

#### DEAR ASSOCIATES, PARTNERS AND FRIENDS,

As I think about the nearly 60 years our company has been in business, one thing stands out. We are a company dedicated to putting our people, and our values, first — and to leading by example in everything we do.

This commitment rang especially true for us in 2015, a year in which we began to see our longstanding effort to embed strong sustainability principles into every corner of our company take root. The core tenets of environmental and social responsibility have truly become an integral part of the lens through which we assess past performance and a compass by which we chart our course for the future.

Along the way, these same principles guide the decisions and actions of our company on a daily basis. Knowing the greatest successes are often the result of consistent effort and investment over time, we value small changes and improvements as much as we value marquee achievements like Zero Waste to Landfill Certification.

After all, it all adds up. Every step we take equals one more step towards an even better work environment for our employees, even more responsible products, a sustainable company, and ultimately, stronger relationships with all our stakeholders and an even greater experience for our customers.

It was with these greater interests in mind that, at the conclusion of 2015, we announced our decision to merge J+J Flooring Group with Engineered Floors, another leading flooring manufacturer with a complementary portfolio of products and services to that of J+J. Knowing Engineered Floors shares the same strong values as those we have upheld since our company's founding in 1957, we believe this new chapter will indeed add up to a bright, strong, sustainable future for our company, our customers and our community.



**David Jolly,** President May 2016





## LEADERSHIP + VISION LEADS TO PROGRESS

Established in 1957, J+J Flooring Group is a privately held commercial flooring manufacturer with a steadfast commitment to design, quality, service, integrity and sustainability. Headquartered in Dalton, Georgia, we provide a range of product and service solutions to meet the needs of our customers in the corporate workplace, education, healthcare, retail, government and hospitality sectors through our two market brands, Invision® and Kinetex®. We have showrooms and representation in the US, Canada and Europe, and our flooring products can be found in more than 20 countries worldwide.

#### **OUR MISSION**

J+J Flooring Group is a diversified manufacturer of commercial modular and broadloom flooring products.

We are a Family Company guided by fairness and Christian principles. By delivering a Premium Customer Experience, we seek to be the provider of choice for flooring solutions.

720 EMPLOYEES

950,000 SQ. FT. OF FACILITIES ON

ACRES, INCLUDING 20 ACRES OF DESIGNATED WETLANDS DONATED TO THE CITY OF DALTON IN 2004.

#### **+ 2015 AWARDS**

- + Best of NeoCon Silver Award Hard Surface Category
- + Nightingale Gold Award Hard Surface Category
- + Best of Year Finalist Interior Design

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#### DEAR STAKEHOLDER,

As you will see throughout this report, sustainability is everybody's job at J+J. As Director of Environmental Innovation, I simply have the privilege of focusing on it much of the time.

Our shared approach to sustainability – and indeed to the way we do business – has helped our company make significant strides toward a more sustainable future, and in practical terms, toward the goals set forth in our 20/20 Vision.

The progress we made along our sustainability journey in 2015 is a direct result of this collaborative approach – and to our collective passion for doing the right thing, every day. It all adds up.

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Director of Environmental Innovation

#### **HOW WE MANAGE SUSTAINABILITY**

Our sustainability priorities are simple: conserve the resources we use, responsibly source the materials we need, and minimize the environmental and social impacts of our operations and products.

Because actions speak louder than words, we've translated these priorities into goals focused on our most significant impact area: the environment. We measure our progress with the same stringency we use to assess financial health, using our Campus Environmental Team to ensure all our operations are focused on improving our environmental performance.

Guided by our executive group and under the leadership of the Director of Environmental Innovation, the team includes representation from all key business units. Along with holding responsibility for assessing and implementing enterprise-wide sustainability strategy and activity, each team member is also responsible for managing tactical initiatives within their business unit. Collectively, these initiatives comprise EnAct®, our environmental action program.

#### + 20/20 VISION BY 2020

Designed to serve as a reference point for the decisions we make each day, our 20/20 Vision sets forth five key environmental milestones we're working to accomplish by the year 2020, using 2010 as a baseline. We're proud to say we completed the first goal in 2014, when we became the first US flooring manufacturer to achieve third-party Zero Waste to Landfill Certification\*, and that we made progress towards our remaining goals throughout 2015.

\*Certification assessed by GreenCircle Certified, LLC

#### **▼** Eliminate our use of landfills

- ☐ Reduce water usage by 66%
- ☐ Reduce energy intensity by 20% and increase our use of renewable energy to at least 10% of our total energy consumption
- ☐ Cut our greenhouse gas (GHG) emissions by 20%
- ☐ Increase recycled, bio-based or renewable content in our products to 33%

See page 19 for additional information on our 20/20 Vision.

### GREAT RELATIONSHIPS MAKE A GREATER COMPANY

We're proud of the flooring we create, and prouder still of the long-standing relationships we've established within our company — and far beyond. After all, as our co-founder Tom Jones liked to say, "We're in the people business. We just happen to make carpet."

