



Sustainability Report 2016

Creating a
Sustainable
Future



Introduction

In a dynamic and ever-changing retail and business environment, it's good to know that some things remain constant. One of those constants is Sauder's commitment to stewardship and servanthood. Those core values guide our actions and motivate us to leave a positive legacy for future generations.

Sauder has been passionate about environmental stewardship for over 80 years. Whether it is re-processing wood scraps into quality furniture, promoting the use of engineered wood as a more sustainable use of forest resources, maximizing recycling, or investing in energy efficient equipment and facilities, Sauder has taken a leadership role in environmental stewardship.

We are proud of the fact that Sauder pioneered the category of ready-to-assemble (RTA) furniture and was awarded the world's first patent for RTA furniture. While humble sounding, the RTA format radically changed the furniture industry and has had a profound impact on the environment. By creating a flat-pack format for furniture, Sauder enabled furniture manufacturers to reduce the number of truckloads required to transport products to retail outlets by up to 80%.

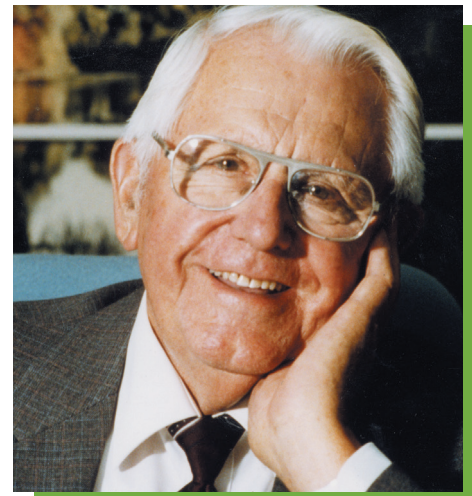
Over the past 20 years, the RTA format has reduced the number of outbound truckloads from Sauder by over 550,000 truckloads. That resulted in saving close to 400 million gallons of diesel fuel and eliminating the emission of over eight BILLION pounds of CO₂e. And that's just the impact at Sauder Woodworking. When those savings are extrapolated to the entire North American or even world-wide furniture industry, the environmental benefits are far greater. Although game-changing advances like creating the Ready-to-Assemble format don't come around every day, Sauder continues to seek and invest in opportunities to reduce our impact on the environment.

Today, in its third generation of family leadership and entering into its 83rd year, Sauder continues to seek "better ways" in all that we do. Our mission statement, Creating Better Ways, to offer Better Value, for Better Living, calls us to challenge the status quo and to seek continuous improvement. Finding "better ways" to Reduce, Re-use, and Recycle natural resources is an important part of offering "better value" and ultimately "better living" for our employees, customers, and consumers.

I hope you enjoy our 2016 Sustainability Report, and I welcome any comments or suggestions for improvement that you may have.



Garrett D. Tinsman
EVP, Operations
Sustainability Leadership Team
gtinsman@sauder.com



Erie J. Sauder, company founder

Sauder Mission Statement

Creating **BETTER WAYS ...**
to offer **BETTER VALUE ...**
for **BETTER LIVING**

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Sauder Environmental Sustainability Policy



Sauder Woodworking was founded in 1934 on the principles of stewardship and servant-hood. Today, three generations later, Sauder continues to honor these principles by producing environmentally responsible products in ways that conserve our world today and preserve it for future generations.

Sauder uses highly sustainable natural resources in our products, and we protect the environment through efficient operational strategies. Ongoing performance is evaluated with unbiased metrics, and our continuous improvement initiatives focus on the key areas that impact the environment and influence our long-term corporate stewardship.

We are committed to conducting our operations in accordance with all applicable laws and regulations, and to engaging with industry and public stakeholders to develop responsible standards and voluntary initiatives that support this sustainability policy. Sauder is committed to sharing its sustainability performance and management practices to promote transparency and adoption of best practices for environmental stewardship.

We expect our suppliers to adhere to the applicable social and environmental laws of the countries, regions, and cities in which they operate. Furthermore, we encourage our suppliers to surpass baseline requirements and, where possible, to reduce the environmental impact of their operations.

Sauder's Sustainability Leadership Team will guide our environmental sustainability improvement efforts and provide regular progress reports to the Chief Executive Officer and Board of Directors. We encourage all Sauder employees to share the responsibility for advancing our environmental sustainability.

By conducting our business in this manner, we align our long-term success with the earth's ecological well-being and create enduring benefits for our shareholders, customers, suppliers, employees, and the communities in which we live and work.

