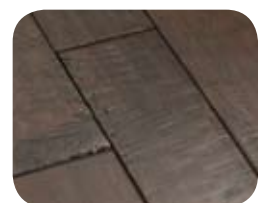
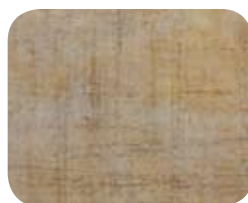
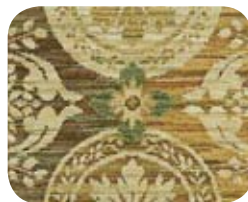
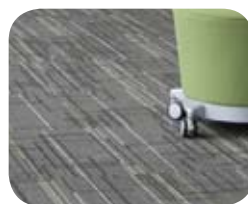


# SUSTAIN : strength amidst change

shaw industries sustainability report

2008



## Sustainability Through Innovation™

That's the **Shaw Green Edge**®

It's our commitment to create the most beautiful – and sustainable – flooring in the world. And to help create a better planet for our customers, our people and our communities in the process.

Rooted in our drive to continuously improve every aspect of our business, the **Shaw Green Edge** guides everything we do, every day – from maintaining the health and well-being of our people and communities, conserving energy and water, and recycling raw materials – to designing Cradle to Cradle<sup>SM</sup> products that can be remanufactured over and over again.

Because setting the standard for environmental excellence, social responsibility and product design is more than our responsibility. It's also good business. And it's our legacy.

# SUSTAIN : vision





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# SUSTAIN : strength amidst change



from Warren Buffett

*“Lots of good business relationships have been built on good partnerships, and Berkshire Hathaway’s relationship with Shaw Industries is one of them. Between us, we have a financially strong, stable flooring business that our customers can count on for the next century – and beyond. And, like a good partner, we are committed to investing in the resources, facilities, systems, products and, of course, the people that we need to continue to create the most beautiful – and sustainable – flooring in the world.”*

Warren Buffett, CEO Berkshire Hathaway



from Vance Bell

*Since our founding, we’ve worked hard to become a world-class company in the eyes of our most important audience: our customers. And we’re driven by one simple question:*

*What will our company look like ten, twenty, even forty years from now?*

*After all, our world is changing rapidly – and the expectations of our customers, the needs of our people and our responsibilities to our communities and our environment are changing right along with it.*

*In the past two years alone, Shaw has witnessed the way rapid, relentless shifts in the global economy and in our customers’ expectations have reshaped the manufacturing industry. We have also witnessed the way global supply chain fluctuations for energy and chemical commodities can affect our own ability to grow profitably and sustainably, especially in the face of economic recession. And we have come to understand that envisioning our future – and working to protect it – enables our business to survive and ultimately thrive.*



*"I'm really delighted that Shaw spends the time, money and energy to develop relationships between the flooring contractor and the mill to help us run our businesses more successfully. Not everybody does that...Shaw tries to become better and tries to better us."*

*– Phil Lachner, Magic Carpets, Brooklyn Park, Minnesota*

We also understand that the way Shaw responds to challenges today defines our legacy tomorrow. In 2008, we were confronted with a variety of changes within our market, including:

- Fluctuating raw material costs
- Domestic and global housing market crisis
- Energy supply and price fluctuations
- Increasing number of global sustainability standards, codes, certifications and regulations
- Growing customer concern over "greenwashing" and the legitimization of green product claims

We have recognized each of these challenges as opportunities and a chance to focus on near- and long-term sustainability for our organization. To that end, we forged ahead in 2008 with a strategic emphasis on **Sustainability Through Innovation™**, focusing on the development and continued improvement of **environmentally responsible products**, and on **investing in people, processes and resources** designed to minimize our overall environmental footprint.

We also formed the **Shaw Growth & Sustainability Council** to oversee sustainability at every level of our organization. Under the Council's leadership, Shaw is making **major capital investments in new technology, equipment, improved communication and logistics**. We are also investing in the continued development of **innovative products** designed to facilitate our progress towards becoming an **organization that will be sustainable four years from now – and forty years from now**.

Along with initiating five charters focused on driving our commitment to sustainability throughout the most critical areas of our organization, one of the council's first initiatives was the public announcement of specific, measurable **goals and targets for employee safety, greenhouse gas reporting, and energy, waste, and water reduction**.

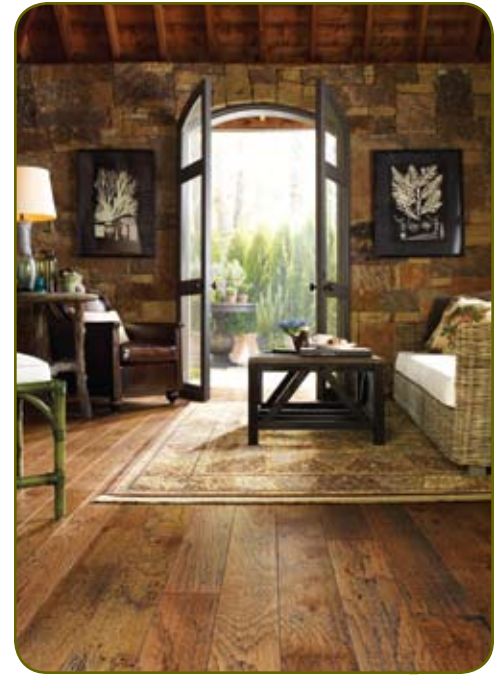
These are but a few steps in what we know to be a much greater journey, but we believe they are significant steps. We hope that 2009 will allow us to find continued strength and momentum as we foster even stronger partnerships with our customers, our suppliers and our communities – and as we continue working towards Sustainability Through Innovation™.

Vance Bell, CEO Shaw Industries Group, Inc.



# SUSTAIN : values





## : our triple bottom line approach

We are committed to sustainability as the business model that positions us as the industry leader today and far into the future. It's a model designed to drive our business performance, innovation, growth and productivity across our value chain and that of our customers and partners.

We are committed to acting in a manner that is responsible, efficient and effective in our application of human and material resources to meet the current and future expectations of our people, customers and stakeholders. Guided by a Cradle to Cradle<sup>SM</sup> philosophy, we are dedicated to continually creating business value by leveraging and enhancing our systems and performance through our three pillars of sustainability:

- Corporate Governance and Social Responsibility
- Operational and Environmental Excellence
- Innovative Products and Services

Through our Shaw Green Edge<sup>®</sup> platform, we demonstrate our leadership and sustainable value creation, today and tomorrow.

That's the **Shaw Green Edge I.**

## : our mission

*We will exceed our customers' expectations in quality, service and value, while continually increasing our value to stakeholders, and provide growth opportunities for our people. We will accomplish this in an environment that values and respects the varied backgrounds of all people.*

## : our vision

*To be a world-class company as defined by the customers we serve.*

## : our values

*Honesty, Integrity, and Hard Work.*

*"Shaw has always fostered a strong culture of continuous improvement and worked hard to be a community in which the experience, insights and ideas of every individual aren't just welcomed, they're valued. From our customers to our associates, our strength comes from our collective engagement in a shared mission. Nowhere is that strength more apparent than in our commitment to Sustainability Through Innovation<sup>™</sup>."*

*– Randy Merritt, President, Shaw Industries Group, Inc.*



## : our strategic objectives

- The safety and health of our people
- Growing our business and exceeding customer expectations
- Being the employer of choice for a talented and diverse workforce
- World-class performance in our key business metrics
- Innovation leadership
- Sustainability and environmental leadership
- Exceeding Berkshire Hathaway's expectation for return on invested capital

## : our story

Our story is the story of our customers – and of our commitment to providing them with the products they need: products that are innovative, sustainable, have value and are competitively priced. That was our commitment 63 years ago, when we began as Star Dye Company, a small business in Dalton, Georgia that dyed tufted scatter rugs. And it's still our commitment today.

In fact, the philosophy that has guided our expansion to a global organization with 28,000 associates and over \$5 billion in sales isn't much different from our original commitment:

Get to know your customers, understand their needs and exceed them.

The events that have transformed our company since 1946 are numerous, but our desire to become the country's leading flooring provider has always been a driving factor in our growth. From the acquisitions that brought names such as Cabin Crafts and Sutton under the Shaw umbrella, to the merger of Shaw and Queen Carpets and our 2001 acquisition by Berkshire Hathaway Inc., our commitment to our core values of honesty, integrity and hard work has never faltered. In fact, they illustrate our commitment to staying on top – and finding strength – in an ever-changing and highly competitive marketplace.

*“We have always worked hard to provide our customers with products that meet their lifestyles and needs. Today, true to our commitment, we're making sure the products don't just exceed expectations for style, design, performance and quality – they're also genuinely sustainable.”*

*– Reggie Newton, Vice President,  
Shaw Residential Marketing*





## : our brand

As a vertically integrated, fully aligned carpet and flooring manufacturer, we produce our own ingredient materials as well as branded flooring solutions for the commercial, residential and specialty markets.

### market brands



shaw contract group®

shaw HOSPITALITY GROUP

### ingredient brands



Green. It's something we never forget.®

Carpet | Area Rugs | Tile & Stone | Hardwood | Laminate

Star Dye Company is founded.

With \$300,000 in sales, Star Dye Company expands to include finishing carpet as Star Finishing Company in 1958.

# SUSTAIN : action





*“The Growth & Sustainability Council is an action body. The council develops strategic sustainability and growth initiatives and metrics with the goal of producing results that enhance our leadership in the industry and deliver sustainable value to our customers... The council identifies and prioritizes key strategies and initiatives for company growth, while embracing our strong tradition of sustainability.”*

*– Hal Long, Executive Vice President of Operations, Shaw Industries Group, Inc.*

## : growth & sustainability council

We know true sustainability is inherently connected to every aspect of our business. That's why we created a Growth & Sustainability Council in 2008 to advance sustainability at every level of our organization. During 2008, the council – including our senior leadership team – defined five critical areas of growth & sustainability for Shaw:

- **Materials Recovery & Stewardship** – developing and improving economically and environmentally innovative ways to reclaim and recycle post-consumer carpet, post-industrial materials and other flooring materials into valuable products.
- **A Shaw Family of “Eco” Products** – continuing development, improvement and expansion of a family of “Eco” products that exceed our customers’ expectations for highest quality, performance, value and environmental responsibility.
- **A Competitive, Sustainable Energy Strategy** – developing and implementing strategies focused on the responsible use of energy-related resources, including our use of renewable and alternative energy and the reduction of our energy and water intensity.
- **Environmental Health & Safety Excellence** – ensuring Shaw excels in environmental health & safety-related systems, processes and resources, including promoting a culture dedicated to the continual improvement of environmental health and safety.
- **Corporate Social Responsibility** – assessing and expanding our commitment to corporate governance and social expectations to our stakeholders in areas of transparency, ethics and social accountability.

Additionally, we have developed a framework to understand and support our financial decisions related to our sustainability initiatives through a sustainability financial statement. This statement provides accurate financial information that establishes the economic value of measuring the growth and success of Shaw’s sustainability initiatives.

## Operational & Environmental Excellence: Our Public Goals

In 2008, we announced the following goals for measuring and improving our progress towards true sustainability:

- In partnership with the United States Department of Energy Save Energy Now Leader program, we **will reduce our energy intensity by 25 percent** by 2017 using 2007 as a baseline.
- We will **reduce our post-industrial waste to landfill by 90 percent** by year-end 2011 using 2008 as a baseline, starting with a 25 percent reduction by year-end 2009 and a 50 percent reduction by year-end 2010.
- In addition to the significant water reductions we have made to our water consumption since 1999, we **will further reduce our water intensity by 25 percent** by 2010, and by 40 percent by 2016 using year-end 2006 as a baseline.
- **We have set a target OSHA incidence rate of less than 1.0** by year-end 2010.
- As a founding reporter of The Climate Registry, we **will publicly report our verified Greenhouse Gas Inventory**.



*“Shaw has a genuine long-standing commitment to sustainability driven by a passion to reduce its impact on the world we live in. Furthermore, this recognition of responsibility takes precedence above corporate image. I have experienced this attitude alongside their scale of operation first hand which is unrivaled by their competitors.”*

– Stephen Magee, MCM Architecture Ltd., London, UK



timeline 1971 : 1980

With \$43 million in sales and 900 employees, the holding company goes public as Shaw Industries, Inc.

From 1999 through 2007, we cut water consumption by 45% at our carpet manufacturing plants.



○ Our vertical integration continues with the purchase of our first yarn plant and we begin producing our own yarn.

○ Recognizing the potential of the continuous dyeing process, we purchase our first continuous dye plant.



# : financial performance

*“In the past few years a new role has emerged for financial executives in environmental sustainability accounting – especially now that CFOs must consider the long-term environmental impact of their operations, products and financial performance as a company.”*

*– Ken Jackson, Chief Financial Officer, Shaw Industries Group, Inc.*



Future financial risk is directly related to a company’s environmental, social and governance (ESG) performance. That’s why the Growth & Sustainability Council’s financial charter is crucial to our sustainability business model. Charged with rigorously examining the market signals, corporate structure and business elements that directly influence our financial strategy, the following Growth & Sustainability initiatives and investments are indicators of our sustainability financial performance:

- The continued expansion of our “Eco” family of products
- Energy innovation and efficiency
- Water conservation
- Evergreen, our Type 6 Nylon post-consumer carpet recycling facility in Augusta, Georgia
- Post-consumer carpet reclamation and recycling
- Recycling, reuse and business development of post-industrial materials
- Environmental, health, and safety initiatives

## Revenue, Earnings & Capital Expenditures\*

	2006	2007	2008
Revenue	\$5,834	\$5,373	\$5,052
Earnings	\$594	\$436	\$205
Capital Expenditures	\$189	\$144	\$173

\*represented in millions

## timeline 1981 : 1990

With \$500 million in sales and close to 5,000 employees, we make our first appearance on the FORTUNE 500 list of America’s top corporations.