#### **DELIVERING A PREMIUM CUSTOMER EXPERIENCE**

Responsiveness. Collaboration. Dependability. Support. Over the years, we've staked our reputation on our service as well as our product. From product development to manufacturing, financial services to shipping, we work from the philosophy that the contributions of every person and team within our company are critical to ensuring our customers enjoy a premium experience, every time.

Our ability to deliver a premium experience also depends on understanding the solutions they need to the challenges they face. With this in mind, we regularly engage with our customers to identify opportunities to better anticipate and meet their needs. In addition to regular engagement through brand surveys, visits to customer facilities and trade/industry conference participation, we also invite customers to engage with us directly through a variety of events each year, including:

**ROAD TRIPS:** Customer tours of our Dalton facilities, including opportunities to meet directly with our design, product development, sustainability and operations teams, and to experience our manufacturing process.

**GLIMPSE EVENTS:** Regional meetings that provide architecture and design customers with the chance to preview new products and collaborate with us on design and product development.

**DESIGN SYMPOSIUMS:** Annual symposiums for architecture and design customers focused on design trends, evidence-based design research and new flooring concepts within one of our key market verticals (education, healthcare, retail, senior living, etc.)

#### + WE'RE ON IT: J+J CX

Every member of our company plays a role in meeting our customers' needs, but not everyone has the chance to interact with our customers directly. To highlight the value of each person's engagement, we launched a new internal engagement program in 2015 called J+J CX. Through regular company-wide communications, the program showcases the power of working together to create our premium customer experience.

#### **INVITING EMPLOYEES IN**

Our company may have grown over the years, but our dedication to preserving a family-style atmosphere hasn't changed. We've long maintained an open-door policy that welcomes collaboration, engagement and connectivity between every member of our company, no matter what position they hold or their tenure with J+J. Continuing to cultivate this atmosphere is more important than ever as our business expands, so we use quarterly 'cookouts' and other company-wide events as an opportunity to bring all employees together on a regular basis. And in more formal terms, we also make every effort to ensure all areas of our company are represented in employee committees and work teams convened to focus on key business issues – from innovation and process improvement, to environmental performance or community service.

#### **BUILDING POWERFUL PARTNERSHIPS**

As an active community partner and an industry leader, we place high value on extending an open door approach to all our stakeholders. Throughout the year, we stay connected with community leaders, industry partners and trade associations through regular meetings and conversations, as well as participation in conferences and special events.

Because we share the Dalton community with so many industry partners, in 2015 we co-founded a new flooring industry Alliance for Innovation & Sustainability designed to facilitate collaboration and partnership between manufacturers, suppliers and other business partners. Comprised of representatives from many flooring companies, the group convenes regularly to exchange ideas for innovation and best practices focused on building an even more sustainable industry.

#### + CORPORATE ASSOCIATIONS & MEMBERSHIPS

Alliance for Innovation & Sustainability (AIS)

American Academy of Healthcare Interior Designers (AAHID)

American Institute of Architects (AIA)

American National Standards Institute (ANSI)

Leadership in Educational Facilities (APPA)

Association of College and University Housing Officers (ACUHO)

Carpet America Recovery Effort (CARE)

Carpet & Rug Institute™ (CRI)

Center for Health Design (CHD)

Commercial Flooring Alliance (FUSE)

Georgia Association of Manufacturers (GAM)

International Facility Managers Association (IFMA)

International Interior Design Association (IIDA)

The Hospitality Industry Network (NEWH)

Worldwide Commercial

Flooring Partnership (Starnet)

United States Green Building Council (USGBC)

United Way



Olga Trujillo, Dyeing Depa

# SUPPORT + ENGAGEMENT EQUALS OPPORTUNITY

Creating a great place to work means going beyond standard benefits to ensure we're empowering every employee with the resources they need to build successful careers with our company. Providing the right balance of opportunity, challenge and support to help everyone enjoy a healthy work-life balance and a rewarding work experience is an investment that adds up to great opportunities for all.

#### **CULTIVATING SUCCESSFUL CAREERS**

Doing our part to help employees build rewarding careers with our company means making sure we provide plenty of opportunities for continuing education and professional growth. Every year, we offer reimbursement for professional memberships, conferences and workshops related to an employee's individual responsibilities. We also provide tuition assistance for qualified employees wishing to pursue a college or advanced degree.