A handwritten signature in green ink, appearing to read 'K. J. Sauder', written in a cursive style.

Kevin J. Sauder
President & CEO

Sustainability Leadership Team



Team members: (left to right) Mark Weaver, Richard Nyce,
Jeff Weber, Garrett Tinsman, Mark Ryan
Not Pictured: Mike Zimmerman

Energy Reduction Initiatives

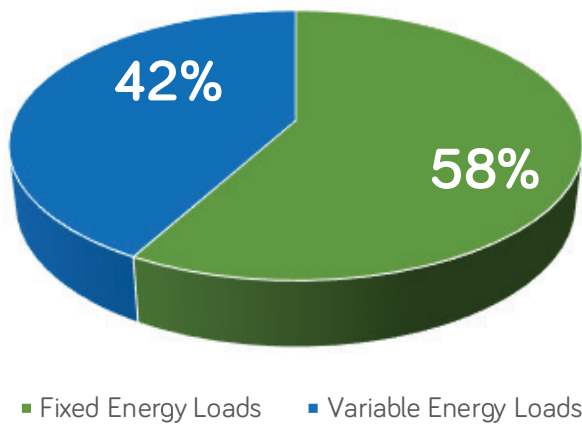
Sauder is proud of its commitment to energy conservation and of the progress we have made to minimize our carbon footprint. Sauder operates the furniture industry's largest co-generation facility where we convert wood fuel into steam and power. This carbon neutral energy source provides approximately 35% of Sauder's energy requirements.

A recent energy usage review revealed that, within a relevant range of production, over half of energy usage is largely independent of the actual weight or value of the furniture produced. In fact, approximately 58% of Sauder's total energy usage is consumed by loads such as dust collection, air compressors, lighting, battery chargers, and heating/cooling. Those loads are more a function of how many days the factory works than of how many pieces of furniture are produced. The remaining 42% of energy consumption is more variable and is correlated to the amount of furniture that is produced.



Sauder Co-Generation Plant

Fixed Energy Loads vs. Variable Energy Loads



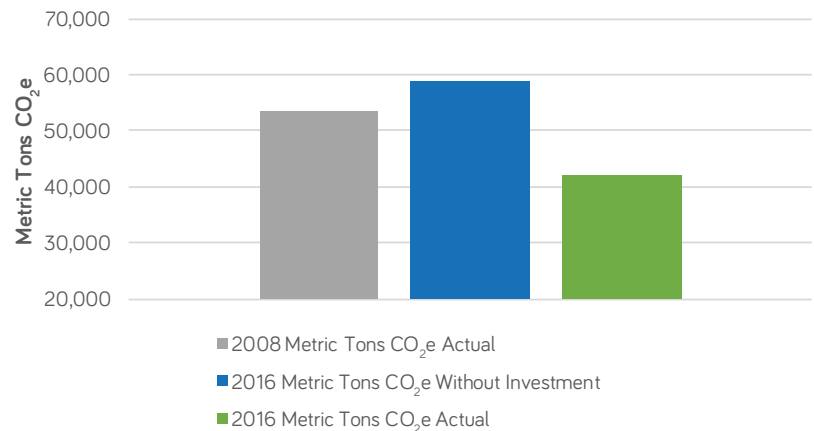
Market forces have driven substantial changes in Sauder's product and customer portfolio between 2008 and 2016. Many of these shifts have had adverse impacts on energy usage. For example, it takes more product offerings to compete in the growing e-commerce retail environment. More end items mean smaller lot sizes, more changeovers, and more energy consumption. Sauder has also added several hundred pieces of specialized, powered equipment and has hired nearly 10% more people to achieve our production goals. These market-drivers factors all affect energy usage and the resulting carbon footprint.

Offsetting this increased energy demand are significant investments in a variety of energy saving technologies. In fact, since 2008, Sauder has invested over \$3.6 million in energy-related projects that have reduced total energy consumption by more than 30 million kWh per year.

Despite the business influences that are driving energy usage up, Sauder's total CO₂e* has actually declined by 21% since 2008. Most of this decline is the result of lower electrical usage driven by energy conservation investments. Clearly, Sauder's focus on energy efficiency is making a difference.