## Operational & Environmental Excellence: Shaw Technical Services

Our customers can count on our products for more than just beauty and sustainability. They can also count on them to meet or exceed the most rigorous performance requirements in the flooring industry.

Globally recognized for their knowledge and experience, our Technical Services team is responsible for maintaining our performance and testing facilities in Dalton, Georgia – and for providing information, training and research to organizations far beyond the flooring industry.

Oak Ridge National laboratories, research contractor for the Federal Bureau of Investigation, and the Armed Forces Crime Lab, along with the Georgia Crime Lab, Florida Crime Lab and Illinois Crime Lab have all relied on Shaw's world-class testing facilities for research services. We have also provided flammability testing training for members of the United States Consumer Product Safety Commission.

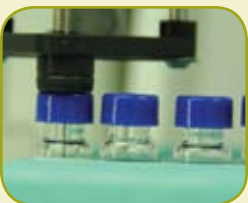
Shaw Technical Services includes three primary groups:



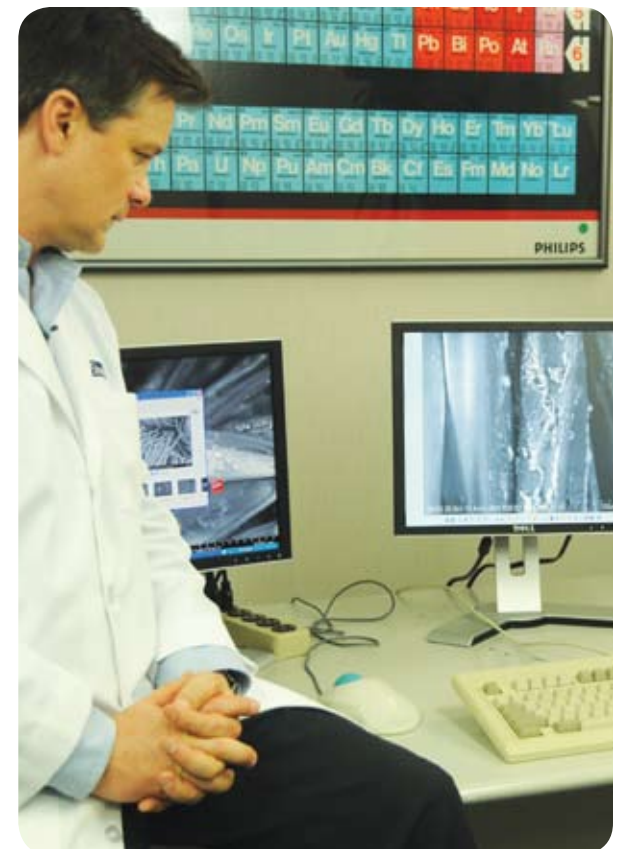
- The **Shaw Central Laboratory** encompasses 14 different laboratories operated and certified under the guidelines of the United States Department of Commerce/National Institute of Standards and Technology's National Voluntary Laboratory Accreditation Program (NVLAP). The labs meet the same requirements as independent carpet testing facilities and are subject to the same regular inspections and proficiency tests.



- The **Shaw Product Care group** is dedicated to developing sustainable, innovative solutions for the cleaning and maintenance issues associated with flooring. The group includes an internal research and development team responsible for the evaluation of new machinery, cleaning ingredients and techniques.



- The **Shaw Field Technical Services group** includes a group of expert flooring installers professionally accredited by the Certified Floor Covering Installers Association (CFI). The team is dedicated to evaluating all products for installation and for conducting assessments of new installation equipment, materials and practices.



○ We significantly expand direct sales to retailers, establishing regional distribution centers throughout the US.

○ The modernization of our plants and equipment gives us the facilities and resources to respond quickly to industry breakthroughs such as a stain resistant carpet.

○ We establish our PRIDE program – **People Reaching Individual Daily Excellence** – to establish a consistent, corporate-wide approach to quality improvement and performance.

## : responding to our market

It's not just about creating value anymore: it's about creating sustainable value.

Our inspiration for award-winning design, superior products and sustainable growth starts with our customers.

Today, our customers want more than beautiful products at a competitive price. They want products that are innovative, sustainable and made with a genuine commitment to environmental and social responsibility. And that's what we're dedicated to providing.

To help reinforce our customers' confidence and ensure the highest standards of environmental performance and sustainability, we have undergone numerous independent external reviews and assessments designed to thoroughly analyze our environmental impact. Along with third-party certifications for our products, these assessments provide us with another measure of our progress towards our sustainability objectives and environmental goals.

*"Our customers are all motivated by different aspects of sustainability, and they're motivated to varying degrees. Successfully and consistently fulfilling our customers' expectations requires the constant calibration of our processes and products to the market."*

*– Brenda Knowles, Vice President,  
Shaw Commercial Marketing*

### INNOVATIVE PRODUCT DESIGN: ECO MADE® BATHROOM RUGS

Made with Anso® Type 6 Nylon, Shaw Living's Cradle to Cradle™ Certified Eco Made® rugs are as environmentally responsible as they are beautiful. Backed by a complete recycling program, every Eco Made rug has an attached label featuring a toll-free phone number and website address so that when the rug reaches the end of its useful life, customers can return it to Shaw in a postage-paid envelope at no charge – ensuring it will be recycled once again into beautiful Shaw carpet and rugs.



Cradle to Cradle™ is a certification mark of MBDC.



## timeline 1991 : 2000

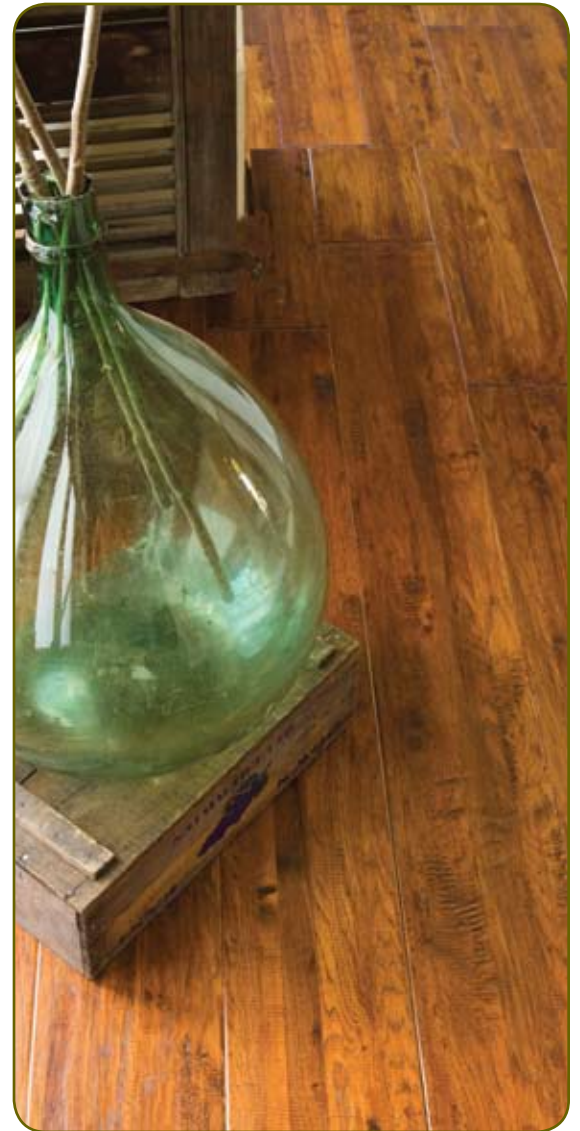
○ Our vertical integration continues with the acquisition of Amoco's polypropylene fiber facilities and our merger with another industry giant, Queen Carpet.





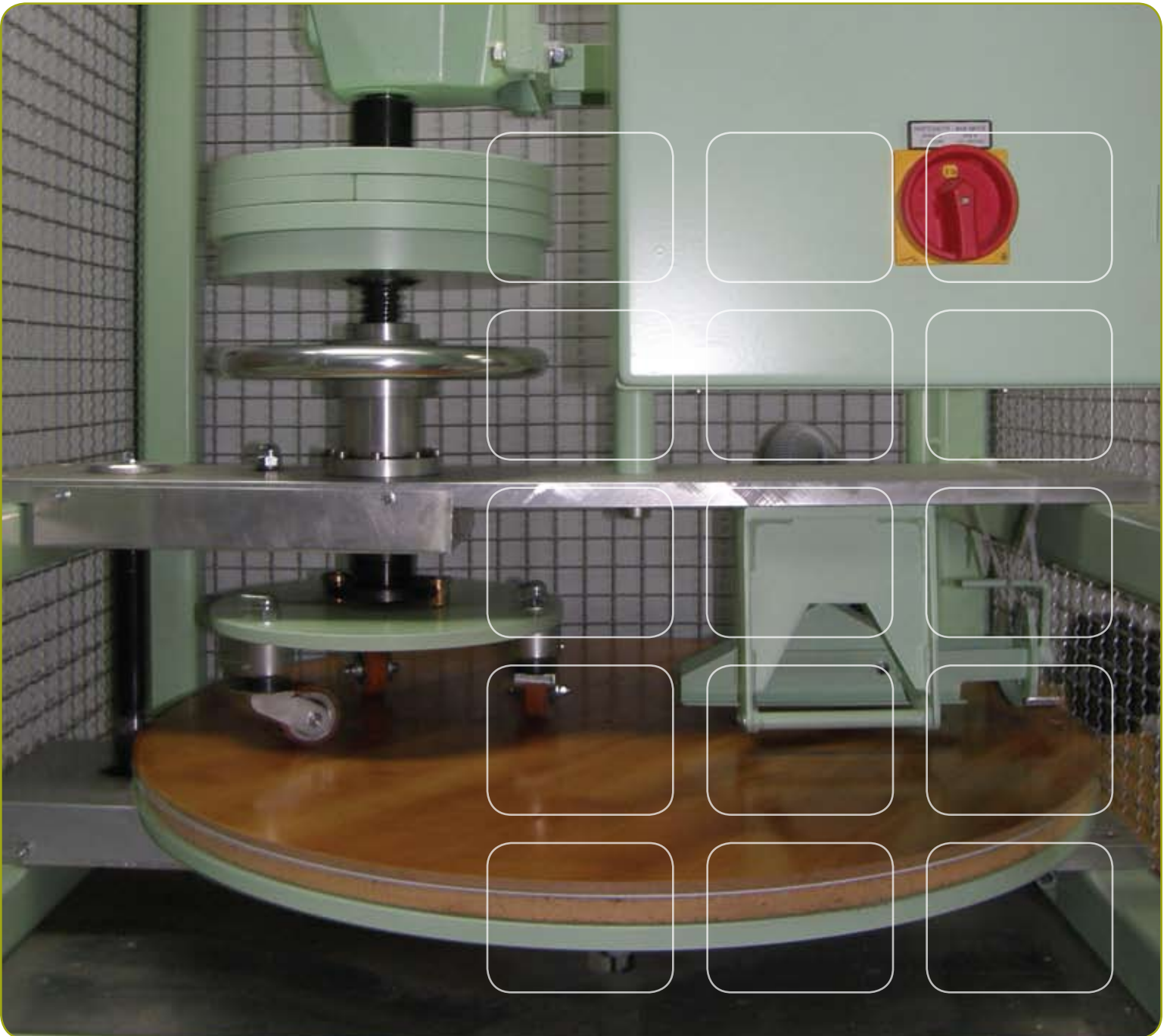
*“Today, more than ever, our clients expect sustainability to be built into our design solutions. So, sustainability is a foundational principle, and Shaw’s leadership in sustainability resonates both with us and with our clients. But as designers, we focus first on how well a carpet’s design fits our concepts, and Shaw has come to be seen as dominant from a product design standpoint. I love working with Shaw. They present an unbeatable combination of beauty, sustainability, and service. They are truly partners, not simply suppliers.”*

*– Sam Barry, Principal, LEED AP, Gensler, Atlanta, Georgia*



In response to market demand, we expand our product and manufacturing portfolios with the launch of Shaw Rugs and Shaw Hard Surfaces divisions, establishing Shaw as a total flooring supplier.

We launch Eco Solution Q<sup>®</sup>, the industry’s first Cradle to Cradle<sup>CM</sup> Certified Type 6 Nylon fiber.



timeline 1991 : 2000

: growing with our market

From a small rug dyeing operation to a vertically integrated global flooring manufacturer, we've been growing in step with the market.

Our journey continued in 2008 as we added two of the industry's leading hardwood flooring manufacturers, Zickgraf Hardwood (acquired in 2008) and Anderson Hardwood (acquired in 2007), to the Shaw family. The addition of Zickgraf and Anderson has already expanded our ability to produce beautiful, sustainable and innovative hardwood products for our customers.

Known worldwide for its progressive approach to sustainable hardwood flooring, Anderson is one of the industry's leading producers of engineered hardwood products – one of the most efficient, environmentally low-impact and sustainable types of hardwood flooring available today.

*"Shaw's dedication to the environment enhances my commitment by helping provide my clients with the most sustainable and innovative products available."*

– Caroline Hjorth, Caroline Hjorth Design, Tarramurra, Australia



Unique Products  
& Services:

## Epic® Hardwood

Made with EnviroCore®, a dense inner layer composed of recycled wood fiber generated in the manufacturing of other products, Epic® uses approximately 50 percent less newly harvested wood than conventional engineered hardwood alternatives. Epic also features premium veneers harvested from managed forests in North America where annual growth rates exceed 20 percent\*. That means Epic offers all the beauty, durability and performance of traditional engineered wood flooring in the form of one of our most innovative hardwood products yet.

