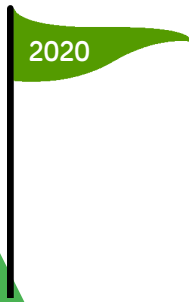




Sustainability Report 2014



Introduction

One of the “habits” in Stephen R. Covey’s influential and best-selling book, *The Seven Habits of Highly Effective People*, is to “Begin with the end in mind.” Covey contends that it is important to create a vision of what you want to achieve in the future, so that you can behave proactively today to make that future a reality.

As you will read in Sauder’s 2014 Sustainability Report, Sauder is taking Covey’s advice to heart. Although Sauder has achieved some remarkable things on our sustainability journey, our philosophy of “continuous improvement toward zero” is not explicit enough to guide us to our future vision. Therefore, Sauder has established a core set of tangible, measurable goals that we expect to achieve by the year 2020. These goals, our “end in mind,” will guide our actions and be our standard for success.



Erie J. Sauder, company founder



Today, in its third generation of family leadership and entering into its 81st 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.

Achieving Sauder’s 2020 sustainability goals will not be easy. But as President Theodore Roosevelt reminded us, “Nothing in the world is worth having or worth doing unless it means effort, pain, or difficulty.” Fortunately, Sauder has been blessed with an outstanding and dedicated group of employees who share Erie Sauder’s commitment to preserving and protecting the resources that have been entrusted to us.

I hope you enjoy our 2014 Sustainability Report, and I welcome any comments or suggestions for improvement that you may have.

A handwritten signature in green ink that reads "Garrett D. Tinsman".

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

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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 in the key areas that impact the environment and influence our long-term corporate stewardship.

Key Focus Areas:



We are committed to conducting our operations in accordance with all applicable laws and regulations, and to engage 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



Team members: (left to right) Steve Meyers, Craig Drewes, Mark Ryan, Walter Beardsley, Denise Austermler, Richard Nyce, Julie Houser, Jeff Weber, Mike Zimmerman, Garrett Tinsman
Not pictured: Mark Weaver



2020 Environmental Sustainability Vision

Sauder has developed a core set of quantifiable goals in areas that we view as critical to environmental sustainability. These goals establish the vision of what can be achieved if we create the right focus, support that focus with appropriate resources, and engage the entire Sauder team. The goals set forth in our 2020 Vision are not easy, but we firmly believe that they are attainable.

Goals like reducing CO₂e intensity by one-third, reducing landfilled waste intensity by 80%, and recycling 99.5% of total solid waste represent noteworthy environmental improvements. They are inspiring goals that can rally people to achieve great things. And they are goals that, if achieved, will make our employees, company, community, and customers proud.

Area / Metric:	Baseline Measure	2020 Goal	Improvement %
Energy / Carbon Footprint			
Metric Tons CO ₂ e per Metric Ton Produced	.178 Tons	.120 Tons	32.6%
Solid Waste / Recycling			
Tons Landfilled per Ton produced	0.00656 Tons	0.00131 Tons	80%
% of Solid Waste that is Recycled	97.4%	99.5%	2.2%
% of non-Wood Waste that is Recycled	31.6%	80%	153.2%
Water			
Gallons Used per Kw Generated	1.45 Gal.	1.23 Gal.	15%
Avg. Gallons Used per Employee	2,664 Gal.	2,264 Gal.	15%

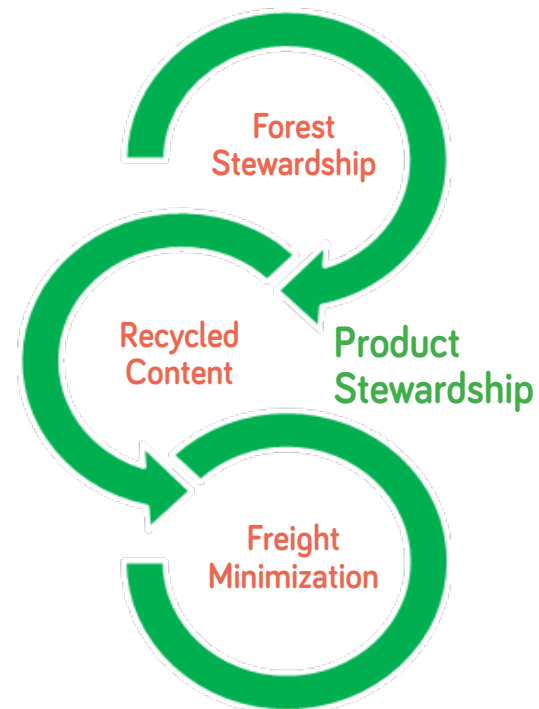
Sustainable Products

Sauder furniture has been responsibly manufactured in the United States for 81 years. Starting at the forest, 100% of the wood fiber that goes into Sauder products has been classified as “controlled wood” by the Forest Stewardship Council (FSC). Controlled wood avoids all of the following wood sources that are viewed by the FSC as carrying high environmental and social risk:

- Illegally harvested wood;
- Wood harvested in violation of traditional or civil rights;
- Wood harvested from forests in which high conservation values are threatened by management activities;
- Wood harvested from areas being converted from forests and other wooded ecosystems to plantations or non-forest uses;
- Wood from forests in which genetically modified trees are planted.