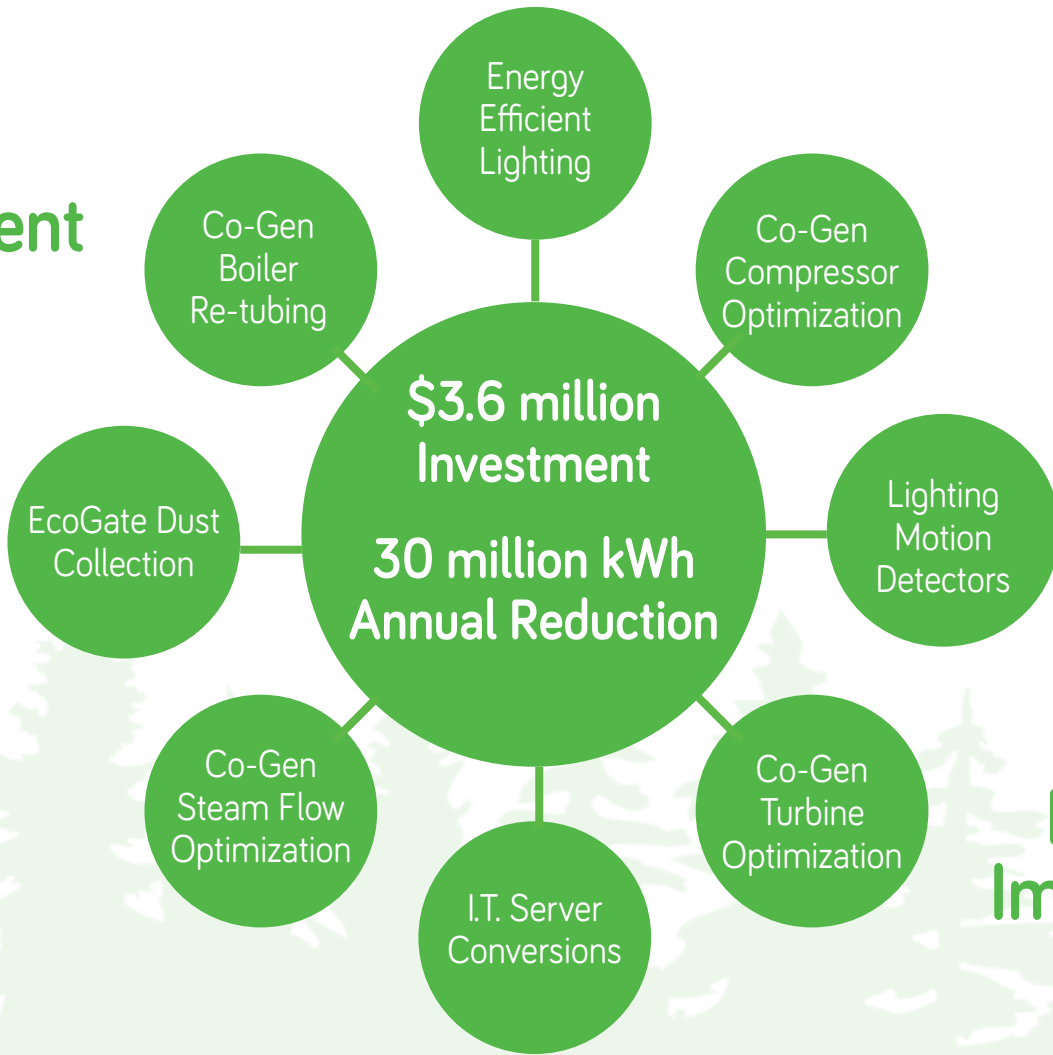
Sauder has made great progress toward reducing our carbon footprint. That, combined with the carbon-neutral nature of the co-generation plant, highlights Sauder's leadership in the area of energy-efficient furniture production. Our commitment to acting in a responsible and environmentally sustainable manner continues to motivate Sauder to seek new ways to reduce our carbon footprint. Future investments in energy efficiency include converting to LED lighting and developing further improvements in dust collection and air compressor efficiency.

Investment Impact on CO₂e



* CO₂e is a unit of measurement used to compare the relative climate impact of different greenhouse gasses. The CO₂e quantity of any greenhouse gas is the amount of carbon dioxide that would produce the equivalent global warming potential.

