



2013 Sustainability Report

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Introduction

Thomas Edison said, "Genious is 1% inspiration and 99% perspiration." There are a lot of parallels between that message and progress in corporate sustainability. Undoubtedly there will be some revolutionary ideas that come along every once in a while, but the majority of progress is made through incremental improvements and the work of many people throughout any organization. That is certainly true at Sauder.

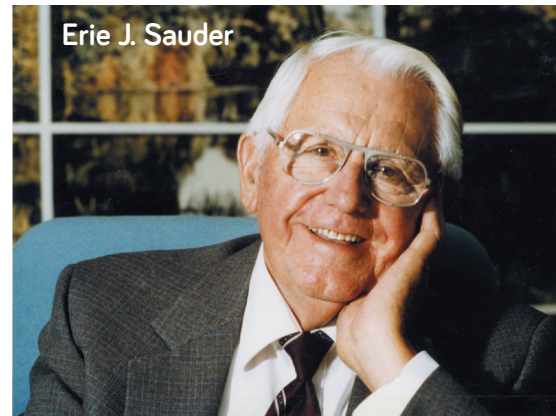
Sauder's heritage of servanthood and stewardship defines who we are as an organization. Today, in its third generation of family leadership and entering into its 80th year, Sauder remains committed to those founding principles. That commitment leads us to continuously seek ways that we can be better stewards of our resources.

Sauder's sustainability journey will surely include successes to be celebrated and occasional disappointments. Fortunately, Sauder has been blessed with an outstanding and dedicated group of employees who share founder Erie Sauder's commitment to preserving and protecting the resources that have been entrusted to us. This 2013 Sustainability Report highlights ways in which Sauder remains true to the stewardship values that Erie Sauder instilled in the company.

I hope you enjoy our fourth annual sustainability report, and I welcome any comments or suggestions for improvement that you may have.



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Team members: (left to right) Ben Gurwell, Chris Rychener, Richard Nyce, Garrett Tinsman, Walter Beardsley, Julie Houser, Craig Drewes, Mike Zimmerman, Mark Ryan, Steve Meyers



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:

- Energy
- Water
- Waste and recycling
- Greenhouse gases

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



Products and Processes

Mission:

Better value and better living start with better ways. People throughout Sauder display a healthy dissatisfaction with the status quo and a passionate desire to improve our products and processes. This drive for continuous improvement is visible in countless incremental improvements. Creating 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.

Mission Statement:
Creating **Better Ways...**
to offer **Better Value...**
for **Better Living.**



Sustainable Products:

Sauder furniture has been manufactured in the United States for 80 years. Starting with Eco-Certified Composite panels, Sauder products feature a high percentage of materials and packaging produced from post-consumer and post-industrial recycled materials. Furthermore, Sauder's ready-to-assemble furniture format minimizes freight and the associated carbon emissions. The end result is a product that combines outstanding style, cost effective value, and outstanding environmental stewardship.

Sauder is proud to be able to certify all of our domestically manufactured products under the Eco-Certified Composite (ECC) program. Unlike most forest stewardship programs, the ECC program takes a holistic approach to ensuring environmentally responsible wood products. The ECC program includes responsible forest management as well as factors such as how far forest products are transported before being processed, the percentage of the wood 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 and to promoting the environmental benefits of this comprehensive environmental certification program. When you see the ECC logo on a carton of Sauder furniture, you can buy with the confidence of knowing that the furniture and its wood components were sustainably produced.



Energy/Carbon Footprint



Energy efficient dust collection



Lighting improvements



Renewable energy wind turbine

Reducing Energy Use:

Reducing Sauder's carbon emissions starts by understanding where energy is used and where other greenhouse gas emissions are generated. That's the easy part. The real work comes in identifying and implementing process changes to reduce the organization's carbon footprint.

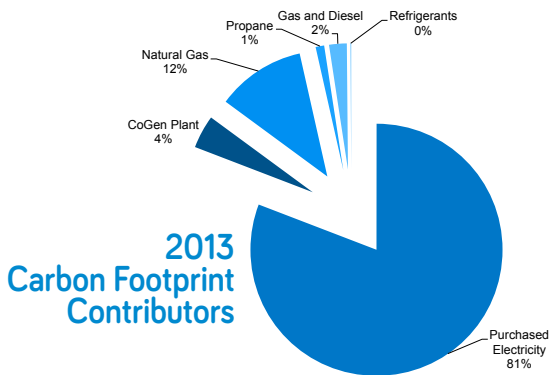
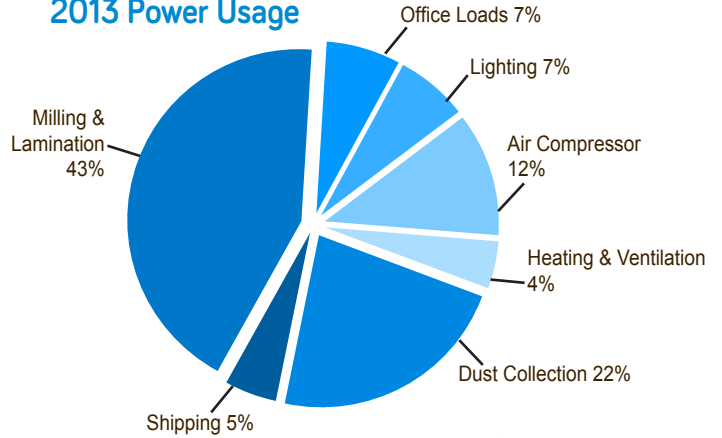
Although Sauder's 2013 CO₂e* per ton produced was up from 2012, Sauder's overall CO₂e* per ton of furniture produced is still down 6.4% from our baseline year of 2008. Short-term mechanical issues at Sauder's cogeneration facility and unusually cold weather masked the long-term impact that was achieved by energy reduction projects.