\*US Forest Service 2000 Renewable Resources Planning Act (RPA) Assessment



**EnviroCore®** – densely compressed wood fibers fusion-bonded in a non-directional construction providing unsurpassed structural integrity, impact resistance and moisture tolerance



*"People are looking for something good for the planet, and Shaw is leading the charge; they're definitely on the cutting edge of environmental issues."*

— Mark Haight, Haight Interiors,  
Woodinville, Washington

○ The Shaw PRIDE program becomes part of the Shaw Quality System, a program that integrates our quality improvement and performance commitments with a focus on sustainability.

○ Capitalizing on achievements in backing technology, we introduce a major innovation in carpet backing: SoftBac®, a flexible, synthetic composite backing system that offers distinct advantages over traditional synthetic backings.

# SUSTAIN : people



timeline 1991 : 2000

○ We introduce Eco Solution Q®, the industry's first commercial Type 6 Nylon fiber. Eco Solution Q can be recycled back into itself time and time again.

There's just one real reason we're so committed to Sustainability Through Innovation™: Our people, our stakeholders, our customers, our suppliers – and our communities. Because giving back to the people, places and organizations that invest their time, energy and careers with us isn't just the right thing to do. It's the only thing to do.



## Corporate Governance & Social Responsibility: The Shaw **PRIDE** Program

Established in the mid 1980s, the Shaw PRIDE program (People Reaching Individual Daily Excellence) is one of our longest-standing quality improvement initiatives. The PRIDE program was designed to empower individuals and groups to make the decisions and take the actions necessary to continuously improve the quality and sustainability of our processes, systems, services and products.

The program also provides associate education and training, a measurable means of tracking progress and performance, and a program of recognition for the achievement of facility and organizational goals. The Shaw Quality Cup is annually awarded to a department that has met PRIDE performance requirements and made significant contributions to our quality improvement over the course of the year.

## : 2008 highlights

### **Business Growth**

- The integration of Anderson Hardwood Flooring.
- The acquisition of Zickgraf Hardwood Flooring.

### **Environmental & Social Leadership**

- The expansion of our EcoWorx® Environmental Guarantee program worldwide – the Guarantee pledges that we will take back and recycle our EcoWorx products at the end of their useful lives, at no charge to the customer.
- The donation of our recyclable Anso® nylon carpet to the Make It Right foundation (MIR), launched in 2007 to build affordable, sustainable housing for victims of Hurricane Katrina.
- Shaw and its employees contributed \$2.3 million to United Way in Shaw communities.
- Diversity training for more than 24,500 employees from 2006 through year-end 2008, including 180 Diversity Champions.

### **Health, Well-Being and Human Resources**

- Named one of the “Top 100 Companies to Sell For” by *Selling Power* magazine for the 5th time.
- Named a Top 125 training company by *Training* magazine.

### **Innovation Leadership**

- The certification of our commercial carpet product systems to the Sustainable Carpet Assessment Standard NSF-140.
- The availability of environmentally friendly products in all five flooring categories (carpet, area rugs, hardwood, laminate, tile and stone flooring).
- The introduction of ClearTouch® PET filament with variable amounts of recycled content from reclaimed plastic bottles.

### **World Class Performance**

- The announcement of Shaw as one of just over 200 Founding Reporters of The Climate Registry.
- The partnership with the US Department of Energy Save Energy Now Leader Program to reduce our energy intensity by 25 percent in ten years.

As part of our commitment to sustainable value creation, we created EcoWorx®, the world's first cradle to cradle commercial carpet tile backing developed as a fully recyclable alternative to traditional PVC-backed carpet tile. Sales of EcoWorx quickly eclipse those of traditional PVC-backed tile, and Shaw exits PVC carpet tile in December 2004.

# : awards & recognition

## — 2008

- Environmental Protection Agency (EPA)/Carpet America Recovery Effort (CARE) Innovations in Recycling Award
- United States Department of Energy - Energy Saver Award
- California Waste Reduction Awards Program (WRAP) award for fourth consecutive year
- Georgia Air & Waste Management Association (GAAWMA) Corporate Environmental Award
- Official flooring sponsor of the 2008 HGTV Green Home
- EcoWorx Tile, EcoWorx Broadloom, EcoWorx Performance Broadloom and EcoLogix backed products achieve Sustainable Carpet Standard NSF-I 40 Platinum Certification
- TekLok, StaLoc and Ultraloc Pattern backed products achieve Sustainable Carpet Standard NSF-I 40 Platinum Certification
- British Resource Establishment Environmental Assessment Method certification for EcoWorx
- Engineered, solid and laminate hardwood products exceed California Air Resources Board (CARB) Airborne Toxic Control Measure (ATCM) Phase 2 standards for clean air emissions
- Sherwin-Williams Vendor Green Steps Award for second consecutive year
- NeoCon Green Stars Award from *Interior Design* magazine for Shaw Contract Group's Design Lab
- Best of NeoCon Design Award for Shaw Contract Group's Graphic Nature, a healthcare collection designed with Eco Solution Q and backed with EcoWorx and EcoWorx Performance Broadloom.
- IIDA/*Hospitality Design Magazine's* Award of Excellence
- Named "Favorite Carpet Manufacturer" in *Floor Focus* magazine's Facility Manager Survey. The survey ranked Shaw number one in all five categories: Service, Quality, Design, Performance and Value and "Best Overall" in business experience and green leadership.



—o 1999 : 2007

- California Waste Reduction Awards Program (WRAP) award (2005-2007)
  - Cradle to Cradle<sup>CM</sup> Certification for EcoWorx Tile, EcoWorx Broadloom, EcoWorx Performance Broadloom & Eco Solution Q
  - Best of NeoCon Most Innovative Product Award for EcoWorx Tile backing
  - Environmental Protection Agency (EPA) Certificate for Cooperative Conservation
  - North Carolina Sustainability Award for Product Stewardship
- Environmental Protection Agency (EPA) Presidential Green Chemistry Award for EcoWorx carpet tile backing
- Georgia Governor's Award for Pollution Prevention
  - Sherwin-Williams Vendor Green Steps Award
  - Seal of Sustainability from the Sustainable Business Institute (SBI)
  - Global Society of Plastic Engineers Design for Sustainability Award
  - General Services Administration (GSA) Evergreen Award in the furnishing category
  - Named to *Fast Company* magazine's "Fast 50" list recognizing companies for profit-driven solutions to "what ails the planet"
  - Best of NeoCon Design Awards for Shaw Contract Group for six straight years.
  - Carpet America Recovery Effort (CARE) Large Recycler of the Year Award

*"Shaw's admirable and aggressive green efforts have set an industry standard for sustainability...It was an honor to present Shaw with the Vendor Green Steps Award. Sherwin-Williams is proud to partner with a company that is committed to doing the right thing by lessening the environmental footprint of their manufacturing processes and offering sustainable products to the consumer."*

*– Peter Sedlak, Vice President of Marketing and Purchasing, Sherwin-Williams*



o Shaw is acquired by Berkshire Hathaway, Inc., the holding company of noted financier Warren Buffett.

o We introduce the innovative R2X<sup>®</sup>, a patented yarn treatment process that prohibits nearly all liquid stain penetration into carpet fibers and backing.



## : giving back



Our people provide volunteer service and leadership for charitable and civic organizations in the communities where our manufacturing, sales and headquarters facilities are located.

In 2008, we continued working hard to support the people and communities that have given so much to us.

- We joined forces with Brad Pitt's Make It Right (MIR) foundation to help support the construction of sustainable homes in New Orleans' Lower Ninth Ward for residents affected by Hurricane Katrina.
- Shaw and Shaw associates supported United Way organizations in our local communities, helping to raise more than \$2.3 million for the organization.
- We invested in education, making major contributions to universities, colleges and scholarship funds regionally and nationally, and provided product support for local area schools and education foundations.
- We provided meaningful charitable support for a broad spectrum of agencies involved in youth services, including Boys and Girls Clubs, YMCA, Boy Scouts and Girl Scouts.
- Shaw associates were actively involved in the education of more than 8,000 students in eight Georgia counties, teaching classes on topics such as financial literacy, entrepreneurship and career-building.
- Our people helped provide students with a hands-on look at real-world business through a job-shadowing program.
- We provided sponsorship and support for the Design Industries' Foundation Fighting Aids (DIFFA), one of the country's largest supporters of direct care for people living with HIV/AIDS and provider of preventive education for those at risk.



## Corporate Governance & Social Responsibility: The Prison Industry Enterprise Program

Anderson Hardwood has participated in the South Carolina Department of Corrections Prison Industry Enterprise program (PIE) for more than 12 years. The program employs inmates to handcraft some of Anderson's hardwood floors. Anderson's involvement helps to make South Carolina's PIE program one of the largest in the United States. Through the entirely voluntary program, participants earn comparable pay to civilians in their region. Wages are apportioned by the state for victims' restitution, room and board, inmate savings, family allocation and spending. Anderson has successfully employed many inmates after their release.

For inmates working in the program for at least one year, the likelihood of an inmate returning to prison after release drops to 11 percent – as compared to the national average of 68 percent.



*“The Make It Right Foundation is providing deserving families in New Orleans with environmentally responsible, energy-efficient homes. It’s also paving the way for other low- to middle-income communities to make sustainable building choices. Our partnership with the foundation is one of the many ways Shaw is helping to support innovative green building projects and groundbreaking practices for affordable green building. We are proud to be part of a project that shares the same commitment to Cradle to Cradle<sup>SM</sup> product design, social responsibility and environmental excellence.”*

*– Susan Bramblett, Director, Human Resources, Shaw Industries Group, Inc.*

○ We launch EverTouch<sup>®</sup>, our own branded ultra-soft nylon fiber.

○ We opened a new state-of-the-art laminate manufacturing facility in Ringgold, Georgia, the first step towards vertical integration of our hard surfaces division.

## : fostering diversity

At Shaw, diversity is more than a program or policy. It's who we are. In fact, we believe that embracing diversity is one more way we can help make a positive difference in the communities we serve. And it's been our belief since the very beginning. That's why the contributions of all our people are welcomed. And why we work hard to reflect our consumer base and community demographics throughout our organization.

Led by the Shaw Diversity Council – a group of trained “Diversity Champions” from throughout our organization – we support an array of diversity programs. From internal diversity training to community-based events, we believe educating our associates about the importance of understanding differences in areas such as race, gender and religion builds richer relationships within our organization and beyond – fueling innovation and creativity in the process.

## Corporate Governance & Social Responsibility: **Supplier Diversity**

It is the policy of Shaw to provide all suppliers with a fair and equal opportunity to conduct business with Shaw. Shaw's plan is to ensure that it receives products and services of value at the best price. Due to Shaw's dedication to the widest reasonably possible scope of suppliers, we welcome bids from qualified small and diverse businesses.

Associates are encouraged to have an awareness of small and diverse businesses. Diverse suppliers include small businesses, small disadvantaged businesses, minority-owned businesses, woman-owned businesses, hub zone small businesses, veteran-owned small businesses, and service-disabled veteran-owned small businesses.

Sourcing Teams are encouraged to include qualified small and diverse businesses on all lists of qualified bidders receiving a request for proposal (RFP).

### *Our Diversity Statement:*

*Diversity is more than race, gender and age; to Shaw, it is about inclusion and respect for people. Only by including and developing talented people with different backgrounds, experiences and perspectives will we ensure our place as a world-class organization.*



## : health, education and well-being



We support our people through a broad spectrum of programs and events designed to enhance their health, well-being and advancement. In fact, Shaw was named one of *Selling Power* magazine's 2008 "Top 100 Companies to Sell For" – the fifth time we've received the recognition.

From GED and MBA programs to personal skill-building and management training through Shaw Learning Academy (our corporate university), education is a top priority. We also provide annual health fairs, smoking cessation programs, regularly scheduled health screenings and a LifeBalance program to help Shaw associates with practical and emotional support for a variety of life issues, from counseling to legal guidance.

Although we won't be satisfied until we achieve a 100 percent injury-free workplace, our safety processes, systems, guidelines, training and procedures have helped reduce our employee injury rate by more than 50 percent over the past four years. And in 2008, we set an aggressive target of achieving an OSHA incidence rate of less than 1.0 by 2010.



We launch an ambitious alternative energy project in Dalton, Georgia. Developed in cooperation with Siemens Building Technologies, the gasification facility is designed to convert carpet and wood manufacturing by-products into steam used to power the operations at our adjacent manufacturing facility.

Shaw is voted #2 in *Selling Power* magazine's "50 Best Companies to Sell For" for the third time in four years (Shaw was also voted #2 in 2001 and 2002).

# SUSTAIN : materials



True sustainability lives at the intersection of choice and innovation.

We look beyond the immediacy of the finished product to carefully consider where our materials come from – and where they'll go at the end of their useful lives. And we're careful to select the lowest impact ingredient materials for our products – and to make sure the proper processes are in place to reclaim and recycle our products at the end of their useful lives.

*“Our changing environment has now a better chance of survival with the forward thinking and commitment from Shaw towards sustainability. Apart from being an industry leader in this sector, they have also made a pledge to educate the end user to help preserve our ecosystem for future generations to come.”*

– Ramesh Subramaniam, Senior Associate,  
M. Moser Associates, Malaysia

## Innovative Products & Services: Anso® Nylon Fiber



Anso® nylon, our Type 6 nylon residential fiber, is the longest continuously marketed fiber brand in the residential floorcovering industry. As well as providing exceptional performance and built-in stain and crush resistance, Anso nylon is made using post-consumer recycled content.\* Cradle to Cradle Certified<sup>CM</sup>, the fiber can be recycled back into fiber time and time again.



\*Recycled content varies. For more information, please visit [www.shawfloors.com](http://www.shawfloors.com).

## Innovative Products & Services: Eco Solution Q® Fiber

### eco\*solution Q®

Made with 25 percent post-industrial recycled content, Eco Solution Q® uses less embodied energy than Type 6,6 nylon, another common carpet fiber type. With one of the highest deniers per filament on the market, Eco Solution Q fiber holds up better to wear and tear from walking, wheelchairs and other stresses – making it ideal for high-traffic installations in commercial spaces. Also Cradle to Cradle Certified<sup>CM</sup>, Eco Solution Q can be recycled back into itself time and time again.



