11,008,966, i.e. a capital loss of €26,527.67.

The management fee for this liquidity contract amounted to €15,000, before tax, in 2019.

7.2.4 Financial authorizations

The table below shows financial authorizations in effect at December 31, 2019.

Financial authorizations in effect in 2019

Nature of the authorizations	**General Meeting** *(date and resolution*	**Expiry and duration of the authorization**	**Maximum nominal amount authorized**	**Use in 2019**
Delegation of authority to be given to the Management Board to trade in the Company's shares	April 26, 2019 *(16th resolution)*	October 26, 2020 (18 months)	10% of existing shares	See Section 7.2.3.1.
Delegation of authority to be given to the Management Board to allocate free shares to employees and/or certain company officers	April 26, 2019 *(18th resolution)*	Shareholders' Meeting called to approve the accounts closed on December 31, 2019	1% of existing shares	Resolution of the Management Board of June 24, 2019: free allocation of 400,000 shares(1) (i.e. 0.61% of existing shares) to the beneficiaries of the 2019-2022 LTIP
Delegation of authority to be given to the Management Board to increase the share capital by incorporation of premiums, reserves or otherwise	April 26, 2019 (17th resolution)	June 27, 2021 (26 months)	50 million euros	None.
Delegation of authority to be given to the Management Board to reduced the share capital through cancellation of treasury shares held by the Company itself	April 26, 2019 (19th resolution)	June 27, 2021 (26 months)	10% of existing shares	None.

(1) Section 2.5.

The Shareholders' Meeting of April 30, 2020 will be asked to renew the following four authorisations, which will expire in 2020.

Table of financial authorizations to be submitted to the Shareholders' Meeting for approval on April 30, 2020

Nature of the authorizations	**Resolution no.**	**Expiry and duration of the authorization**	**Maximum nominal amount authorised**
Delegation of authority to be given to the Management Board to trade in the Company's shares	16	October 30, 2021 (18 months)	10% of existing shares
Delegation of authority to be given to the Management Board to allocate free shares to employees and/or certain company officers	17	Shareholders' Meeting called to approve the accounts closed on 2020/12/31	1% of existing shares

It is specified that there are no other financial authorizations enabling increase(s) to be made to the share capital or, more generally, stock to be diluted.

7.2.5 Share capital of companies within the Group that is under option or is to be put under option under an agreement

Allsports Construction & Maintenance Limited

Gordon Thomson ("GT") and FieldTurf Tarkett concluded a Shareholders' Agreement on December 19, 2017 granting FieldTurf Tarkett an option to sell that, if exercised within the five-year window from the date of its conclusion, would require GT to purchase FieldTurf Tarkett's entire holding in the capital of the Allsports Maintenance Construction & Maintenance Ltd. ("Allsports") if Allsports were to cancel the supply agreement between Allsports and FieldTurf, in certain limited circumstances.

7.2.6 Floating charges, guarantees and collateral

At December 31, 2019, there were no significant commitments, such as floating charges, guarantees or in rem sureties applying to the Company's shares.

7.3 Information on the shareholder structure

7.3.1 Breakdown and changes to the share capital and voting rights in the last three years

The table below sets out the Company's shareholder structure at December 31, 2019, and changes thereto in the last three years.

At December 31, 2019	Number of shares	% of capital	Number of voting rights	% of rights theoretical voting rights	% of real voting rights
Société Investissement Deconinck (SID)	33 222 659	50.68%	65 197 730	66.46%	66.80%
Deconinck Family and related companies	379 734	0.58%	390 904	0.40%	0.40%
Total for the Deconinck Family Group [1]	***33 602 393***	***51.26%***	***65 588 634***	***66.85%***	***67.20%***
Public	25 388 856	38.73%	26 227 090	26.73%	26.87%
Tweedy Browne Company LLC. [2]	6 052 990	9.23%	5 790 187[3]	5.90%	5.93%
Treasury shares held by the Company and by controlled companies [4]	509 042	0.77%	506 042	0.52%	-
Total	**65 550 281**	**100%**	**98 105 953**	**100%**	**100%**

(1) Composed of SID (1 Terrasse Bellini - Tour Initiale - F-92919 Paris-La Défense Cedex), members of the Deconinck family and related companies, as set out in the notification that a shareholding disclosure threshold had been exceeded, filed on November 7, 2018.
(2) Tweedy Browne Company LLC declared that individually none of its clients for whom it holds Company shares as part of its management activities holds 5% or more of the Company's capital or voting rights
(3) Tweedy Browne Company LLC indicated that it held 6 052 990 shares on behalf of its clients and exercised the voting rights of its clients on 5 790 187 of those shares.
(4) Treasury shares held by the Company itself (notably under the liquidity contract) and by companies it controls are the only shares held directly or indirectly by the Company.

To the Company's knowledge, at December 31, 2019, there were no other shareholders holding, directly or indirectly, individually or jointly, more than 5% of the Company's share capital or voting rights.

At December 31, 2018	Number of shares	% of capital	Number of voting rights	% of theoretical voting rights	% of real voting rights
Société Investissement Deconinck (SID)	32 075 071	50.34%	64 050 142	66.51%	66.73%
Deconinck Family and related companies	277 361	0.44%	299 748	0.31%	0.31%
Total for the Deconinck Family Group [1]	**32 352 432**	**50.77%**	**64 349 890**	**66.82%**	**67.04%**
Public	25 950 326	40.72%	26 531 569	27.55%	27.64%
Tweedy Browne Company LLC. [2]	5 109 337	8.02%	5 109 337[3]	5.31%	5.32%
Treasury shares held by the Company and by controlled companies [4]	310 601	0.49%	310 601	0.32%	-
Total	**63 722 696**	**100%**	**96 301 397**	**100%**	**100%**

(1) On November 7, 2018, the Deconinck Family Group, composed of SID (1 Terrasse Bellini - Tour Initiale - F-92919 Paris - La Défense Cedex), members of the Deconinck family and related parties exceeded the legal threshold of two-thirds of the Company's voting rights.
(2) Tweedy Browne Company LLC declared that individually none of its clients for whom it holds Company shares as part of its management activities holds 5% or more of the Company's capital or voting rights. On September 13, 2018, Tweedy Browne Company LLC (One Station Place, Stamford, CT, 06902 United States), acting on behalf of clients and funds it manages, exceeded the legal threshold of 5% of the Company's capital. On October 31, 2018, Tweedy Browne Company LLC (One Station Place, Stamford, CT, 06902 United States), acting on behalf of clients and funds it manages, exceeded the legal threshold of 5% of the Company's voting rights.
(3) Tweedy Browne Company LLC indicated that it held 5 109 337 shares on behalf of its clients and exercised the voting rights of its clients on 4 937 807 of those shares.
(4)Treasury shares held by the Company itself and by controlled companies are the only shares held directly or indirectly by the Company.

At December 31, 2017	Number of shares	% of capital	Number of voting rights	% of theoretical voting rights	% of real voting rights
Société Investissement Deconinck	31 975 071	50.18%	63 950 142	66.42%	66.73%
Public	31 308 103	49.13%	31 891 146	33.12%	33.27%
Treasury shares held by the Company and by controlled companies[1]	439 522	0.69%	439 522	0.46%	-
Total	**63 722 696**	**100%**	**95 841 288**	**100%**	**100%**

(1)The treasury shares held by the Company and by controlled companies are the only shares held directly or indirectly by the Company. This takes into account the 57,796 shares held in the name and on behalf of the Company under the liquidity contract.

7.3.2 Control of the Company

On November 14, 2018, the Deconinck Family Group, composed of SID, members of the Deconinck family and related companies, disclosed that it had exceeded the legal threshold of two-thirds of the Company's voting rights following the purchase by SID of 100,000 of the Company's shares. In 2019, following the exercise of the option for the dividend to be paid in new shares, the Deconinck Family Group increased its holding in the Company.

At December 31, 2019, the Deconinck Family Group therefore held jointly 51.26% of the shares, i.e. 66.85% of the theoretical voting rights and 67.20% of voting rights that can be exercised at the Shareholders' Meeting.

It is pointed out that the Company established governance rules to ensure that the Supervisory Board and its specialised committees function smoothly and in the interests of all shareholders. In particular, the Company complies with the provisions of the Afep-Medef Code of governance relating to the independence of the Supervisory Board and its specialised committees where there are controlling shareholders. Consequently, at December 31, 2019, 44% of the Supervisory Board members were classified as independent, this figure rising to 66% for the Committee for Auditing, Risks and Compliance and to 75% for the Nominations, Compensation and Governance Committee, the last two committees being chaired, moreover, by an independent member (see Section 2.2.4). That having been said, the Company believes that there is no risk of control being exercised in an abusive manner.

To the Company's knowledge, at December 31, 2019, apart from the Deconinck Family Group's members, no individual or legal entity exercised or could exercise control of the Company, directly or indirectly, individually, jointly or in concert.

Insofar as the Company is aware, at December 31, 2019, there were no agreements that, if implemented, could result in a change in control of the Company at a later date.

7.3.3 Principal direct and indirect shareholders

At 31 December 2019, to the Company's knowledge, the only shareholders individually holding, directly or indirectly, more than 5% of the Company's share capital or voting rights are Société Investissement Deconinck and the Tweedy Browne Company LLC.

