

Sustainability Report 2017



 SAUDER®

*Sustainable for
Generations*

Introduction

Sauder Woodworking's 83 year history spans more than three generations. And while a lot has changed since Sauder was founded in 1934, there are some things that have remained rock steady. One constant is Sauder's commitment to stewardship and servanthood. Those core values have guided our actions in the past, and will continue to light the way for the future.

Three generations ago, Erie Sauder founded Sauder Woodworking. Naturally frugal and blessed with a creative, entrepreneurial spirit; Erie sought "better ways" in all that he did. Over the course of his career, many of Erie's product and process innovations also advanced the mission of environmental sustainability. For example, instead of sanding finished surfaces, Erie used a shower of barley kernels to smooth the finish. When the barley needed to be replaced, it was simply fed to local livestock. Erie's frugality and desire to eliminate waste led him to create an entire line of tables manufactured out of wood scraps and trim cuts. Eventually he converted these tables to a "flat pack" or "ready-to-assemble" (RTA) format that dramatically reduced freight and greenhouse gases. Erie was instinctively creating positive solutions for the customer, the business, and the environment.

Erie's sons, Maynard and Myrl Sauder, shared Erie's commitment to environmental stewardship. In addition to leading Sauder during a period of rapid growth, Maynard and Myrl developed extensive recycling programs and commissioned the U.S. furniture industry's first large-scale, biomass co-generation plant. Sauder's four megawatt co-generation plant creates electricity by burning clean, renewable biomass that is leftover from the manufacturing process. Since 1993, Sauder has not taken any wood waste to a landfill, and Sauder continues to find creative ways to reduce, re-use, and recycle materials. The second generation of Sauder leaders also guided Sauder's conversion to composite panels. Particleboard and Medium Density Fiberboard (MDF) utilize up to 95% of the forest resource verses as little as 40% to 60% for lumber and solid wood furniture. High material utilization preserves and protects our forest resources.

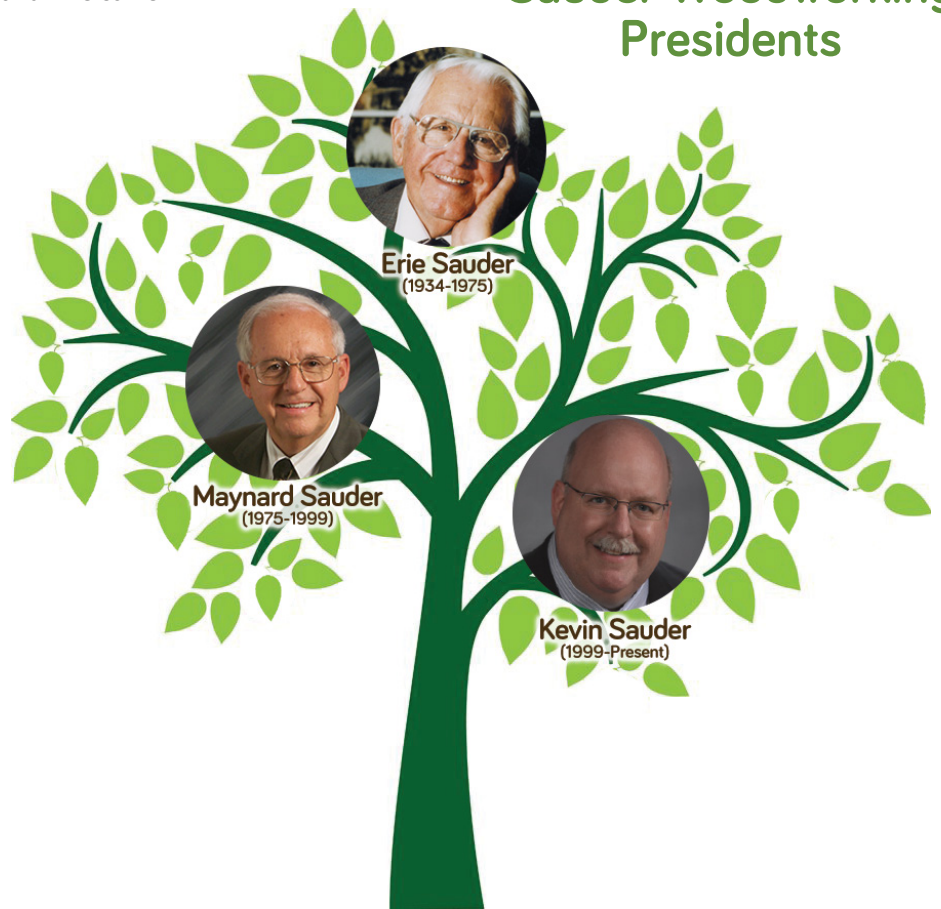
Sauder's current President and CEO, Kevin Sauder, is Erie's grandson. Building on the family heritage of environmental stewardship, Kevin is using technology to further improve environmental sustainability. From converting more than four million square feet of space to LED lighting to installing state of the art controls for dust collection systems, Kevin is applying best practices for reducing Sauder's carbon footprint for the benefit of current and future generations.