Sauder also certifies its domestic products under the Eco-Certified Composite (ECC) program. The ECC program goes beyond the confines of the FSC and takes a holistic approach to ensuring environmentally responsible wood products. In addition to responsible forest management, the ECC certification includes factors such as how far forest resources 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. Sauder is committed to utilizing 100% ECC panels to promote broad-based forest stewardship.

Beyond responsible wood fiber sourcing, Sauder utilizes a high percentage of components and packaging produced from post-consumer and post-industrial recycled materials. And Sauder’s ready-to-assemble furniture format minimizes the freight volume and the associated carbon emissions from truck and rail freight. The result is a product that combines outstanding style, cost effective value, and outstanding environmental stewardship.

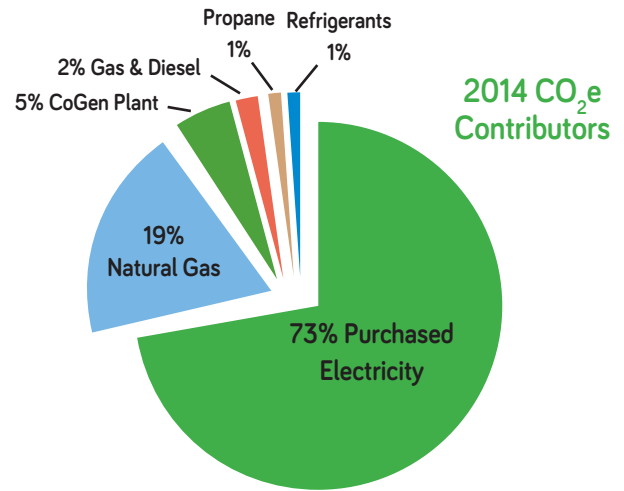


Energy/Carbon Footprint

Since 1993, Sauder has operated a biomass-fueled co-generation plant to offset roughly one-third of the energy used to manufacture furniture. This commitment to renewable, carbon-neutral energy has made Sauder a leader in energy efficiency among furniture manufacturers.

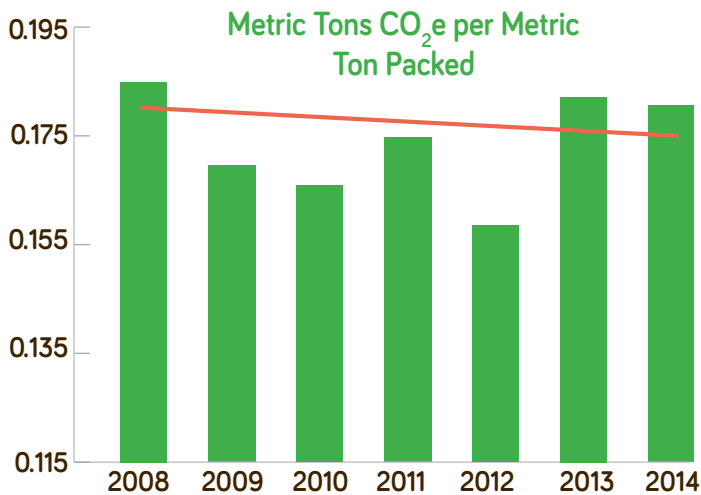
Beginning in 2008, Sauder began using its carbon footprint data to guide efforts to intentionally reduce its environmental impact. By focusing on the key drivers of energy utilization and seeking innovative ways to reduce energy requirements, Sauder has been able to make meaningful reductions in its CO₂e* per ton of furniture produced. In addition, Sauder reports its annual greenhouse gas emissions to the Carbon Disclosure Project.