Société Investissement Deconinck (SID)

SID, a French simplified limited liability company (société par actions simplifiée), with its registered office at 1 Terrasse Bellini - Tour Initiale - F-92919 Paris-La Défense Cedex in France, entered in the Nanterre Commerce and Companies Register under the number 421 199 274, is wholly owned, directly and indirectly, by the members of the Deconinck family. Its share capital is €44 217 532.47, divided into 290 048 shares, each with a nominal value of €152.45.

At December 31, 2019, SID's holding represented 50.68% of the Company's capital and 66.80% of voting rights that can be exercised at a Shareholders' Meeting.

Tweedy Browne Company LLC.

A US company with its headquarters at One Station Place, Stamford, CT, 06902 United States, an investment adviser registered with the US Securities Exchange Commission. Tweedy Browne Company LLC declared having acquired shares in acting on behalf of the clients and funds it manages.

At December 31, 2019, Tweedy Browne Company LLC's holding represented 9.23% of the Company's share capital and 5.90% of its voting rights that can be exercised at a Shareholders' Meeting (Tweedy Browne Company LLC specified that it held 5 790 187 shares on behalf of its clients, for which it exercised the voting rights of its clients, i.e. 5.93% of the voting rights that can be exercised at a Shareholders' Meeting).

Shareholding by officers and employees

Certain officers and employees of the Group hold shares of the Company acquired under the profit-sharing incentive schemes put in place by the Company and the incentive schemes involving the free allocation of shares. Shares received under certain of the schemes referred to in this document or purchased on the market may be held in bearer form or have been sold on, in full or in part.

For a summary of the plans involving the free allocation of shares and the allocations made under these plans, see Section 2.5 "Performances Shares (LTIP)".

7.3.4 Shareholder voting rights

Article 8 of the Company's Articles of Association states that a double voting right attaches to all fully paid shares held continuously in registered form by the same holder for a minimum period of two (2) years. The duration of the shareholding prior to the date of the Company's initial public offering is not taken into account in determining whether the shares held by a shareholder carry double voting rights, or before November 22, 2013.

Therefore, since then, on November 22, 2015, the Company granted double voting rights to shares meeting the requisite conditions.

In accordance with Article L.225-123 of the French Commercial Code, in the event of an increase in the Company's share capital through incorporation of reserves, profits or share premiums, the newly issued shares will carry double voting rights if they are granted to a shareholder in relation to existing shares that already carry double voting rights.

Double voting rights may be exercised at any Shareholders' Meeting of the Company.

Double voting rights terminate if the shares are converted into bearer form or if their ownership is transferred.

Any merger or spin-off of the Company shall not affect double voting rights, which may be exercised within the surviving company, if permitted under the Articles of Association of that company.

7.3.5 Thresholds exceeded

At December 31, 2019, and the date of this Universal Registration Document, the Company had no received any notification that a shareholding disclosure threshold had been exceeded.

At December 31, 2019, the Company had not been informed ofany holding representing more than 5% of the Company's capitalor voting rights being held, directly or indirectly, other than that indicatedin Section 7.3.1 "Simplified ownership structure"'.

However, given the statutory obligation to make a disclose to the Company if the 1% of share capital or voting rights threshold, or of any multiple of this percentage, is exceeded, the Company received various disclosures when the percentage exceeded or fells below the statutory thresholds as a result of the disposal and acquisition of shares.

7.3.6 Shareholders' Agreement

To the Company's knowledge, at December 31, 2019, there was no agreement or understanding between its shareholders.

7.4 Company's Articles of Association and Supervisory Board's Internal Regulations

The Company's Articles of Association were drawn up in accordance with French legislation and regulations applicable to a public limited company with a Management Board and Supervisory Board. The principal provisions summarized below are taken from the Company's Articles of Association as adopted on November 21, 2013.

The Articles of Association were amended by resolution of the Supervisory Board on February 18, 2015 to reflect the transfer of the Company's registered office, which resolution was ratified by the Shareholders' Meeting on April 24, 2015, as well as by the Shareholders' Meeting of April 27, 2017, in order to determine the conditions under which Supervisory Board members representing employees are appointed. The Management Board, acting on delegation by the Shareholders' Meeting of April 26, 2019, also amended the Articles of Association to update the Company's share capital following the capital increase through the issuing of new shares for the purposes of paying the 2018 dividend in new shares.

The Supervisory Board also adopted Internal Regulations to set out the way in which it operates, the key provisions of which are summarized below.

7.4.1.1 Corporate purpose (Article 3 of the Articles of Association)

The Company's objects, in France and in any other country, are:

- to study, create, develop, operate, direct and manage all businesses or commercial, industrial, real estate or financial companies relating to activities in the flooring industry;
- to participate directly or indirectly in all transactions or undertakings through the creation of companies, establishments or groups of a real property, commercial, industrial or financial nature or to participate in their creation or in the capital increase of existing companies;
- to manage a portfolio of equity investments and securities and the transactions related thereto;
- to own and manage all real property;
- and generally, to carry out all industrial, commercial, financial, securities or real estate transactions whatsoever that may be directly or indirectly related to the objects set out above.

7.4.1.2 Rights and obligations attaching to shares (Articles 6 to 9 of the Articles of Association)

The Company's share capital is composed exclusively of ordinary shares.

The Company's ordinary shares are freely negotiable. The transfer of ordinary shares is carried out by transfer from account to account. Shares may be in registered or bearer form, at the option of the shareholder, under the terms and conditions laid down in the applicable legislation and regulations.

Whenever it is necessary to hold a specific number of shares to exercise any right, or in the event of an exchange or grant of securities giving the right to new shares in return for the return of a specific number of existing shares, any odd-lot shares or shares that fall short of the minimum number required will not provide shareholders with rights vis-à-vis the Company. It is the responsibility of shareholders to group their shares or to purchase or sell the necessary number of shares.

All fully paid shares held continuously in registered form by the same holder for at least two (2) years benefit from double voting rights. The duration of the shareholding prior to November 22, 2013 is not taken into account in determining whether the shares held by a shareholder carry double voting rights.

In accordance with Article L.225-123, paragraph 2, of the French Commercial Code, in the event of an increase in the Company's share capital through incorporation of reserves, profits or share premiums, the newly issued shares will carry double voting rights if they are granted to a shareholder as a result of existing shares that already carry double voting rights.

Double voting rights may be exercised at any Shareholders' Meeting. Double voting rights terminate if the shares are converted into bearer form or if their ownership is transferred.

Each share gives ownership of the Company's assets and of the liquidation surplus in proportion to the share of the capital that it represents.

Shares are indivisible vis-à-vis the Company.

7.4.1.3 Management Board - Powers and duties of the Management Board (Article 16 of the Articles of Association and Article 3.2 of the Supervisory Board's Internal Regulations)

Within the limits of the Company objects and subject to any powers expressly reserved by law to the Supervisory Board and General Meetings of Shareholders and excluding Key Decisions requiring the prior authorisation of members of the Supervisory Board, the Management Board is vested with the broadest powers vis-à-vis third parties to act in all circumstances in the name and on behalf of the Company.

At least once per quarter, the Management Board presents a report to the Supervisory Board. Within three months of the close of each financial year, the Management Board approves and presents to the Supervisory Board, for verification and review, the annual Company's annual financial statements and any Consolidated Financial Statements, as well as the report to be presented to the Annual Shareholders' Meeting. It also provides the Supervisory Board with a proposed allocation of the previous year's results.

In addition, the Supervisory Board may ask the Management Board at any time to provide a report on its management and current operations, in addition to provisional Company accounts, if necessary.

The Management Board convenes the General Meetings of Shareholders, sets its agenda and carries out its resolutions.

Subject to Supervisory Board authorization, the members of the Management Board may allocate their management tasks among themselves. However, any such allocation shall not, under any circumstances, deprive the Management Board of its status as a collegiate body responsible for management of Tarkett.

In its relationships with third parties, the Company is bound by the acts of the Management Board even where these do not fall within the corporate objects, unless the Company proves that the third party knew that the act went beyond those objects or that the third party could not have been unaware of that fact in light of the circumstances.