Through three generations, the values of servanthood and stewardship have guided our mission to "create better ways to offer better value for better living." Sauder is proud of its history and heritage of environmental stewardship and is excited about the future. I hope you enjoy our 2017 Sustainability Report, and I welcome any comments or suggestions for improvement that you may have.



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Sustainability Leadership Team
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Sauder Woodworking Presidents



Sauder Environmental Sustainability Policy

Sauder Woodworking was founded in 1934 on the principles of stewardship and servanthood. 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.



Kevin J. Sauder
President & CEO



The first RTA table, made by Erie Sauder from leftover church furniture pieces.

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Sauder Mission Statement:

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

Energy and Carbon Footprint



A society grows great when old men plant trees whose shade they know they shall never sit in.

Greek Proverb

Sauder takes a long term perspective and is investing in reducing our carbon footprint for the benefit of future generations. One such investment, Sauder's biomass cogeneration plant, was commissioned in 1993 and over the past 25 years has produced over 956 million kilowatt hours of electricity. Since the co-gen plant is fueled by renewable biomass, that total represents 956 million kWh that did not need to be generated using traditional fossil fuels. More importantly, it means preventing the equivalent of 784,263 tons of carbon dioxide from going into the atmosphere. As the following exhibit shows, Sauder's co-gen plant has made a big impact on our environment.



Sauder Co-Generation Plant

Equivalent to Greenhouse Gas Emissions From:



152,349

Passenger vehicles driven for 1 year



1,743,802,578

Miles driven by the avg. passenger vehicle



106,635

Homes' electricity use for one year



80,057,551

Gallons of gas consumed



29,084,747

Propane cylinders used for home




23,810,959

Incandescent lamps switched to LEDs

Total kWh Generated by Sauder Co-Gen Plant: 956,000,000


Tons of carbon dioxide equivalent avoided: 784,263

Equivalent to Carbon Sequestered by:



18,438,597

Tree seedlings grown for 10 years



838,011

Acres of U.S. forests in 1 year

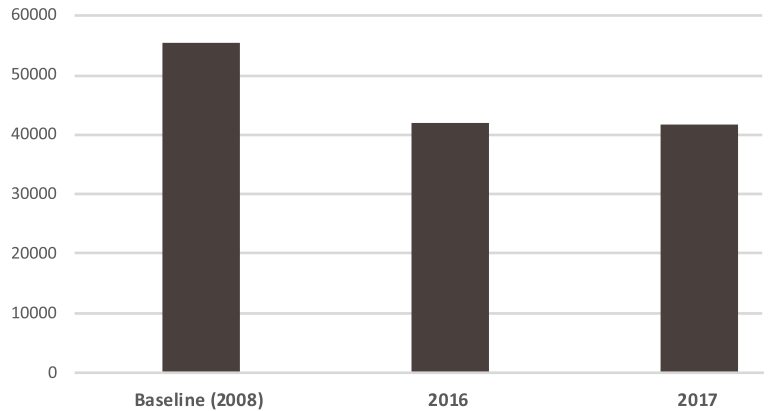
Energy and Carbon Footprint *cont.*

Sauder continues to make long-term investments in energy efficiency. During 2017, Sauder converted 100% of our plant and warehouse lighting to energy efficient LED lighting. Changing a lightbulb doesn't sound like a big deal until you consider that Sauder has over 4 million square feet of space under roof (around 70 football fields) and approximately 7,350 fixtures (29,400 bulbs) that illuminate that space. The good news is that the environmental reward for bold actions is meaningful. Sauder expects to reduce energy usage by 2,484,170 kWh per year as a result of the LED conversion.

