

SUSTAINABILITY REPORT

'21

SAUDER AND ESG

Environmental, Social, and Governance, or ESG for short, is increasingly important to our planet and to all of Sauder's stakeholders. At its core, ESG seeks to measure the extent to which an organization works on behalf of social goals that go beyond the corporation's role of maximizing profits for shareholders. These social goals typically include a set of environmental stewardship goals, as well as goals related to employee and consumer well-being and managing the corporation with diversity and inclusion in mind.



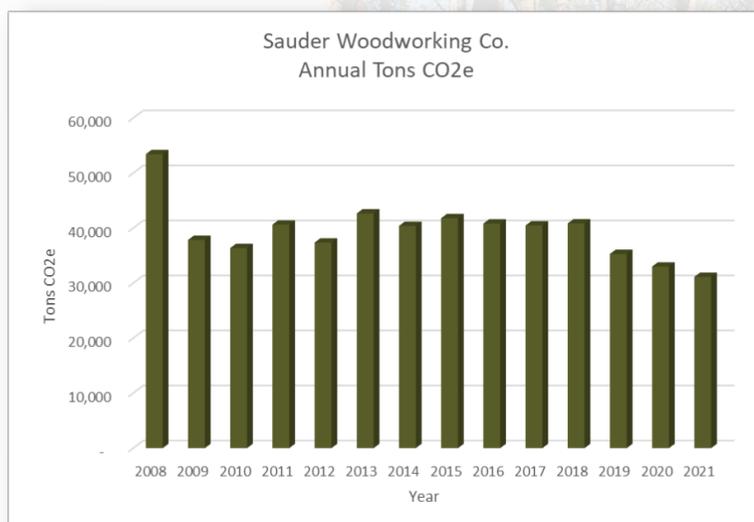
Sauder is proud of the fact that our core values of Integrity, Stewardship, Respect, Servanthood, and Better Ways are strongly aligned with ESG principles. In fact, our stewardship value has led Sauder to focus on managing and reducing our environmental footprint for decades. We hope this 2021 report gives you some insight into the progress that Sauder has made and the ongoing investment that we continue to make into being an outstanding environmental steward.

CARBON FOOTPRINT

Although the COVID pandemic continued to impact many facets of business and society during 2021, the widespread availability of vaccines and improved testing and treatment created a more normalized operating environment. Strong demand for domestically produced ready-to-assemble (RTA) furniture kept Sauder working at full capacity and painted a more complete picture of where Sauder's environmental stewardship efforts stand today.

When compared with our measurement baselines, we have come a long way. Sauder's overall carbon footprint (CO₂e) has come down by a remarkable 41.8% since our baseline year of 2008. But our firm belief in "Better Ways" reminds us that we can never be satisfied and must always strive to improve over time.

Since electricity is by far the largest component of Sauder's CO₂e, Sauder has focused on measuring and reducing the energy consumed by some of the largest categories of energy use. The results of those projects have contributed to Sauder's meaningful reduction in total CO₂e. Current projects include replacing older air compressors with more efficient, variable speed models, replacing exterior lighting with LED fixtures, and minimizing leakage of compressed air throughout the high-pressure distribution network. These initiatives will create positive environmental benefits by further reducing the amount of electricity that Sauder requires for operations.



Sauder is also actively moving to cloud-based information technology solutions. In addition to the business benefits, analysts generally agree that cloud-based systems drive a more environmentally friendly information technology platform. According to a recent article by Jamie Morgan, the combination of better infrastructure, higher utilization rates, more frequent hardware replacements, and general operating efficiency results in up to 87% less energy used to power primary information systems.

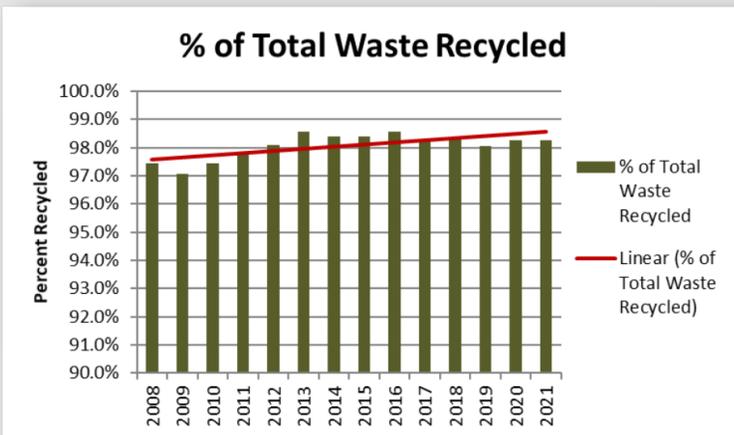
Climate scientists agree that there is no single action that can reverse current global warming trends. Progress can only be made through the coordinated and combined impact of individuals, governments, and companies like Sauder. Sauder's biomass-fueled co-generation system, combined with projects designed to intentionally reduce our carbon footprint is modeling the path for responsible climate stewardship.