AVERAGE TRAINING HOURS
COMPLETED BY ALL EMPLOYEES\*

\$25,644

TUITION REIMBURSEMEN'
PROVIDED FOR EMPLOYEE
CONTINUING EDUCATION

100% OF OUR EMPLOYEES ENGAGED IN SOME FORM OF ON-THE-JOB TRAINING, SELF-DIRECTED E-LEARNING OR PROFESSIONAL DEVELOPMENT WORKSHOPS LED BY EXTERNAL CONSULTANTS FOCUSED ON SYSTEMS SUPPORT, ISO 14001, OSHA COMPLIANCE, AND OTHER TOPICS

\*based on vear-end 2014 dat



#### TAKING STRIDES TOWARDS BETTER HEALTH

When we help one employee improve their well-being, we're helping improve the well-being of our whole company, too. That's the philosophy behind Working for Life, the corporate wellness program we started in 2005 and then reintroduced in 2015. Focused on helping employees improve their work-life balance and quality of life, the program offers resources, education, events and tools based on the three pillars of physical, emotional and financial well-being.

#### PHYSICAL HEALTH

- + Diabetes management classes
- + Health insurance
- + Health & wellness counseling, including helping employees connect with primary care physicians
- + Health screenings and preventive care
- + On-site walking treadmills
- + Company-wide participation in annual run/walk events, including the Chattanooga Corporate Challenge and the Dalton Red Carpet Run and a "Couch to 5K" program open to all employees
- + Weight-loss programs and healthy eating classes
- + Quarterly one-on-one meetings available with a licensed dietitian available to all employees

#### **EMOTIONAL HEALTH**

- + Career planning support
- + Employee assistance program (including six free counseling sessions with a licensed therapist)
- + Health coaching (employees may meet quarterly with a health coach for support working towards goals for emotional and physical health)

#### FINANCIAL WELL-BEING

- + Retirement planning
- + Company funded 401(k) with contribution matching

#### **ENCOURAGING DIVERSITY**

As our markets and our customers become increasingly global, we're more committed than ever to ensuring our company reflects that diversity. We strive to create a culturally rich, inclusive workplace that celebrates the perspectives and experiences of all employees. As an Equal Opportunity Employer, we're also committed to ensuring the opportunities we provide are accessible to all employees, prospective employees and suppliers from a broad range of backgrounds.









#### **HOW WE SERVE OUR COMMUNITIES**

We see giving back to our communities by sharing our time and financial support as an opportunity to pay it forward. Through our employee-led Volunteer Committee, we make sure every hour we volunteer and every dollar we contribute counts towards positive changes in our communities — and for the organizations we work with. To give every employee the chance to contribute his or her own talents and resources, the committee regularly organizes volunteer opportunities during the regular work day, including tutoring and mentoring local students, trash pickups and packing food boxes.

#### + CHARITABLE ORGANIZATIONS SUPPORTED IN 2015

Adopt-A-Mile

Blood Assurance

Boys and Girls Club

Christian Heritage Scho

Compassion House

Conseques Pivor Close-Ur

Coosa River Basin Initiative

Joosa River basin initiative

Covenant College

Dalton State College

amily Support Counc

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Friendship House

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Make-A-Wish Foundation

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Ross Woods Foundation

Salvation Arm

TC Thompson Children's Hospita

United Way

Jpper Room Mission



## CREATIVITY + SUSTAINABILITY DRIVE DESIGN

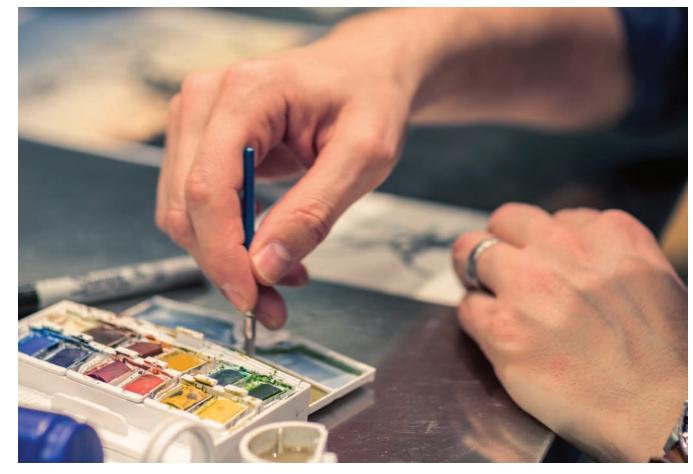
Flooring has a very real influence on how we experience a space, from the way customers shop and employees engage, to how students learn or patients heal. As a result, we draw on current research, engineering and careful consideration of raw materials to design products that balance high performance and sustainability with world-class aesthetics.

#### FROM SKETCH PADS TO SAMPLES: DECREASING OUR DESIGN FOOTPRINT

We invest significant time considering the sustainability of our products. In 2015, we decided to apply the same level of scrutiny to our own product design studio. Throughout the course of the year, we searched for opportunities to decrease the footprint of our design process, taking several steps along the way to reduce our impacts without compromising creativity, including:

- + Increasing the use of digital renderings vs. paper and textile samples
- + Running multiple dye color samples on the same piece of material
- + Leaving first-run product samples uncoated (saving human energy, reducing energy consumption, and dematerializing samples for easier recycling)





#### A WHOLE FLOOR APPROACH TO DESIGN

Our 'whole floor' approach to product design means we look beyond responsible raw materials to consider the way our floors stand to influence the sustainability of the facilities for which they're intended – and the overall health and well-being of the people who use those spaces. In addition to taking an evidence-based look at measurable impacts of the built environment on productivity, health and safety, our design team also engages with our own research and development, operations and sustainability teams to ensure our products are as sustainable and responsible as possible throughout the entire life cycle.