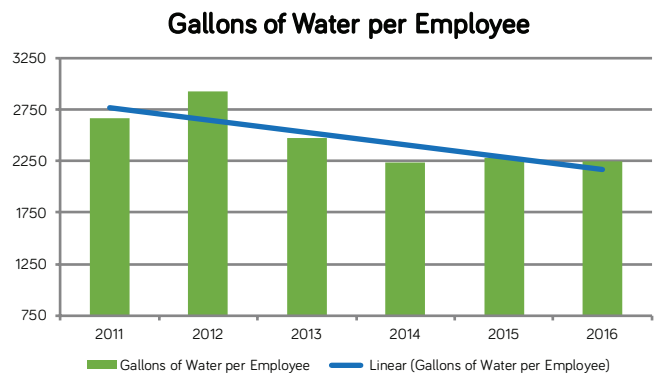
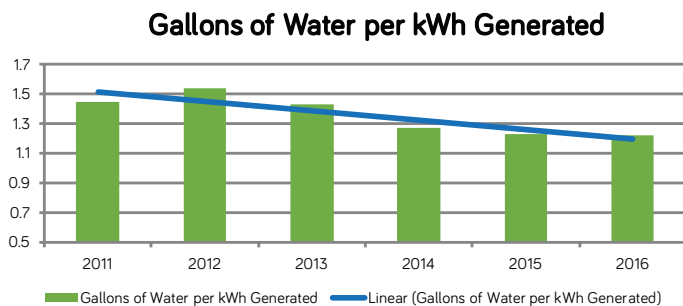
Big Investment



Big Impact

Water Conservation

Approximately 90% of the water consumed by Sauder evaporates as part of the cooling process at the co-generation facility. The other primary use of water is for sanitary purposes. Thanks to employee awareness efforts and investments in reverse osmosis water treatment and boiler tube upgrades, both of these uses are trending down and have reached 2020 goals. Ongoing improvement in water consumption will remain a focus of Sauder's sustainability efforts.



Solid Waste and Recycling

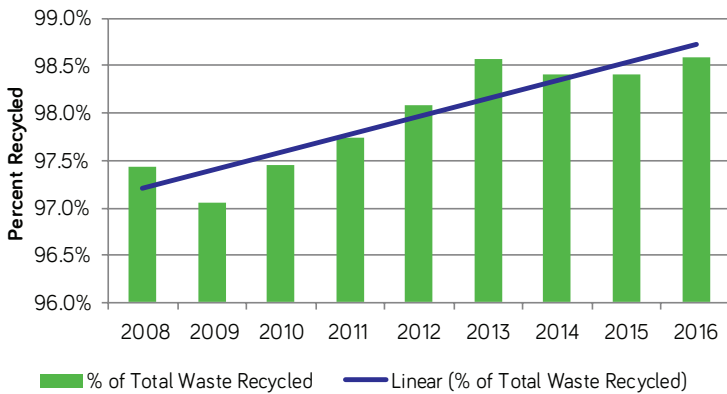
Finding ways to reduce, re-use, and recycle solid waste is not just good for the environment, it's good business. Maximizing panel yield through intelligent design and engineering, optimizing inbound and outbound packaging, and reducing scrap are all examples of "wins" for the environment that also benefit Sauder.

Another example of good environmental business is Sauder's co-generation plant. Sauder operates the furniture industry's largest biomass energy plant. The Sauder co-gen plant not only diverts wood waste from landfills, it also creates renewable, carbon-neutral energy while lowering Sauder's total energy cost.

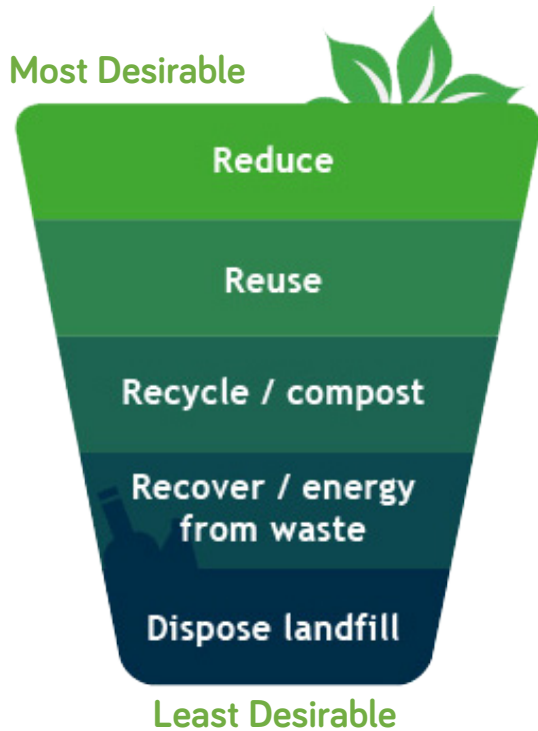
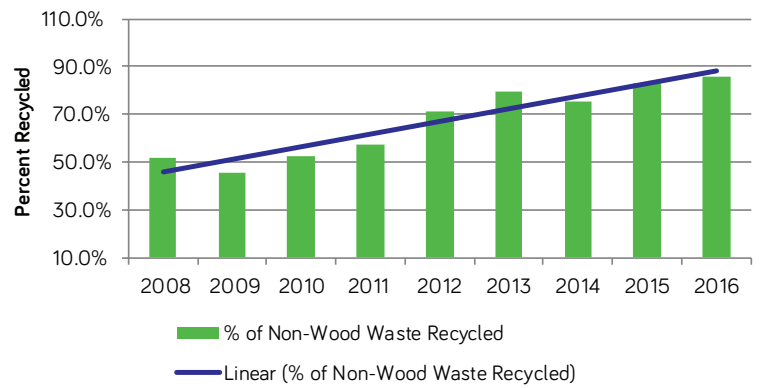
In addition to recycling 98.6% of total solid waste, Sauder hit a new high by recycling 85.9% of its non-wood waste. Total landfilled waste has declined by 51% since 2008. Furthermore, despite a product mix shift toward lighter weight and more open-architecture styles, Sauder is showing significant improvement in its "tons landfilled per ton produced."