However, without prejudice to matters for which the prior authorization of the Supervisory Board is required by law, the Management Board must seek the prior authorization of the Supervisory Board before making any of the following decisions ("Key Decisions") within the Company and/or its controlled subsidiaries (together, "the Tarkett Group"), within the meaning of Article L.233-3 of the French Commercial Code:

a) the grant of sureties, avals and guarantees by any company in the Tarkett Group that exceeds the cumulative amount set by the Supervisory Board; if sureties, avals and guarantees given for an amount exceeding the limit set for the period concerned, the overrun would not be enforceable against third parties that were unaware thereof;
b) operations resulting in a material change to industrial activities (floor coverings and sports surfaces) carried on as a principal activity by companies in the Tarkett Group; it is pointed out that any carrying on of new activities on a secondary basis by entities in the Tarkett Group does not require the prior authorisation of the Supervisory Board unless it should also constitute a Key Decision;
c) the acquisition or sale (and more generally any transfer of ownership or investment) or the collateralization of any asset of the Tarkett Group as part of a project, all asset contributions, and in particular partial asset contribution submitted to the Shareholders' Meeting under the so-called demerger procedure, all mergers or reorganisations (with a third party or within the Tarkett Group) involving an amount exceeding the thresholds set (either globally or by type of operation) by the Supervisory Board or, failing that, by the Internal Regulations of the Supervisory Board (either globally or by type of operation);
d) an initial public offering of any Tarkett Group company (other than the Company);
e) entry by a company in the Tarkett Group into a loan for an amount in principal that (i) exceeds the threshold set by the Supervisory Board (or failing that, by the Internal Regulations of the Supervisory Board); or (ii) results in an increase of the aggregate amount of principal of the outstanding Tarkett Group loans above the maximum total commitment limit (in principal) authorized by the Supervisory Board for the period concerned (or failing that, by the Internal Regulations of the Supervisory Board), as well as any material change to the terms and conditions of those loans;
f) decisions pertaining to, or resulting in, amendments to the Company's Articles of Association, and amendments to the articles of association of any Tarkett Group company (i) with an asset value that exceeds an amount set in the Internal Regulations of the Supervisory Board, or (ii) that owns assets of strategic value for the Tarkett Group, if those amendments affect the rights of the Group company that controls that subsidiary;
g) approval of major joint venture agreements or partnership agreements (i.e. those involving asset contributions by any Tarkett Group entity (including in cash contributions) that exceed a threshold set by the Internal Regulations of the Supervisory Board;
h) any material change to the accounting principles applied by the Company in preparing its Consolidated Financial Statements (annual or interim), apart from changes required under International Accounting Standards (IASs) or International Financial Reporting Standards (IFRS);
i) adoption of the Targett Group's annual budget and any material change thereto;
j) adoption of the medium or long-term strategic plan and the annual update thereof (together with the annual budget);
k) Any motion for a resolution by the Shareholders' Meeting and the exercise of delegations granted by the Shareholders' Meeting relating to the issuing of shares or transferable securities conferring entitlement, immediately or in due course, to the Company's share capital, as well as any issue of shares conferring entitlement, immediately or in due course, to the capital of a Tarkett Group company to a third party unrelated to the Tarkett Group;
l) any acquisition or sale (and more generally any transfer of ownership) of derivatives, foreign-exchange contracts, swaps, options or any other speculative financial instruments, except when made (i) to meet the hedging requirements of the Tarkett Group; or (ii) for a buyback programme relating to the Company's shares;

m) implementation of any collective insolvency proceedings, dissolution, liquidation or divestiture, moratorium on the payment of debts or suspension of payments (or any similar proceedings in each applicable jurisdiction) relating to a Targett Group company (i) whose number of employees exceeds a threshold set by the Internal Regulations of the Supervisory Board; or (ii) with assets of strategic value to the Tarkett Group (insofar as these changes affect the rights of the Targett Group company that controls that subsidiary);

n) any grant of a loan by the Tarkett Group other than customer advances, employee advances and any loan granted in the ordinary course of business;

o) (i) all recruitments or removals from office (or dismissals) of the Tarkett Group's senior executives as defined in the Internal Regulations of the Supervisory Board; and (ii) any material change to their remuneration (including pension plans or specific departure conditions);

p) implementation or amendment of the management incentive plan (including any incentive in the form of shares or cash);

q) the creation of or change to any stock option plan or plan involving the free allocation of shares of the Company or of any Tarkett Group company (or any other instrument of a similar nature) for the benefit of Tarkett Group executives and/or employees or of certain categories thereof;

r) the conclusion of or a material change to collective labour agreement, pension plan or redundancy plan affecting a given number of employees set by the Internal Regulations of the Supervisory Board;

s) initiating, stopping or settling any dispute or litigation (including any tax-related dispute) or waiving of any claim where, in each of these cases, the amount involved exceeds the limits set by the Internal Regulations of the Supervisory Board;

t) the appointment, re-appointment or removal from office of the Statutory Auditors;

u) any grants, corporate sponsorships and, more generally, all forms of donation that exceed one hundred thousand (€100 000).

At least once per quarter, the Management Board presents a report to the Supervisory Board. Within three months of the close of each financial year, the Management Board presents the annual financial statements to the Supervisory Board for their verification and review.

7.4.1.4 Statutory provisions likely to have an influence the occurrence of a change of control

None.

7.5 Equity investments by the Company outside the Tarkett Group

Information about the companies in which the Company holds a fraction of the share capital likely to have a material impact on the valuation of its assets and liabilities, financial situation or its results is given in Section 4.1.1.5 "Acquisitions" and in Notes 2 "Scope of Consolidation" and 13 "Principal Consolidated Entities" in Section 5.2.

7.6 Elements likely to have an influence in the event of a public offering

To the Company's knowledge, there are no agreements that could lead to a change in its control.

The applicable information required under Article L.225-37-5 (referring to Article L.225-68) of the French Commercial Code is included in this Universal Registration Document as follows:

- the capital structure and direct and indirect holdings in the Company's capital of which the Company is aware are set out in Section 7.2;
- the powers of the Management Board, particularly with regard to the issuing or redemption of shares, are described in Section 7.2.4;
- the agreements entered into by the Company that are changed or terminated in the event of a change in control of the Company are set out in Sections 4.3.4 "Details of the renewable, multi-currency syndicated loan" and Section 4.3.5 "Private placements governed by German law, known as Schuldschein" (promissory notes);
- finally, it is specified that, to the Company's knowledge, there are no agreements, other than as set out in Sections 2.3 "Compensation and benefits granted to management and supervisory bodies" and 2.4 "Other Information relating to company officers", that establish indemnities for members of the Management Board or employees who cease to be employed as a result of a takeover bid, nor has the Company entered into any agreement that may be changed or terminated in the event of a change of control of the Company.

7.7 Stock market information

Tarkett's shares are listed on the Paris stock market (Euronext Paris - Compartment A as of January 31, 2020 and Compartment B since February 1, 2020 - ISIN: code FR00004188670 - Stock symbol : TKTT).

	2019	2018	2017
Closing price (in euros)			
High	22.36	36.92	44.80
Low	11.25	16.90	32.32
At December 31	14.40	17.51	34.98
Number of shares at December 31	65 550 281	63 722 696	63 722 696
Market capitalization at December 31 (in euros millions)	944	1 116	2 229

Source: Euronext.

Change in share price

8 SHAREHOLDERS' MEETING OF APRIL 30, 2020

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8.1 Agenda

Ordinary business

Resolution no. 1
Approval of the Company financial statements for the year ended December 31, 2019;

Resolution no. 2
Approval of the consolidated financial statements for the year ended December 31, 2019;

Resolution no. 3
Appropriation of the net profit for the year ended December 31, 2019;

Resolution no. 4
Special report by the Statutory Auditors on the related-party agreements mentioned in Articles L.225-86 et seq. of the French Commercial Code;

Resolution no. 5
Renewal of the appointment of KPMG as incumbent Statutory Auditor;

Resolution no. 6
Appointment of Salustro Reydel as substitute Statutory Auditor;

Resolution no. 7
Renewal of the appointment of MAZARS as incumbent Statutory Auditor;

Resolution no. 8
Renewal of the appointment of Mr. Jérôme de Pastors as substitute Statutory Auditor;

Resolution no. 9
Appointment of Nicolas Deconinck as member of the Supervisory Board;

Resolution no. 10
Approval of the information relative to the compensation of all the Company officers for the 2019 financial year;

Resolution no. 11
Approval of the compensation paid or awarded to Fabrice Barthélemy, Chairman of the Management Board, for the 2019 financial year;

Resolution no. 12
Approval of the compensation paid or awarded to Eric La Bonnardière, Chairman of the Supervisory Board, for the 2019 financial year;

Resolution no. 13
Approval of the items of the Chairman of the Management Board's compensation policy;

Resolution no. 14
Approval of the items of the Chairman of the Supervisory Board's compensation policy;

Resolution no. 15
Approval of the items of the Supervisory Board members' compensation policy;

Resolution no. 16
Authorization to be given to the Management Board to trade in shares of the Company;

Extraordinary business

Resolution no. 17
Authorization to be given to the Management Board to award performance shares to salaried employees and/or certain corporate officers of the Company or related companies, specifying the duration of the authorization, the limits thereon and the duration of the vesting and retention periods;

Resolution no. 18
Amendment of Article 17 of the By-laws to determine the number of Supervisory Board members representing employees according to the number of Board members stipulated by Article L. 225-79-1 of the French Commercial Code;

Resolution no. 19
Amendment of Articles 17 and 23 of the By-laws to remove the term "attendance fees";

Resolution no. 20
Amendment of Article 21 of the By-laws to enable the Supervisory Board to adopt decisions by written consultation, in certain areas;

Ordinary business

Resolution no. 21
Powers for formalities.

8.2 Presentation of the resolutions - Management Board Report

1. Approval of the annual company and consolidated financial statement for the 2019 financial year (1st and 2nd resolutions)

In its first and second resolutions, the Management Board asks the Shareholders' Meeting to approve the annual company and consolidated financial statements for the year ended December 31, 2019, which include:

- for the company financial statements, an income statement showing a net profit of €46.4 million in 2019 compared with €17.4 million in 2018;
- for the consolidated financial statements, a net profit Group Share of €39.6 million in 2019 compared with €49.3 million in 2018. Details of the financial statements and the corresponding reports by the Statutory Auditors are provided in Chapters 4 "Review of the financial position and results" and 5 "Financial statements" of the 2019 Universal Registration Document.