*“We’re not just focused on creating sustainable products. We’re focused on innovating environmentally responsible systems and processes that create sustainable value for our customers. That’s why we take a product’s ingredient materials, energy requirements and recyclability as seriously as we take its aesthetics.”*

– James Jarrett, Director, Shaw Commercial Manufacturing

○ Training magazine recognizes Shaw as one of its annual “Top 100 Training Companies.” Shaw is the first flooring manufacturer to be named to the list.

○ We expand our vertical integration with the acquisition of SI Corporation’s woven carpet backing operation in Chickamauga, Georgia, and with the purchase of Honeywell International’s US nylon carpet fibers business.

## : beginning with the end in mind

Our goal is to waste nothing. And to improve life through innovative design. That's why we're so committed to designing products that can be reclaimed and remanufactured back into themselves at the end of their useful lives, helping to ensure a continuous cycle of use for the materials used in those products.

For example, Shaw is the world's first flooring manufacturer to use a cradle to cradle design philosophy and to have our products Cradle to Cradle Certified<sup>CM</sup>.

What does that mean? It means we design "with the end in mind" – and that at the end of their useful lives, our products can be reclaimed, disassembled and remanufactured back into themselves. Over and over again.

*"Our product designers are free to focus on designing the most innovative, beautiful flooring possible, knowing all the while the products they create are environmentally responsible and sustainable."*

– Reesie Duncan, Creative Director,  
Shaw Contract Group

### What is Cradle to Cradle<sup>SM</sup>?



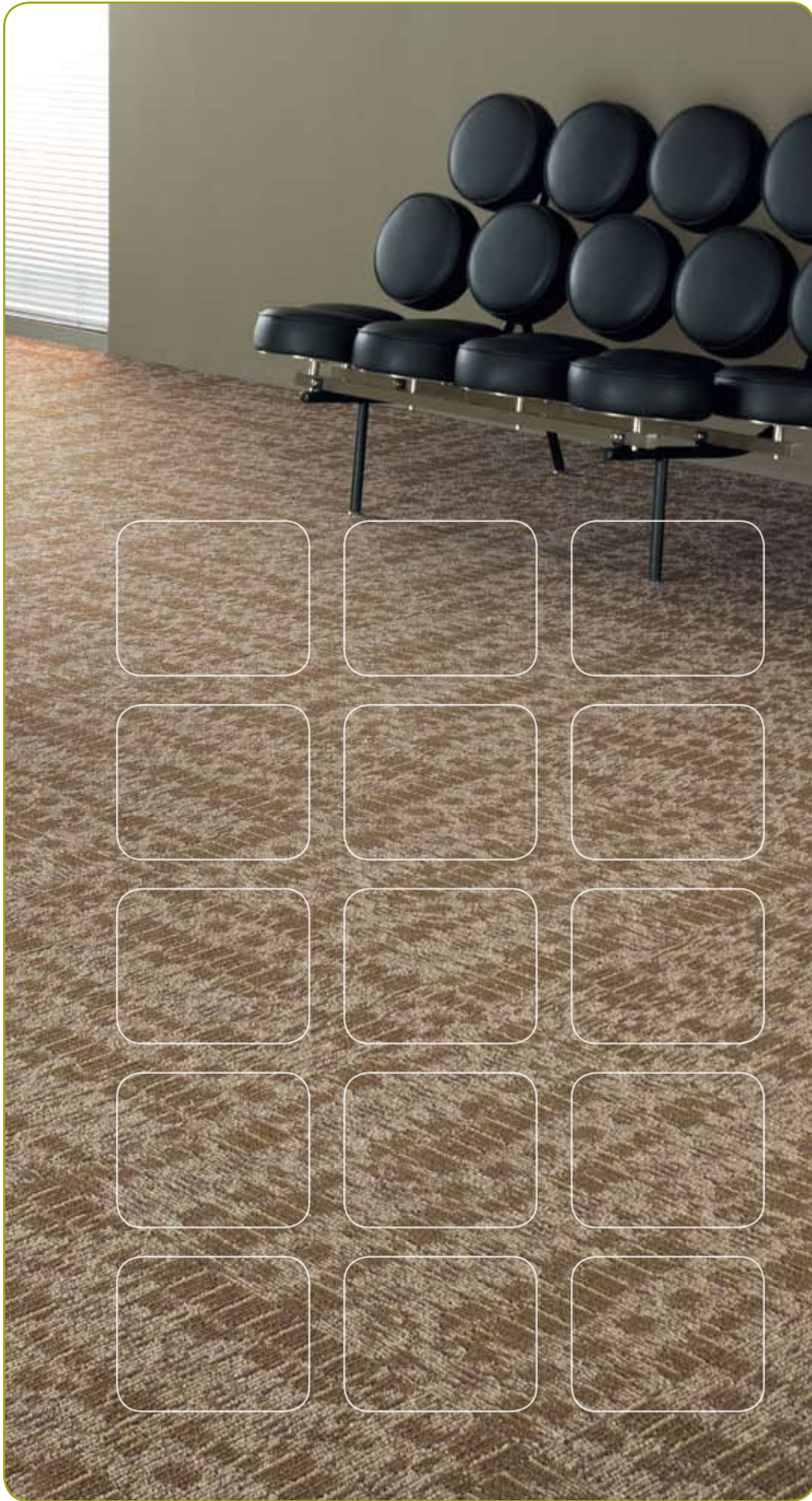
The Cradle to Cradle<sup>SM</sup> design philosophy takes its cues from nature's own cycle: just as a tree uses fallen leaves as nutrients to help it grow, the Cradle to Cradle philosophy focuses on designing so that waste is never an option. Instead, Cradle to Cradle design seeks out the means to create products that will be deconstructed and recycled back into their original materials time and time again.

Cradle to Cradle product design is such an integral part of our commitment to Sustainability Through Innovation<sup>TM</sup> that meeting Cradle to Cradle certification requirements for our Eco products is critical to our Materials Recovery & Stewardship charter. It's an accountability we reinforce through the third-party verification of Cradle to Cradle certifiers McDonough Braungart Design Chemistry (MBDC).

Cradle to Cradle Certified<sup>CM</sup> is a certification mark of MBDC.



timeline 2006



# Innovative Products & Services:

**EcoWorx<sup>®</sup>**



*Our first Cradle to Cradle<sup>SM</sup> product – and one of the industry’s first fully recyclable alternatives to PVC backing – EcoWorx tile backing was designed with one thing in mind: total sustainability.*

221,000 projects across 75 countries feature EcoWorx carpet tile.



*Launched in 1999, EcoWorx tile backing is actually five times stronger and 40 percent lighter than traditional PVC-backed tile. It also requires less packaging, takes less fuel to ship and can be made back into itself time and time again – features that helped EcoWorx achieve Cradle to Cradle<sup>SM</sup> Certification.*

*In 2007, we introduced EcoWorx Broadloom and EcoWorx Performance Broadloom backings, making cradle-to-cradle backing technology available to our customers across an even wider range of products.*

*Today, all Shaw EcoWorx products are backed by a global Environmental Guarantee that assures customers we’ll collect and recycle EcoWorx when they no longer need it. It’s a commitment that gives our customers an economically and environmentally responsible alternative to landfilling, while giving us the ingredients to create new EcoWorx.*

In partnership with the United States Environmental Protection Agency we launch the SmartWay<sup>SM</sup> Transport program to help maximize our transportation efficiencies and reduce our energy consumption.

We introduce PowerEdge<sup>TM</sup>, an innovative secondary backing that creates a stronger fabric at the roll edges to prevent roll crush and edge ravel at the seams.



# : maintaining accountability

We place major emphasis on the human health and ecological impacts of the ingredient materials we use and on their ability to be safely composted or recycled.

The quality and quantity of energy used to create a product, along with water quality and quantity and the social responsibility of the product are all critical points of consideration for us. The ingredient materials in our Cradle to Cradle Certified<sup>CM</sup> products are even assessed for toxicity down to 100 parts per million – and maintaining certification for those products means continually decreasing their overall impacts year after year.

## INNOVATIVE PRODUCTS & SERVICES: CRADLE TO CRADLE CERTIFIED<sup>CM</sup> PRODUCT SYSTEMS

- Anso<sup>®</sup> Type 6 Nylon fiber
- Eco Solution Q<sup>®</sup> Type 6 Nylon fiber
- EcoWorx<sup>®</sup> carpet tile backing
- EcoWorx<sup>®</sup> Broadloom and EcoWorx<sup>®</sup> Performance Broadloom backing
- Zeftron<sup>®</sup> Nylon Fiber
- Eco Made<sup>®</sup> Rugs



In addition to Cradle to Cradle<sup>SM</sup> Certification, we also announced the certification of our commercial product systems under the new Sustainable Carpet Assessment Standard NSF-140 at the end of 2008. The industry's first consensus-based, multi-attribute sustainability standard for carpet, NSF-140 is also the first American National Standards Institute (ANSI)-approved standard for carpet.



Our ultimate goal? Making every ingredient as green as possible.



# : carpet reclamation

Government estimates indicate more than five billion pounds of carpet is landfilled every year – and available landfill space is rapidly decreasing. **So taking responsibility for our products at the end of their useful lives isn't just a philosophy for us: it's an essential part of our corporate responsibility.**

In fact, reclaiming post-consumer carpet is so important, we've partnered with entrepreneurs and independent businesses across the United States to create a nationwide carpet collection network that includes carpet recycling centers in most major markets.

## Nationwide Carpet Collection Network

In an effort to make carpet recycling accessible to as much of the population as possible, we are continuing to expand the number of carpet recycling centers in our network, so one day our products may be readily recyclable from every area of our country.



- ★ Shaw's Evergreen Nylon 6 Recycling Facility
- Current Locations
- Future Locations

As a result, we've collected more than 244 million pounds of post-consumer carpet to date since 2007. Our leadership in carpet recycling has also earned us the **2008 Environmental Protection Agency (EPA)/Carpet America Recovery Effort (CARE) Innovations in Carpet Recycling award** along with the **2007 CARE Large Recycler of the Year award**.

## Innovative Products & Services: Our Global Environmental Guarantee

*Introduced nearly 10 years ago, our Environmental Guarantee is attached to every single one of our EcoWorx products. The Guarantee pledges that Shaw will take back EcoWorx tile and broadloom products at the end of their useful lives in order to recycle them back into new EcoWorx at no charge to the customer.*

Our Global Environmental Guarantee is the first of its kind in the industry.

*In 2008 we extended the guarantee beyond the continental United States to include all EcoWorx products worldwide. In keeping with our Cradle to Cradle<sup>SM</sup> philosophy, the Guarantee offers an economically and environmentally viable alternative for all our customers. A toll-free recycling number is printed on the back of all EcoWorx products to make it quick, easy and convenient for customers to arrange collection and recycling of their EcoWorx at the end of its useful life.*



○ We acquire ownership of Honeywell fiber and the Evergreen Type 6 Nylon Recycling Facility in Augusta, Georgia. We immediately launch a multi-million dollar investment to improve Evergreen's efficiency and capacity in preparation for the facility's re-opening.

○ Shaw's former yarn plant in South Pittsburg, Tennessee, is converted into a facility designed to manufacture pre-finished, engineered hardwood flooring.

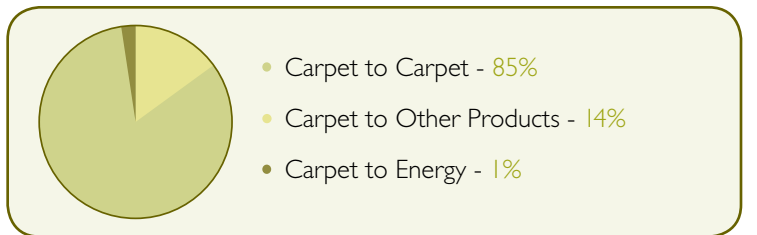
# : evergreen nylon recycling



Evergreen is the world's largest Type 6 Nylon recycling facility and the only functioning, non-pilot Type 6 nylon recycling facility in the United States. Evergreen was acquired in 2005 and re-commissioned in early 2007 after an investment of \$30 million to increase the plant efficiency and capacity. The facility is designed to recover caprolactam (the monomer or "building block" for Type 6 Nylon) from post-consumer carpet again and again without degrading the material.