Fifty percent of the remaining solid waste that is landfilled comes from fly ash from the co-generation combustion process. Although a recycling solution for this waste stream has remained elusive, Sauder's commitment to reducing, re-using, and recycling waste remains steadfast.

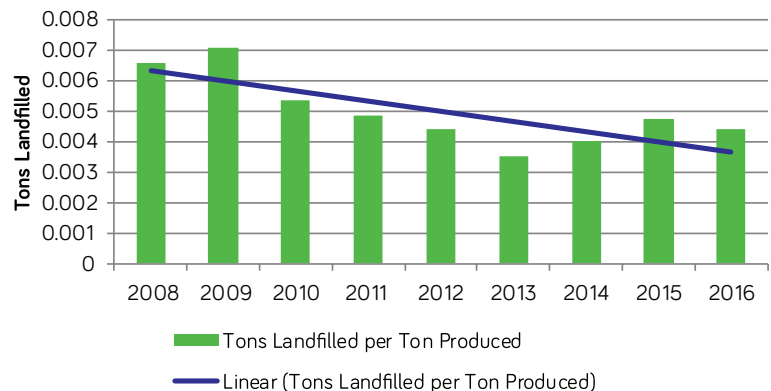
% of Total Waste Recycled



% of Non-Wood Waste Recycled



Tons Landfilled per Ton Produced



Sustainable Products

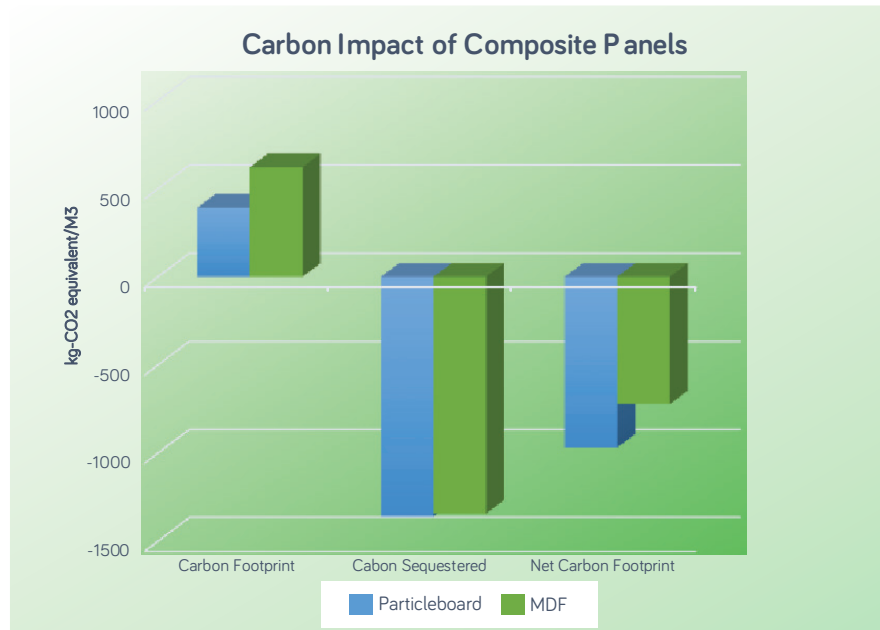
Sauder furniture has been responsibly manufactured in the United States for 83 years. Our formula for sustainable furniture is very simple: Start with the right product designs (fashionable, functional, and efficiently transportable), utilize the right raw materials (maximizing sustainable resources and recycled content), and employ the right people and processes (minimizing waste in all its forms).