#### **MAKING OUR IMPACTS CLEAR**

Today, customers and end-users alike share a growing interest in the raw materials used in the products they choose, and the potential impacts of those products. We work hard to balance those interests with our customers' expectations for quality, performance, and of course, design leadership – and we're happy to share those efforts through Life Cycle Assessments (LCAs), product labeling, and participation in sustainable product databases like Portico\* (Google's healthy materials tool). By mid-2016, Declare labels will also be available for all our products.

\*Our eKo® and Kinetex® products can be found in Portico.

#### **CERTIFICATIONS & STANDARDS**

Third-party certifications and standards are one more way our customers can be assured the products we create are both responsible and beautiful. Each year, we ensure our products are up-to-date with leading world-class environmental performance certifications and standards.

- + NSF/ANSI 140 carpet sustainability standard
- + CRI Green Label Plus
- + BREEAM (UK)

All our products can also contribute to the US Green Building Council's Leadership in Energy and Environmental Design (LEED) Green Building Rating System.

#### + EPDS & HPDS

We make Environmental Product Declarations (EPDs) and Health Product Declarations (HPDs) available to our customers for 100% of our standard products, including all Invision® broadloom products using PremierBac®, TitanBac® and Nexus® backing systems, along with Invision® modular products using eKo® backing, and all Kinetex® products.

Using third-party verified Life Cycle Assessment data, EPDs make it easy to access information about a product's potential environmental impacts, from raw materials and manufacturing to shipping, installation, maintenance and end-of-life

By cross-referencing product materials against existing hazardous materials lists, HPDs provide a human health context for the information disclosed in an EPD by increasing transparency around product contents, emissions and health. HPDs are also included as a compliance option for the Building Product Disclosure & Optimization: Material Ingredients Credit in the LEED V4 rating system.