## Post-Consumer Carpet Recycling

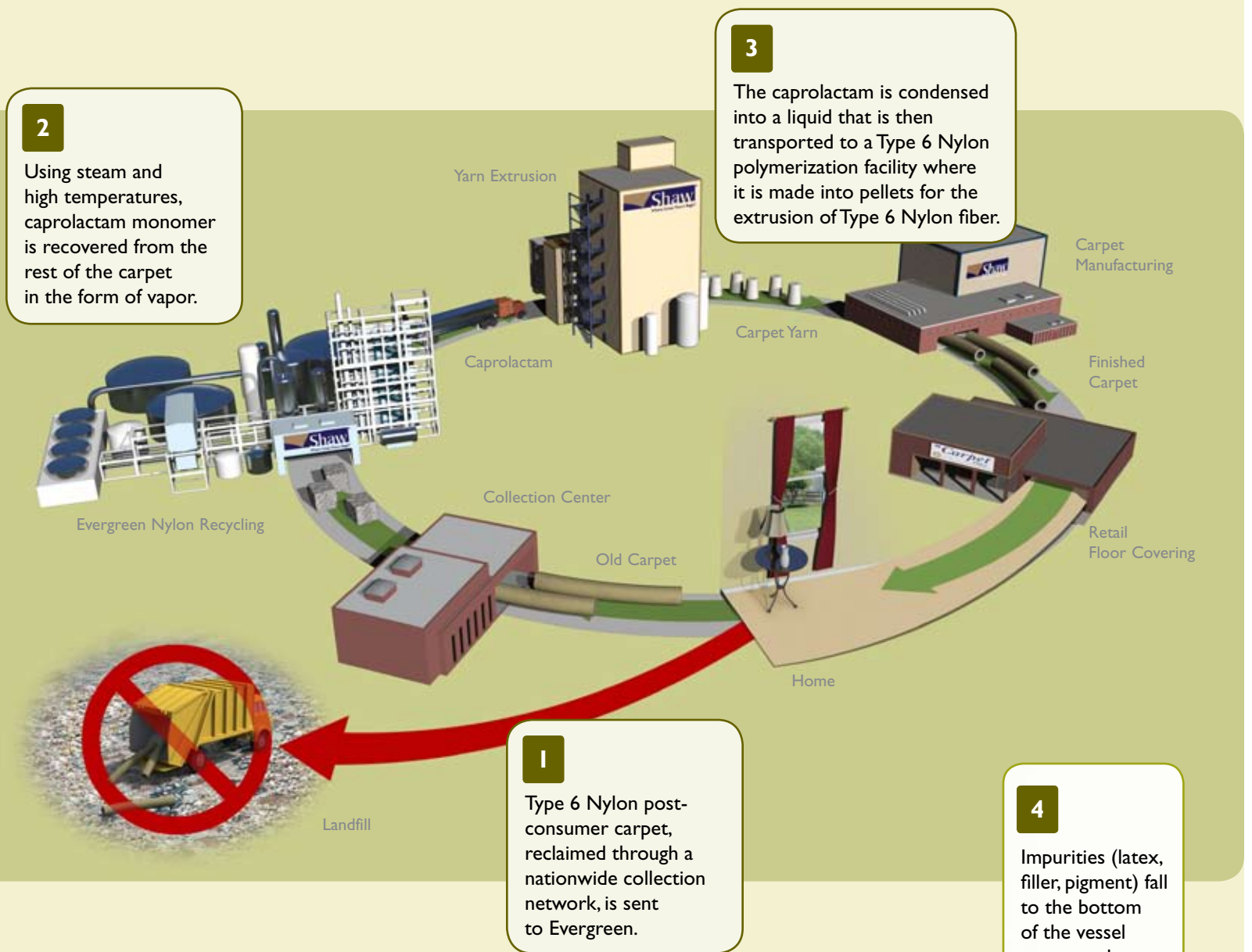


Evergreen has recycled more than 204 million pounds of post-consumer carpet since 2007.

timeline 2007 : Present

With 28,000 associates worldwide, Shaw sales top \$5 billion.

# Operational & Environmental Excellence: How Evergreen Works



## : closing the loop

In 2008, we launched a final, innovative step in the Evergreen Type 6 Nylon recycling process: the use of Evergreen's waste "co-product" as post-consumer recycled content in our EcoWorx backings. The co-product is now used in kilns to create steam for fuel boilers at a partner company in Cartersville, Georgia. Following the waste to energy process, calcium carbonate is reclaimed from the co-product and returned to our Cartersville manufacturing facility for inclusion as post-consumer recycled content in our EcoWorx backing, creating a genuinely closed loop of recycling and remanufacturing. As a result, more than 95 percent of all material entering Evergreen is now recovered as caprolactam, energy, or post-consumer recycled content.



We introduce EcoWorx® Broadloom and EcoWorx® Performance Broadloom backings, making Cradle to Cradle<sup>SM</sup> backing technology available to our customers across an even wider range of products.

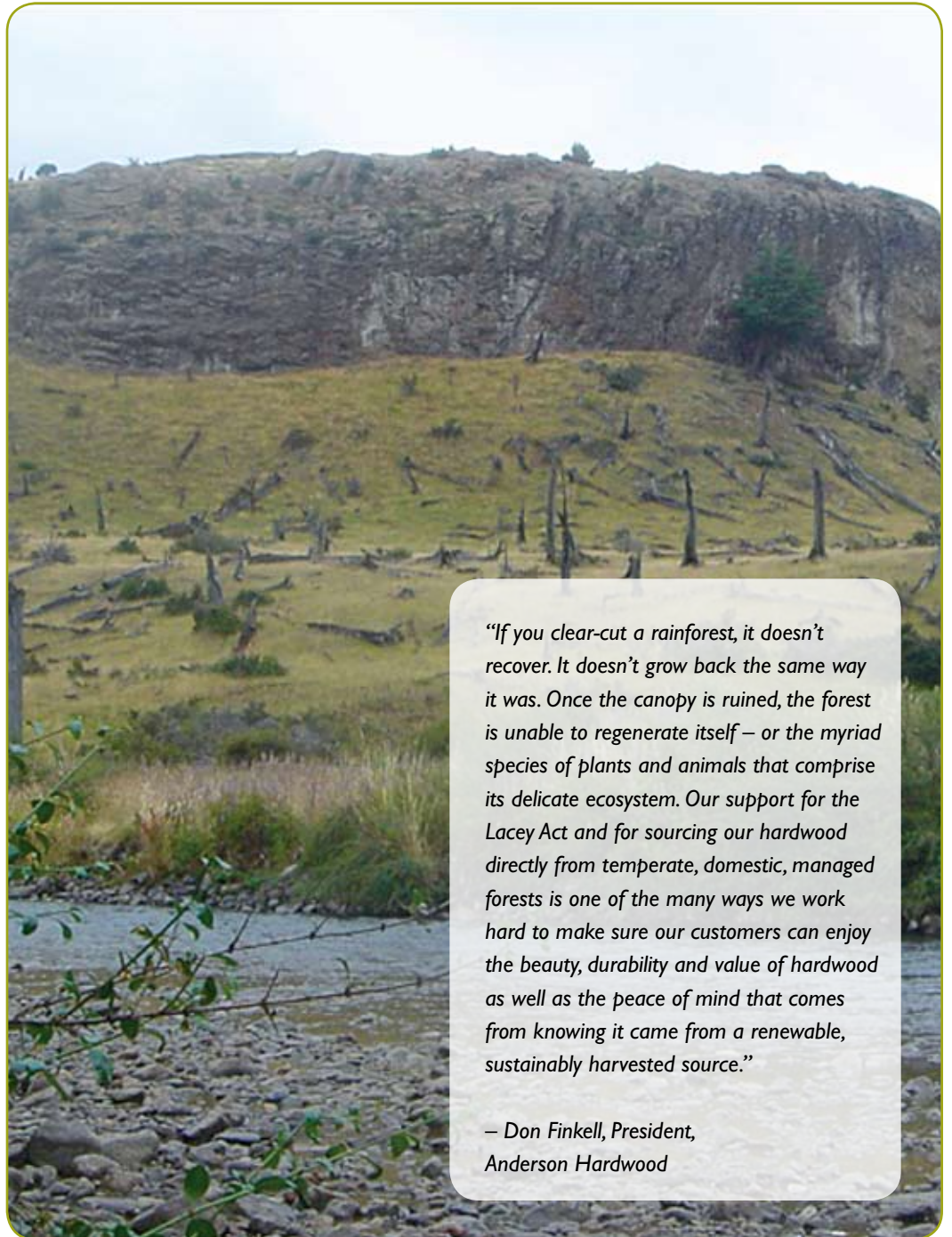
## : responsible stewardship

Assuring our customers the products we offer come from recycled, renewable or environmentally responsible sources is one of the most sustainable values we can provide.

And when it comes to hardwood, that assurance is more important than ever. That's why Anderson Hardwood has worked aggressively to combat illegal logging and to promote North American, legally harvested renewable resources for our wood flooring.

It's also the reason Shaw was pleased to support the recently amended Lacey Act in 2008. The United States' oldest national wildlife protection statute, the act makes it unlawful to "import, export, transport, sell, receive, or purchase" any plant or wood product taken in violation of US state laws or foreign laws. The amendment helps protect at-risk sources of wood, such as tropical rainforests, from illegal logging, and it helps ensure clear, legal documentation of a material's entire supply chain – from source to destination.

We actively support the use of hardwood from domestic, renewable, managed forests. And we're continuing to take steps to work with suppliers who substantiate their timber sources and obtain third-party certification for their supply chains.



*"If you clear-cut a rainforest, it doesn't recover. It doesn't grow back the same way it was. Once the canopy is ruined, the forest is unable to regenerate itself – or the myriad species of plants and animals that comprise its delicate ecosystem. Our support for the Lacey Act and for sourcing our hardwood directly from temperate, domestic, managed forests is one of the many ways we work hard to make sure our customers can enjoy the beauty, durability and value of hardwood as well as the peace of mind that comes from knowing it came from a renewable, sustainably harvested source."*

– Don Finkell, President,  
Anderson Hardwood

timeline 2007 : Present

Our growing Hard Surfaces division expands with the acquisition of Anderson Hardwood, known for creating the industry's most aesthetically innovative and sustainable engineered hardwood.



## Innovative Products & Services: Anderson Exotic Impressions

*Anderson is committed to sourcing wood from sustainably managed temperate forests within the United States. But that doesn't mean we don't offer the same beautiful colors and styles as those beautiful exotics.*

*The unique Exotic Impressions collection uses Anderson's innovative Permacolor process to give domestically harvested American hardwood species the same beautiful color variations and appearance as their exotic counterparts. The process uses no stains, no solvents and no chemicals, ensuring the finished product is as sustainable as it is beautiful.*



Since the start-up of Evergreen, we have collected 244 million pounds of post-consumer carpet – more than the rest of the industry combined – through our nationwide reclamation and recycling program. We received the Carpet America Recovery Effort (CARE) Large Recycler of the Year award for these efforts.

# SUSTAIN : resources



Designing products that can be recycled back into themselves again and again is just the tip of the iceberg. We also have a competitive, sustainable energy strategy. It's a strategy focused on maximizing our efficient use of critical resources – and reducing our overall environmental footprint by decreasing our energy, waste and water consumption.

timeline 2007 : Present

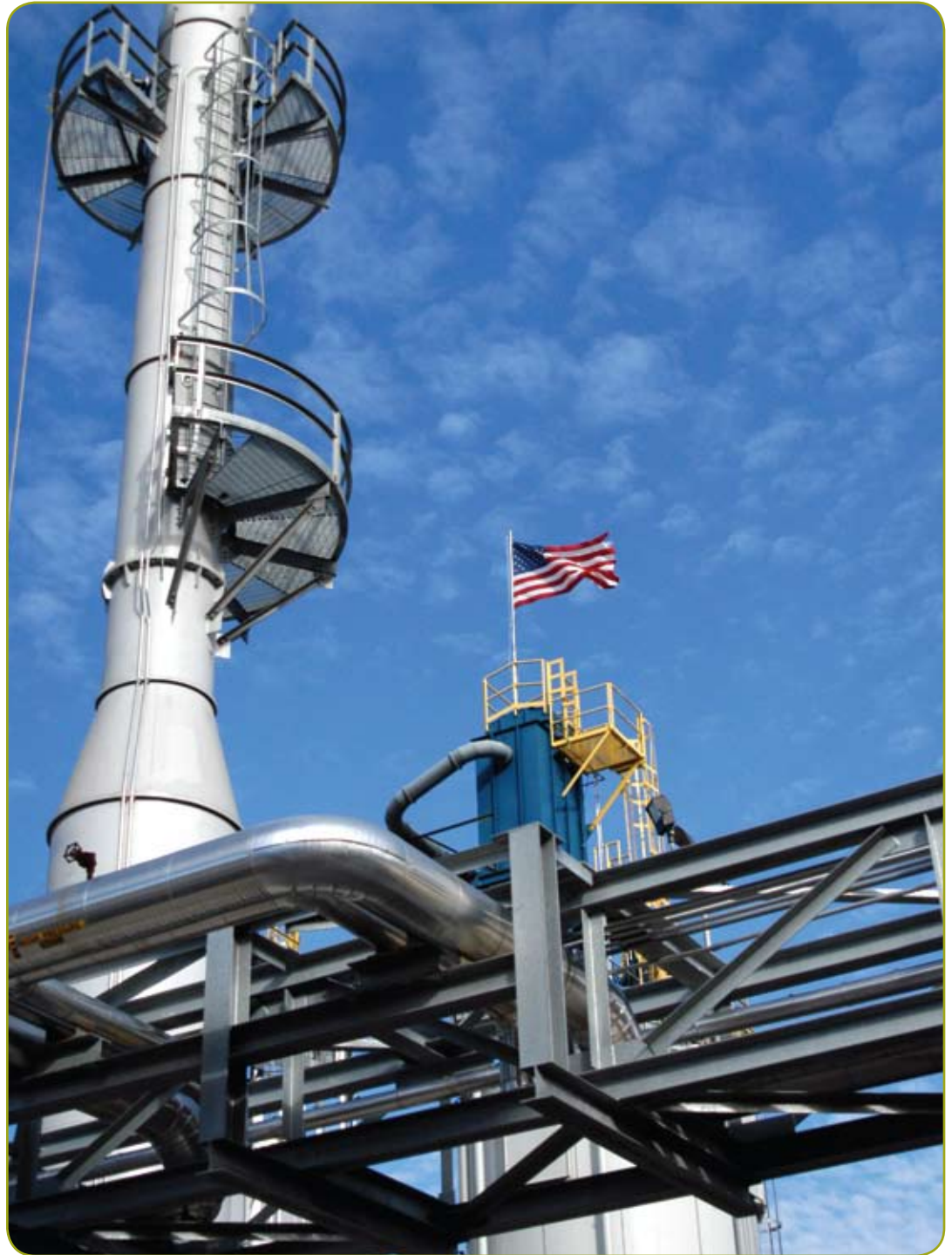
- Our EcoWorx commercial carpet tile and broadloom backing system, Anso® Type 6 Nylon and Eco Solution Q Type 6 Nylon all are Cradle to Cradle Certified<sup>CM</sup> – Silver by MBDC.