Composite panels are a fundamental part of Sauder’s sustainable products strategy. Composite panels are part of a family of engineered wood panels that includes particleboard and medium density fiberboard (MDF). These panels are among the most environmentally responsible materials available today. They are produced from a combination of whole trees and recycled and recovered wood waste that would otherwise be burned or landfilled.

By virtually any measure, composite wood panels are more environmentally responsible than metal, glass, plastic, and other commonly used materials.

Composite Wood Panels (Particleboard & MDF):

- Have a smaller carbon footprint.
- Consume significantly less fossil fuel & feedstock.
- Result in less acidification and smog contribution.
- Consume less water in production.
- Have negative global warming potential values.



The carbon sink properties of the wood in composite panels more than offset its carbon footprint. The net carbon footprint is negative.

Environmental Comparison of Particleboard and MDF to Alternative Materials

Cradle-to-Gate	Unit	Particleboard Unit/m ³	MDF Unit/m ³	Steel Unit/m ³	Plastic Unit/m ³	Glass Unit/m ³
Carbon Footprint	kg-CO2 eq	392	621	18,055	2,413	660
Fossil Fuels & Feedstock	MJ	8,153	12,052	229,357	80,634	30,679
Acidification (TRACI)	H+moles eq	370	547	3,310	1,013	1,143
Smog (TRACI)	kg NOx eq	2.6	4.5	26	37	10
Water	kg	906	2,205	NA	23,655	22,521

source: Surface & Panel Buyers Guide 2012 - James B. Wilson, Professor Emeritus of the College of Forestry, Wood Science and Engineering at Oregon State University

A notable finding in this scientific analysis is that composite panels are more than climate neutral. The carbon sink impact of sequestering carbon in the finished product helps give these products a negative Global Warming Potential. In other words, using composite panels actually helps mitigate climate change.

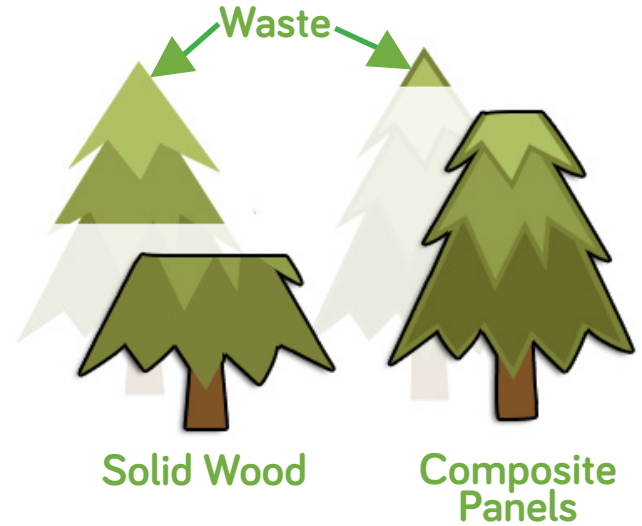
Sustainable Products *continued*

Composite panels even compare favorably to solid wood. On average, only 63% of a tree can be used for solid lumber. By comparison, composite panels allow producers to utilize up to 95% of every tree. Thanks in part to the fact that composite wood products make better use of forest resources, tree growth exceeds harvests throughout of the United States.

Sauder also ensures that 100% of the composite panels used to produce its domestic furniture are certified by the Forest Stewardship Counsel (FSC) as controlled wood and certified under the Eco-Certified Composites (ECC) program. The ECC program takes a holistic approach to ensuring environmentally responsible wood products. In addition to responsible forest management, ECC certification includes factors such as how far forest products are transported before being processed, the percentage of the wood that is actually utilized by panel manufacturers, the carbon footprint of the panel manufacturing processes, and the percentage of recycled or reclaimed materials used in panel production.



Utilization of Forest Resources



Only about 63% of a tree can be used for solid lumber.
Composite panels utilize up to 95% of every tree!

Conclusion

The end result of all of Sauder's efforts is a product that combines outstanding style, cost effective value, and outstanding environmental stewardship. Sauder's mission of *"Creating better ways, to offer better value, for better living"* motivates and guides Sauder to be a leader in producing environmentally responsible products in ways that conserve our world for today and preserve it for future generations.