Although the trend in reducing Sauder's CO₂e remains favorable, three significant factors influenced the elevated 2014 results. First, natural gas usage was up significantly during 2014. Record-breaking cold weather during the winter of 2014 drove extraordinary heating requirements. These heating requirements were exacerbated by the fact that Sauder began fully utilizing an additional 400,000 square feet of building space in preparation for new business growth. Second, Sauder's internal power generation was reduced due to necessary co-generation equipment maintenance. During 2014, Sauder took one month of downtime to re-tube one of its two wood-fired boilers and upgrade one of its two turbine generators. Finally, Sauder endured a prolonged shortage of human resources during 2014. In the face of staffing shortages, Sauder utilized weekend overtime hours which resulted in incremental compressed air, dust collection, lighting, and associated energy usage. However, despite these adverse energy drivers, Sauder's overall CO₂e per ton of furniture produced is still down 6.7% from our 2008 baseline year.



The good news is that Sauder's investment in boiler and turbine upgrades is making a positive difference. Power generation during the fourth quarter of 2014 was 15% higher than the average Q4 generation from the past three years. Sustained over a full year, this increased clean energy generation should have a positive impact on Sauder's carbon footprint during 2015 and beyond.

In addition to overhauling and upgrading its co-generation facility, Sauder implemented a number of energy reduction projects during 2014. A campus-wide compressed air loop was completed. This loop, together with associated control equipment, will enable multiple buildings to share compressed air and optimize the use of energy intensive air compressors. Innovative Eco-Gate energy management systems were installed on three additional dust collection systems. And variable speed drives were added to several fan and pump motors on the co-generation cooling tower.



2015 is also shaping up to be an exciting year for energy improvements. With the support of a thermodynamics consultant, Sauder has identified a number of steam flow improvements at the co-generation facility. More efficient steam flow will increase energy generation and reduce Sauder's carbon footprint. In addition, EcoGate equipment and controls will be added to several more dust collection systems, and a comprehensive maintenance program will be launched to address aging door and dock seals throughout the Sauder campus. These and other improvements should position Sauder for further progress toward our 2020 goal.

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



Solid Waste & Recycling

Stewardship of the resources that have been entrusted to us guides Sauder's waste minimization strategies. Panel yield is optimized in production, and many drops are processed into component parts. Non-useable wood waste is effectively converted to boiler fuel in Sauder's co-generation facility. In addition to diverting wood waste from landfills, the co-generation plant creates renewable, carbon-neutral energy. More recent efforts have focused on non-wood waste streams. Although non-wood waste is a minority of the total waste, it represents Sauder's largest improvement opportunity. The concepts of Reduce, Reuse, and Recycle are being effectively applied to minimize non-wood waste.



Parts storage in recycled crates

Sauder has established collection sites and containers throughout each facility to make recycling as easy as traditional disposal. In addition, dedicated sustainability teams lead grass roots efforts to improve recycling processes. The results of these employee-led efforts are clear to see.

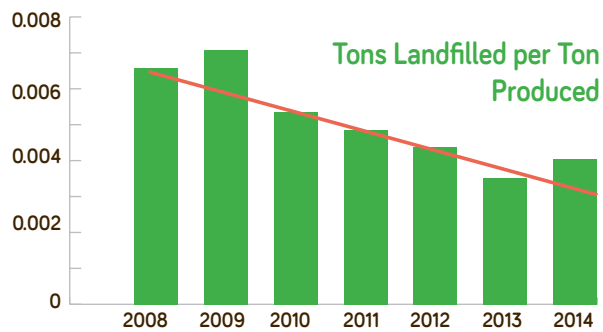


Recycled paper in bales

Sauder re-used or recycled over 98.4% of the total waste generated. In fact, Sauder has reduced the amount of landfilled waste per ton produced by 38.8% since 2008. Excluding wood waste, Sauder recycled 61% of non-wood waste. That represents a 93% improvement since 2008 in the percentage of non-wood waste that is recycled.

Approximately half of Sauder's non-recycled waste comes from the fly ash generated during combustion at the co-generation facility. During 2014, Sauder thoroughly analyzed the chemical content of the fly ash to help identify environmentally safe alternatives to landfilling. Although the nature of this byproduct creates recycling challenges, Sauder is committed to finding a productive use for fly ash.