Through our partnership with the United States Department of Energy Save Energy Now Leader Program, Shaw is committed to reducing energy intensity by 25 percent by 2017.

## : reclaiming energy

Historically, the carpet, wood and laminate manufacturing processes all generate post-industrial waste, including selvedge, seam waste and wood and laminate flooring waste known as “wood flour.” As part of our energy reduction initiatives, we developed a process for converting this carpet and wood/laminate manufacturing waste into steam energy for one of our Dalton, Georgia-based manufacturing facilities. Developed through a partnership with Siemens Building Technologies, the waste-to-energy facility is the first large-scale, commercially viable alternative to landfilling this type of waste in the industry.

Now an industry model for post-industrial carpet and wood flour waste-to-energy processes, in 2008 alone we saved \$623,000 in energy costs through our energy reclamation process, saving 9,498,000 pounds of carpet waste and 12,022,000 pounds of wood flour waste from landfills in the process.



Several commercial carpet platforms receive Platinum certification under the new NSF/ANSI-140-2007e Sustainable Carpet Assessment Standard.

The expansion and vertical integration of Shaw Hard Surfaces division continues with the acquisition of Zickgraf Hardwood, one of the industry's leading solid hardwood providers.

## : reducing water intensity

Our corporate initiative to reduce water intensity by an additional 40 percent by 2016 is but one example of our high-level focus on the growing importance of conserving one of our most valuable resources. Located in Northwest Georgia, we have experienced first-hand the urgency with which steps to reduce water consumption and conserve water supplies must be taken. As of mid-2007, the state of Georgia – particularly Northwest Georgia – entered a period of extreme drought such that the state mandated a 10 percent reduction in water consumption by the end of that year.

Thanks to an already established program of water intensity reduction, we were already well on the way to significant water consumption reductions – and in swift response to the escalating shortage, we were able to immediately implement additional water-saving steps.

## : resource reuse

Reusing available resources is another core tenet of our sustainability commitment. For example, during the routine operation of our carpet-backing equipment, latex accumulates on the machinery and belts. Each week, the equipment is cleaned with water and maintenance is performed to ensure consistent performance and quality. The waste water residual, called “white water” due to the accumulation of small amounts of latex, cannot be processed by regular water treatment facilities. Knowing the special handling requirements for this water and latex combination, and recognizing the potential for recycling waste water, we installed recovery basins in each finishing facility to capture this waste water. The captured water is then used as a fresh water substitute.

As well as allowing the recycling and reuse of both the water and the latex raw material, this process saves approximately 7,000 gallons of water per week for each of our carpet finishing facilities.



*“Shaw is serious about energy and greenhouse gas reductions. From becoming a Founding Reporter of The Climate Registry to committing through our partnership with the US Department of Energy to a 25 percent reduction in energy intensity, we will continue to lead the industry in environmental sustainability in a manner that provides consistent, measurable results for our stakeholders and our customers.”*

*– Rick Ramirez, Vice President  
of Sustainability and Environmental Affairs,  
Shaw Industries Group, Inc.*

During 2008, our water intensity reduction commitment continued with an overall reduction of 19 percent from our year-end 2006 baseline.



## : alternative fuel

For the Shaw plant in Andalusia, Alabama, powering operations on alternative fuel is a community effort. Shaw collects used cooking oil, or “Yellow Grease,” from associates, community members and restaurants in the area, then converts it to biodiesel for use as a boiler fuel alternative to natural gas. We processed nearly 3,000 gallons of locally collected Yellow Grease in 2008.

## : monitoring our miles

We are an active participant in the EPA SmartWay<sup>SM</sup> Transportation Partner Program, a voluntary collaboration between the EPA and members of the freight industry designed to increase energy efficiency and significantly reduce greenhouse gas emissions and air pollution. Earning a score of 1.25, Shaw Transport has achieved the maximum performance rating in the program, and we report our progress to the EPA annually.

## : reporting our progress

We became one of just over 200 Founding Reporters of The Climate Registry in 2008. The Registry is a non-profit organization established to measure and publicly report greenhouse gas (GHG) emissions in a common, accurate and transparent manner across industry sectors and borders. As a Founding Reporter, Shaw is committed to calculating, verifying and publicly reporting our GHG emissions annually alongside some of the world’s largest manufacturers, municipalities and corporate entities.



# SUSTAIN : performance

We are committed to measuring and publicly reporting the progress we have made towards our sustainability goals – and to using these metrics as a benchmark standard by which to measure future achievement.

**Shaw is a vertically integrated flooring manufacturer. Our operations include monomer, polymer, fiber, yarn, carpet, carpet backing, hardwood, laminate and rug manufacturing processes as well as carpet recycling, full distribution and transportation services.**

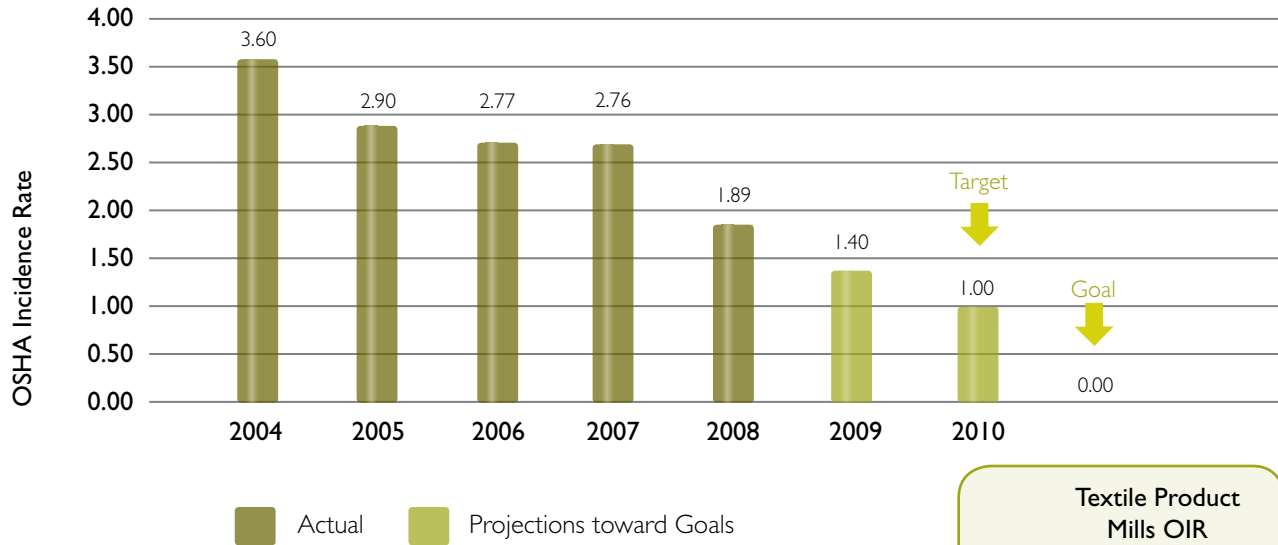


The metrics reported in the following pages reflect the progress of our entire corporate footprint – including all of our administrative, manufacturing and operations facilities in North America. These metrics also reflect the scope of our full vertical integration, as well as the expansion of our organization through acquisition.



## Shaw Employee Safety – OSHA Incidence Rate (OIR)

The health and safety of all Shaw associates is one of our top priorities. While we have successfully reduced our OSHA Incidence Rate by almost 50% since 2004, it is our goal to achieve a rate of less than 1.0 by year end 2010. Ultimately our goal is zero injuries.

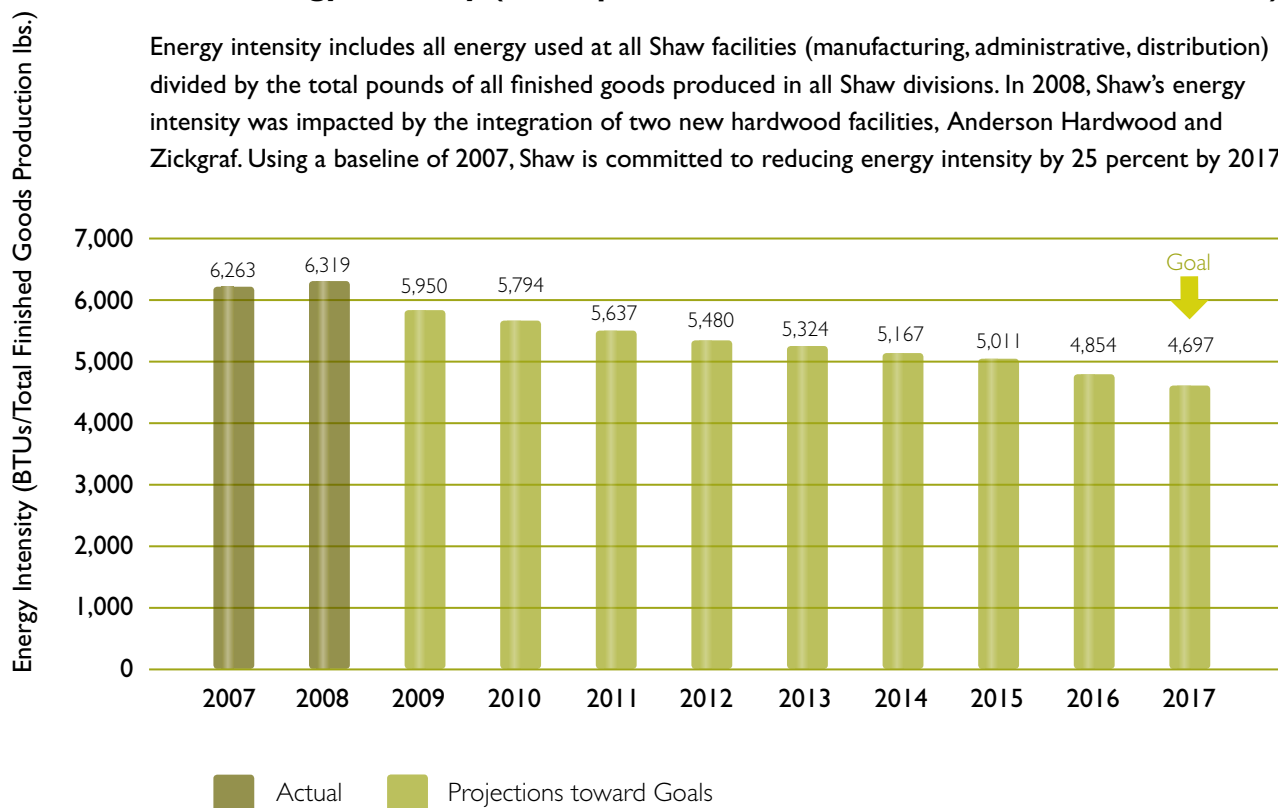


Textile Product Mills OIR	
2004	5.4
2005	4.9
2006	4.5
2007	4.2

(Source: USDOL/BLS)

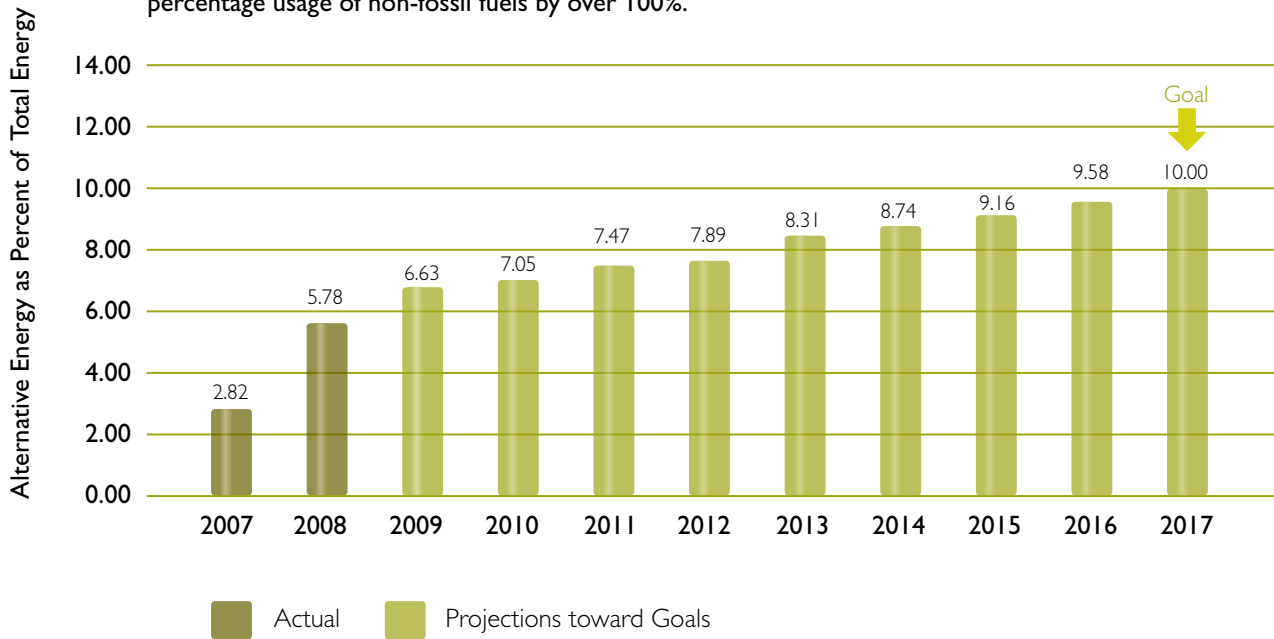
## Shaw Energy Intensity (BTUs per Total Finished Goods Produced in Pounds)

Energy intensity includes all energy used at all Shaw facilities (manufacturing, administrative, distribution) divided by the total pounds of all finished goods produced in all Shaw divisions. In 2008, Shaw's energy intensity was impacted by the integration of two new hardwood facilities, Anderson Hardwood and Zickgraf. Using a baseline of 2007, Shaw is committed to reducing energy intensity by 25 percent by 2017.