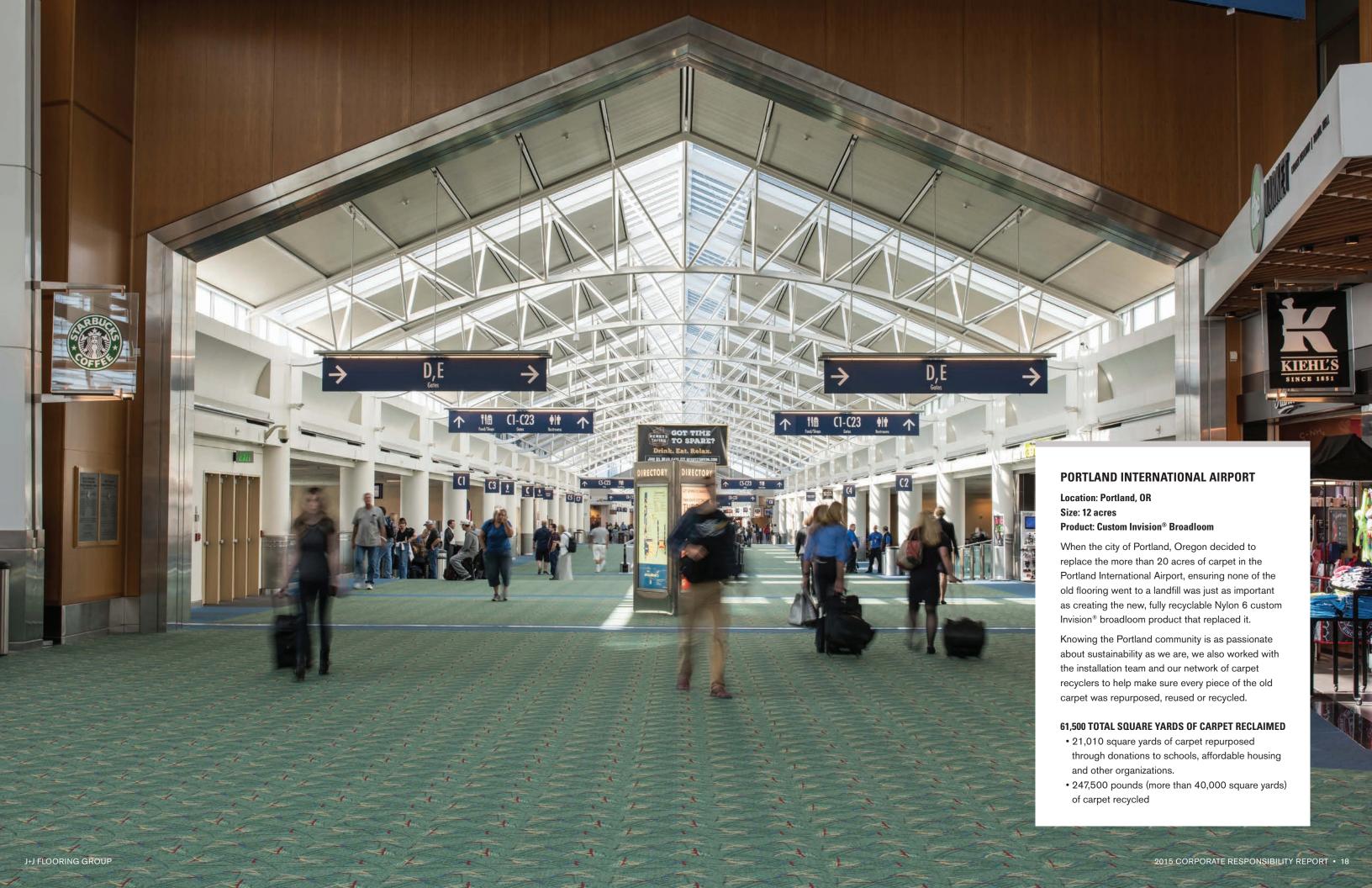
#### **ENGAGING OUR SUPPLY CHAIN**

We look for suppliers and business partners who share our commitment to responsible, sustainable business practices. Through the NSF 140 carpet sustainability certification process, we asked our suppliers to complete a survey in 2015 designed to help us gauge how well our suppliers' sustainability practices currently align with our own across six key performance areas:

- + Community engagement
- + Environmental performance
- + Health & safety
- + Human rights
- + Labor practices
- + Materials & health

Insight from the survey will help to inform our future engagement with suppliers as we seek to develop complementary sustainability practices and work together to build an even more sustainable supply chain.





### IDEAS + ACTIONS POWER PROGRESS

The progress we make towards our 20/20 Vision goals for environmental performance depend as much on small day-to-day changes as groundbreaking innovations. Working from the philosophy that every idea is valuable and every action counts, we balance our big picture vision with a keen focus on the day-to-day changes that will ultimately add up to even more sustainable products — and an even more sustainable company.

#### IMPROVING EFFICIENCY FROM THE GROUND UP

We've used ISO 14001 certification as a benchmark for assessing our performance and ensuring our compliance with globally recognized standards for environmental safety and responsibility since 2008. The ISO 14001 recertification process also creates an opportunity to engage all members of our operations team in continuously improving environmental responsibility at the manufacturing level. Employees on each of our manufacturing teams are actively engaged in identifying and implementing systems and process improvements designed to further conserve materials, eliminate waste and increase efficiency.

Working from the basis that it all adds up, we implemented a long list of changes in 2015, including:

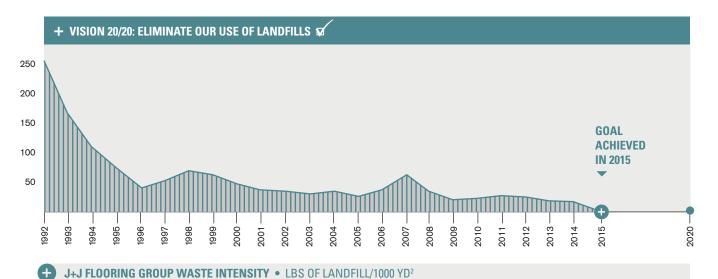
- + Completing a manufacturing facility re-roofing project using long-life, low albedo covering to reduce heat island effect, including increasing insulation to improve buildings' internal environments and energy efficiency.
- + Developing a low-profile, dye-beck heat exchanger which significantly improved energy, water and dye efficiency for small beck dyeing loads.
- + Launching a multi-year compressed air plant efficiency program with the installation of a new high-efficiency water-cooled compressed air dryer to reduce energy loss.