2. Appropriation of the net profit for the 2019 financial year (3rd resolution)

The purpose of the third resolution is to ask the Shareholders' Meeting to approve the appropriation of all the profits to retained earnings.

3. Special report by the Statutory Auditors on related-party agreements (4th resolution)

During 2019, no new related-party agreement, other than those already approved by the Shareholders' Meeting of April 26, 2019, was submitted to the Supervisory Board. In accordance with legal provisions, the Supervisory Board has conducted the annual review of agreements made and authorized during previous years and which continued in force during the year ended December 31, 2019. The fourth resolution asks you to acknowledge that the Statutory Auditors' special report on related-party agreements does not mention any new agreement. This Special Report by the Statutory Auditors on related-party agreements and commitments is available in Section 8.6 of the 2019 Universal Registration Document.

4. Statutory Auditors' appointments (resolutions 5 to 8)

The Meeting is asked to:

- renew the appointments of KPMG and Mazars as incumbent Statutory Auditors for a term of six years (resolutions 5 and 7);
- renew the appointment of Mr. Jérôme de Pastors as substitute Statutory Auditor for a term of six years (resolution 8);
- appoint Salustro Reydel as substitute Statutory Auditor for a term of six years, to replace KPMG Audit S.A. whose appointment expires at the end of this Meeting (resolution 6).

These proposed renewals and appointment of the Statutory Auditors have been submitted to the Board for prior authorization on the recommendations of the Audit, Risks and Compliance Committee, which conducted a request for proposals during 2019 as described in Section 2.2.4.1. of the 2019 Universal Registration Document.

5. Appointment to the Supervisory Board (9th resolution)

The Shareholders' Meeting is asked to approve, on the recommendations of the Nomination, Compensation and Governance Committee, the appointment of Nicolas Deconinck as member of the Supervisory Board for a term of four (4) years to replace Eric Deconinck whose office expires at this Shareholders' Meeting, and who has informed the Board that he does not wish to renew it. The Nomination, Compensation and Governance Committee and the Supervisory Board have particularly considered that Nicolas Deconinck could give the Supervisory Board the benefit of his skills and experience in digital technology and marketing, in addition to his knowledge of the Group and its business sector. Given this proposed appointment, Nicolas Deconinck has notified his resignation from his position as Observer of the Supervisory Board, subject to approval of the 9th resolution.

A summary of Nicolas Deconinck's career and skills is provided in Section 2.1.3.5 of the 2019 Universal Registration Document. Thus, at the end of the Shareholders' Meeting, subject to the approval of this resolution, the Supervisory Board would be composed of eleven members (including one observer and one member representing employees), and would still have four independent members (44%) and four women (44%).

6. Approval of the compensation paid or awarded to the corporate officers for the 2019 financial year (resolutions 10 to 12)

Pursuant to the provisions of Article L. 225-100 of the French Commercial Code, you are asked, by voting on the resolutions 10 to 12 to approve the compensation paid or awarded to the executive corporate officers and the Supervisory Board members for the 2019 financial year (commonly called "***ex-post vote***"). You are therefore asked to approve the compensation and benefits of any nature paid or granted for the year ended December 31, 2019 to:

- all the corporate officers (10 resolution);
- Fabrice Barthélemy, Chairman of the Management Board (11 resolution),
- Eric La Bonnardière - Chairman of the Supervisory Board (12 resolution),

You are asked to vote in favor of all of these compensation items, which have been analyzed by the Nomination, Compensation and Governance Committee and have been decided by the Supervisory Board on this Committee's recommendations. All these items are described in detail in the Supervisory Board's report on the company's governance contained in Section 2.6 of the 2019 Universal Registration Document.

7. Approval of the Company's corporate officers' compensation policy (resolutions 13 to 15)

In accordance with Article L.225-82-2 of the French Commercial Code, the Shareholders' Meeting is asked to approve the items of the compensation policy applicable to the Chairman of the Management Board (13th resolution), to the Chairman of the Supervisory Board (14th resolution) and to the members of the Supervisory Board (15th resolution) (commonly called "***ex-ante vote***").

The items of the compensation policy are described in detail in the report contained in Section 2.6 of the 2019 Universal Registration Document.

You are asked to vote in favor of the items of the corporate officers' compensation policies, which have been analyzed by the Nomination, Compensation and Governance Committee before being decided by the Supervisory Board.

8. Authorization to be given to the Management Board to trade on the Company's shares (16th resolution)

The Shareholders' Meeting of April 26, 2019 authorized the Management Board to trade in the Company's shares. The transactions carried out in the framework of this authorization are described in Chapter 7 of the 2019 Universal Registration Document. As this authorization will expire on October 26, 2020, we ask you, in the 16th resolution, to again authorize the Management Board for a period of 18 months, to trade in the Company's shares at a maximum purchase price set at €30 per share, with the right to sub-delegate in the manner defined by law.

This authorization would enable the Management Board, with the right to sub-delegate in the manner defined by law, to acquire a number of Company shares representing 10% of the Company's share capital at the most, with a view to:

- awarding performance shares pursuant to the provisions of Articles L.225-197-1 et seq. of the French Commercial Code; or
- awarding performance shares to employees or officers of the Company or an affiliate of the Company (in particular the Company's direct and indirect subsidiaries) under any plan that is not subject to Articles L.225-197-1 et seq. of the French Commercial Code, and in particular under Long Term Incentive Plans; or
- cancelling the shares bought back and not awarded; or
- trading in the secondary market or maintaining the liquidity of Tarkett's shares through an investment services provider in the framework of a liquidity contract that complies with the market ethics charter recognized by the AMF.

The share buyback program could also be used to carry out any market practice permitted by the AMF, and, more generally, to carry out any other transaction that complies with applicable regulations.

The Company's shareholding is subject to applicable regulations.

Purchases, sales and transfers could be carried out at any time, up to the limits authorized by applicable laws and regulations (other than during a tender offer), and by any means.

The Company may buy back a number of shares such that:

- the number of shares that the Company buys during the term of the share buyback program does not exceed 10% of the shares comprising the Company's share capital at any time, this percentage applying to the capital as adjusted following any transaction affecting it subsequent to the Shareholders' Meeting (such number being 6,555,028 shares as of December 31, 2019), provided that where the shares are bought in order to maintain liquidity pursuant to the conditions defined by the AMF's General Regulation, the number of shares taken into account for purposes of calculating the 10% limit provided for above is the number of shares bought minus the number of shares resold during the period of the authorization;
- the number of shares that the Company holds may not at any time exceed 10% of the shares comprising the Company's share capital on the date in question.

Shares may be bought, sold or transferred at any time (other than during a tender offer of the Company's shares) up to the limits authorized by applicable laws and regulations, and by any means, on regulated markets or multilateral trading facilities, through systematic internalizers or over the counter, including through block trades (without limiting the portion of the buyback program that may be carried out by this means), by tender or exchange offer, or through the use of options or other forward financial instruments traded on regulated markets, multilateral trading facilities, through systematic internalizers or over the counter, or by delivery of shares following the issuance of securities giving access to the Company's share capital by conversion, exchange, reimbursement, exercise of a warrant or in any other manner, either directly or indirectly through an investment services provider acting pursuant to the provisions of Article L.225-206 II of the French Commercial Code.

The Shareholders' Meeting is asked to set the maximum purchase price at €30 per share.

The Shareholders' Meeting would delegate power to the Management Board to adjust the abovementioned maximum purchase price, in order to account for the effect of the following transactions on the share value: change in the share's nominal value, capital increase by incorporation of reserves, award of performance shares, stock split or reverse stock split, distribution of reserves or of any other assets, capital redemption or any other transaction affecting shareholders' equity.

The total amount allocated to the share buyback program authorized above may not be greater than 50,000,000 Euros.

As of the date of the Shareholders' Meeting and up to the amount, if any, that has not yet been used, this authorization would cancel any delegation previously given to the Management Board to trade in Company's shares.

This authorization would be given for a period of 18 months from the date of the Shareholders' Meeting.

9. Authorization to be given to the Management Board to award performance shares to salaried employees and/or certain corporate officers of the Company or related companies, specifying the duration of the delegation, the limits thereon and the duration of the vesting and retention periods (17th resolution)

We ask you to authorize the Management Board to award, subject to the achievement of performance conditions determined by the Management Board in agreement with the Supervisory Board and upon the recommendation of the Nomination, Compensation and Governance Committee, of existing Company shares not representing more than 1% of the Company's share capital on the date of the Shareholders' Meeting, to employees or certain employees and/or certain corporate officers of the Company or its related companies. We note that the awards that would be made under this resolution to members of the Management Board would be approved in advance by the Supervisory Board, would be fully subject to performance conditions, and could not represent more than 30% of the shares covered by this resolution.

In connection with this authorization, we ask you to provide the Management Board with the authority, each time it makes decision to grant shares, to determine, on the basis of the recommendations of the Nomination, Compensation and Governance Committee and in accordance with to the law, the vesting period following which the shares will be definitively awarded, which period may not be less than two years from the share grant date.