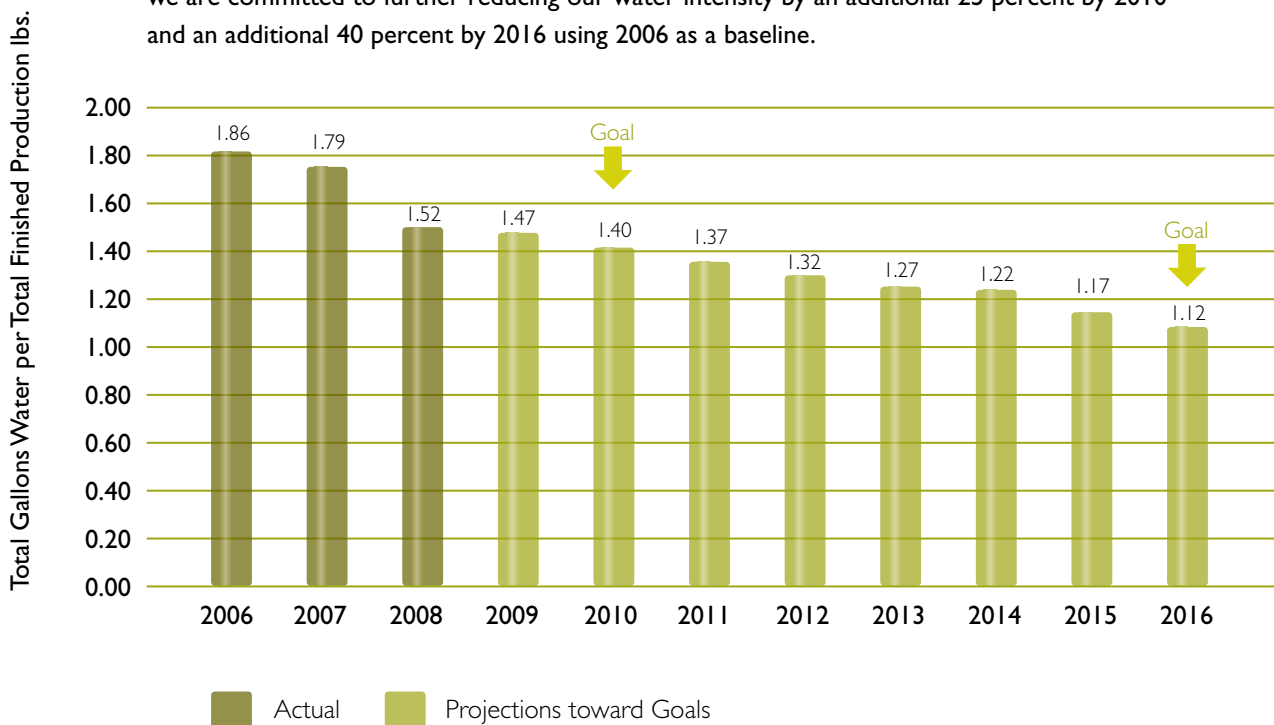
### Shaw Alternative/Renewable Energy (Alternative Energy BTUs per Total Energy BTUs)

As part of our commitment to reducing overall energy intensity, Shaw is also committed to using at least 10 percent of all energy from alternative and/or renewable sources by 2017. Shaw defines alternative/renewable energy as non-fossil fuel use as part of our total energy/fuel mix. In 2008, we increased our percentage usage of non-fossil fuels by over 100%.



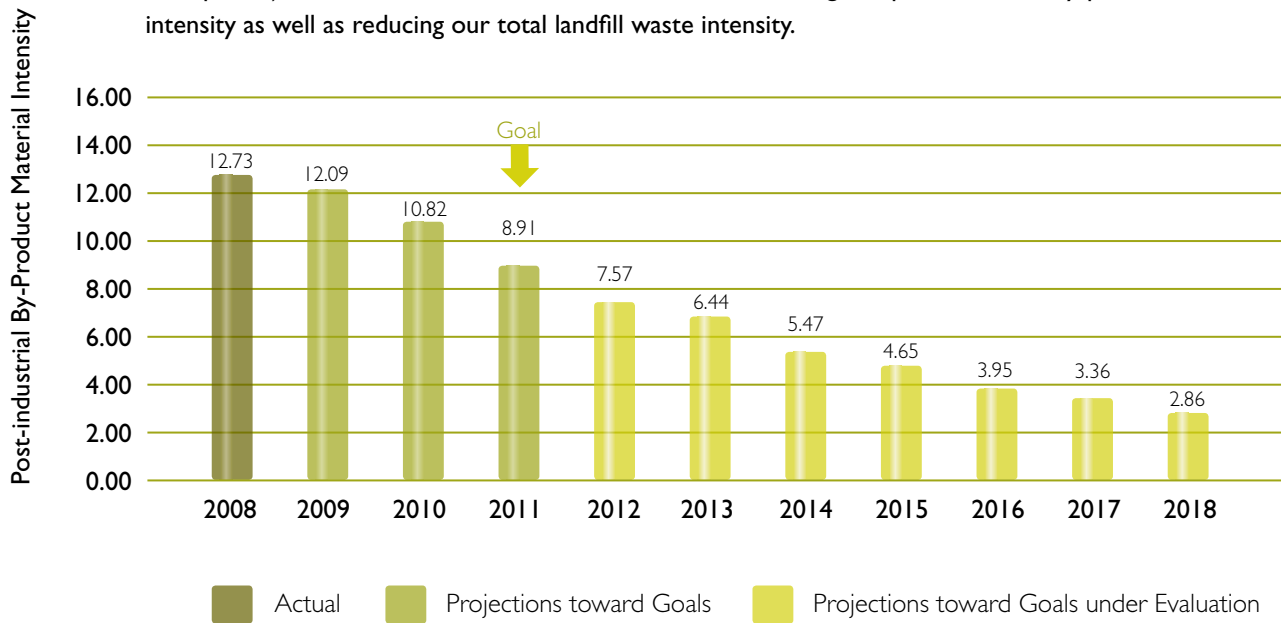
### Shaw Water Intensity (Total Gallons Water per Finished Goods Produced in Pounds)

Shaw defines water intensity as all incoming metered water supplied to all Shaw facilities (manufacturing, administrative, distribution) divided by the total number of pounds of all finished goods produced by all Shaw divisions. While we have already reduced our water intensity by 45 percent since 1999, we are committed to further reducing our water intensity by an additional 25 percent by 2010 and an additional 40 percent by 2016 using 2006 as a baseline.



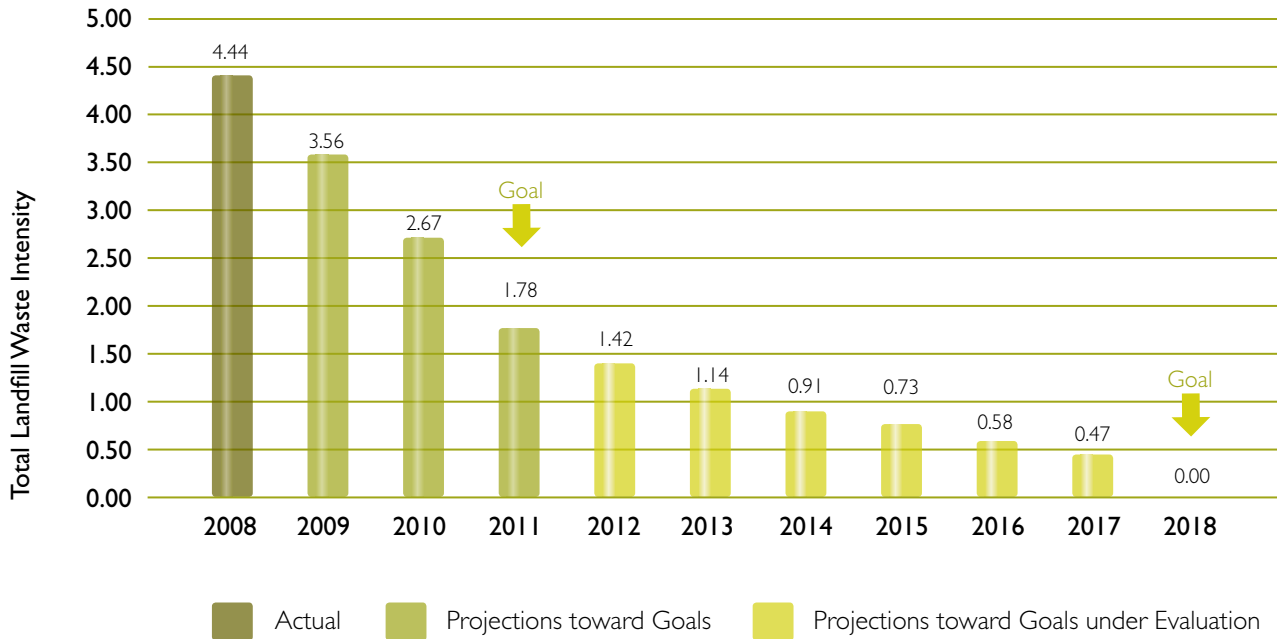
## Shaw Post-Industrial By-Product Material Intensity (Total Pounds By-product Material per Finished Good Production Pounds)

Shaw defines post-industrial by-product material intensity as all reported pounds of by-product materials (excluding Shaw's Anderson and Spectra operations) regardless of source or final disposition divided by the total number of pounds of all finished goods produced by all Shaw divisions (excluding Anderson and Spectra). As indicated above, we are committed to reducing our post-industrial by-product material intensity as well as reducing our total landfill waste intensity.



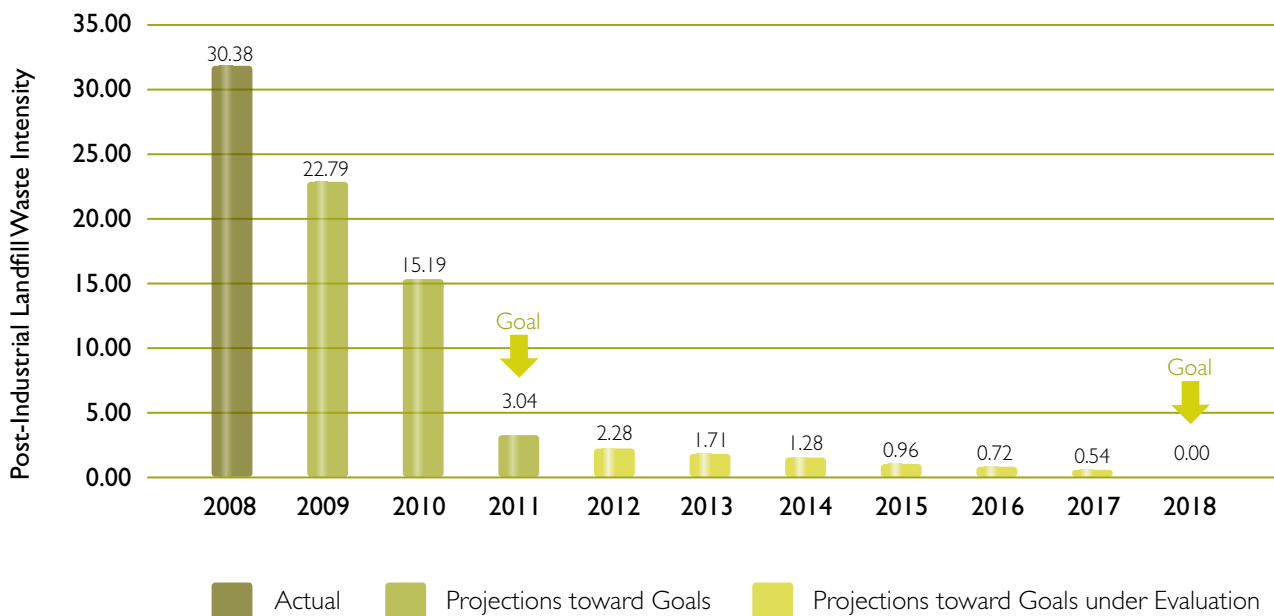
### Shaw Total Landfill Waste Intensity (Total Landfill Waste Pounds per Finished Goods Produced in Pounds)

Total landfill waste intensity includes all reported pounds of all types of waste (both post-industrial and post-consumer) that is going to the landfill (excluding Shaw's Anderson and Spectra operations) divided by the total number of pounds of all finished goods produced by all Shaw divisions (excluding Anderson and Spectra). Shaw is committed to reducing our total waste to landfill by 60 percent by year-end 2011 using 2008 as a baseline, starting with a 20 percent reduction by year-end 2009 and a 40 percent reduction by year-end 2010. Shaw is committed to a goal of zero waste to landfill.