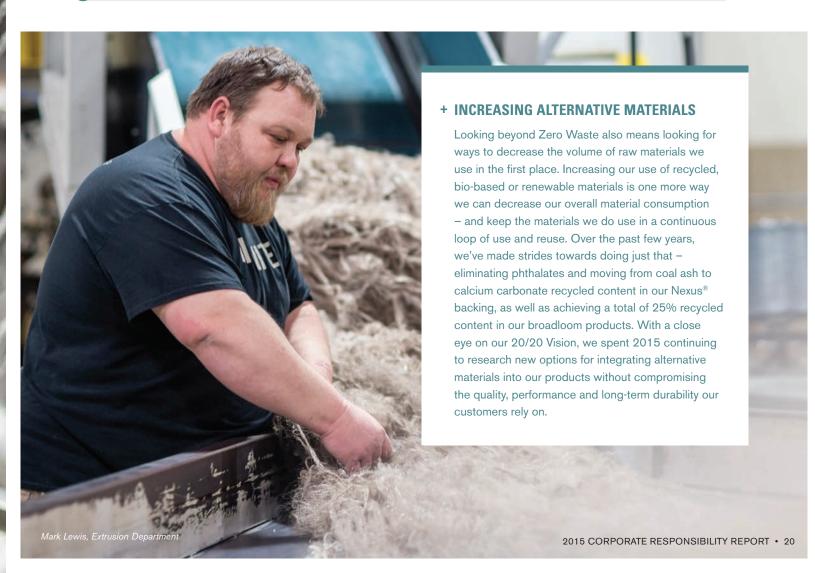
+J FLOORING GROU

- + Monitoring waste efficiency and performance by weighing and recording material manufacturing waste at the end of each shift before diverting it from landfill.
- + Rerouting Nylon 6 yarn waste back to extrusion so that it can be re-pelletized and extruded as new yarn.

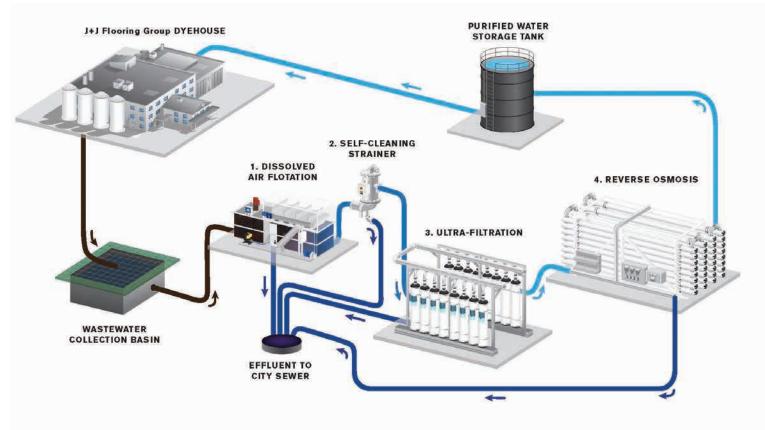
#### **MOVING BEYOND ZERO WASTE**

When we became the first US flooring manufacturer to achieve Zero Waste to Landfill Certification in 2014, that wasn't the end of the story. In 2015, we decided to go one step further by exploring ways to further reduce the already minimal amount of waste that must still be diverted away from landfills via waste-to-energy processes or other means. Knowing that most of that remaining waste comes from our breakrooms, we implemented a pilot composting program. Depending upon the program's success, we hope to be able to compost 99% of remaining breakroom waste right on campus, then return the composted material back to the earth through various natural activities.



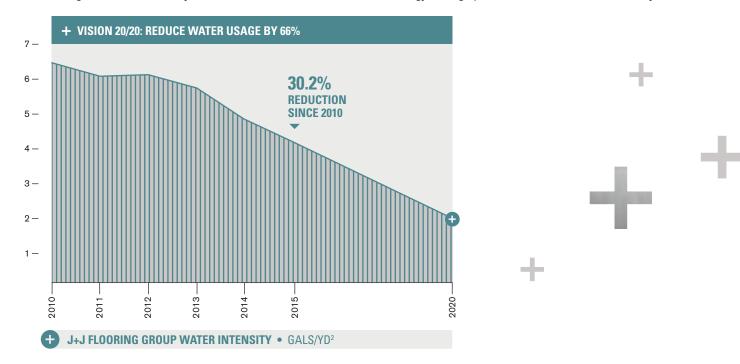






#### **COUNTING THE DROPS**

A few years ago, we introduced Aquafinity<sup>®</sup>, the first proprietary water reclamation system of its kind in our industry. Through a system of filters and reverse osmosis, Aquafinity helps us reclaim and reuse water from the most water-intensive part of our product manufacturing process: carpet dyeing and washing. As a result of the Aquafinity process, we're able to remove dyes and chemicals from manufacturing waste water, safely returning as much as 65% of the water we use back into our manufacturing processes. As a result, we save approximately 16 million gallons of water each year – and an estimated 3 billion BTUs of energy: enough power for 150 local homes for one year.