We also ask you to approve that the Management Board will have the authority, each time it makes decision to grant shares, to determine, on the basis of the recommendations of the Nomination, Compensation and Governance Committee, where applicable, the retention period to which the beneficiaries will be bound, which period shall run from the vesting date of the shares and which may be eliminated, since the vesting period may not be less than two years.

We also ask you to provide that in the event that a recipient becomes disabled, as defined in the second or third category set forth in Article L.341-4 of the French Social Security Code, the shares shall be definitively granted before the end of the remaining vesting period, and shall be immediately transferable.

We propose that the existing shares that may be awarded pursuant to this authorization be acquired by the Company, either pursuant to Article L.225-208 of the French Commercial Code, or, where applicable, under the share buyback program authorized by the Shareholders' Meeting as proposed in the sixteenth resolution above, in accordance with Article L.225-209 of the French Commercial Code, or any other share buyback program that may apply at a later date.

We ask you to grant this authorization as of the date of the Shareholders' Meeting of April 30, 2020, for a period to expire at the close of the Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2020.

In this framework, you will be asked to grant full powers to the Management Board, within the limits set forth above and subject to the prior authorization of the Supervisory Board, to implement this authorization, and, in particular, to:

- determine the beneficiaries, the award criteria (in particular with respect to continued employment and, where applicable, performance), the number of shares to be awarded to each of them, the terms and conditions of the award of shares and, in particular, the vesting period and retention period applicable to each award, subject to the minimum periods defined by this resolution;
- set, upon the proposal of the Nomination, Compensation and Governance Committee, in accordance with legal conditions and limits, the dates on which such performance share awards shall be made;
- determine the dividend date for the newly issued shares;
- decide on the terms pursuant to which the number of performance shares awarded will be adjusted in order to preserve the beneficiaries' rights; and
- more generally, with the right to delegate and sub-delegate as permitted by law, enter into any agreements, prepare any documents, and carry out any formalities or filings with any bodies, and do all that may otherwise be necessary.

10. Amendments of the By-laws (resolutions 18 to 20)

Resolutions 18 to 20 concern various amendments to the by-laws following the entry into force of the French act for business growth and transformation of May 22, 2019 ("PACTE" Act) and of the act for the simplification, clarification and updating of company law of July 19, 2019.

> ***Appointment of members representing employees***

As the "PACTE" act reduced from 12 to 8 the number of Supervisory Board members above which the obligation to appoint a second member representing employees applies, you are asked, by voting on the 18th resolution, to amend Article 17 of the Company's by-laws relative to this obligation by making reference to the legal provisions rather than to a given number of Board members and specifying the manner in which the second member representing employees is appointed.

> ***Removal of the reference to "attendance fees"***

As the "PACTE" act removed the reference to "attendance fees", you are asked, by voting on the 19th resolution, to amend Articles 17 and 23 of the By-laws in order to replace the term "attendance fees" with "members' compensation".

> ***Written consultation of members for certain Board decisions***

As the act on the simplification, clarification and updating of company law introduced the possibility for French sociétés anonymes to make provision in the by-laws for the possibility of certain Supervisory Board decisions being made by written consultation of the members, you are asked, by voting on the 20thresolution, to amend Article 21 of the Company's By-laws in order to include this possibility for certain decisions restrictively listed in the act, i.e. appointments of Supervisory Board members in the event of a vacant position following death or resignation, authorizations to grant sureties, endorsements and guarantees, amendments of the by-laws needed to bring them into compliance with legislative and regulatory provisions (subject to ratification by the Extraordinary Shareholders' Meeting) and the convening of a Shareholders' Meeting.

11. Powers (resolution 21)

You are asked to grant powers to proceed with the filings, formalities and publications required by law.

We hope that you will approve all of the resolutions submitted for your vote.

The Management Board

8.3 Draft resolutions

First resolution:

(Approval of the Company financial statements for the year ended December 31, 2019)

The Shareholders' Meeting, voting with the quorum and majority required for ordinary shareholders' meetings and after reviewing (i) the Management Board report, (ii) the observations of the Supervisory Board and (iii) the Statutory Auditors' report on the company financial statements for the year ended December 31, 2019, approves the financial statements for the year ended December 31, 2019 as presented to them and including the balance sheet, income statement and notes thereto, showing a net profit of €46,448,117.65, and the transactions reflected in such financial statements and summarized in such reports.

Pursuant to Article 223 quater of the French General Tax Code, the Shareholders' Meeting also takes note that total expenses and charges as referred to in Article 39-4 of the French General Tax Code amounted to €59,707 for the previous financial year.

Second resolution:

(Approval of the consolidated financial statements for the year ended December 31, 2019)

The Shareholders' Meeting, voting with the quorum and majority required for ordinary shareholders' meetings and after reviewing (i) the Management Board's report, (ii) the observations of the Supervisory Board and (iii) the Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2019, approves the consolidated financial statements for the year ended December 31, 2019 as presented to them and including the balance sheet, income statement and notes thereto, showing a net profit - Group share - of €39.6 million, and the transactions reflected in such financial statements and summarized in such reports.

Third resolution:

(Appropriation of the net profit for the year ended December 31, 2019)

The Shareholders' Meeting, voting with the quorum and majority required for ordinary shareholders' meetings and after reviewing (i) the Management Board's report, (ii) the observations of the Supervisory Board and (iii) the Statutory Auditors' report on the company annual financial statements, noting that the financial statements for the year ended December 31, 2019 show a net profit of €46,448,117.65, decides, upon the motion of the Management Board, to appropriate and attribute all the distributable profit to retained earnings, bringing it to €755,453,088.35.

In accordance with legal provisions, the Shareholders' Meeting notes that the dividend for the past three financial years has been set as follows:

Dividends paid over the past three financial years	**Year of payment**		
	2019	**2018**	**2017**
Total dividend (in millions of Euros) [(1)]	38.1	37.9	38.0
Dividend per share (in Euros)	0.60	0.60	0.60

[(1)] *The amounts presented in this table represent total dividends after deduction of the treasury shares held by the Company.*

Fourth resolution:

(Special report by the Statutory Auditors on the agreements mentioned in Articles L.225-86 et seq. of the French Commercial Code)

The Shareholders' Meeting, voting with the quorum and majority required for ordinary shareholders' meetings, notes that the special report by the Statutory Auditors on the agreements mentioned in Articles L. 225-86 et seq. of the French Commercial Code required by applicable legislative and regulatory provisions, which does not mention any new agreement made during the year ended December 31, 2019, has been submitted to it.

Fifth resolution:

(Renewal of the appointment of KPMG as incumbent Statutory Auditor)

The Shareholders' Meeting, voting with the quorum and majority required for ordinary shareholders' meetings, decides to renew the appointment of KPMG as incumbent Statutory Auditor, for a term of six (6) financial years, i.e. until the annual Shareholders' Meeting convened in 2026 to approve the financial statements for the year ending December 31, 2025.

Sixth resolution:

(Appointment of Salustro Reydel as substitute Statutory Auditors)

The Shareholders' Meeting, voting with the quorum and majority required for ordinary shareholders' meetings, decides to appoint Salustro Reydel as substitute Statutory Auditor for a term of six (6) financial years, i.e. until the annual Shareholders' Meeting convened in 2026 to approve the financial statements for the year ending December 31, 2025.

Salustro Reydel has informed the Company that it accepted this appointment subject to the vote by the Shareholders' Meeting.

Seventh resolution:

(Renewal of the appointment of Mazars as incumbent Statutory Auditor)

The Shareholders' Meeting, voting with the quorum and majority required for ordinary shareholders' meetings, decides to renew the appointment of Mazars as incumbent Statutory Auditor, for a term of six (6) financial years, i.e. until the annual Shareholders' Meeting convened in 2026 to approve the financial statements for the year ending December 31, 2025.

Eighth resolution:

(Renewal of the appointment of Mr. Jérôme de Pastors as substitute Statutory Auditor)

The Shareholders' Meeting, voting with the quorum and majority conditions required for ordinary shareholders' meetings, decides to renew the appointment of Mr. Jérôme de Pastors as substitute Statutory Auditor for a term of six (6) financial years, i.e. until the annual Shareholders' Meeting convened in 2026 to approve the financial statements for the year ending December 31, 2025.

Ninth resolution:

(Appointment of Nicolas Deconinck as member of the Supervisory Board)

The Shareholders' Meeting, voting with the quorum and majority required for ordinary shareholders' meetings, having reviewed the Management Board's report, decides to appoint Nicolas Deconinck as Supervisory Board member for a term of four (4) years, i.e. until the close of the annual Shareholders' Meeting convened in 2024 to approve the financial statements for the year ending December 31, 2023. Nicolas Deconinck has already indicated that he would accept his appointment, should it be decided by this Shareholders' Meeting, and that he does not hold any position and is not subject to any measure that could prevent him from holding office.

Tenth resolution:

(Approval of the information relative to the 2019 compensation of all the corporate officers)

The Shareholders' Meeting, voting with the quorum and majority required for ordinary shareholders' meetings, having reviewed the report on the company's governance provided for by Article L.225-68 of the French Commercial Code, approves, information relating to the 2019 compensation of corporate officers mentioned in article L. 225-37-3, I of the French Commercial Code, as mentioned in Section 2.6.2.2 of the 2019 Universal Registration Document.

