

How Circular Innovation Creates a Competitive Edge

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Intro: You are listening to C-Suite Perspectives, a podcast by The Conference Board.

Barbara Mendes-Jorge: Hi, welcome to C-Suite Perspectives, a signature series by The Conference Board. My name is Barbara Mendes-Jorge, and I'm a sustainability communications expert based in Brussels, Belgium, and the guest host of today's episode. In this episode, we'll be discussing business transformation and the circular economy.

More specifically, how the circular economy is disrupting business models and how companies can get ahead to future-proof their business. Joining me to discuss this topic is Arnaud Marqui, Chief Sustainability and Safety Officer at Tarkett, a global flooring and sports surfaces manufacturer. Tarkett is dedicated to sustainable innovation and focused on transforming flooring from a linear product into a regenerative solution.

Arnaud has worked at Tarkett for almost a decade, having initially joined in 2016 as the Vice President of Hard Flooring at Ixia. He previously held international management positions in sales, marketing, and operations at the Ahlstrom Group, a manufacturer of fiber-based products. Welcome, Arnaud. I'm looking forward to discussing how the circular economy is embedded in your company strategy, the innovations you're most excited about, and any advice you have to share for businesses at the beginning of their circular economy journey.

?Arnaud Marqui: Hello, Barbara.

Barbara Mendes-Jorge: Thanks for joining, Arnaud. I'd like to start this interview by hearing a bit more about your career trajectory. How did you get into sustainability after working in operations, sales, and marketing?

?Arnaud Marqui: Before I introduce myself, additional information about Tarkett. So as you said, Barbara, Tarkett is a company, a French company, that manufactures flooring and sport surfaces, that are product that are with us throughout our lives, in schools, in stadiums, in universities, in offices, hotels, sports hospitals. Tarkett is a family-owned company. The size of the company-- I believe it's important so that everybody understand when I'm talking about circular economy and sustainability, what it means exactly in the company-- the size of the company is 12,000 employees and the total turnover is about 3.3 billion euros.

We are the third-biggest player in the world and we manufacture in 33 different sites in Europe, in the US, in Asia. We have eight recycling centers. We manufacture the equivalent of roughly three times the surface of Paris every year. Soit's about 300 million square meters. It's quite big.

We have an environmental impact and we have been working for the past decades to reduce this impact. We have still a lot to do and we are going to talk about that today. This was about Tarkett, and now a few words about me.

I am a paper engineer. I worked in the paper industry for roughly 25 years. I started as a process engineer, so I managed operations 24 hours a day. These type of operations are running all the time and seven days per week.

I've learned a lot, especially that there is no change without engaging people. As a process engineer, you always bring something new. And if you don't engage with people, if they don't get ownership of what you want to reach, if you don't do that with them, then it's very difficult to succeed.

And then I did an MBA, and I started to take management responsibilities, doing budget, businessplan. I learned another piece, which is the reality of a company that must generate profit to finance a project. I started to get in touch with customers to understand the importance to convince customers as well that your project are the good one demonstrating that you add value for them.

Then I joined Tarkett it was 10 years ago already to keep doing what I was doing. That is to say, to manage business unit, and the business unit was Tarkett and laminate business units. And this was an opportunity to learn a new culture. in 2020 the CEO, Fabrice Barthelemy, proposed me to lead sustainability.

When I took this responsibility, I was not an expert on sustainability. The objective that the CEO gave me was really to leverage my experience to create a link between everything that I had learnt on managing operations and businesses to make sure that we had a sustainability strategy which was realistic for the company and realistic with the expectation from society, from our customers, et cetera.

I started by auditing, meeting with teams, with customers. I took time as well to educate myself and I can tell you that when you spend time to understand what's happening in the

world, when you learn about the planetary boundaries, it is a bit shocking. This was very useful to really understand the importance of this topic within the core of the company strategy.