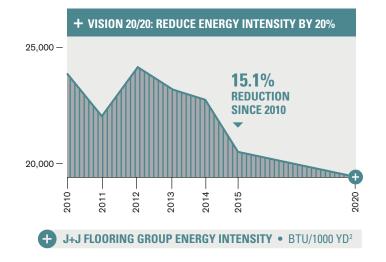




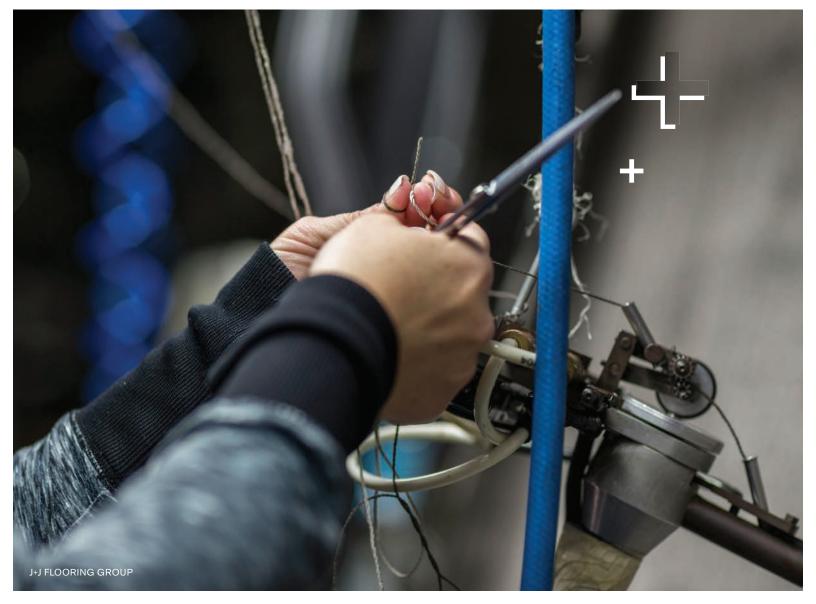
#### **ADDING UP KILOWATT HOURS**

From associates turning off the lights when not in use to powering down unused equipment, we've made saving energy a normal part of everyday life at J+J. Even though we've achieved a high level of energy efficiency over the years, we know there's always room for improvement. After all, every kilowatt hour we save eventually adds up to an even bigger reduction over time - especially as our product volume grows.

In 2015, we successfully completed the integration of our Kinetex manufacturing operations into our Dalton campus a transition that began in 2014. Thanks to our existing energy efficiency practices, the addition of Kinetex increased our on-site production volume without a significant increase to our energy impacts.



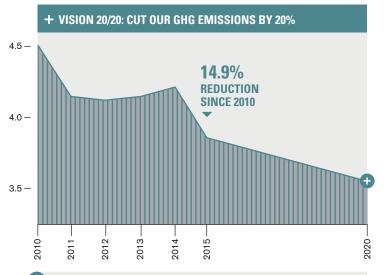
Because the use of on-site renewable energy is an equally important part of our energy conservation strategy and our 20/20 Vision, we have been purchasing Renewable Energy Credits (RECs) since 2009 to off-set our direct energy consumption while we research other means of integrating alternative energy into our energy consumption portfolio. We purchased more than 14.7 MM kWh of Green E RECs in 2015, off-setting more than 50% of our direct energy consumption, qualifying us as an EPA Energy Leadership Partner.





#### **POWERING DOWN OUR EMISSIONS**

Conserving energy and reducing our carbon footprint go hand in hand: every kilowatt hour, BTU or gallon of energy we save adds up to another decrease in our greenhouse gas emissions. Each year, we assess our carbon footprint in search of opportunities to refine our processes for greater efficiency – from administrative practices to product transport.