Eleventh Resolution:

(Approval of the compensation paid or awarded for the 2019 financial year to Fabrice Barthélemy, Chairman of the Management Board)

The Shareholders' Meeting, voting with the quorum and majority required for ordinary shareholders' meetings, having reviewed the report on the company's governance provided for by Article L.225-68 of the French Commercial Code, approves, pursuant to Article L.225-100 II of the French Commercial Code, the fixed, variable and exceptional items comprising the total compensation and benefits of any nature paid or awarded for the 2019 financial year to Fabrice Barthélemy, Chairman of the Management Board, as mentioned in Section 2.6.2.2 of the 2019 Universal Registration Document.

Twelfth resolution:

(Approval of the compensation paid or awarded for the 2019 financial year to Eric La Bonnardière, Chairman of the Supervisory Board)

The Shareholders' Meeting, voting with the quorum and majority required for ordinary shareholders' meetings, having reviewed the report on the company's governance provided for by Article L.225-68 of the French Commercial Code, approves, pursuant to Article L.225-100 II of the French Commercial Code, the fixed, variable and exceptional items comprising the total compensation and benefits of any nature paid or awarded for the 2019 financial year to Eric La Bonnardière in his capacity as Chairman of the Supervisory Board, as mentioned in Section 2.6.2.4 of the 2019 Universal Registration Document.

Thirteenth resolution:

(Approval of the items of the Chairman of the Management Board's compensation policy)

The Shareholders' Meeting, voting with the quorum and majority required for ordinary shareholders' meetings, having reviewed the report on the company's governance provided for by Article L.225-68 of the French Commercial Code describing the items of the corporate officers' compensation policy determined pursuant to Article L.225-82-2 of the French Commercial Code, approves the items of the Chairman of the Management Board's compensation policy, as mentioned in Sections 2.6.1.1 and 2.6.1.2 of the 2019 Universal Registration Document.

Fourteenth resolution:

(Approval of the items of the Chairman of the Supervisory Board's compensation policy)

The Shareholders' Meeting, voting with the quorum and majority required for ordinary shareholders' meetings, having reviewed the report on the company's governance provided for by Article L.225-68 of the French Commercial Code describing the items of the corporate officers' compensation policy determined pursuant to Article L.225-82-2 of the French Commercial Code, approves the items of the Chairman of the Supervisory Board's compensation policy, as mentioned in Section 2.6.1.3 of the 2019 Universal Registration Document.

Fifteenth resolution:

(Approval of the items of the Supervisory Board members' compensation policy)

The Shareholders' Meeting, voting with the quorum and majority required for ordinary shareholders' meetings, having reviewed the report on the company's governance provided for by Article L.225-68 of the French Commercial Code describing the items of the corporate officers' compensation policy determined pursuant to Article L.225-82-2 of the French Commercial Code, approves the items of the Supervisory Board members' compensation policy, as mentioned in Section 2.6.1.3 of the 2019 Universal Registration Document.

Sixteenth resolution:

Authorization given to the Management Board to trade on the Company's shares

The Shareholders' Meeting, voting with the quorum and majority required for ordinary shareholders' meetings, having reviewed the report by the Management Board, authorizes the Management Board to purchase or cause the purchase of the Company's shares, with the right to sub-delegate as permitted by law, in accordance with Articles L.225-209 et seq. of the French Commercial Code, for the purpose of:

- awarding performance shares pursuant to Articles L.225-197-1 et seq. of the French Commercial Code; or
- awarding performance shares to employees or officers of the Company or an affiliate of the Company (in particular the Company's direct and indirect subsidiaries) under any plan that is not subject to Articles L.225-197-1 et seq. of the French Commercial Code, and in particular under Long Term Incentive Plans; or
- the cancellation of the shares bought back and not allocated; or
- trading in the secondary market or maintaining the liquidity of Tarkett's shares through an investment services provider in the framework of a liquidity contract that complies with the market ethics charter recognized by the AMF.

The Company may buy back a number of shares such that:

- the number of shares that the Company buys during the term of the share buyback program does not exceed 10% of the shares comprising the Company's share capital at any time, this percentage applying to the capital as adjusted following any transaction affecting it subsequent to the Shareholders' Meeting (such number being 6,555,028 shares as of December 31, 2019), provided that where the shares are bought in order to maintain liquidity pursuant to the conditions defined by the AMF's General Regulation, the number of shares taken into account for purposes of calculating the 10% limit provided for above is the number of shares bought minus the number of shares resold during the period of the authorization;
- the number of shares that the Company holds may not at any time exceed 10% of the shares comprising the Company's share capital on the date in question.

Shares may be bought, sold or transferred at any time (other than during a tender offer on the Company's capital) up to the limits authorized by applicable laws and regulations, on regulated markets or multilateral trading facilities, through systematic internalizers or over the counter, including through block trades (without limiting the portion of the buyback program that may be carried out by this means), by tender or exchange offer, or through the use of options or other forward financial instruments traded on regulated markets, multilateral trading facilities, through systematic internalizers or over the counter, or by delivery of shares following the issuance of securities granting access to the Company's share capital by conversion, exchange, reimbursement, exercise of a warrant or in any other manner, either directly or indirectly through an investment services provider acting pursuant to the conditions of Article L.225-206 II of the French Commercial Code.

The maximum share purchase price in the framework of this resolution is €30.

The Shareholders' Meeting delegates to the Management Board, in the event of a change in the share's nominal value, a capital increase by incorporation of reserves, an award of performance shares, a stock split or a reverse stock split, a distribution of reserves or of any other assets, a capital redemption, or any other transaction affecting shareholders' equity, the power to adjust the maximum purchase price stated above in order to account for the effect of such transactions on the share value.

The total amount allocated to the share buyback program authorized above may not be greater than €50,000,000.

The Shareholders' Meeting grants full powers to the Management Board, with the right to sub-delegate as permitted by law, to decide upon and implement this authorization, to specify, if necessary, its terms and conditions, to carry out the share buyback program, and in particular to place any stock market order, to enter into any agreement, to allocate or reallocate the acquired shares for their intended purposes in accordance with applicable laws and regulations, to define the terms and conditions governing the maintenance of shareholder or option holder rights in accordance with legal, regulatory or contractual provisions, to file any declarations to the AMF or any other competent authority and to carry out all other formalities and, generally, to perform all necessary acts.

As of the date hereof and up to the amount, if any, that has not yet been used, this authorization cancels any delegation previously given to the Management Board to trade in the Company's shares. It is given for a period of 18 months as of the date hereof.

Extraordinary business

Seventeenth resolution:

(Authorization to be given to the Management Board to award performance shares to salaried employees and/or certain corporate officers of the Company or related companies, specifying the duration of the authorization, the limits thereon and the duration of the vesting and retention periods)

The Shareholders' Meeting, voting with the quorum and majority required for extraordinary shareholders' meetings and in accordance with applicable legal provisions, particularly Article L.225-197-1 et seq. of the French Commercial Code, after reviewing the Management Board's report and the special report by the Statutory Auditors:

Authorizes the Management Board, as from the date of this Shareholders' Meeting, and for a duration to expire at the close of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2020, to carry out, with the prior authorization of the Supervisory Board, one or more awards of existing Company shares, subject to the performance conditions set by the Management Board and approved by the Supervisory Board and upon the proposal of the Nomination, Compensation and Governance Committee, pursuant to the terms set forth below.

The total number of existing Company shares to be awarded as performance shares pursuant to this resolution may not represent more than 1% of the Company's share capital on the date of this Meeting, it being specified that the awards made pursuant to this Resolution to each of the members of the Company's Management Board must be authorized in advance by the Supervisory Board, must be fully subject to performance conditions, and may not represent more than 30% of the number of shares authorized by this resolution.

The recipients will be some or all of the eligible employees and/or company officers (within the meaning of Article L.225-197-1 II paragraph 1 of the French Commercial Code and subject to compliance with Articles L.225-186-1 and L.225-197-6 of such Code) of the Company or of companies or groups that are related to the Company within the meaning of Article L.225-197-2 of the French Commercial Code, or certain categories thereof.

At the time of each award decision, the Management Board shall determine, on the basis of the recommendations of the Nomination, Compensation and Governance Committee and as permitted by law, the vesting period following which the share award shall become final. The vesting period may not be less than two years from the date of the share award.

At the time of each award decision, the Management Board shall determine, on the basis of the recommendations of the Nomination, Compensation and Governance Commitee, where applicable, the retention period to which the award recipients will be bound, which period shall run from the vesting date of the shares and which may be eliminated, since the vesting period may not be less than two years.

In the event that a recipient becomes disabled, as defined in the second or third category set forth in Article L.341-4 of the French Social Security Code, the shares shall be definitively awarded before the end of the remaining vesting period, and shall be immediately transferable.

The existing shares that may be awarded pursuant to this resolution shall be acquired by the Company, either pursuant to Article L.225-208 of the French Commercial Code, or, where applicable, under the share buyback program proposed in the sixteenth resolution above, in accordance with Article L.225-209 of the French Commercial Code, or any other share buyback program that may apply at a later date.