During 2013, Sauder replaced inefficient, high-intensity lighting with energy-efficient fluorescent fixtures in over 200,000 square feet of operations space. In addition, motion sensors and other lighting control systems were installed in approximately 1.4 million square feet of warehouse space. Collectively, these enhancements will reduce Sauder's annual energy usage by 1.8 million kWh. Sauder also continued to install state-of-the-art EcoGate controls on its dust collection systems. This multi-year, multi-million dollar project will reduce the energy usage of dust collection systems by 40-50%.

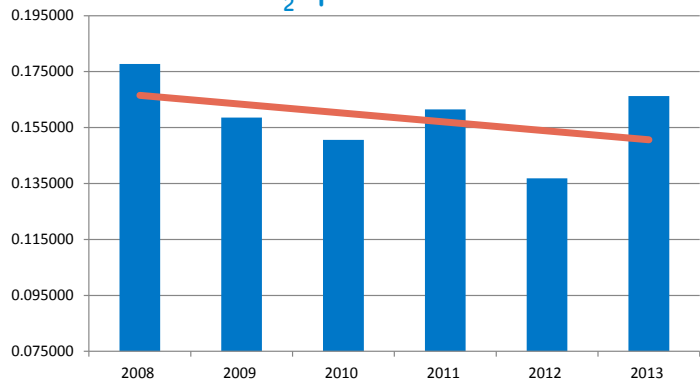
Sauder's focus on energy conservation extends into the office and even into the community. During late 2013, Sauder's information services team replaced virtually all of the Company's servers with a combination of smaller, lighter, blade servers and cloud servers. This significant project generated a 50% reduction in the energy used to operate the server network. In addition, two local school districts commissioned commercial-grade wind turbines during 2013. Sauder supported this bold, renewable energy initiative by purchasing the majority of the renewable energy credits (RECs) from each of the schools.

Looking forward, Sauder has identified a number of significant energy efficiency projects for 2014. These projects include expanding the use of Eco-Gate controls on dust systems, a major co-generation turbine overhaul and boiler re-tubing project, external campus and parking lot lighting conversions, compressed air optimization, and co-generation steam flow improvements. All of these projects will contribute to a reduced carbon footprint in 2014 and beyond.

2013 Power Usage



Tons CO₂e per Ton Produced



* 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.



Solid Waste & Recycling

Erie Sauder's naturally frugal nature and early adoption of the "Three Rs" – Reduce, Reuse, and Recycle – set the tone for Sauder. The Three R's are still widely practiced at Sauder. Incoming materials are examined for opportunities to reduce packaging. Materials are creatively re-used, and a diverse set of materials are recycled. The results of these efforts are remarkable. During 2013, Sauder re-used or recycled 98.6% of the total waste generated. In fact, Sauder has reduced the amount of landfilled waste per ton produced by 46.5% since 2008.

Fly ash from the co-generation process accounts for approximately half of the remaining waste that goes to the landfill. Although Sauder was unsuccessful in identifying an alternative to landfilling this fly ash, a broad range of grass roots initiatives are making a positive impact on other categories of landfilled waste. Teams from both manufacturing and order fulfillment are taking steps to make it more convenient to recycle material. In fact, one team's stated goal is to make it easier to recycle material than to throw it away.

Excluding wood waste, Sauder recycled 64.7% of the remaining solid waste. Since 2008, Sauder has more than doubled in the percentage of non-wood waste that is recycled.