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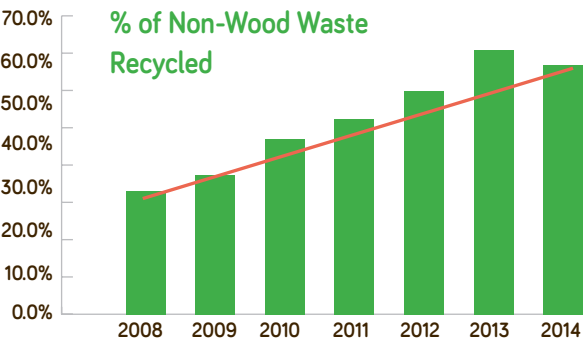
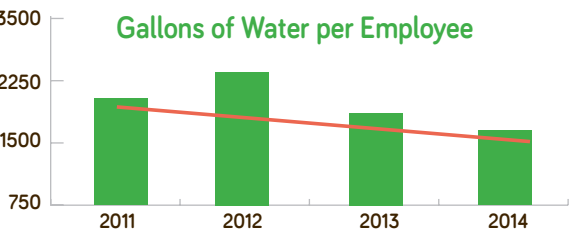
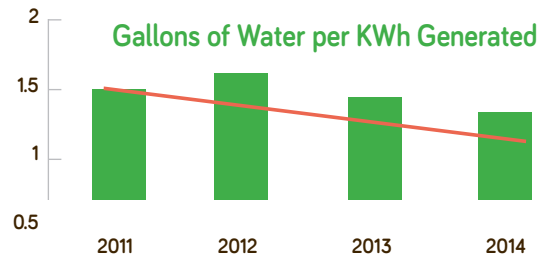


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Water is cooled in Sauder's co-generation plant cooling towers



Water Conservation

Since approximately 90% of the water consumed by Sauder evaporates as part of the cooling process at the co-generation facility, Sauder's focus on water conservation has naturally been on co-gen. During late 2013, Sauder took the final step in commissioning its new reverse osmosis (RO) water treatment equipment. The efficiency of the RO system, together with enhanced operational efficiency, drove improved water utilization during 2014. Increased awareness of environmental sustainability is also driving down water usage outside of the co-generation process.



Employee Safety

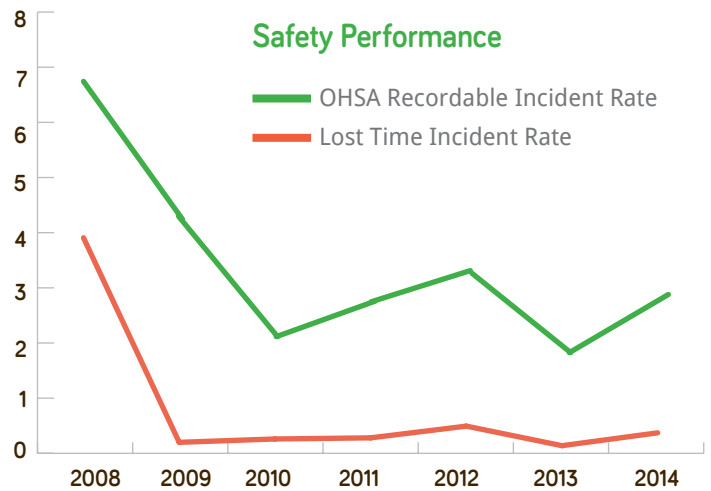
After a year-long pilot in the manufacturing area, Sauder is expanding its employee-led safety system to other parts of the organization. Operating within the boundaries of high level “prescriptives” for legal and regulatory compliance, the Sauder Safety System is characterized by broad employee participation and focused on prevention. Although it may seem counterintuitive, it is common for companies implementing comprehensive safety systems to see a temporary uptick in incident rates during the early stages of implementation. By encouraging full reporting of all incidents, including “near miss” events, and removing the fear of reporting incidents and unsafe conditions, reported incident rates tend to rise. However, over the long run, eliminating risks and motivating safe behaviors will result in a safer work environment and lower incident rates. Sauder will not be satisfied until we reach our goal of having every employee return home safely at the end of the work day. That’s what we mean when we say that we are on a “Journey to Zero.”



Employee-led teams are focused in areas such as safety awareness, emergency preparedness, powered industrial vehicle safety, and lock-out/tag-out procedures. To help ensure success, each team receives a variety of safety, teamwork, and problem solving training as it matures and grows. They also have an opportunity to pick their own team name and logo to promote safety awareness in their work areas.



SAWS (Sauder Associates Working Safely) manufacturing safety team



Regulatory Compliance

Sauder is committed to meeting or exceeding all regulatory requirements that apply to each of the Sauder businesses, products, and processes. In order to ensure compliance, Sauder regularly tests and audits factors such as air quality, sound levels, chemical content, and emissions. In addition, Sauder maintains active training programs to ensure that all affected employees are aware of regulations and their responsibilities in adhering to those regulations. Finally, Sauder maintains a fully equipped test laboratory to ensure that its furniture meets or exceeds all applicable requirements for safety and performance.

Conclusion

Sauder has established a clear vision of where we want to go on our sustainability journey. The path won't be easy or smooth, but achieving these 2020 sustainability goals is worth the trip. 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.

"If you don't know where you are going, any road will get you there"
- Lewis Carroll





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