In addition to lighting, Sauder made progress during 2017 on its multi-year plan to optimize dust collectors, made significant improvements to the

operating efficiency of the co-generation plant, and focused additional resources on minimizing the use of compressed air. Despite having 6% more employees and operating more equipment, for more hours, on more days during 2017; Sauder's 2017 carbon footprint actually shrank. Sauder's activities were responsible for 1% fewer tons of CO₂e during 2017 vs. 2016. It is fulfilling to know that future generations will benefit from the actions that we are taking today to protect the environment.

Tons CO₂e vs. Baseline and vs. Prior Year



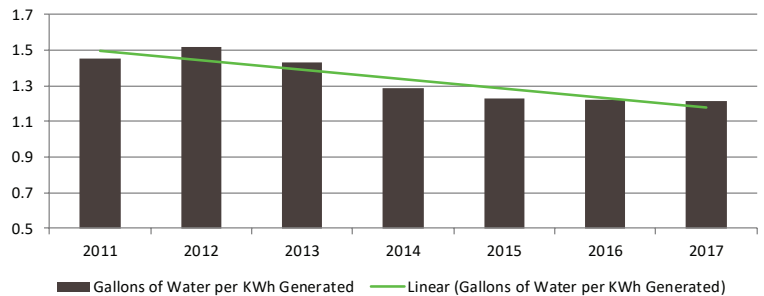
Toledo Edison Energy Efficiency Award

Water Conservation

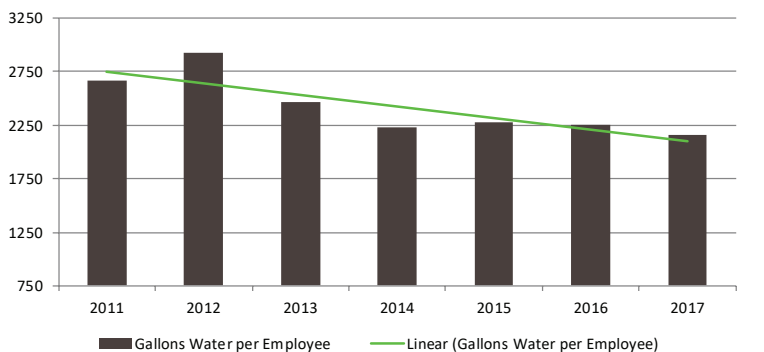
Despite employing over 2,000 people, 90% of the water consumed by Sauder is utilized to generate electricity. During the generation process, biomass is burned to create steam which then turns turbines to generate power. Cool water condenses the steam back into liquid form so that it can be recycled through the power generation cycle in an ongoing loop. During the cooling process, a portion of the water evaporates into the atmosphere. During 2017, Sauder performed extensive maintenance throughout the co-generation facility to minimize the water loss. That, combined with awareness efforts throughout the company resulted in record low water usage per kilowatt hour generated and per employee.



Gallons water per kWh Generated



Gallons water per employee



Solid Waste and Recycling

Sauder Woodworking is located in the heart of what was once known as the Great Black Swamp. Today, the area still boasts some of the most fertile soil in the region and is a tremendous natural resource for the entire community. Sauder's rural, agricultural backdrop heightens our awareness of the importance of minimizing our impact on the environment. Reducing, re-using, and recycling solid waste is an important part of that pursuit.

What started as instinctive frugality has grown into intentional efforts that include using environmentally responsible materials, productively utilizing wood waste, employing environmentally responsible processes, and managing extensive recycling programs.