Part storage in recycled crates



Recycled paper

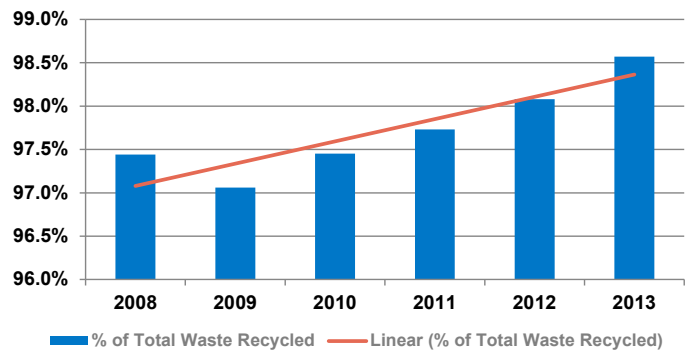


Dedicated recycling centers

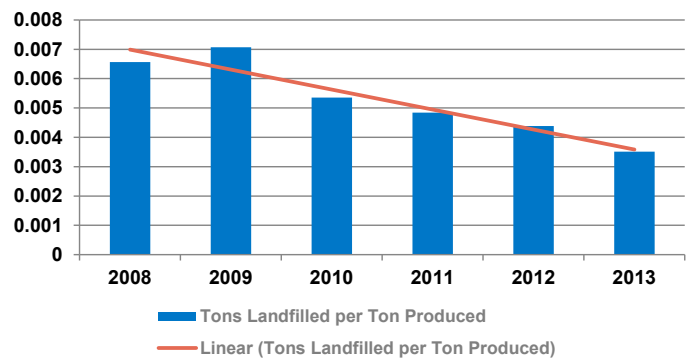
Water Conservation

Approximately 90% of the water consumed by Sauder evaporates as part of the cooling process at the co-generation facility. Therefore, the focus on water conservation has naturally been on the co-gen plant. During late 2013, Sauder took the final step in commissioning its new reverse osmosis (RO) water treatment equipment. The RO system will eliminate most of the water treatment chemicals and ultimately help reduce total water consumption by the co-gen facility.

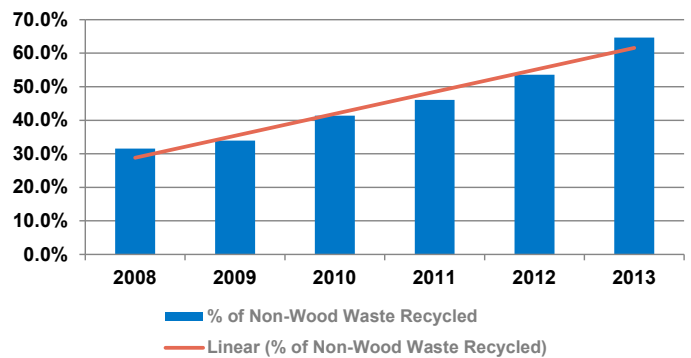
% of Total Waste Recycled



Tons Landfilled per Ton Produced



% of Non-Wood Waste Recycled



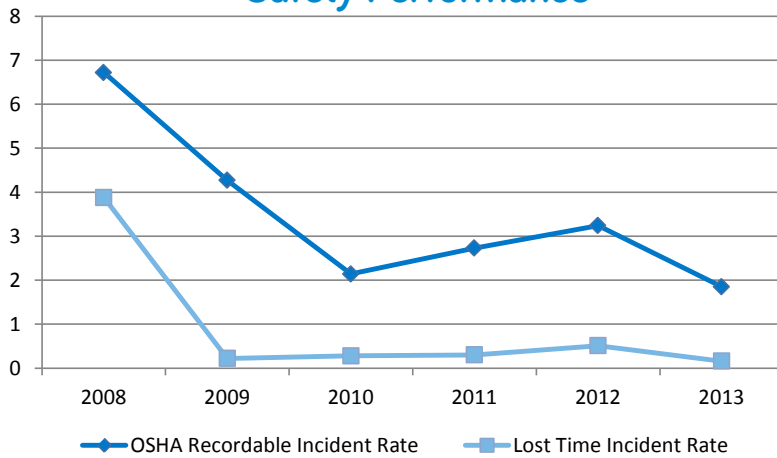
Employee Safety

Sauder is on a "Journey to Zero" safety incidents. To help us get there, Sauder has launched a comprehensive, employee-led safety system. Modeled after the world-class safety system in place at Milliken & Company, the new Sauder Safety System is being piloted in the manufacturing area before being expanded to encompass other parts of the Sauder organization.



The early steps on this journey are making a positive difference. Sauder recently recorded a period of over 3.4 million work hours without a lost time incident, and its overall incident rate of 0.16 was not only the best in Sauder history, but also less than 15% of the industry average. The National Safety Council recognized this outstanding safety performance by awarding Sauder its 2014 Occupational Excellence Achievement Award. While Sauder is pleased with this progress, we will not be satisfied until we achieve our goal of zero incidents and accidents.

Safety Performance



Safety award for over 3 million work hours without a lost time incident

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 levels. 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 products meet or exceed all applicable requirements for safety and performance.



Conclusion

Environmental stewardship and a commitment to employee safety and regulatory compliance are not new to Sauder. Stewardship and servanthood are part of our corporate DNA. Our 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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