In this framework, the Shareholders' Meeting grants full powers to the Management Board, subject to the prior authorization of the Supervisory Board, to implement this authorization and, in particular, to:

- determine the beneficiaries, the award criteria (in particular with respect to continued employment and performance), the number of shares to be awarded to each of them, the terms and conditions of the share awards and, in particular, the vesting period and retention period applicable to each award, within the limit of the minimum periods defined by this resolution;
- set, upon the proposal of the Nomination, Compensation and Governance Committee, pursuant to legal conditions and limits, the dates on which such performance share awards shall be made;
- determine the dividend date for the newly issued shares, which date may be retroactive;
- decide on the terms pursuant to which the number of performance shares awarded will be adjusted in order to preserve the beneficiaries' rights; and
- more generally, enter into any agreements, prepare any documents, and carry out any formalities or filings with any bodies, and do all that may otherwise be necessary.

Each year, the Management Board shall inform the Ordinary Shareholders' Meeting of the awards carried out pursuant to this resolution, in accordance with Article L.225-197-4 of the French Commercial Code.

Eighteenth resolution:

(Amendment of Article 17 of the By-laws for the purpose of determining the number of Supervisory Board members representing employees according to the number of Board members provided for by Article L. 225-79-1 of the French Commercial Code)

The Shareholders' Meeting, voting with the quorum and majority required for extraordinary shareholders' meetings, having reviewed the Management Board's report, acknowledging the provisions of the French Act 2019 486 of May 22, 2019 on business growth and transformation which amended the conditions governing the appointment of members representing employees, decides to amend the Company's By-laws to bring them into compliance with these provisions. Accordingly, the 4th paragraph of Article 17 of the By-laws shall now be drafted as follows:

"The Supervisory Board shall also include one or more member(s) representing employees the number and regime of which are determined by applicable legal provisions and by these by-laws. When only one member representing employees is to be appointed, the latter shall be appointed by the Economic and Social Committee. When two members representing employees are to be appointed, the second member shall be appointed by the Economic and Social Committee"

The remaining provisions of Article 17 of the By-laws remain unchanged.

Nineteenth resolution:

(Amendment of Articles 17 and 23 of the By-laws to remove the term "attendance fees")

The Shareholders' Meeting, voting with the quorum and majority required for extraordinary shareholders' meetings and in accordance with applicable legal provisions, having reviewed the Management Board's report, decides, in light of the reform introduced by French act no. 2019-486 of May 22, 2019, to amend the By-laws to remove the term "attendance fees", set aside by the act, and replace it with the term "remuneration of the Supervisory Board members" included in the act.

Twentieth resolution:

(Amendment of Article 21 of the By-laws to enable the Supervisory Board to adopt decisions in certain areas by means of a written consultation)

The Shareholders' Meeting, voting with the quorum and majority required for extraordinary shareholders' meetings, having review the Management Board's report, decides to use the option granted by the law for the simplification, clarification and updating of company law of July 19, 2019 and to authorize the Supervisory Board to make decisions by written consultation in the manner defined by regulations. Accordingly, the following paragraph is added at the end of Article 21 of the By-laws: *"The Supervisory Board may make decisions by a written consultation of its members in the manner defined by applicable regulations"*.

The beginning of Article 21 remains unchanged.

Ordinary business

Twenty-first resolution:

(Powers for formalities)

The Shareholders' Meeting grants full powers to the bearer of an original, a copy of or an extract from the minutes of this Shareholders' Meeting to carry out all filings, formalities and publications required by law.

8.4 Supervisory Board's observations on the Management Board report and the financial statements for the year ended December 31, 2019

Dear Madam, Dear Sir,

Our Company's Management Board has called you to the Shareholders' Meeting, in accordance with law and the By-laws, in order to report to you on the activity and financial position of our Company and of our Group during the year ended December 31, 2019, and to submit the financial statements for such financial year and the appropriation of profit to you for approval.

We inform you that the Management Board has provided the annual company financial statements, the consolidated financial statements and the management report to the Supervisory Board within the legal time limits.

In accordance with Article L.225-68 of the French Commercial Code, we have examined the Company financial statements, the Consolidated Financial Statements, and the Management Board's management report, and we believe that such documents do not call for any particular observations.

We hope that all of the recommendations that the Management Board has made to you in its report will meet with your approval, and that you will decide to adopt the resolutions submitted for your approval.

The Supervisory Board

8.5 Statutory Auditors' special report on the authorization to award performance shares

Shareholders' Meeting of April 30, 2020 – 17th resolution

To the Shareholders,

In our capacity as your company's Statutory Auditors and in accordance with the terms of our engagement defined by Article L.225-197-1 of the French Commercial Code, we hereby report to you on the proposed authorization to award existing performance shares to salaried employees and/or certain corporate officers of your company, or companies or groups related to it within the meaning of Article L.225-197-2 of the French Commercial Code, an operation which is submitted to you for approval.

The total number of shares that may be awarded as performance shares under the seventeenth resolution may not exceed 1% of your company's share capital as at the date of the present Shareholders' Meeting.

Your Management Board proposes, on the basis of its report, to authorize it for a term expiring at the close of the Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2020, to award existing shares of your company as performance shares.

It is the responsibility of the Management Board to prepare a report on this proposed operation. It is our responsibility to provide you with any observations we have on the information given to you on the proposed operation.

We performed the procedures that we deemed necessary in accordance with the guidance issued by the French Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes) for this type of engagement. These procedures consisted notably in verifying that the terms proposed and given in the Management Board report are in compliance with the provisions of French law.

We have no matters to report on the information given in the Management Board report in connection with the proposed operation to award existing performance shares.

Paris La Défense,

February 13, 2020

The Statutory Auditors,

KPMG Audit

Renaud Laggiard

Partner

Mazars

Eric Schwaller

Partner

Anne-Laure Rousselou

Partner

8.6 Statutory Auditors' special report on related-party agreements

To the Shareholders,

In our capacity as your company's Statutory Auditors, we present our report on related-party agreements.

It is our responsibility to report to you, based on the information provided to us, on the characteristics, main terms and conditions and reasons underlying the company's interests of agreements that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements. According to the provisions of Article R.225-58 of the French Commercial Code, it is your responsibility to determine whether the agreements are appropriate and should be approved.

Where applicable, it is also our responsibility to provide you with the information required by Article R.225-58 of the French Commercial Code concerning the implementation during the past year of agreements already approved by the Shareholders' Meeting.

We performed the procedures that we deemed necessary in accordance with the guidance issued by the French Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes) for this type of engagement. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

1 Agreements submitted to the Shareholders' Meeting for approval

We inform you that we have not been notified of any agreement authorized and entered into during the past year to be submitted to the Shareholders' Meeting for approval pursuant to Article L.225-88 of the French Commercial Code.

2 Agreements already approved by the Shareholders' Meeting

Related-party agreements approved during previous years and which continued to be performed during the past year

In accordance with Article R.225-57 of the French Commercial Code, we have been informed that the performance of the following agreements approved by the Shareholders' Meeting in prior years continued during the past year.

With Société Investissement Deconinck ("S.I.D.")

Persons concerned: Messrs. Julien, Didier and Eric Deconinck and Mr. Eric La Bonnardière, members of Tarkett's Supervisory Board and shareholders, directly and indirectly, of S.I.D., shareholder holding 50.68% of Tarkett, holding more than 10% of the Tarkett voting rights

1) Services agreement

Type and purpose: This agreement, authorized by your Supervisory Board on December 17, 2013 and amended by your Supervisory Board on June 26, 2018 with retroactive effect from January[1,] 2018 and reviewed by your Supervisory Board on February 7, 2019, continued in 2019. Pursuant to this agreement, Tarkett provides S.I.D. with legal, HR and tax services necessary for its business. For 2019, Tarkett charged S.I.D. €55,000 (ex-VAT) under this agreement.

Reasons underlying its interest for the Company and having led to the continuation of the agreement: These services are necessary for the management of S.I.D., Tarkett's main shareholder, and they continued in 2019.

2) Assistance and guidance agreement

Type and purpose: This agreement, authorized by your Supervisory Board on October 9, 2013 and amended by your Supervisory Board on June 26, 2018, with retroactive effect from January 1 ,2018 and reviewed by your Supervisory Board on February 7, 2019, continued in 2019. Pursuant to this agreement, S.I.D. provides assistance with determining the strategic direction of Tarkett and with important decision-making. During 2019, S.I.D. charged Tarkett €300,000 (ex-VAT) under this agreement.

Reasons underlying its interest for the Company and having led to the continuation of the agreement : These assistance and guidance services are necessary for the management of Tarkett and continued in 2019.

Pursuant to the law, we inform you that the Supervisory Board has not carried out the annual review of agreements entered into and authorized during previous years and which continued during the past year, as required by Article L. 225-88-1 of the French Commercial Code.

Paris La Défense,

February 13, 2020

The Statutory Auditors,

KPMG Audit	Mazars	
Renaud Laggiard	Eric Schwaller	Anne-Laure Rousselou
Partner	*Partner*	*Partner*

9 ADDITIONAL INFORMATION

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9.1 Person responsible for the Universal Registration Document

Fabrice Barthélemy
Chairman of the Management Board

9.2 Certification by the person responsible

"I attest, having taken every reasonable measure to this end, that, to the best of my knowledge, the information contained in this Universal Registration Document is in accordance with the facts and makes no omission likely to affect its import.