Barbara Mendes-Jorge: I find it very interesting that you started as an engineer and then you've gone through operations, and now you have the sustainability overview because the discussion of sustainability always that it is a very wide-ranging topic. For you to have been someone who's experienced it from different parts of the business, it is very useful that you've seen it from those points of view when you then have to come and bring everyone together and create a strategy. Thank you for the introduction and for putting the pieces together.

When I knew that we were going to do an episode on circular economy, I really wanted to talk to Tarkett because I read about you for the first time in a book called *Game Changers* where your CEO, Fabrice Barthélémy, was interviewed. He outlined that when he became CEO in 2019, he was really determined to make sustainability a core part of the company strategy and ensure that it's seen as a long-term investment.

You mentioned in your introduction, companies need to be profitable, and as we've discussed on this podcast before, sometimes people forget that it's part of sustainability, and you need to consider that too. Fabrice Barthélémy says, "From a financial perspective, every euro we invest today to reduce our climate impact and resource use is far less expensive than what we will need to spend 20 years from now to deal with the consequences of inaction. Even financially, it's the right decision to invest now."

As chief sustainability and safety officer, you've mentioned your approach to sustainability strategy, but maybe could you start going into a bit more detail what the circular economy journey has been for Tarkett?

?Arnaud Marqui: If we step back a little bit, circular economy and reducing our environmental impact, generally speaking has been part of Tarkett's culture for the past decades. So very early in the 1960s some of our plants were already looking at possibilities, developing technologies to reduce manufacturing waste. Everything started really locally, we are manufacturing, we are generating waste.

How can we reduce that? How can we recycle the waste that we generate during our production? Everything started here. The journey has been to expand on the whole value chain. There was an acceleration in 2020, 2019.

You mentioned Fabrice Barthélémy. At Tarkett, we are very lucky that our CEO is so knowledgeable on sustainability topics and is very well aware of planetary boundaries. Aware of these planetary boundaries helps leaders, teams to understand the reason why we believe that working on this topic is a priority, the reason why it must be part of the strategy.

It helps also understanding that we should change the way we think. We have been educated, thinking that the more we manufacture, the lower the cost. However, with planetary boundaries, the more we manufacture, the more we want to purchase, the higher the cost because of scarcity. It's a new paradigm. Within Tarkett we are quite lucky because we have leaders who are eager to understand what's happening, who are asking the right questions. Thanks to that, we understand that circular economy as a strategy is extremely useful. It is a very good way to become more resilient and to give sense to everyone's work.

Have developed or modified our internal processes. For instance, we have introduced in the eco-design process the necessity to look at the carbon footprint of the product that we are going to develop and make sure that it is aligned with the objective that we set to reduce our greenhouse gas emissions by 30% between 2019 and 2030.

We do the same with circular economy. We want to reach 30% recycled content. We were at 10% in 2018. We have reached 20% in 2025. How do we make sure in the eco design process that our teams to look at that and commit to reaching this objective.

We have also to influence the way we invest. How do we make sure that when we make an investment, it goes in the right direction? That, for instance, it reduces greenhouse gas emissions. What we have done is we have developed a process where people benefit from a carbon shadow price. We set the price of carbon at €250 per ton, which is quite high, voluntarily. They use that when they estimate the payback of the investment. If the investment is reducing the carbon footprint or the greenhouse gas emissions of the plant or of the group, then they can benefit from and convert this greenhouse gas emission savings into money, into euros.

This reduces the payback of the investment but the opposite is true, too. So the objective is, step by step, we embed sustainability in our processes. We help our teams understand the reason why we do that, so it contributes also to giving sense to what we decide in the company.

Barbara Mendes-Jorge: I'm definitely going to come back to you on pricing. I have more questions there. But could I ask you to outline some of the circular economy initiatives you're focused on? I'd especially love to hear about your restart, take back, and recycling program and how you're now able to recycle, if I understood correctly, 100% of carpet tile materials.