Environmentally Responsible Materials

Engineered wood panels such as particleboard and Medium Density Fiberboard (MDF) are at the core of Sauder furniture. By utilizing up to 95% of the forest resource, these composite panels are the most responsible use of the forest resource and are far more environmentally friendly than other materials such as steel, glass, aluminum, or concrete. In addition, 100% of the composite panels used to produce Sauder's domestic furniture is classified as controlled wood and is also certified under the Eco-Certified Composites (ECC) program.

Sauder purposefully seeks materials with high recycled content such as backs and packaging materials produced from recycled paper. And Sauder has taken proactive steps to eliminate PVCs from banding and VOCs from coatings and adhesives.



Engineered wood panels such as particleboard use up to 95% of the forest resource.

Utilization of Wood Waste

Sauder's manufacturing process generates approximately 165 tons of sawdust and other wood scraps per day. However, thanks to Sauder's pioneering biomass co-generation facility, none of this wood waste has been landfilled since 1993. Although Sauder's is still a net user of power, biomass-fueled co-generation offsets a meaningful amount of traditional coal or natural gas power generation with clean, carbon neutral power.



Sawdust is ground and stored in three main silos.



Wood is burned in the boiler to generate steam.



Steam flows through the turbine to generate power.

Environmentally Responsible Processes

Just as the U.S. Environmental Protection Agency's Energy Star program recognizes that not all appliances are equally energy efficient, Sauder realizes that not all production processes are equivalent from an environmental standpoint. By selecting energy efficient motors, installing motor controllers, and managing high energy use equipment such as dust collectors and air compressors, Sauder has purposefully created environmentally responsible processes. These choices help minimize Sauder's carbon footprint.



Dust collectors collect and filter our wood waste from manufacturing.



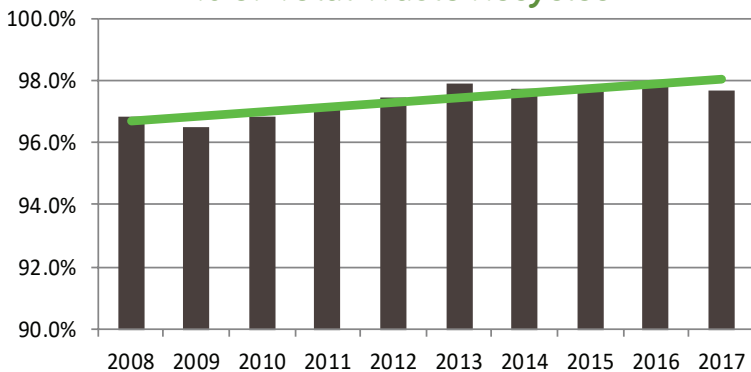
New recycling containers can be found throughout campus

Extensive Recycling Programs

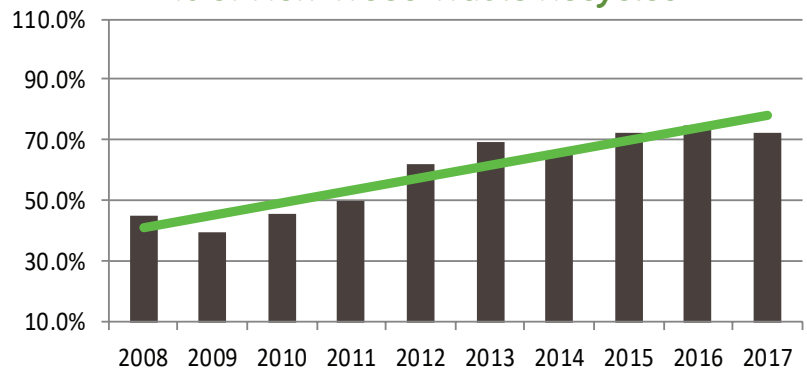
Sauder has created an extensive range of recycling programs for non-wood waste. But what drives recycling success is the commitment of Sauder employees to get the materials into the correct recycling stream. During 2017, Sauder placed over 1,000 additional recycling containers in break-rooms, conference rooms, offices, and production areas. By recycling over 98% of total solid waste and over 80% of non-wood waste, Sauder employees are energizing and sustaining Sauder's heritage of environmental stewardship.



% of Total Waste Recycled



% of Non-Wood Waste Recycled



Are you



RECYCLING?



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.



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