SOLID WASTE AND RECYCLING

Recognizing that our largest waste stream, by far, is wood waste, Sauder invested in a biomass cogeneration system. Twenty-eight years later, the co-gen plant continues to produce energy from renewable biomass. Although 100% of Sauder's wood waste is used to fuel the cogeneration system, a small percentage of the wood remains after combustion in the form of "fly-ash". This fly ash represents 34% of Sauder's landfilled waste. Sauder is partnering with Ohio State University to identify value-added uses for the fly ash. Our goal is to further reduce landfilled waste by finding a recycling outlet for the fly ash.

Sauder employees take pride in identifying process changes that can benefit both the environment and the Company. One such innovation, implemented during 2021, was the conversion from wood pallets to paper pallets for outbound e-commerce shipments.

Historically, e-commerce shipments were consigned to carriers such as UPS and FedEx on large wood pallets. Unfortunately, these pallets were often discarded when they arrived at the carrier's initial sortation site. Recognizing the wasteful nature of this practice, Sauder partnered with a paper pallet provider to develop a paper pallet that would serve our e-commerce shipping requirements. After testing several designs, Sauder selected a pallet and changed outbound e-commerce shipments to paper pallets.



Paper pallet



Wood pallet

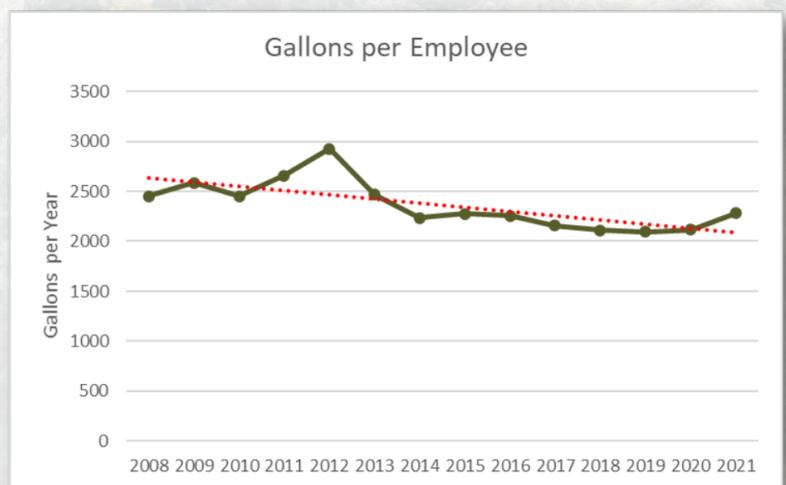
According to a lifecycle analysis study of single use pallets conducted by KraftPal, paper pallets have a significantly lower CO₂e impact than traditional wood pallets. Benefits were noted in the areas of forest utilization, production energy intensity, shipping weight, and end of life disposition of paper pallets vs. wood pallets. By converting approximately 100,000 pallets per year from wood to paper, this change will have a meaningful impact on the environment.

Paper Pallet Lifecycle Benefits:



WATER CONSERVATION

Roughly 90% of the water used by Sauder evaporates into the atmosphere through the cooling process of cogeneration. The water helps to cool and recondense steam so that the boiler water can be recirculated to make electricity. Fortunately, no impurities are introduced into the water during this process, but ongoing water management does have an environmental impact. After a disappointing year in 2020, co-gen operations returned to a more normalized water usage level in 2021.



The remaining 10% of water used by Sauder is consumed for sanitary purposes. Other than minor clean-up requirements, water is not used in Sauder's production processes. Since our 2008 baseline, Sauder has reduced water usage per employee by 6.9%, from nearly 2,450 gallons to roughly 2,280 gallons per person. Increased personal hygiene as a defense against COVID-19 impacted water usage in 2021, but total sanitary water usage remained well below baseline levels.

CONCLUSION

During 2021, Sauder and the world began the long process of returning to normalcy. While a corporate focus on Environment, Social, and Governance may be part of the "new normal" for some organizations, for Sauder it is a continuation of our heritage. For 87 years we have remained steadfast in our commitment to providing products that combine outstanding style and cost-effective value in ways that conserve our world for today and preserve it for tomorrow.