?Arnaud Marqui: That restart program was a key step. After having reduced significantly the waste in our factory, but also having developed processes to recycle them locally, we have come to the conclusion that the next step is to collect the waste that are generated by installers when they install the floors. When you install a floor, you generate between 5 and 10% of waste, which is significant. When we started to discuss with installers, we quickly came to the conclusion that if we don't put in place a system to collect and bring back into our factory this waste, then nothing will happen. The general way it happens is that the waste is put in a container mixed with everything, and then it is sent to

incineration or to a landfill.

Barbara Mendes-Jorge: Exactly.

?Arnaud Marqui: What we have done with this restart take back program, we have set up a commitment contract with installers. They commit to fulfill a big bag. We make it very easy for them. They call and ask for big bags. It is delivered for free. Their commitment is to put in this big bag a product waste coming from floors and when it's full, they call the same number so that the company will come and take it back. It's free. Then it is sorted out and then it is sent back in one of our recycling center where we recycle them to remanufacture flooring.

It's in 30 countries across five continents. Over the past 16 years, we have collected the equivalent of 130,000 tons.

Barbara Mendes-Jorge: Wow ...

?Arnaud Marqui: I'm French, I'm a French guy, so I will give a reference in Eiffel Towers. One Eiffel Towers is quite big but 130,000 tons is 12 Eiffel Towers.

What we have started to do as well is work with customers not only to take back product waste from installation but also waste at the end of their life. Floorings at the end of their life which usually becomes a waste are sent to landfill.

We have set up, for instance, a partnership with a company that is well known called IKEA. Next time you go in IKEA, you will look at the floor and you will see a vinyl floor and it's a Tarkett floor. At the end of its life they call us, we remove the floors. Usually it is glued, so we take it back with the glue and we send that to one of our factories in Sweden where we have developed a process to remove the glue and recycle them. We have been collecting 85,000 square meters for the past years in 14 countries, European countries, from IKEA.

That really concrete example that demonstrates that it's possible to recycle. We have more and more customers, installers who are interested in working with us on that.

Barbara Mendes-Jorge: This is very interesting because it just goes to show that, as you mentioned, if you're not involved at every step of the way, then it's not going to be as efficient as possible.

As you say, you need to work with the installers to provide them with the equipment. You need to have the phone number so you're able to collect it, and you need to have the time to sort through everything. It is possible but it has to be very well designed and strategized in advance.

?Arnaud Marqui: You're right to highlight that. The fact is that we are ahead of the business, so we are ahead of the regulation.

Barbara Mendes-Jorge: Absolutely.

?Arnaud Marqui: Which means that we have to put everything in place. Fortunately, our competitors have started to do the same. Which means that it becomes a kind of standard for customers, for installers, to not send to landfill or to incineration something that can be recycled.

That's helping. But as a first step, yes, you need to build a value chain. You need to invest for that. You need to accept losing. It's an investment, so you don't lose money. But the first years you have to allocate money to that and you don't have a direct payback. That's yeah, the cost to pay to implement your strategy.

You mentioned as well, Barbara, the carpet. Each and every product has its specificity that must be taken into account when we talk about sustainability. A carpet is made of different components and different layers. And you have, of course, what you see when you are in the room. You see the yarns, which are usually polyamide yarns and very good at supporting when you walk on it, so very resistant. And then you have a backside, so that you dimension and stability, does not move and can last during years.

The backside, historically speaking, was made of bitumen. Bitumen is difficult to recycle. You have some companies who have started to work on that but definitely it's hard to recycle. We have worked internally to replace this bitumen with polyethylene, with fibers, and make it recyclable.

On the face side, where you have the yarns, we have worked with a partner, a manufacturer of yarns called Aquafil, and they have developed a process to recycle the polyamide. Which means that today when we sell a carpet, on the backside you have something that can be recycled, on the face side too.

When we take them back, we have developed a process to separate the layers. We send the polyamide to our partners. He has a process to depolymerize and remanufacture yarns that we repurchase afterwards. And the backside can be mixed and reused to manufacture a new backside.