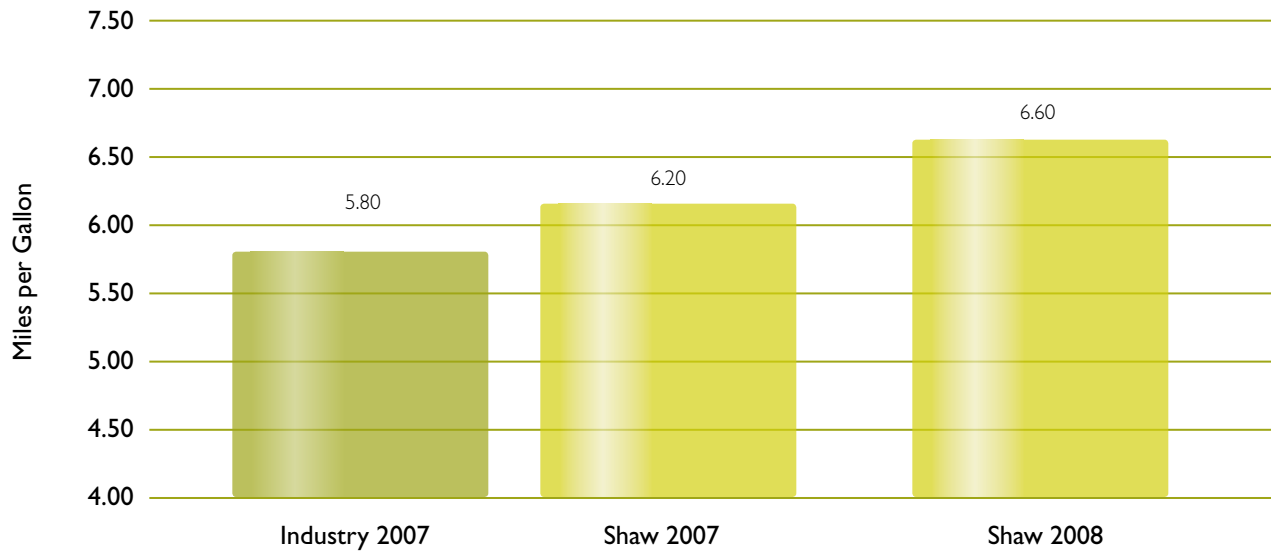
### Shaw Total Post-Industrial Landfill Waste Intensity (Total Post-Industrial Landfill Waste Pounds per Total Post-Industrial Waste Pounds Generated)

As part of our commitment to reducing total landfill waste, Shaw is dedicated to significantly reducing the volume of post-industrial landfill waste generated throughout our facilities. We define post-industrial by-product material intensity as all reported pounds of by-product materials (excluding Shaw's Anderson and Spectra operations) divided by the total number of pounds of post-industrial landfill waste generated (excluding Anderson and Spectra).

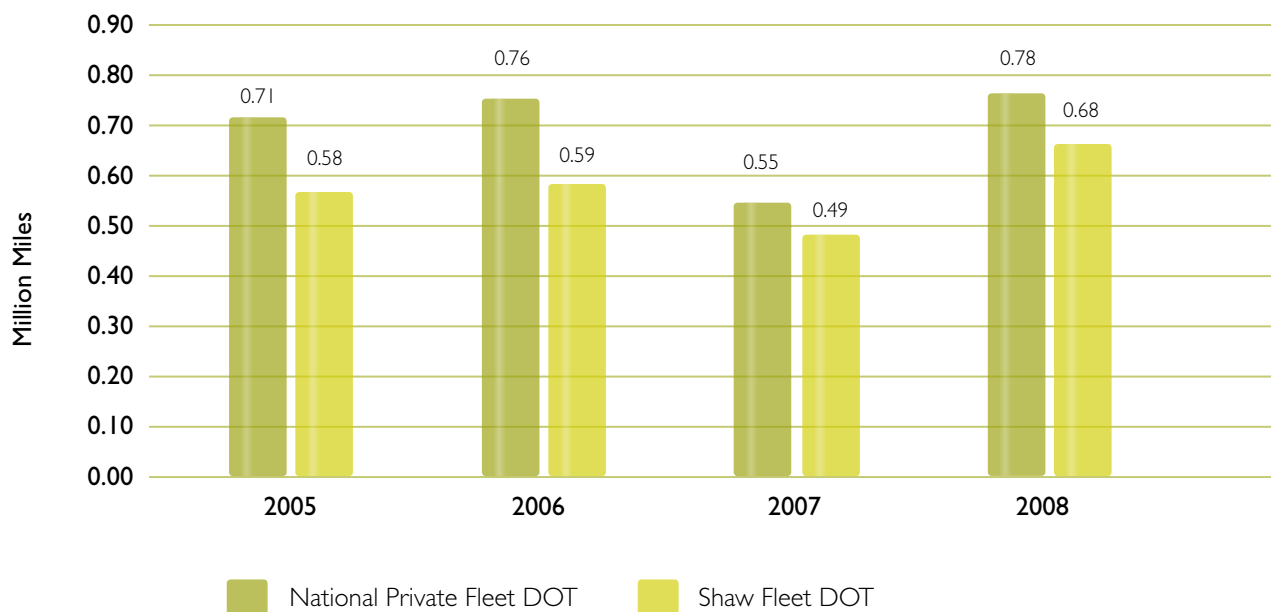


## Shaw Transport – Fuel Efficiency

In partnership with the United States Environmental Protection Agency (EPA), Shaw is a member of the SmartWay<sup>SM</sup> Transportation Program. Designed to optimize fuel efficiency and logistics, SmartWay requires public reporting of progress towards optimal fuel efficiency goals. Since 2007, Shaw Transportation has increased its average miles per gallon from approximately 6.25 miles per gallon to 6.60 miles per gallon as compared to the 2007 industry average of approximately 5.80 miles per gallon.

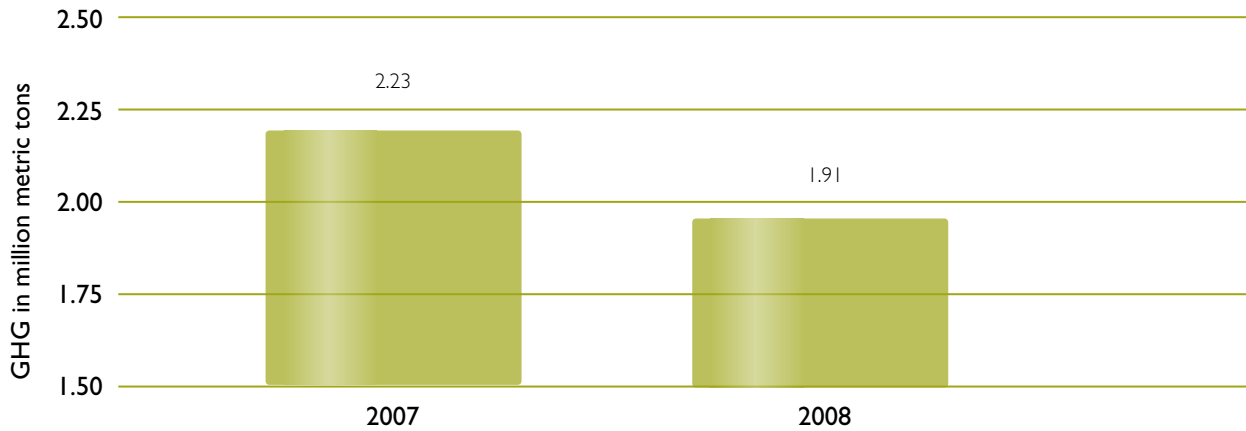


## Shaw Transportation Safety – DOT Accident Rate

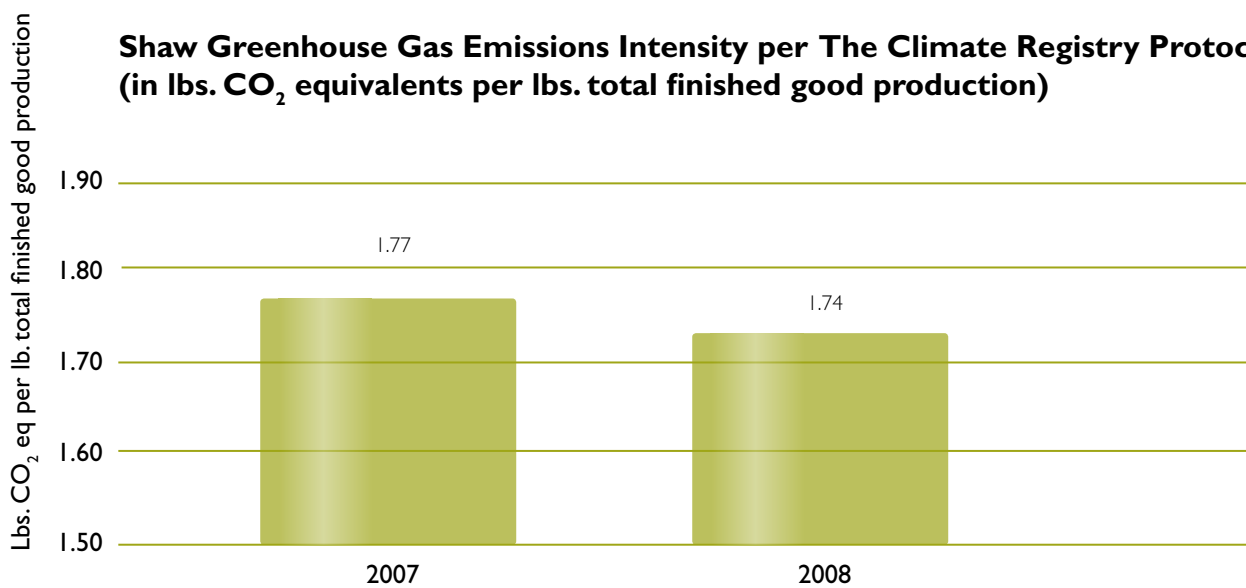




**Shaw Total Greenhouse Gas Emissions per The Climate Registry Protocol  
(in million metric tons in CO<sub>2</sub> equivalents)**



**Shaw Greenhouse Gas Emissions Intensity per The Climate Registry Protocol  
(in lbs. CO<sub>2</sub> equivalents per lbs. total finished good production)**



Note: Greenhouse gas emissions measured as CO<sub>2</sub> equivalents include carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF<sub>6</sub>). These emissions are converted to their CO<sub>2</sub> equivalents for reporting purposes. Total U.S. greenhouse gas emissions reported by the EPA for 2007 are 7,150.1 million metric tonnes CO<sub>2</sub> equivalents according to UN framework/intergovernmental panel on climate change protocols.



## Shaw Compliance/Health & Safety Citations

	2005	2006	2007	2008
# of Health & Safety Citations	0	2	1	2
Health & Safety Fines Paid	\$0	\$2,750	\$1,500	\$2,825
Nationwide OSHA Total Violations	85,307	83,913	88,846	no data

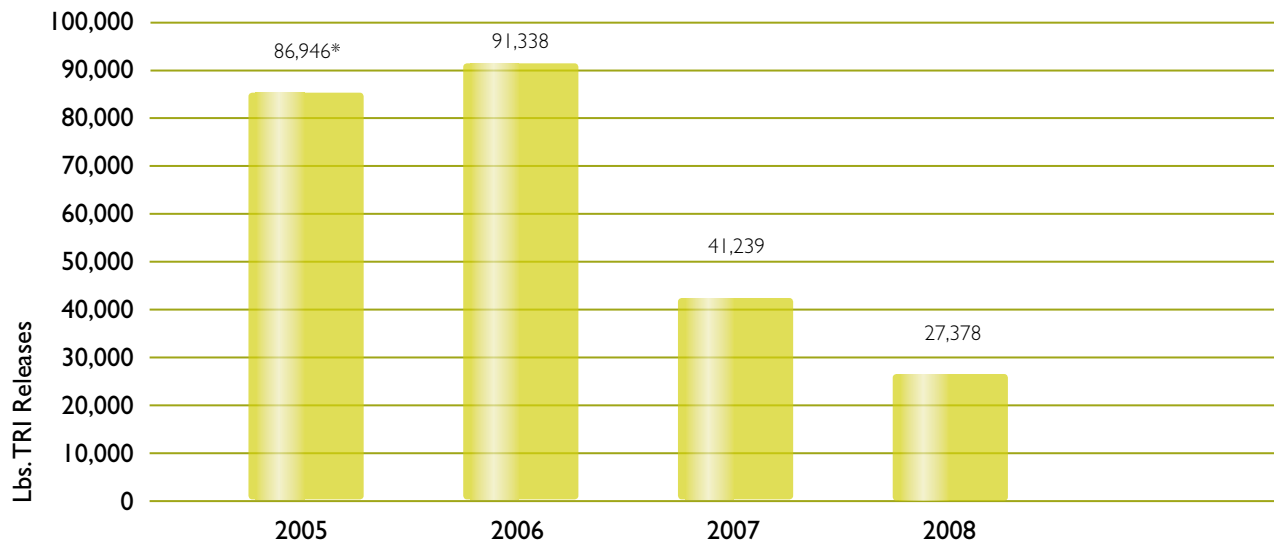
(Source: OSHA)

## Shaw Compliance/Environmental Citations

	2005	2006	2007	2008
# of Notices Citation Events	0	1	1	1
Environmental Fines Paid	\$0	\$11,660	\$10,821	\$10,020
Nationwide EPA Average Per Penalty	\$89,248	\$91,794	\$59,342	\$91,367

(Source: USEPA)

## Shaw Reportable Environmental Releases under EPA Toxic Release Inventory (TRI) in pounds



Note: The EPA Toxic Release Inventory reporting rule is part of Section 313 of the Emergency Planning and Community Right-to-Know Act of 1986, also known as Title III of the Superfund Amendments and Reauthorization Act and is reported annually to USEPA by July 1 for the previous year. The EPA rule applies to environmental releases above threshold quantities defined by EPA for over 650 chemical and chemical categories and now comprises over 22,000 reporting facilities in the U.S.

\*Increase in TRI for years 2005 and 2006 was due to acquisition of significant biological wastewater treatment assets as part of Honeywell transaction. The latest EPA TRI data (2007), indicated 4.1 Billion lbs. of environmental releases were reported under this rule. Shaw's 2007 TRI releases represent less than 0.001% of total U.S. reported TRI releases in 2007.

## TRI Releases for the U.S. (totals)

2005	4.363 billion lbs.
2006	4.319 billion lbs.
2007	4.108 billion lbs.

(Source: USEPA)

# SUSTAIN : momentum

This first sustainability report recognizes the character and the many achievements of Shaw associates past and present. It provides a milestone for our current and future associates to build upon as we continue working to move our company forward with confidence and strength.

We remain committed to leadership within our industry and will accomplish our goals through the continued dedication of our people, the loyalty of our customers and the support we receive from the many stakeholders who share our belief that sustainability and innovation are not only inextricably linked: they are the only two guarantors of long-term success.

*Vance Bell, CEO Shaw Industries Group, Inc.*







**Sustainability Through Innovation™**  
That's the **Shaw Green Edge®**



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