I attest that, to the best of my knowledge, the financial statements are drawn up in accordance with the applicable accounting standards and provide a true and fair view of the assets, financial situation and results of the Company and of all the companies falling within the scope of consolidation, and that the management report, the elements of which appear in the concordance table on page 340, presents a true and fair overview of the changes in the business, results and financial situation of the Company and of all the companies falling within the scope of consolidation, and that it sets out the main risks and uncertainties to which they are exposed.

I have obtained an audit completion letter from the Statutory Auditors, in which they indicate that they have verified the information relating to the financial position and the financial statements given in this document and that they have read the entire document."

On 23 March 2020

Fabrice Barthélemy
Chairman of the Management Board

9.3 Person responsible for the financial information

Mr Raphaël Bauer

Group Financial Officer

9.4 Indicative calendar for financial information

The financial information communicated to the public by the Company will be made available on its website.

As an indication, Tarkett's calendar for financial communications until December 31, 2020 should be the following:

	2020 calendar
First-Quarter results	April 28, 2020
Shareholders' Meeting	April 30, 2020
First half-year results	July 29, 2020
Third quarter results	October 28, 2020

9.5 Statutory Auditors

	Last mandate renewal date	Mandate end date [1]
KPMG Audit, a department of KPMG S.A. Represented by Philippe Grandclerc and Renaud Laggiard Tour Eqho - 2 Avenue Gambetta - 92066 Paris-La Défense (France)	SM 2014	SM 2020
Cabinet Mazars Represented by Juliette Decoux and Eric Schwaller 61 Rue Henri Regnault - Exaltis - 92400 Courbevoie (France)	SM 2014	SM 2020
KPMG Audit S.A. Represented by Mr François Caubrière Tour Eqho - 2 Avenue Gambetta - 92066 Paris-La Défense (France)	SM 2014	SM 2020
Mr Jérôme de Pastors 61 Rue Henri Regnault Exaltis 92400 Courbevoie (France)	SM 2014	SM 2020

(1) Date of the Shareholders Meeting convened to approve the financial statements for the financial year in which the mandate expires.

The Statutory Auditors' mandates ends at the next Shareholders' Meeting, it is proposed to Shareholders to renew the mandate of Statutory Auditor of Mazars and KPMG Audit, to renew the mandate of the substitue Statutory Auditor of Mr. Jérôme de Pastors and to appoint Salustro Reydel as substitue Statutory Auditor to replace KPMG Audit S.A. (more details in Chapter 8 of this Universal Registration Document).

9.6 Documents available to the public

Copies of this reference Universal Registration Document are available free of charge at the Company's registered office. This document may also be consulted on the Company's website (www.tarkett.com) and on the website of the French Financial Markets Authority (www.amf-france.org).

During the period for which this Universal Registration Document is valid, the following documents (or a copy of these documents) may be consulted:

- the Company's Articles of Association;
- all reports, correspondence and other documents, historical financial information, assessments and declarations established by an expert at the Company's request, parts of which are included or referred to in this Universal Registration Document; and,
- the historical financial information included in this Universal Registration Document.

All these legal and financial documents relating to the Company and which must be made available to the shareholders in accordance with the prevailing legislation and regulations may be consulted at the Company's registered office.

The regulated information, as defined by the provisions of the AMF's General Regulations, is available on the Company's website.

9.7 Concordance tables

9.7.1 Universal Registration Document

The concordance table below identifies the headings established in Annexes I and II of Commission Delegated Regulation (EU) no. 2019/980 of March 14, 2019 and reference is made to the sections of this Universal Registration Document where the information relating to each of those headings is given.

Information		Sections
1.	Persons responsible, third party information, experts' reports and competent authority approval	9.1 to 9.3
2.	Statutory Auditors	9.5
3.	Risk factors	6.1
4.	Information about the issuer	1 and 7.1.1
5.	Investments	4.2
6.	Overview of the business	
6.1	Principal activities	1.4
6.2	Principal markets	1.5
6.3	Important events in the development of the issuer's business	4.6
6.4	Strategy and objectives	1.3 and 4.6
6.5	Dependence of the Issuer	1.6.2.1
6.6	Competitive position	1.5
7.	Organisation chart	
7.1	Brief description of the Group	1.7
7.2	Significant subsidiaries of the Group	5.6
8.	Real estate property, plant and equipment	
8.1	Significant tangible fixed assets	1.6.2.2
8.2	Environmental issues	3
9.	Examination of the financial situation and of the results	
9.1	Financial situation	4.1
9.2	Operating results	4.1
10.	Cash and capital resources	4.3
11.	Research and development, patents and licences	1.6.4
12.	Trend information	4.6
13.	Profit forecasts or estimates	N/A
14.	Administrative, management and supervisory bodies and senior management	
14.1	Information concerning members	2.2
14.2	Conflicts of interest	2.9.1.1
15.	Remuneration and benefits	2.3, 2.5 and 2.6
16.	Practices of the administrative and management bodies	
16.1	Expiry dates of terms of office	2.2.2.2 and 2.2.3.2
16.2	Contracts between members of the administrative, management or supervisory bodies	2.9
16.3	Information on Supervisory Board committees	2.2.4
16.4	Compliance with the corporate governance regime	2.1.1
17.	Employees	
17.1	Number of employees	1.1.2
17.2	Shareholdings and stock options	2.4 and 2.7

Information		Sections
18.	Major shareholders	7.3
19.	Related party transactions	2.9
20.	Financial information concerning the issuer's assets and liabilities, financial position and profits and losses	
20.1	Historical financial information	5.1 et 5.2
20.2	Pro-forma financial information	N/A
20.3	Financial statements	5
20.4	Audited historical annual financial information	5.9 and 5.10
20.5	Date of the latest financial information	5.1 to 5.5
20.6	Interim and other financial information	N/A
20.7	Dividend distribution policy	5.7
20.8	Legal and arbitration proceedings	4.5
20.9	Significant change in the financial or commercial position	4.1
21.	Additional information	
21.1	Share capital	7.2
21.2	Memorandum and Articles of Association	7.4
22.	Material contracts	4.4
23.	Information from third parties, expert declarations and declarations of interest	N/A
24.	Documents available to the public	9.6
25.	Information on equity holdings	7.5

9.7.2 Annual financial report

Information under Article L.451-1-2 of the French Monetary and Financial Code		Sections
1.	Management report	9.7.3
2.	Consolidated Financial Statements	5.1 and 5.2
3.	Company financial statements	5.3
4.	Statutory Auditors' report on the Consolidated and Company Financial Statements	5.9 and 5.10
5.	Declaration of the persons responsible for the annual financial report	9.1 to 9.3

9.7.3 Management Board Report

The table below identifies the sections of this Universal Registration Document containing all of the elements of the Management Board report required under the statutory and regulatory provisions.

Elements of the management report required under Article L.225-100 of the French Commercial Code		Sections
1.	Performance and activities of the Company during the past financial year	1.4
2.	Significant events during the 2019 financial year	1.1 and 5.3 (Note 1)
3.	Group results in 2019	5.1 à 5.4
4.	Group indebtedness	4.3.3 to 4.3.7
5.	Group internal control, accounting, and financial risk management procedures	6.2
6.	Description of the principal risks and uncertainties to which the Company is exposed	6.1
7.	Research and development activities	1.6.4
8.	Significant events since the close	5.2 (Note 11)
9.	Foreseeable developments and future outlook	4.6
10.	Allocation of results	8.2
11.	Table of results for the past five years	5.5
12.	Dividends	5.7
13.	Non-tax-deductible expenses	8.2
14.	Subsidiaries and equity investments	5.6
15.	Shareholders	7.3
16.	Stock option or stock purchase plans and free share allocation incentive plans	2.5
17.	Transactions on the Company's securities carried out by company officers and related parties (Article L.621-18-2 of the French Monetary and Financial Code)	2.8
18.	Share buybacks	7.2.3
19.	Information on supplier or client payment times	5.4 (Note 2.5)
20.	Human resource, environmental and social information (Articles L.225-102-1, R.225-104 and R.225-105-1 of the French Commercial Code, as amended by Article 1 of Decree no. 2012-557 of 24 April 2012)	3 (concordance table on Section 3.9.3)
21.	Vigilance plan	3.4
22.	Report on corporate governance	2 et 9.7.4

9.7.4 Supervisory Board report on corporate governance

Information required under Article L.225-68 of the French Commercial Code	Sections
Diversity policy applied to the members of the Supervisory Board	2.2.3.6
Preparation and organisation conditions	2.2.1, 2.2.2.1 and 2.2.3.1
Limitation of the Management Board's powers	7.4.1.3
Mandates and functions exercised by each corporate officer	2.2.2.4 and 2.2.3.5
Director remuneration and benefits of any kind	2.3
Consultation on directors' pay	2.6
Provisions of the Afep-Medef Corporate Governance Code that were discounted	2.1.1
Where the Afep-Medef Code can be consulted	2.1.1
Specific terms and conditions for attending general meetings	7.4.1.5
Delegations for capital increases	7.2.4
Elements likely to have an influence in the event of a public offering	7.6
Supervisory Board observations on the management report and the financial statements for the past financial year	8.4
Agreements concluded between a director or significant shareholder and a subsidiary	2.9.2 and 8.6

Conception & réalisation : POMELO-PARADIGM

Tarkett

Head Office
1 Terrasse Bellini - Tour Initiale
92919 Paris La Défense - France

www.tarkett.com