That's what we are calling the Ecobase. We have really developed a new product in carpet to make sure that we can recycle it, and also the restart program to make sure that it comes back and so that we can benefit from the eco design that we have done.

Barbara Mendes-Jorge: It's really fascinating stuff and the fact that you provided numbers as well, 12 Eiffel Towers, is seriously impressive. It's because you've started early and you've started ahead that you have these numbers because for some companies starting is the biggest issue.

But when you see how much money you've ultimately saved, you're seeing this from a perspective of the environment but also saving money. This is the benefit of doing things the way that you're doing, and I hope that all our listeners now, when they go to Ikea, they

look at the floors and think about it a bit more.

Thank you. To wrap up the first part of the interview I'd like to go a bit back to pricing because in the Game Changers book where I read about your story, it was really interesting to read about where to set that trade-off between sustainability and cost. Your CEO, Fabrice Barthélémy, mentions that he had a conversation with the purchasing team who were working with suppliers to find lower carbon raw materials, and his message was that, "If the price difference is between 5 and 10%, that is something we can and should absorb. If the cost is three times higher, that's another conversation. But for moderate differences, we should not hesitate to make the better choice." I find this very refreshing to read, literally in black and white, and I think it would be great for our listeners to hear more about your general strategy when it comes to pricing and the sustainability trade-off, and how do you approach these more complicated conversations when it comes to pricing?

Arnaud Marqui: It's a very important topic. For the past decade, we have been developing many products which have between 50% and 70% of recycled content, which have the lowest carbon footprint on the marketplace. And when we look at that on the wall life cycle, which is near zero.

Because we have this capability to recycle and to reduce the need for virgin raw material, that's great. Now, if we can't sell it, that's nice but we go nowhere. We must be able to sell it.

So the reality is that for the past years we have developed this product and we have had also customers telling us, "That's great what you are doing. But please come back when the cost is the same, when price is the same than a standard product." We are also facing this reality.

For sure, we have these type of discussions internally, with leaders, with managers who have to make sure that there will be a customer willing to pay the right price. We, we don't put it aside. That's true that we are ready to run risk. As Fabrice Barthelemy said, we are ready to say, "Okay there is an upcharge" but if we want to develop the value chain, we need to accept this upcharge.

5, 10% is something that in the range of negotiation that we often accept. We understand how to launch this new product. We understand where to launch it as a priority. We know, for instance, that people in Nordic countries are more sensitive of this sustainability topics than people in south of Europe.

We then target as a priority these customers to test, in a way, if our decision to push this type of technology is the right one. The good news is that we have seen customers ready to go, accepting to pay a little bit more as well and, at the end of the day, help us demonstrate that it can work and that they have a second benefit.

Because the second benefit that they have is they also understand that by reducing the

need of virgin raw materials, by increasing the possibility to reduce the waste at the end of life of the product, they also reduce the risk of future scarcity. This is the way we try to find the balance, the right compromise between running risk, accepting some upcharge from our suppliers, and the necessity to make sure there is a customer behind. We, thanks to that, demonstrate that the value chain can evolve. So far so good, I would say. It takes time.

Barbara Mendes-Jorge: It is always too slow. Fantastic. And exactly, it's an ongoing conversation, isn't it? You have to, like you say, find the balance between the different audiences and reduce the chance of future scarcity. That is a very powerful framing. Super interesting, Arnaud. We're going to take a short break and be right back with more insights from Arnaud Marquis.

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Barbara Mendes-Jorge: Welcome back to C-Suite Perspectives. I'm your host, Barbara Mendes-Jorge, a sustainability communications expert based in Brussels, Belgium. I'm joined today by Arnaud Marquis, Chief Sustainability and Safety Officer at Tarkett. Arnaud, we've discussed how the circular economy is a key pillar for Tarkett. I'd like to discuss with you a bit more about circular economy policy and how companies can better integrate circular economy approaches into their business.