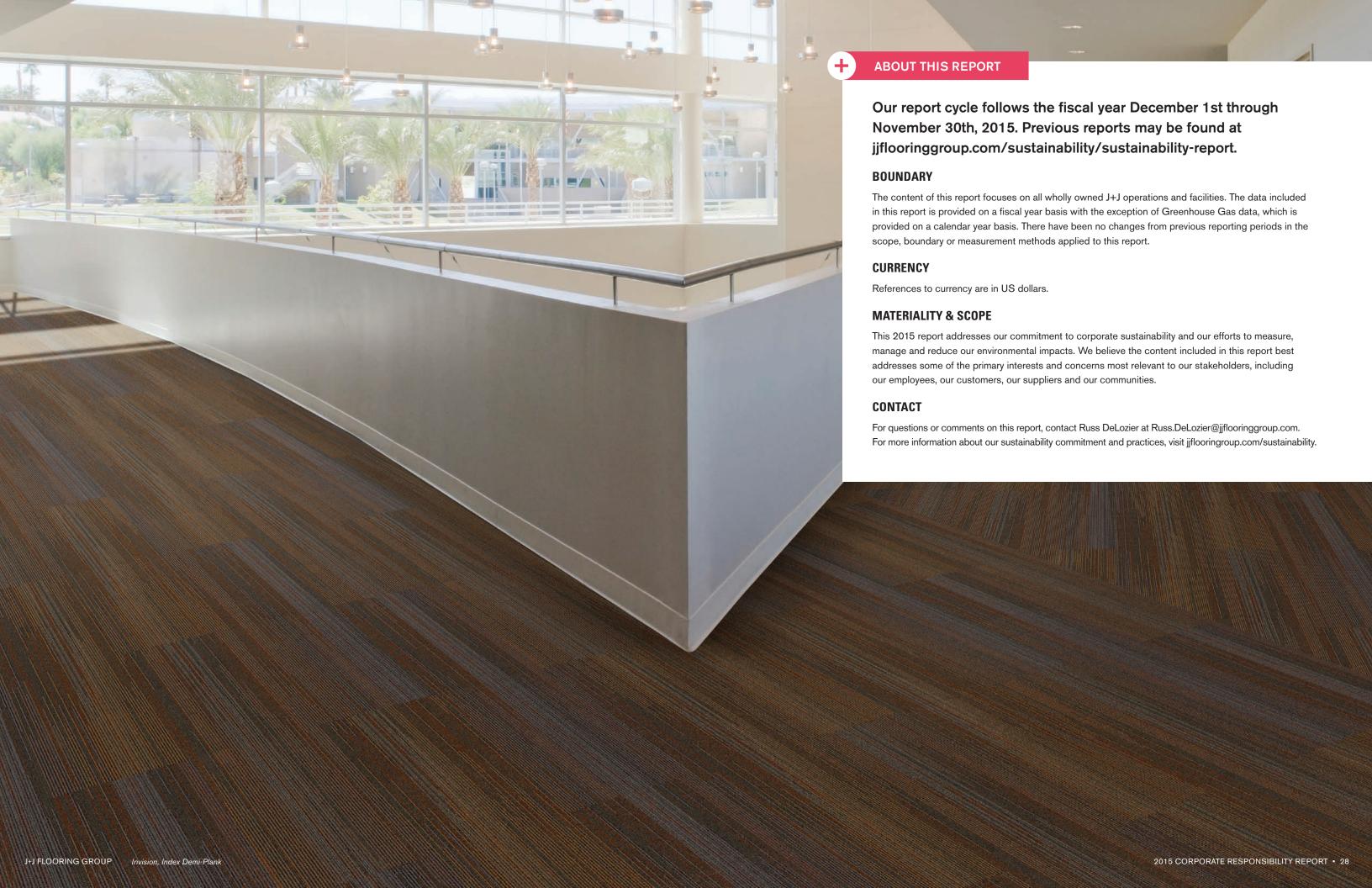
#### + J+J FLOORING GROUP GHG INTENSITY • MT CO, /1000 YD2

#### + DRIVING GREATER FUEL EFFICIENCY

Transportation energy comprises a significant part of our carbon footprint (and our energy consumption) each year. From the lift trucks we use throughout our operations each day, to the trucks we use to transport raw materials and deliver finished product to our customers. Knowing more efficient transportation can lead to even fewer greenhouse gas emissions, we began an initiative in 2015 to replace our fork lifts and light transportation from gas to electric power as the vehicles are replaced.

We also worked with our warehouse and shipping teams to make our freight stacking and shipping even more efficient. By further maximizing trailer space by changing the way we stack carpet rolls and pallets of finished product, we're reducing the number of trips our drivers need to make - saving energy and reducing greenhouse gas emissions in the process.



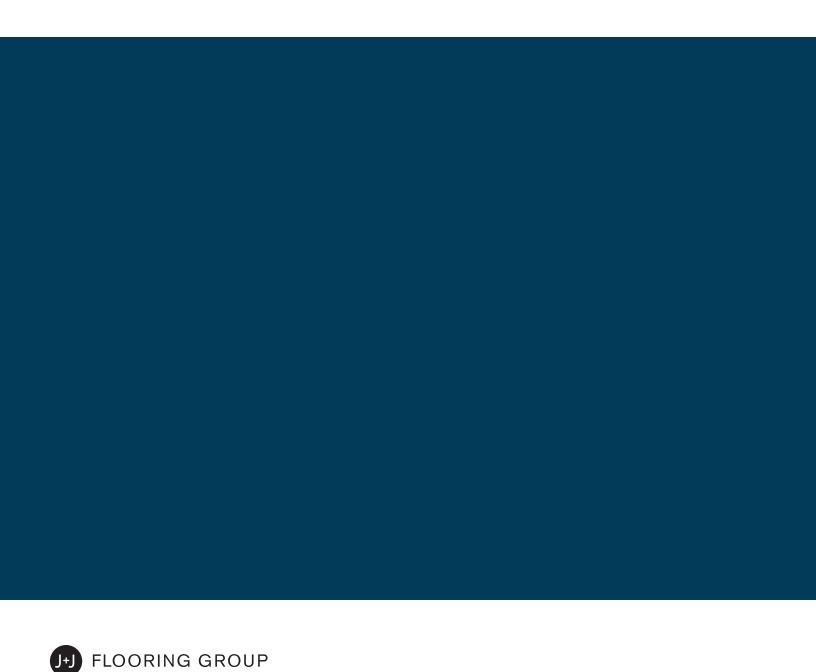








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