So as someone who is based in Brussels, I always like to ask our corporate guests about policy, so I hope I can discuss the upcoming EU Circular Economy Act with you. As the EU is set to adopt this act in the autumn of 2026, how do you see it impacting how you do business?

?Arnaud Marqui: We see it very positively.

Barbara Mendes-Jorge: Good.

?Arnaud Marqui: Everybody understood during the first part of our discussion that we are ahead and that's not always easy to be ahead.

We are playing or we are trying to play with different rules, while we would need to be supported to be fast in making this change. So we need regulation to accelerate. We see

the Circular Economy Act as really a good way to transform not only, generally speaking, the industrial sectors, creating a level playing field because we need to rebalance competition. That's key.

When we look at the EU Circular Economy Act, we think about, of course extended producer's responsibilities, which is existing in France but more and more discussed in Europe. All of these regulations for us can bring a lot of benefits.

Barbara Mendes-Jorge: Fantastic. Thank you. As a sustainability communications professional who works on sustainability reports, I always like to ask this question because you're chief sustainability officer of a European headquartered company, so I know you have to keep a close eye on evolving EU ESG legislation.

Alongside the EU Circular Economy Act, what do you see at the moment as the most important regulatory developments to keep an eye on? And are there any other policy evolutions providing benefits to companies like Tarkett?

?Arnaud Marqui: I talked about extended producer responsibility. This is important to clarify that, to extend that, to make it standard everywhere in Europe. We see also traceability as a very important topic. As I just explained, if you co-design a product, you make it recyclable. But if you lose its trace, if you are unable when you take it back to identify that it's a product coming from your factory-- not only you but also different stakeholders along the value chain-- then it's a pity because it has a value and you don't benefit from this value. So tracing the product, developing the digital product passport is something which is, in our opinion, very important.

Of course, the Corporate Sustainability Reporting Directive that we comply with is a very good way to standardize the way companies report so that investors can benchmark companies easily, which is not the case today.

Again, we are really in favor of additional regulation. We see, as I said, new regulation as a way to accelerate and to help us justify the investment that we do. So that's good.

Barbara Mendes-Jorge: Great. Thank you. In part one of our conversation, we talked about the purchasing department and customers. I'd like to hear a bit more about the role that suppliers play in helping Tarkett decarbonize. In the Game Changers book, your CEO mentions that some of your suppliers have made serious investments into R&D and equipment to be able to transform their processes to accompany you. Could you give me some examples of recent changes that your suppliers have made and do you think your collaboration with them influenced these changes?

?Arnaud Marqui: When we talk about carbon footprint on the whole value chain-- what we are calling scope one, two, and three-- Tarkett is aligned with the SBTi objectives, the Paris Agreement objectives. We have to reduce our carbon footprint from 2019 to 2030 by 30%. This is including scope three and scope three is roughly 90% of our total emissions. If we only focus on our operations, we only focus on 10% of our greenhouse gas

emissions.

So scope three is key. When we look at scope three, roughly two-thirds of this scope three is coming from the raw materials we purchase. So cooperating with our suppliers is mandatory. We absolutely need them to help us reduce our greenhouse gas emissions on scope three.

We have identified those suppliers who have the biggest impact on our greenhouse gas emissions and also potentially the biggest impact on circular economy because we purchase a lot from them.

For us, we are talking about the manufacturer of polyamide for the yarns in carpet. We are talking about manufacturer of polyolefin for the production of yarns in sports, in field turf. We are also talking about PVC, about plasticizers. These are the components that we have taken the decision to focus on. We have developed different partnership with them and they have committed to develop recycling technologies, for instance.

I don't want to be too technical, but when we talk about recycling, you have the possibility to recycle a product, a polymer, if it is a thermoplastic polymer, you can use mechanical recycling. That's the best option because it consumes only little energy. Tarkett as a company, we can do it by ourself but if at some point you want to separate some components that have been mixed with this polymer, then you need to go through chemical recycling.

This is not on our expertise. We don't have the process, we don't have the knowledge to do that. So we turned to our suppliers, to companies like BASF, TotalEnergies, Aquafil, INOVYN, because they have the knowledge to do that.

And working to develop options with bio-sourcing or with recycled materials so that they can reduce the greenhouse gas emissions, investing as well in renewable energy in their processes.

We develop this cooperation to help them invest and then come back to us with some product that have a lower carbon footprint or that have a higher content of recycled materials. And it works. We see really more and more interest, and not only in Europe, in the US as well.

Barbara Mendes-Jorge: Okay. Interesting. Thank you for getting technical. We don't mind a bit of technical here, and it was very well explained, so thank you. Arnaud, I think what's really shone through in this interview with you is how Tarkett seems like a very humble company. You know where your expertise is and what you can do, but when you don't know, you reach out to people-- whether it's your customers to develop ideas, start-ups-- and surely that's key to your success.

To finish up our conversation, the ultimate aim of this episode is to demonstrate how the circular economy is disrupting business models, how companies can get ahead. What

advice would you give to companies at the beginning of their circular economy journey, perhaps specifically also to fellow chief sustainability officers? How has focusing on sustainability in general or circular economy more specifically benefited Tarkett as a business?

?Arnaud Marqui: That's a big question. The first thing that I would advise to do is really to make a deep dive on the value chain. Don't only look at your process, your own operations. You have to look at what's happening ahead, so upstream value chain. You need to understand what's happening afterwards. Look at the whole life cycle of your product. That's key.

The second thing is make yourself aware, educate yourself about planetary boundaries. There are more and more experts who are able to help us, to help you connect these planetary boundaries a general topic with your own value chain. This is important because this is helping us to identify new risks but also opportunities in our ecosystem, within our businesses, etc.

Third, identify partners. To develop new things, new knowledges, new business models, we need to understand who can help us. Within companies, you have those who are following and those who are willing to be ahead. So the objective is to identify companies who are willing to try and be ahead.

Don't forget that as a company we can't only focus on long term. We have to demonstrate that what we do has also a short-term value. That's very important to engage our customers because they are also willing to demonstrate that what they do is the right thing. And that's also very important for our shareholders because we are a family-owned company at Tarkett and this is helping us work on long-term topics.

But we have also to demonstrate to our shareholders that what we do is having also a short-term value. Finding this balance between long term, short term-- do part of that by yourself, do the other one with partners-- it is very important.

Last but not least a circular economy is really about transforming your product but also transforming your business model. How do you stay in contact with your product to take it back? How do you create partnership to make sure that the product will come back at a low cost so that you reduce the cost of sorting, etc.?

And then you asked about the benefit for the company. The first benefit for the company is that in a world with increasingly complex and unpredictable situations, it's very important to show that our work has meaning.

And by working on these topics, our employees can see that the culture of the company is a good one. We are not only focusing on short-term objectives, financial objectives, etc. Of course, it is important, but not only. When our employees see that we are anticipating things, we are ahead of what's happening, this is very important for them.

Developing the resilience is also a benefit for the company. People understand that the strategy we do makes sense on the long term, and they are facing events that demonstrate that thanks to that we are more resilient. I could keep developing benefits, of course, in term of talent management. It's very important for people when they join the company. They pay more and more attention on that.

I could talk about physical risks. We didn't mention that. We have 33 sites. We have many suppliers who have sites in different location of the world. How do we anticipate how the physical risks due to climate change may impact their production? We are working on that. Thanks to that, we are reducing the risk.

All of these have benefits for the long term for sure, but also short term, and we can demonstrate that.

Barbara Mendes-Jorge: That. Fantastic. Arnaud, thank you so much for joining me today for such a wide-ranging and interesting conversation, and thanks to all of you for listening to C-Suite Perspectives.

I'm Barbara Mendes-Jorge, and this series has been brought to you by The Conference Board.

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AUTHORS



Bárbara Mendes-Jorge
**Sustainability
Communications Expert**



Arnaud Marquis
**Chief Sustainability and
Safety Officer**
Tarkett

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